

CHRISTINE O. GREGOIRE  
Governor



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## **Gov. Gregoire announces budget reduction alternatives**

*List presented to Legislature to help close a \$2 billion state budget gap*

**OLYMPIA** – Gov. Chris Gregoire today presented a list of budget reduction alternatives as a starting point to the conversation lawmakers must engage in to resolve the state's budget deficit.

“These budget alternatives will impact real people,” Gregoire said. “They’re all around us. They’re in our neighborhoods, on our streets, in our schools – and they have needs the state will no longer be able to meet. I put myself in the shoes of the people who will be hurt. I asked myself of all the services our citizens receive, which ones are the most important and which ones – by necessity – are we forced to do without.”

“This is a beginning,” Gregoire continued. “I expect additional feedback from communities and various stakeholder groups that I will certainly consider before I present a more complete budget next month. This list will likely change before then. But not much – our options are limited. We’ve already cut \$10 billion from state government over the last three years, which leaves very few options moving forward. I said the work of slashing our budget by another \$2 billion would be dreadful, and that’s what it is. Washingtonians are going to get a lot less of what they need.”

In August, Gregoire directed state agencies to submit to the Office of Financial Management a list of options to reduce agency budgets by up to 10 percent. Since then, the governor has worked tirelessly with her Cabinet and budget advisors, and continued to solicit ideas from state employees and citizens, to identify additional expenditure reductions to achieve \$2 billion in savings.

Reductions that will likely be included in Gregoire’s November budget proposal would:

- Eliminate the Basic Health Plan, ending subsidized health care to 35,000 low-income individuals.
- Cut off medical services to 21,000 people enrolled in the state’s Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs.

- Trim 15 percent from the support the state provides to colleges and universities.
- Reduce levy equalization, which helps property poor districts, by 50 percent.
- Cut the length of supervision for all offenders, based on severity of offense. Sex offenders will be supervised for 24 months, and all other offenders, for 12 months.

“This is what our choices look like even after we let go of thousands of state workers and cut money to our public schools, our colleges and universities, our prisons, and shredded our safety net for the old, sick, and poor,” Gregoire said. “This is what our options look like even after we’ve taken the biggest steps in decades to make government leaner and more efficient.”

“I don’t want anyone to think that I like these options,” Gregoire added. “These choices were made out of necessity due to a drop in consumer confidence brought on by actions on Wall Street, inaction by Congress and the European debt crisis. The list of options I’ve presented hurts. This is not what I signed up for when I started as a caseworker 40 years ago. But it’s what the world economy handed our state and our country.”

For a full list of cut options and a look at the governor’s preferred choices, visit:

<http://www.ofm.wa.gov/reductions/alternatives/default.asp>

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October 27, 2011

Honorable Members of the Washington State Legislature:

Despite three years of cutting budgets, reducing and eliminating services, and transforming government, Washington faces yet another major challenge. The September revenue forecast has forced another major overhaul of the state operating budget, this time to accommodate a drop of nearly \$1.4 billion. Given signs that the November forecast is likely to bring additional bad news, I have prepared a list of alternatives that represent total expenditure reductions of more than \$2 billion for the 2011–13 biennium. We will need at least that much to balance the budget and maintain a reserve.

After earlier rounds of tough budget cutting, it is clear to me that across-the-board reductions — the only tool available under law to a governor — are untenable. Nonetheless, given the magnitude of the shortfall, it is necessary that we look to each state agency, program, board and commission for additional savings.

While my staff and I are preparing the formal supplemental operating budget for submission next month, today I offer a starting point to the conversation we must engage in to resolve our budget problem. Attached is a summary of alternatives I am considering to reach savings of approximately \$2 billion. To compile this list, I worked with agency directors to identify expenditure reductions in addition to the 5 percent and 10 percent reduction options submitted last month to the Office of Financial Management.

As you will see, I have identified alternatives, most of which will likely be included in my supplemental budget proposal next month to launch this discussion. As I receive feedback from around our state, I may include others.

The alternatives we have identified are very difficult and will undoubtedly cause concern across the state. They cause me concern. Many of these are reductions or reforms that I proposed previously but were not adopted by the Legislature. And now, to solve this even greater problem, I have looked at potential service reductions and eliminations that, quite frankly, would never have been considered just a few years ago.

In developing this list of alternatives, I directed my budget staff to follow several guiding principles:

- ▶ Our state's economic recovery must be a top priority.
- ▶ Our children deserve the best public education we can provide to ensure their future success and that of our state.

- ▶ Our vulnerable citizens continue to need protection despite — and perhaps in part due to — these tough times.
- ▶ Our citizens must be safe in their homes and communities.
- ▶ Service delivery is a more important investment of declining tax dollars than is advocacy.
- ▶ These principles must evolve when funding is tight. Our citizens should be served to the best of our ability with limited available funds.

While we have worked to adhere to these principles, reductions of this magnitude are impossible without harming many important programs and services. For example, the reductions that will likely be included in my November budget proposal would:

- ▶ Eliminate the Basic Health Plan, ending subsidized health care to 35,000 low-income individuals.
- ▶ Cut off medical services to 21,000 people enrolled in the state's Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs.
- ▶ Trim 15 percent from the support we provide to our colleges and universities.
- ▶ Reduce levy equalization, which helps property poor districts, by 50 percent.
- ▶ Cut the length of supervision for all offenders, based on severity of offense. Sex offenders will be supervised for 24 months, and all other offenders, for 12 months.

The alternatives we have put forward could have dire repercussions for the citizens of our state, especially those who have already been affected the most by previous cuts to state services. But the Great Recession has taken an almost unprecedented toll on our state's revenue stream and left us with very few options. While I have worked diligently to stay true to the values and principles that I believe reflect those held by Washingtonians, I recognize that they will not be fulfilled as the recession holds us in its grip.

I look forward to receiving your input in the next few weeks as we work together in the special session on behalf of the people of Washington.

Sincerely,



Christine O. Gregoire  
Governor

cc: Marty Brown, Director, Office of Financial Management  
Marty Loesch, Chief of Staff, Office of the Governor  
David Schumacher, Senate Ways & Means Committee  
Charlie Gavigan, House Ways & Means Committee



# Budget Reduction Alternatives

Office of the Governor  
October 2011



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**IN THE NARRATIVES THAT FOLLOW:**

(★) Indicates that Governor Gregoire has tentatively chosen to include the item in her 2012 supplemental budget proposal in November.

**ALSO NOTE:**

- ▶ Many items will require notice to clients or providers.
- ▶ Many items will require legislation.
- ▶ Impact descriptions, dollar amounts and effective dates are preliminary and subject to revision due to caseload forecast changes and other adjustments. Numbers have been rounded and may not exactly match numbers in the listing of *General Fund Reduction Alternatives* beginning on page 27.
- ▶ Unless otherwise noted, all dollar amounts are General Fund-State.
- ▶ Dates for eliminations and reductions in services vary. Dates may vary for elimination and an alternative reduction, too, for the same program or service.



## EDUCATION

### DEPARTMENT OF EARLY LEARNING

**Reduce preschool enrollment by 25 percent** **\$14.0 million**

Cuts ECEAP (Early Childhood Education and Assistance Program) services for all 3-year-olds except those necessary to maintain viable classrooms with 4-year-olds, plus 1,157 (17 percent) of 4-year-olds, for a total of 2,223 fewer enrollments.

**Alternative: Reduce enrollment by 11 percent** **\$6.0 million**

Cuts ECEAP services to all eligible 3-year-olds, except where needed to maintain a viable classroom (loss of 1,065 preschool enrollments).

**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 children of undocumented 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 will reduce services by 11 percent.

**Reduce administration (★)** **\$950,000**

### OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION

**Delay June 30, 2013, apportionment payment to July 1, 2013 (★)** **\$330.0 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.

**Eliminate state levy equalization payments to school districts with higher school property tax rates** **\$300.0 million**

Ends equalization funds to all eligible districts. Some districts could make up for some or all of the reduction by seeking to increase their local voter-approved levies; others will not be able to.

**Alternative: Reduce levy equalization payments by 50 percent (★)** **\$150.0 million**

**Alternative: Reduce levy equalization payments by 25 percent** **\$75.0 million**

**Alternative: Reduce levy equalization payments by 10 percent** **\$30.0 million**

**Eliminate school bus transportation** **\$220.0 million**

Shifts responsibility for transporting students to parents and communities through local transit systems, beginning in the 2012–13 school year. Maintains required transportation for eligible children with disabilities.

<b>Increase class size by two students in grades 4–12 (★)</b>	<b>\$137.0 million</b>
Boosts class size ratios of students to teacher as follows: grades 4–6: from 27 to 29; grades 7–8: from 28.5 to 30.5; and grades 9–12: from 28.7 to 30.7. Will result in fewer teachers, thus increasing class sizes.	
<b>Reduce school year by one week — from 180 to 175 days</b>	<b>\$125.0 million</b>
Reduces length of school year by 3 percent. Offsets the loss of instructional time by reducing or eliminating non-instructional activities.	
<b>Shift bus depreciation payment from October to August (★)</b>	<b>\$49.0 million</b>
Delays state payments to school districts for bus replacement by 10 months.	
<b>Eliminate National Board certification bonuses</b>	<b>\$40.0 million</b>
Ends annual bonuses to 5,800 teachers certified by the National Board, including additional bonuses for Board-certified teachers working in challenging schools.	
<b>Alternative: Reduce National Board certification bonuses (★)</b>	<b>\$8.4 million</b>
Reduces bonuses from \$5,000 to \$4,000.	
<b>Eliminate full-day kindergarten</b>	<b>\$38.0 million</b>
Terminates full-day kindergarten classes for 16,900 students in high poverty schools.	
<b>Base school funding on an average daily attendance calculation</b>	<b>\$33.0 million</b>
Reduces state allocations to schools by basing funding on daily attendance instead of monthly enrollment.	
<b>Alternative: Revise state attendance policy (★)</b>	<b>\$6.4 million</b>
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.	
<b>Eliminate or reduce small grants and projects (★)</b>	<b>\$9.0 million</b>
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, Building Bridges, STEM Lighthouses, nonviolence training and Jobs for America’s Graduates (JAG). Cuts by 20 percent LASER, Washington Reading Corps, Leadership Academy, College Readiness, Achievers Scholars and IT Academy.	
<b>Reduce staffing for small high schools (★)</b>	<b>\$5.0 million</b>
Shrinks staffing formula for high schools serving fewer than 300 full-time students from minimum of nine full-time teachers to a minimum of eight.	
<b>Reduce administration by 10 percent (★)</b>	<b>\$600,000</b>

## SCHOOL FOR THE BLIND AND CENTER FOR CHILDHOOD DEAFNESS AND HEARING LOSS

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**Reduce state support for the school and the center** **\$1.4 million**  
Cuts budgets for each by 10 percent, starting in the 2012–13 school year.

**Alternative: Reduce each by 5 percent (★)** **\$711,000**

## HIGHER EDUCATION

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**Eliminate State Need Grant financial aid to students** **\$303.0 million**  
Ends the state's largest financial aid program, which provides grants to 70,000 low-income students.

**Alternative: Reduce maximum State Need Grant award by 25 percent** **\$68.4 million**  
Cuts State Need Grant to all eligible students, resulting in a maximum award amount of \$8,159 instead of \$10,879.

**Alternative: Limit State Need Grant eligibility to public institutions** **\$30.6 million**  
Makes students attending private colleges and universities ineligible.

**Alternative: Reduce State Need Grant eligibility to 55 percent of median family income** **\$25.5 million**  
Reduces eligibility to those students with family incomes at or below 55 percent of the state median family income (\$45,000 per year for a family of four).

**Reduce state support to colleges and universities by 20 percent** **\$222.0 million**  
Cuts General Fund-State support to the six public colleges and universities, and 34 community and technical colleges in the second year of the biennium.

**Alternative: Reduce by 15 percent (★)** **\$166.0 million**

**Alternative: Reduce by 10 percent** **\$111.0 million**

**Suspend State Work Study program (★)** **\$8.0 million**  
Cuts aid to 7,600 students at public and private colleges and universities beginning fall term 2012.

## SOCIAL AND HUMAN SERVICES

### CHILDREN'S ADMINISTRATION

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**Maximize federal funding (★) \$14.5 million**  
 Identifies adoption- and foster care-related costs that can be covered with federal funds. The state provides adoption and foster care services to about 24,000 children monthly.

**Reduce use and rates of contracted services (★) \$13.0 million**  
 Cuts the number of placements in group homes and reduces fees paid to child placement agencies. Prevents overpayments to improve program accountability.

**Eliminate state funds for domestic violence programs \$9.4 million**  
 Terminates state funds for domestic violence shelters that serve about 16,700 individuals annually. Retains funding for non-shelter services.

**Alternative: Reduce by 10 percent (★) \$946,000**

**Increase client-to-social worker ratio (★) \$8.2 million**  
 Changes the average ratio of children to social worker. Affects only those social workers, associated supervisors and support staff employed in child welfare. Does not reduce the number of social workers in Child Protective Services.

**Eliminate child welfare programs (★) \$7.3 million**  
 Terminates specialized child welfare programs such as receiving care centers, continuum of care, sex abuse recognition training, children's advocacy centers, educational coordinators, foster care assessment, adoption support recruitment and street youth. Approximately 5,700 children receive these services annually.

**Reduce services (★) \$4.7 million**  
 Reduces the Pediatric Interim Care Center, foster parent child care and support services, receiving care services, maintenance overpayments, evaluation and treatment, sexually aggressive youth services, family preservation training and the responsible living skills program for adolescents.

**Eliminate family reconciliation services (★) \$4.7 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 (★) \$876,000**  
 Shortens the length of stay for 200 hard-to-place foster children now in care.

## CHEMICAL DEPENDENCY

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**Reduce chemical dependency services (★) \$14.5 million**

Reduces out-patient and detoxification chemical dependency services for 11,000 low-income clients.

**Eliminate Disability Lifeline and ADATSA (★) \$5.2 million**

Terminates the Disability Lifeline and ADATSA (Alcohol and Drug Abuse Treatment and Services Act) medical programs, affecting 15,000 clients who receive chemical dependency services.

**Eliminate long-term residential and recovery house services (★) \$2.7 million**

Ends funding for long-term residential services in excess of 90 days for 223 clients who are chronically chemically dependent or disabled. Terminates funding for five recovery houses, which serve 299 clients after they have finished their 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.

**Convert funding to county block grant (★) \$2.1 million**

Introduces flexibility for funding chemical dependency services, which will be distributed to counties in a block grant to maximize the efficient and flexible use of resources.

**Capture Criminal Justice Treatment Account underexpenditure (★) \$2.1 million**

Uses underspent Criminal Justice Treatment Account funds to offset state chemical dependency costs for drug courts.

**Limit detoxification visits (★) \$1.9 million**

Reduces the number of admissions to two per year, which will eliminate 2,020 visits annually.

**Limit chemical dependency assessments (★) \$188,000**

Reduces the number of assessments to two per year, which will eliminate 251 assessments annually.

## DEVELOPMENTAL DISABILITIES AND LONG-TERM CARE

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**Change eligibility requirements \$204.3 million**

Raises eligibility requirements and eliminates services for 25,000 developmentally disabled and elderly clients who now receive services ranging from in-home assistance with eating, bathing, medication management and toileting, to extensive hands-on assistance in a nursing home.

**Alternative: Reduce eligibility for services (★) \$35.0 million**

Changes the eligibility for Medicaid personal care, nursing facility services and residential habilitation institutional services. Eliminates services for 5,000 elderly clients and 800 individuals with developmental disabilities.

- Eliminate health care insurance for home care providers** **\$74.4 million**  
Terminates health care insurance for agency providers and individual providers, who assist individuals with developmental disabilities and in long-term care with activities of daily living. This affects 12,000 agency providers and 32,600 individual providers.
- Create a new provider classification** **\$59.9 million**  
Creates a third classification of in-home care provider — the family member provider — to allow eligible long-term care and developmental disability clients to receive help with personal care and household tasks when other resources are not available. The two current classifications are agency provider and individual provider.
- Consolidate developmental disability waivers (★)** **\$12.0 million**  
Merges the Basic and Basic Plus waivers into a single waiver 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.
- Eliminate rate add-ons for nursing homes and assisted living (★)** **\$9.9 million**  
Stops rate add-ons given to providers to take more Medicaid clients, reduce staffing ratios and increase wages. Monthly, nursing homes serve more than 10,000 elderly individuals and assisted living facilities serve more than 4,500 individuals.
- Eliminate state-only employment and day services (★)** **\$9.1 million**  
Terminates supported employment services for 488 clients with developmental disabilities who have not been placed in a Medicaid waiver program.
- Reduce administrative rates for home care agencies** **\$8.8 million**  
Cuts the administrative payment that agency providers receive for overhead expenses from \$5.00 per hour to \$4.00.
- 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 Senior Citizens Services Act funding** **\$7.8 million**  
Reduces funding to the minimum level necessary to satisfy the maintenance-of-efforts requirements (minimum match required by the state to accept federal funds) of the Older Americans Act.
- Alternative: Reduce 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.
- Eliminate Adult Day Health program (★)** **\$4.1 million**  
Makes ineligible nearly 1,000 individuals with developmental disabilities or in long-term care who now receive assistance with medication management, cognitive and physical therapies, and group interactions.

**Eliminate Volunteer Chore Services program** **\$2.8 million**

Terminates program that each year enables more than 295,000 individuals with functional or cognitive impairments to receive assistance with household tasks, yard work, transportation, minor home repairs and other activities.

**Alternative: Reduce funding by 20 percent (★) \$560,000**

**Close one residential habilitation center (★) \$2.0 million**

Shutters 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.

**ECONOMIC SERVICES****Reduce state funding for subsidized child care by 18 percent** **\$75.0 million**

Affects 6,000 children whose low-income families now receive subsidized child care while parents are working.

**Alternative: Reduce by 12 percent (★) \$50.0 million**  
Affects 4,000 children.

**Eliminate aged, blind or disabled grants** **\$29.7 million**

Terminates monthly grants to more than 15,000 individuals who are aged, blind or disabled, or who are qualified to seek Social Security Income assistance. Current maximum monthly grant is \$197.

**Reduce TANF time limit** **\$26.5 million**

Shrinks maximum time a family can receive a TANF (Temporary Assistance to Needy Families) grant from 60 to 36 months, which eliminates eligibility for nearly 4,600 families.

**Alternative: Reduce time limit to 48 months (★) \$18.3 million**  
Affects 1,900 families.

**Reduce TANF grants by 5 percent** **\$19.4 million**

Cuts TANF grants by 5 percent, which for a family of three will shrink the monthly amount by \$23 — to \$454.

**Alternative: Reduce grant amounts by 2 percent (★) \$7.7 million**  
Shrinks monthly grant to \$468.

**Earn federal TANF contingency funds (★) \$17.6 million**

Awaiting receipt of new federal funds.

**Eliminate State Food Assistance program (★) \$14.5 million**

Halts food assistance to an estimated 13,000 individuals each month who are not eligible for federal food assistance due to lack of documentation of citizenship.

<b>Eliminate Disability Lifeline medical program (★)</b> Terminates medical services to 21,000 clients.	<b>\$8.7 million</b>
<b>Eliminate State Family Assistance program (★)</b> Stops cash assistance to 1,200 families who do not meet TANF eligibility criteria due lack of documentation of citizenship. The average monthly payment is \$240.	<b>\$6.0 million</b>
<b>Eliminate naturalization services (★)</b> Ends naturalization services to legal immigrants attempting to become U.S. citizens. The program serves about 4,400 individuals annually.	<b>\$2.6 million</b>
<b>Reduce funding for refugee and limited English proficiency services (★)</b> Cuts 15 percent of program that will now target clients with the lowest level of English-as-a-Second language proficiency. Serves 4,900 clients annually, of whom 735 will become ineligible.	<b>\$1.8 million</b>
<b>Restrict replacement of electronic benefits transfer cards (★)</b> Halts replacement of EBT's in DSHS Community Service Offices, except in case of emergency, effective July 1, 2012. Cards are used for cash and food for low-income clients.	<b>\$752,000</b>

## **JUVENILE REHABILITATION ADMINISTRATION**

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<b>Eliminate parole services for juveniles</b> Terminates all parole treatment and services for youths. Parole services are now provided to approximately 400 juveniles each month.	<b>\$19.1 million</b>
<b>Alternative: Reduce parole services by 20 percent (★)</b> Cuts will reduce the time in which parole is provided or reduce the number of juveniles served.	<b>\$3.8 million</b>
<b>Reduce juvenile court county funds by 20 percent (★)</b> Cuts funding sent to counties for evidence-based programming that serves juveniles, affecting approximately 1,900 youths.	<b>\$5.5 million</b>
<b>Close a youth camp (★)</b> Shutters one facility and transfers youths to other state facilities.	<b>\$3.8 million</b>
<b>Reduce caseload and increase efficiencies in facility transitions (★)</b> Releases juveniles with non-violent offenses and a low-risk score on the minimum release date. Achieves additional savings by delaying new hires and services during facility transitions.	<b>\$3.3 million</b>
<b>Eliminate expansion of juvenile behavioral therapy programs (★)</b> Terminates therapy for approximately 200 aggressive youths and their families.	<b>\$750,000</b>

## MENTAL HEALTH

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**Close hospital wards and change eligibility standards** **\$57.8 million**  
 Closes four state hospital wards and places 120 patients in community settings. Eligibility and benefits changes will limit the use and cost of community-based Medicaid services.

**Alternative: Close two civil wards at Western State Hospital (★)** **\$1.5 million**  
 Closes two wards and places 60 patients in community settings.

**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 utilization of community-based and institutional mental health services.

**Reduce regional support network Medicaid rates** **\$11.6 million**  
 Reduces Medicaid payments by 4 percent. About 43,000 Medicaid recipients per month receive services through these organizations that deliver mental health services for Medicaid and non-Medicaid clients in communities across the state.

**Alternative: Implement utilization management (★)** **\$9.5 million**  
 Institutes process to reduce excessive use of mental health services.

**Close state hospital wards for dementia and traumatic brain injury clients (★)** **\$5.1 million**  
 Shuts down two wards at Western State Hospital and places 52 patients in long-term care community settings.

**Reduce non-Medicaid funding for regional support networks (★)** **\$4.9 million**  
 Cuts funding for mental health services provided by regional support networks to 8,000 non-Medicaid clients per month.

**Capture savings in ITA and offender reentry program (★)** **\$3.2 million**  
 Lowers funding to match expected spending for pharmaceuticals, equipment and professional fees for individuals who are involuntarily committed to a community mental health hospital. Also trims funding for mental health services to dangerously mentally ill offenders released from correctional institutions.

**Use federal block grant for waived mental health services (★)** **\$2.1 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 (★)** **\$1.8 million**  
 Reduces number of regional support networks from 13 to six by Jan. 1, 2013.

**Eliminate Spokane acute care diversion proviso** **\$1.7 million**  
 Removes 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.

**Alternative: Reduce by 50 percent (★)** **\$844,000**

**Eliminate hospital bed penalty charged to regional support networks (★)** **\$1.5 million**  
Terminates the penalties charged to regional support networks that excessively direct their clients to the state hospital system.

## **ADMINISTRATION**

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**Reduce payments to other agencies by 10 percent (★)** **\$5.4 million**

**Eliminate non-core mental health programs (★)** **\$1.4 million**  
Terminates the TeamChild, Juvenile Detention Alternatives Initiative and Washington Mentoring programs.

**Reduce administration (★)** **\$841,000**

**Eliminate community initiative funding (★)** **\$700,000**  
Terminates funding for a public/private partnership that supports at-risk youth and families.

## HEALTH SERVICES

### HEALTH CARE AUTHORITY

#### **Change eligibility for Children's Health Insurance Program** **\$145.0 million**

Terminates funding for 134,000 categorically needy children, as defined by the Medicaid program, above 150 percent of the federal poverty level, which is \$33,525 for a family of four. Families will have the option to purchase full health care coverage at 100 percent of the premium.

#### **Alternative: Implement premiums for children over 150 percent of the federal poverty level (★)** **\$22.1 million**

Holds premiums between \$50 and \$75 so that no family will pay more than 5 percent of income.

#### **Suspend adult Medicaid pharmacy benefits** **\$127.3 million**

Halts state Medicaid plan from providing adult coverage for 277,000 clients now receiving outpatient drugs from a retail pharmacy, effective Jan. 1, 2012. Children will continue to receive benefits. Includes a 36 percent offset for increased medical costs. *Medicaid-optional program.*

#### **Eliminate Disability Lifeline medical program (★)** **\$110.0 million**

Ends medical services to 21,000 clients enrolled in the Disability Lifeline and ADATSA (Alcoholism and Drug Abuse Treatment Support Act) programs.

#### **Eliminate Medically Needy Medicaid program** **\$61.2 million**

Terminates program now serving 13,000 Medicaid clients, effective Jan. 1, 2012.

#### **Eliminate Basic Health Plan (★)** **\$48.1 million**

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

#### **Establish drug formulary for Medicaid clients (★)** **\$37.0 million**

Sets up formulary for preferred generic drugs.

#### **Reduce Apple Health for Kids** **\$34.0 million**

Eliminates medical coverage for approximately 25,000 undocumented children.

#### **Alternative: Implement premiums for children over 150 percent of the federal poverty level (★)** **\$1.2 million**

Holds premiums between \$20 and \$50 so that no family will pay more than 5 percent of income.

#### **Reduce certified public expenditure hospitals (★)** **\$27.8 million**

Cuts state 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.

**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 July 1, 2012. Affects 41 critical access hospitals, which are facilities in underserved rural communities.

**Eliminate maternity support services \$20.9 million**

Ends program that provides services to 55,000 pregnant women who are at risk of unhealthy birth outcomes. *Medicaid-optional program.*

**Alternative: Reduce by 50 percent (★) \$9.6 million**

Maintains the minimum level required by the federal government.

**Eliminate disproportionate share grants (★) \$13.1 million**

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

**Discontinue routine dental care for persons with developmental disabilities, long-term care clients and pregnant women (★) \$11.7 million**

Affects 38,000 individuals who will receive only emergency dental services. *Medicaid-optional program.*

**Eliminate over-the-counter pharmaceutical coverage (★) \$9.9 million**

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

**Institute medical services cost sharing (★) \$6.1 million**

Implements cost sharing for prescription services, non-emergent client transportation, non-emergent emergency room visits and physician services.

**Eliminate medical interpreter services (★) \$4.8 million**

Discontinues the state subsidy that covers the cost of interpreter services offered by medical providers to communicate with Medicaid clients whose primary language is not English. *Medicaid-optional program.*

**Eliminate state funding for school-based Medicaid (★) \$3.2 million**

Shifts remaining cost for school-based medical services from state funds to local district funds to earn federal Medicaid reimbursement.

**Eliminate health care for workers with disabilities \$1.9 million**

Terminates this program for 2,100 clients who receive health benefits so they can get healthy and keep their jobs. *Medicaid-optional program.*

**DEPARTMENT OF HEALTH****Eliminate Blue Ribbon Commission Act public health funds (★) \$9.8 million**

Terminates state support to local public health departments to increase vaccinations and reduce obesity and chronic and communicable diseases. Half of these funds were cut in the 2009–11 budget.

**Reduce public health prevention and protection (★) \$7.2 million**

Cuts state funds for HIV prevention outreach and direct client services by 10 percent. 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 \$6.8 million**

Cuts grants that help local jurisdictions provide family planning-related services. This reduction may limit access to clinics.

**Alternative: Reduce by 10 percent from base funding (★) \$1.8 million****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 (★) \$936,000****Reduce health care and emergency medical systems (★) \$739,000**

Cuts emergency medical systems and area health education centers. Eliminates malpractice insurance program for volunteer retired provider.

## PUBLIC SAFETY

### DEPARTMENT OF CORRECTIONS

**Eliminate offender supervision** **\$97.0 million**

Terminates offender supervision except for interstate cases and special sentences. Includes an offset of \$30 million for community public safety impacts.

**Alternative: Implement offender supervision reforms (★)** **\$27.0 million**

Institutes efficiencies and evidence-based practices in supervision of violator population. Reduces the length of supervision to 12 months for all offenders except sex offenders, who will be supervised for 24 months.

**Allow early release of offenders (★)** **\$18.0 million**

Releases 150 days early offenders assessed at low to moderate risk of reoffending, and sex offenders assessed at low to moderate risk of reoffending. Closes one minimum-security camp and changes security level of Washington State Reformatory at Monroe from medium to minimum security.

**Repurpose Old Main at Walla Walla** **\$16.2 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.

**Alternative: Repurpose Old Main and invest savings in safety improvements as recommended by a safety committee (★)** **\$13.8 million**

**Eliminate chemical dependency programming for offenders** **\$11.1 million**

Ends chemical dependency treatment to all offenders except where required by the courts through special sentencing alternatives.

**Alternative: Reduce chemical dependency programming (★)** **\$5.0 million**

Retains chemical dependency treatment for offenders sentenced under the Drug Offender Sentencing Alternative. Reduces treatment for offenders in prison and on community supervision by 50 percent.

**Reduce administration and maintain vacancy savings (★)** **\$9.6 million**

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

**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.

**SPECIAL COMMITMENT CENTER**

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**Expedite court hearings for low-risk residents (★)** **\$1.8 million**  
Identifies residents deemed to be at low risk of reoffending and advances them to the courts for consideration of release.

**Limit funding for costs for sexually violent predator commitment trials (★)** **\$1.3 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.

**Reduce general services (★)** **\$1.2 million**  
Cuts food and nursing services, recreation and contracts.

**STATE PATROL**

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**Charge fee to local governments for use of State Crime Lab (effective July 1, 2012) (★)** **\$4.5 million**  
Requires local governments to pay a fee for crime lab services related to non-violent crimes now offered at no cost.

## 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.

**Eliminate international marketing program \$1.6 million**

Cuts program that helps Washington farmers and ranchers to sell crops and agricultural products on international markets.

**Alternative: Reduce by 50 percent \$773,000**

**Eliminate invasive knotweed control program \$758,000**

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

**Alternative: Shift program to the Aquatic Lands Enhancement Account and Freshwater Aquatic Weeds Account (★) \$758,000**

### CONSERVATION COMMISSION

**Reduce administrative/operations grants to conservation districts (★) \$1.4 million**

Reduces administrative and operations grants to conservation districts by 57 percent to encourage districts to pursue local assessments. To date, only 15 of 47 conservation districts have implemented local assessments to fund district administration and projects.

### DEPARTMENT OF ECOLOGY

**Reduce staff funded through General Fund-State (★) \$2.6 million**

Holds vacant 14 state-funded positions in a number of programs, including air quality, water resources, water quality and administration. Will reduce capacity for motor vehicle emission testing, stream-flow monitoring, water quality permit administration and water resources management.

**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.

## DEPARTMENT OF FISH AND WILDLIFE

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**Replace hydraulic project permit General Fund-State support with alternative funding (★) \$1.9 million**

Cuts GF-S funding and explores other ways of supporting this program, which helps protect fish from impacts of projects in rivers and streams.

**Close hatcheries and fisheries \$1.6 million**

Closes the Samish and Nemah hatcheries, which will halt production of all fall Chinook salmon in the Nooksack/Samish region and about 40 percent of Chinook and chum salmon production in Willapa Bay. Reduces the Puget Sound sea urchin and sea cucumber fishery and closes all state commercial salmon and sturgeon fisheries in Grays Harbor.

**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 salmon recovery and habitat protection \$1.2 million**

Reduces summer chum recovery efforts in Hood Canal and Grays River, along with several salmon monitoring activities. Delays hydraulic project permit processing, which will reduce fish protection and delay the start of projects. Also cuts technical assistance to salmon recovery groups.

**Reduce senior management (★) \$1.1 million**

Eliminates six division and regional managers at headquarters and regional offices.

**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.

**Eliminate Puget Sound toxic sampling in fish \$714,000**

Terminates sampling of Pacific herring and English sole for toxic contaminants, which will hamper the state's ability to track progress in reducing toxics in sediments.

**Alternative: Shift program to the Aquatic Lands Enhancement Account (★) \$714,000**

**Reduce shellfish harvest and management \$536,000**

Reduces clam and oyster seed planting on public beaches by 30 percent, resulting in a 20 percent reduction in recreational harvest within two to three years. Eliminates two Puget Sound crab and shrimp managers, which will delay openings for winter crab fisheries and lowered catch limits.

**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.

**Shift equipment purchases to the Fish and Wildlife Equipment Revolving Fund (★)** **\$355,000**

Shifts a portion of GF-S equipment purchases to this revolving fund.

**Eliminate ballast water inspections in Puget Sound and the Columbia River** **\$352,000**

Terminates ballast water inspections of commercial vessels entering the state, which will hamper the ability to prevent the introduction of aquatic invasive species such as zebra mussels.

**Alternative: Shift program to the Aquatic Lands Enhancement Account (★)** **\$352,000**

**Suspend agricultural damage payments (★)** **\$300,000**

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

## **DEPARTMENT OF NATURAL RESOURCES**

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**Capture fire suppression savings (★)** **\$2.0 million**

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

**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.

**Use existing funds for Agriculture College Trust management (★)** **\$270,000**

Due to the current fund balance, the agency will not require state support for land and timber management activities on the Agriculture College Trust lands.

## **STATE PARKS**

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**Reduce state support by 10 percent** **\$1.7 million**

Holds vacancies, cuts park maintenance and cancels a contract with local sheriffs for ocean beach enforcement.

## GENERAL GOVERNMENT

### CENTRAL SERVICES CHARGES/STATEWIDE

**Reduce central services and related charges to state agencies (★) \$16.0 million**

Requires state agencies to control costs and demands for service. Total central service billings to client agencies will be reduced by approximately \$50 million, roughly half in General Fund-State savings.

**Reduce agency budgets by 10 percent (★) \$1.9 million**

Affects agencies with 26 or more FTEs (full-time equivalent employees) and GF-S 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 support program \$45.7 million**

Terminates grants to 16,170 low-income individuals.

**Alternative: Eliminate essential needs and housing funds. Provide community-based housing and case-management services to mental health and developmentally disabled clients discharged from institutions. (★) \$35.7 million**

Provides \$10 million flex funding for housing and treatment service providers for case-management services to recently de-institutionalized individuals.

**Eliminate sexual assault formula grants \$9.5 million**

Terminates state funds for 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.

**Alternative: Reduce grants by 20 percent (★) \$3.0 million**

**Eliminate Innovation Research Team (STARS) and reduce the Economic Development Commission (★) \$2.5 million**

Terminates STARS, which are teams of scientists who develop new technologies to keep Washington competitive in the green economy. Reduces the state Economic Development Commission, which will delay the update of the state's Strategic Economic Development Plan.

**Require competitive process for local economic development organizations and reduce state funding by 30 percent (★) \$2.5 million**

Moves to a competitive process to access funding so that associations with projects of greatest promise are funded. Cuts funding to local economic development organizations.

**Eliminate victim witness support** **\$1.8 million**  
Ends 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.

**Alternative: Reduce grants by 20 percent (★)** **\$570,000**

**Eliminate Homeless Assistance program** **\$1.7 million**  
Terminates program that provides rental assistance to 1,590 people annually.

**Eliminate community services block grants (★)** **\$1.4 million**  
Terminates state funding for approximately 690,000 people in 276,000 households who now receive housing, nutrition, employment and emergency food and shelter services.

**Eliminate grants for domestic violence legal advocacy** **\$1.4 million**  
Terminates 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 served.

**Alternative: Reduce grants by 20 percent (★)** **\$564,000**

**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 victims services** **\$1.2 million**  
Terminates funding for 13 regional centers that deliver 24-hour crisis intervention.

**Alternative: Reduce by 20 percent (★)** **\$526,000**

**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.

**Eliminate state energy policy unit** **\$720,000**  
Shutters this unit which boosts the state's ability to improve energy efficiency and develop renewable energy businesses that can compete in the global marketplace.

**Alternative: Reduce program by 10 percent (★)** **\$112,000**

**Eliminate Retired Senior Volunteer Program** **\$380,000**  
Terminates funds to recruit and support volunteers in 18 programs in 32 counties. In fiscal year 2010, nearly 13,000 senior volunteers provided more than 2 million hours of service to communities.

**Reduce dispute resolution center funding (★)** **\$375,000**  
Reduces state grants by 60 percent for 21 local dispute resolution centers, which offer mediation services and training. More than 80,000 individuals were served in 2009. Shifts focus to housing foreclosure mediation services.

- Reduce Long-Term Care Ombudsman grants (★) \$327,000**  
Cuts grants by 20 percent for 12 regional ombudsman offices that train volunteers who investigate and mitigate complaints from residents (and their families) of long-term care facilities and adult family homes.
- Eliminate Asset Building program (★) \$324,000**  
Ends funding for services such as free tax preparation, foreclosure assistance, credit counseling and small-business training to thousands of low-income working families.
- Reduce support for administration of community services and housing programs (★) \$270,000**  
Reduces 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.
- Eliminate New Americans Program (★) \$250,000**  
Terminates program that helped 1,780 legal immigrants become naturalized citizens in fiscal year 2011.
- Reduce international trade and business development activities (★) \$100,000**  
Cuts market development assistance, business matchmaking services at trade shows and trade missions that support international trade. Will hamper state's ability to promote Washington products internationally.

## **DEPARTMENT OF ENTERPRISE SERVICES**

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- Shift state support for contracts unit and reduce support (★) \$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.

## **DEPARTMENT OF LABOR AND INDUSTRIES**

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- Reduce 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.
- Use fees for factory assembled structures and reduce administration (★) \$1.2 million**  
Shifts program that inspects mobile and modular homes and other built structures to fee basis. Will not reduce the number of inspections. Also cuts funding for department administration.

## **MILITARY DEPARTMENT**

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- Close selected armories and reduce administration (★) \$1.6 million**  
Reduces number of local armories from 32 to 28 (Everett, Prosser, Pullman and Tacoma) and cuts the department's administration and facilities management.

## DEPARTMENT OF REVENUE

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**Reduce expenditures in non-revenue generating activities (★) \$7.3 million**  
 Cuts spending by 3.5 percent 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

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**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.

## COURTS/JUDICIAL AGENCIES

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**Reduce by 10 percent (★) \$22.2 million**

**Eliminate Parents Representation program (effective July 1, 2012) \$11.5 million**  
 Terminates program that provides low-income parents in dependency proceedings with the assistance of state-funded attorneys. (included in the 10% reduction)

## OFFICE OF THE GOVERNOR

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**Reduce by 10 percent (★) \$1.1 million**

## LEGISLATURE

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**Reduce by 10 percent (★) \$14.2 million**

## SECRETARY OF STATE

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**Reduce administrative and other costs (★) \$3.1 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

**Impose 10 furlough days** **\$38.0 million**

Assumes same exemptions as specified in Senate Bill 6503. Under previous furlough program, as many as 14,000–24,000 employees were affected by each statewide furlough day.

**Impose additional 1 percent salary reduction for K-12 employees (one year)** **\$37.0 million**

Reduces all K-12 salary allocations by 1 percent, effective for the 2012–13 school year.

**Impose additional 1 percent salary reduction for state employees (one year)** **\$32.7 million**

Boosts current salary reductions for most state employees from 3 to 4 percent. For represented employees, will require reopening the collective bargaining agreements and reaching agreement with each union.

**Increase health contributions for general government employees (one year)** **\$28.0 million**

Boosts percentage paid by employees from 15 to 25 percent. For represented employees, will require reopening the collective bargaining agreements and reaching agreement with each union. Will reduce employer (state) monthly per-employee contribution from \$850 to \$807.

**Alternative: Reduce PEBB monthly per-employee funding rate from \$850 to \$825 (★)** **\$16.0 million**

**Reduce monthly state allocation for K-12 employee health benefits (★)** **\$20.0 million**

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

**Reduce LEOFF Plan 2 employer contribution to actuarially necessary rates (★)** **\$15.0 million**

Reduces the state contribution to the LEOFF Plan 2 pension, which covers local law enforcement officers and firefighters. The pension 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.

**Suspend step increases (one year)** **\$11.4 million**

Delays step increases for about one-third of the workforce, including approximately 20,000 general government classified employees who have been subject to a 3 pay reduction, effective July 1, 2012. Requires reopening the collective bargaining agreements and reaching agreement with each union.

**Alternative: Exclude employees who earn less than \$2,500 per month** **\$9.7 million**

**Adjust contributions to Judicial Retirement System to payout rate (★)** **\$4.0 million**

Slows the projected increase in fund balance.

**End sick leave cash-outs for employees who are not retiring** **\$476,000**

Terminates the practice of paying state employees annually for one-quarter of their unused sick leave for balances in excess of 480 hours. For represented employees, will require reopening the collective bargaining agreements and reaching agreement with each union.

## LOCAL GOVERNMENT REVENUE SHARING

### **Eliminate liquor profits sharing (effective Feb. 1, 2012) \$53.9 million**

Eliminates sharing of state liquor profits, under which 50 percent of license and permit fees and liquor markup revenues received by the Liquor Control Board are distributed to counties, cities and towns. Distributed by population, 10 percent is shared with all 39 counties and 40 percent is shared with all 281 cities and towns. Funds can be used for any local government purpose, but each jurisdiction must spend at least 2 percent of its distribution to support alcohol or drug addiction programs.

**Alternative: Eliminate (July 1, 2012) (★) \$35.4 million**

**Alternative: Reduce by 10 percent (July 1, 2012) \$3.5 million**

### **Eliminate county criminal justice assistance (effective Feb. 1, 2012) \$42.1 million**

Ends General Fund-State support for county criminal justice purposes, such as police, courts, jails, prosecutors, defense and victim advocates. All 39 counties receive funding according to a formula based on population and criminal cases filed in superior court.

**Alternative: Reduce by 5 percent (July 1, 2012) \$1.68 million**

### **Eliminate streamlined sales tax mitigation (effective Feb. 1, 2012) \$36.4 million**

Ends revenue 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.

**Alternative: Reduce by 25 percent (July 1, 2012) \$6.2 million**

### **Eliminate liquor excise tax sharing (effective Feb. 1, 2012) \$33.2 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. Funds can be used for any local government purpose, but each jurisdiction must spend at least 2 percent of its distribution to support alcohol or drug addiction programs.

**Alternative: Eliminate (July 1, 2012) (★) \$26.4 million**

**Alternative: Reduce by 10 percent (July 1, 2012) \$2.6 million**

### **Eliminate the rural county economic development sales tax credit (Effective March 1, 2012) \$24.0 million**

Terminates a tax credit that allows 32 rural counties to retain up to 0.09 percent of the state's sales tax to fund public facilities such as street improvements, bridges and water/sewer systems that serve economic development purposes.

**Alternative: Reduce credit to 0.04 percent (May 1, 2012) (★) \$10.7 million**

**Eliminate the local public health MVET backfill (effective July 1, 2012)** **\$24.0 million**  
Eliminates GF-S support that 35 local public health departments receive to compensate for revenue losses from the repeal of the motor vehicle excise tax due to the passage of Initiative 695.

**Alternative: Reduce by 20 percent (July 1, 2012)** **\$4.8 million**

**Eliminate the annexation sales tax credit (effective Feb. 1, 2012)** **\$17.8 million**  
Terminates 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.

**Alternative: Eliminate (May 1, 2012) (★)** **\$13.5 million**

**Alternative: Reduce by 50 percent (July 1, 2012)** **\$7.9 million**

**Eliminate city criminal justice assistance (effective Feb. 1, 2012)** **\$16.7 million**  
Ends GF-S support for county criminal justice purposes, such as police, courts, jails, prosecutors, defense and victim advocates. Funds are distributed in five categories: 1) population; 2) high crime; 3) violent crime; 4) innovative law enforcement strategies; and 5) contracted law enforcement services. All 281 cities and towns receive one or more distribution.

**Alternative: Reduce by 5 percent (July 1, 2012)** **\$688,000**

**Eliminate distressed city and county assistance (effective Feb. 1, 2012)** **\$8.9 million**  
Ends this program under which 1.6 percent of the state's real estate excise tax is deposited into an account to help counties with low sales tax bases, and cities with low sales and property tax bases, fund local government services. Fourteen counties and 170 cities received assistance in fiscal year 2011.

**Alternative: Eliminate (July 1, 2012)** **\$6.4 million**

**Alternative: Reduce by 20 percent (July 1, 2012)** **\$1.3 million**

**Eliminate state portion of county prosecuting attorneys salaries (effective July 1, 2012)** **\$2.9 million**  
Ends state contribution to county prosecuting attorney salaries. In 2008, the Legislature tied the salary of prosecuting attorneys to those of superior court judges, and agreed to cover half the cost of prosecuting attorney salaries.

**Reduce funding for the Criminal Justice Training Commission by 10 percent (effective July 1, 2012)** **\$1.5 million**  
Cuts state funding for the commission, which provides training and certification for all law enforcement officers in Washington state, except the State Patrol. Ninety-five percent of the individuals trained are city, county and tribal peace and corrections officers, while a small number are state enforcement, corrections and peace officers.

**Alternative: Require 50 percent contribution** **\$3.3 million**

**(July 1, 2012) (★)**

**Eliminate Rural County Drug Task Force funding  
(effective July 1, 2012) (★)**

**\$1.5 million**

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

**Alternative: Reduce by 50 percent (July 1, 2012)**

**\$ 725,000**

# General Fund Reduction Alternatives

(Dollars in Thousands)

	Alternatives	Governor Preliminary Choices
<b>EARLY LEARNING</b>		
Reduce Preschool enrollment by 25%	14,000	
Reduce Preschool enrollment by 11%	6,000	
Reduce Seasonal Child Care administration	2,070	2,070
Eliminate state funding for Child Care Resource and Referral	1,276	1,276
Reduce Department of Early Learning administration	950	950
Eliminate <i>Family, Friends and Neighbors</i> professional development	400	400
Eliminate <i>Reach Out and Read</i> program	300	300
<b>Total Early Learning (w/highest dollar amount option)</b>	<b>18,996</b>	<b>4,996</b>
<b>K-12 EDUCATION</b>		
Eliminate state levy equalization payments to school districts	300,000	
Reduce state levy equalization payments to school districts by 50%	150,000	150,000
Reduce state levy equalization payments to school districts by 25%	75,000	
Reduce state levy equalization payments to school districts by 10%	30,000	
Eliminate school transportation services to protect classroom	220,000	
Increase class size by two students in Grades 4 through 12	137,000	137,000
Reduce school year by one week (from 180 to 175 days)	125,000	
Bus Depreciation change	49,000	49,000
Eliminate National Board certification bonus	40,000	
Reduce National Board certification bonus	8,373	8,373
Eliminate full-day kindergarten	38,000	
Base school funding on average daily attendance calculation	33,000	
Revise state attendance policy	6,400	6,400
Eliminate or reduce SPI funding for small grants and projects	9,000	9,000
Reduce SPI funding for small grants and projects by 10%	2,400	
Reduce staffing formula for small high schools	5,000	5,000
Reduce OSPI state office administration by 10%	600	600
<b>Total K-12 (w/highest dollar amount option)</b>	<b>955,889</b>	<b>365,373</b>
<b>School for the Blind and Center for Childhood Deafness and Hearing Loss</b>		
Reduce state support for School for the Blind and Center for Childhood Deafness	1,422	
Reduce School for the Blind and Center for Childhood Deafness budgets by 5%	711	711
<b>HIGHER EDUCATION</b>		
Eliminate State Need Grant student financial aid	303,000	
Reduce maximum State Need Grant award amount by 25%	68,400	
Limit State Need Grant to Public Institutions Only	30,600	
Reduce State Need Grant eligibility to 55% of median family income	25,500	
Reduce state support to colleges and universities by 20%	222,000	
Reduce state support to colleges and universities by 15%	166,000	166,000
Reduce state support to colleges and universities by 10%	111,000	
Suspend state Work Study Program	8,000	8,000
<b>Total Higher Education (w/highest dollar amount option)</b>	<b>533,000</b>	<b>174,000</b>
<b>Total Education</b>	<b>\$1,510,018</b>	<b>\$545,080</b>

	Alternatives	Governor Preliminary Choices
<b>HUMAN SERVICES</b>		
<b>Department of Corrections (DOC)</b>		
Eliminate/reduce offender supervision	96,970	27,000
Implement early release of offenders	18,000	18,000
Re-purpose Old Main at Walla Walla	16,209	13,809
Reduce chemical dependency programming for offenders	11,123	5,000
Reduce administration and maintain vacancy savings	9,556	9,556
Increase offender healthcare co-payments	1,784	1,784
<b>Total DOC</b>	<b>153,642</b>	<b>75,149</b>
<b>Department of Social and Health Services (DSHS)</b>		
<b>Children's Administration</b>		
Maximize federal funding	14,452	14,452
Reduce utilization of contracted services	12,985	12,985
Eliminate/reduce state funding for domestic violence programs	9,436	946
Increase caseload ratios	8,166	8,166
Eliminate child welfare programs	7,300	7,300
Reduce Children's Administration services	4,734	4,734
Eliminate family reconciliation services	4,721	4,721
Reduce length of stay in foster care	876	876
<b>Juvenile Rehabilitation</b>		
Reduce Juvenile Court county funds	5,536	5,536
Eliminate/Reduce juvenile parole services	19,100	3,822
Close juvenile institution	3,817	3,817
Reduce caseload and increase efficiencies in facility transition	3,309	3,309
Eliminate expansion of juvenile behavioral therapy programs	750	750
<b>Mental Health</b>		
Reduce eligibility for mental health services and close wards	57,822	1,505
Delay implementation of Involuntary Treatment Act changes	22,558	22,558
Reduce RSN Medicaid payments	11,566	9,500
Close State hospital wards for dementia and traumatic brain injury	5,119	5,119
Reduce RSN non-Medicaid funding	4,875	4,875
Capture savings in ITA and offender re-entry program	3,226	3,226
Use Federal Block Grant for waived mental health services	2,072	2,072
Consolidate Regional Support Networks (RSN)	1,797	1,797
Eliminate Spokane Acute Care Diversion funding	1,687	844
Eliminate state hospital bed penalties	1,500	1,500
<b>Developmental Disabilities</b>		
Reduce eligibility for developmental disability services	79,525	5,000
Eliminate homecare provider health insurance	20,831	
Create a new provider classification	16,857	
Consolidate the basic and basic plus waivers	12,000	12,000
Eliminate State-Only employment and day	9,100	9,100
Suspend Individual and Family Services Program	8,425	8,425
Close residential habilitation centers	2,000	2,000
Reduce homecare agency administrative rates	1,496	

	Alternatives	Governor Preliminary Choices
<b>Long-Term Care</b>		
Reduce eligibility for long-term care services	124,857	30,000
Eliminate homecare provider health insurance	53,565	
Implement family provider changes	43,047	
Eliminate rate add-ons for nursing homes and assisted living	9,945	9,945
Reduce Senior Citizens Services Act Funding	7,828	1,566
Eliminate Adult Day Health program	4,120	4,120
Eliminate/Reduce Volunteer Chore Services program	2,800	560
Reduce homecare agency administrative rates	7,306	
<b>Economic Services</b>		
Reduce state funding for subsidized child care	75,000	50,000
Eliminate aged, blind, disabled and pregnant women cash grants	29,697	
Reduce TANF/WorkFirst time limits	26,481	18,329
Reduce TANF/WorkFirst grants	19,417	7,677
Earn federal TANF contingency funds	17,600	17,600
Eliminate State Food Assistance Program	14,500	14,500
Eliminate Disability Lifeline medical program	8,660	8,660
Eliminate State Family Assistance Program	5,972	5,972
Eliminate Naturalization Program	2,624	2,624
Reduce funding for refugee and limited English proficiency assistance	1,775	1,775
Restrict replacement of electronic benefit transfer cards	752	752
<b>Chemical Dependency</b>		
Reduce chemical dependency services	14,516	14,516
Eliminate ADATSA chemical dependency treatment	5,170	5,170
Eliminate long-term residential treatment	2,719	2,719
Utilize Criminal Justice Treatment Account under-expenditures	2,087	2,087
Block grant chemical dependency services to counties	2,081	2,081
Close Pioneer Center East	2,050	2,050
Limit detoxification services	1,875	1,875
Limit chemical dependency assessments	188	188
<b>Vocational Rehabilitation</b>		
Reduce Vocational Rehabilitation services paid with state funds	2,171	2,171
<b>Special Commitment Center (SCC)</b>		
Expedite court hearing for low-risk residents	1,825	1,825
Limit funding for costs for sexually violent predator commitment trials	1,316	1,316
Reduce SCC general service costs	1,235	1,235
<b>Administration and Payments to Other Agencies</b>		
Reduce payments made to other agencies	5,397	5,397
Eliminate non-core programs	1,384	1,384
Reduce administrative costs	841	841
Eliminate Community Initiative funding	700	700
	<b>Total DSHS</b>	<b>859,139</b>
		<b>380,569</b>
<b>Health Care Authority (HCA)</b>		
<b>Basic Health Plan</b>		
Eliminate the Basic Health Plan	48,130	48,130

	Alternatives	Governor Preliminary Choices
<b>Medicaid Purchasing</b>		
Eliminate optional coverage for children above 150% of federal poverty level	145,000	
Implement premiums for children's health above 150% of federal poverty level	22,100	22,100
Suspend adult Medicaid pharmacy benefits	127,314	
Eliminate Disability Lifeline/ADATSA Medical Services	109,972	109,972
Eliminate Medically-needy Optional Medicaid Program	61,200	
Establish formulary for generic drugs	37,000	37,000
Eliminate Undocumented, Non-Citizen Apple Health children's coverage	34,010	
Eliminate certified public expenditure grants	27,800	27,800
Modify critical access hospital payment methodology	27,203	27,203
Reduce Maternity Support Services	20,923	9,594
Eliminate disproportionate share grants	13,140	13,140
Eliminate non-emergent adult dental	11,695	11,695
Eliminate over-the-counter drug coverage	9,900	9,900
Cost sharing for medical services	6,100	6,100
Eliminate medical interpreter services	4,846	4,846
Eliminate state funding for school-based Medicaid	3,200	3,200
Eliminate Health Care for Workers with Disabilities Program	1,900	
Implement premiums for undocumented children's health coverage	1,200	1,200
Fund Moore, et al v. HCA with PEBB Funds	886	886
	<b>Total HCA</b>	
	<b>691,419</b>	<b>332,766</b>
<b>Human Rights Commission</b>		
Reduce administrative costs	448	448
<b>Services for the Blind</b>		
Use federal funds for Business Enterprise Program costs	227	227
Reduce Independent Living Program	227	227
<b>Veterans Affairs</b>		
Reduce General Fund expenditures by earning more federal funds	1,626	1,626
<b>Department of Health</b>		
Eliminate Blue Ribbon Public Health Funds	9,750	9,750
Reduce public health protection and prevention	7,191	7,191
Eliminate/Reduce Family Planning Capacity Grants	6,750	1,800
Reduce funding for environmental health risk prevention	1,329	1,329
Reduce administrative costs	936	936
Reduce health care and emergency medical systems	739	739
	<b>Total DOH</b>	
	<b>26,695</b>	<b>21,745</b>
	<b>Total Human Services</b>	
	<b>\$1,733,423</b>	<b>\$812,757</b>
<b>NATURAL RESOURCES</b>		
Reduce General Fund transfer to Fair Fund	3,000	3,000
Reduce Ecology GF-S funded staff	2,616	2,616
Capture Fire Suppression savings	2,007	2,007
Replace hydraulic project permit general fund support with other funding	1,937	1,937

	Alternatives	Governor Preliminary Choices
Reduce State Park GF-S support by 10%	1,733	
Close hatcheries and fisheries	1,563	
Shift hatchery operations to the Wildlife Account	1,500	1,500
Reduce international agricultural marketing program by 100%	1,546	
Reduce international agricultural marketing program by 50%	773	
Reduce administrative grants to conservation districts	1,360	1,360
Reduce Salmon Recovery and Habitat Protection	1,158	
Reduce Department of Fish and Wildlife senior management	1,131	1,131
Reduce Payment-in-Lieu-of-Taxes payments to local governments	772	772
Eliminate Invasive Knotweed Control Program	758	
Shift Invasive Knotweed Control Program to Aquatic Lands Enhancement Account	758	758
Eliminate Puget Sound toxic sampling	714	
Shift Puget Sound toxic sampling to Aquatic Lands Enhancement Account (ALEA)	714	714
Reduce Shellfish Harvest and Management	536	
Implement cost recovery for Energy Project Habitat technical assistance	486	486
Shift portion of Fish and Wildlife equipment purchases to equipment revolving account	355	355
Eliminate Ballast Water Management in Puget Sound and Columbia River	352	
Shift Ballast Water Management in Puget Sound/Columbia River to ALEA	352	352
Switch Correctional Camp Funding to dedicated accounts	300	300
Suspend GF-S Agricultural Damage claim payments	300	300
Use existing funds for Agriculture College Trust Management	267	267
Reduce GFS subsidy of agricultural burning program	222	222
<b>Total Natural Resources (w/highest dollar amount options)</b>	<b>\$23,113</b>	<b>\$18,077</b>
<b>GENERAL GOVERNMENT</b>		
Reduce central services and related charges to agencies	16,000	16,000
Reduce Department of Revenue non-revenue activities	7,301	7,301
Reduce Secretary of State GF-S by 10%	3,100	3,100
Reduce state funding for the Crime Victims Compensation program	2,200	2,200
Reduce Military Department, including armories and emergency services	1,601	1,601
Eliminate AG Homicide Incident Tracking System, reduce criminal investigation program	1,230	1,230
Use alternative funding for Factory Assembled Structures and cut L&I's indirect costs	1,170	1,170
Reduce Governor's Office by 10 percent	1,061	1,061
Reduce GF-S support for contracts unit, legislative agencies, and Capital Projects Board	965	965
<b>Department of Commerce - Community Services</b>		
Eliminate Community Services Block Grant	1,400	1,400
Reduce support for Community Services and Housing operations	870	
Reduce support for Community Services and Housing operations by 20%	270	270
Eliminate Retired Senior Volunteer Program (RSVP)	380	
Reduce Long Term Care Ombudsman Grants to Regional Offices	327	327
Eliminate Asset Building Program	324	324
Eliminate New Americans Program	250	250
Eliminate funding for Federal Way Multi-Service Center	55	55
<b>Department of Commerce - Crime Victims</b>		
Eliminate Sexual Assault Formula Grants	9,518	
Reduce Sexual Assault Formula Grants by 20%	3,035	3,035
Eliminate Victim Witness funding	1,780	
Reduce Victim Witness funding by 20%	570	570

	Alternatives	Governor Preliminary Choices
Eliminate Domestic Violence Legal Advocacy	1,380	
Reduce Domestic Violence Legal Advocacy by 20%	564	564
Eliminate state funding for Victims of Crime Act	1,250	
Reduce state funding for Victims of Crime Act by 20%	526	526
<b>Department of Commerce - Criminal Justice</b>		
Eliminate Community Mobilization grants	1,229	1,229
Eliminate State Drug Task Force funding	808	808
Eliminate Dispute Resolution Center funding	625	
Reduce Dispute Resolution Center funding and focus on housing foreclosure	375	375
<b>Department of Commerce - Housing</b>		
Eliminate Housing and Essential Needs program	45,678	
Housing/Essential Needs Program: provide \$10 million for DD and MH case management	35,678	35,678
Eliminate Homeless Assistance program	1,688	
Reduce Homeless Assistance program by 20%	540	
<b>Department of Commerce - Energy</b>		
Eliminate State Energy Policy	720	
Reduce State Energy Policy by 10%	112	112
<b>Department of Commerce - Economic Development</b>		
Assume competitive grants for Associate Development Organizations	2,500	2,500
Eliminate funding Entrepreneurial STARS program and move to UW and WSU	2,320	2,320
Reduce Economic Development Commission by 20%	170	170
Reduce Business Development activities	100	100
<b>Washington State Patrol - Crime Lab</b>		
Implement fees for non-violent crime evidence analysis	4,540	4,540
<b>Total General Government (w/highest dollar amount options)</b>	<b>\$112,540</b>	<b>\$89,781</b>
<b>STATEWIDE AND COMPENSATION</b>		
Reduce small agencies (more than 25 FTEs/less than \$10 million) by 10%	1,884	1,884
Reduce small agencies (less than 25 FTEs) by 5 percent	1,377	1,377
Reduce legislative and judicial agencies by 10 percent	36,415	36,415
Impose 10 furlough days (same exemptions as ESSB 6503)	38,000	
Impose additional 1 percent salary reduction for state employees (1 year)	32,765	
Impose 1 percent salary reduction applied to School Year 2012-13	37,000	
Increase state employee health benefit contribution to 25 percent	28,000	
Reduce employer (state) monthly per-employee PEBB funding rate from \$850 to \$825	16,000	16,000
Reduce K-12 Employer monthly per employee contribution from \$768 to \$745	20,000	20,000
Suspend Step Increases for State Employees (1 year)	11,447	
Suspend Step Increases, exclude those paid less than \$2,500 a month (1 year)	9,713	
End annual sick leave cash-out for employees who are not retiring	476	
Reduce LEOFF2 to actuarially necessary rate	15,000	15,000
Reduce contributions to Judicial Retirement System to match payout	4,000	4,000
<b>Total Statewide and Compensation (w/highest dollar amount options)</b>	<b>\$193,599</b>	<b>\$94,676</b>
<b>LOCAL GOVERNMENT ASSISTANCE</b>		
Eliminate Liquor Profits Sharing (effective 2/1/12)	53,900	
Eliminate Liquor Profits Sharing (effective 7/1/12)	35,400	35,400
Reduce Liquor Profits Sharing 10% (effective 7/1/12)	3,500	
Eliminate Liquor Excise Tax Sharing (effective 2/1/12)	33,300	

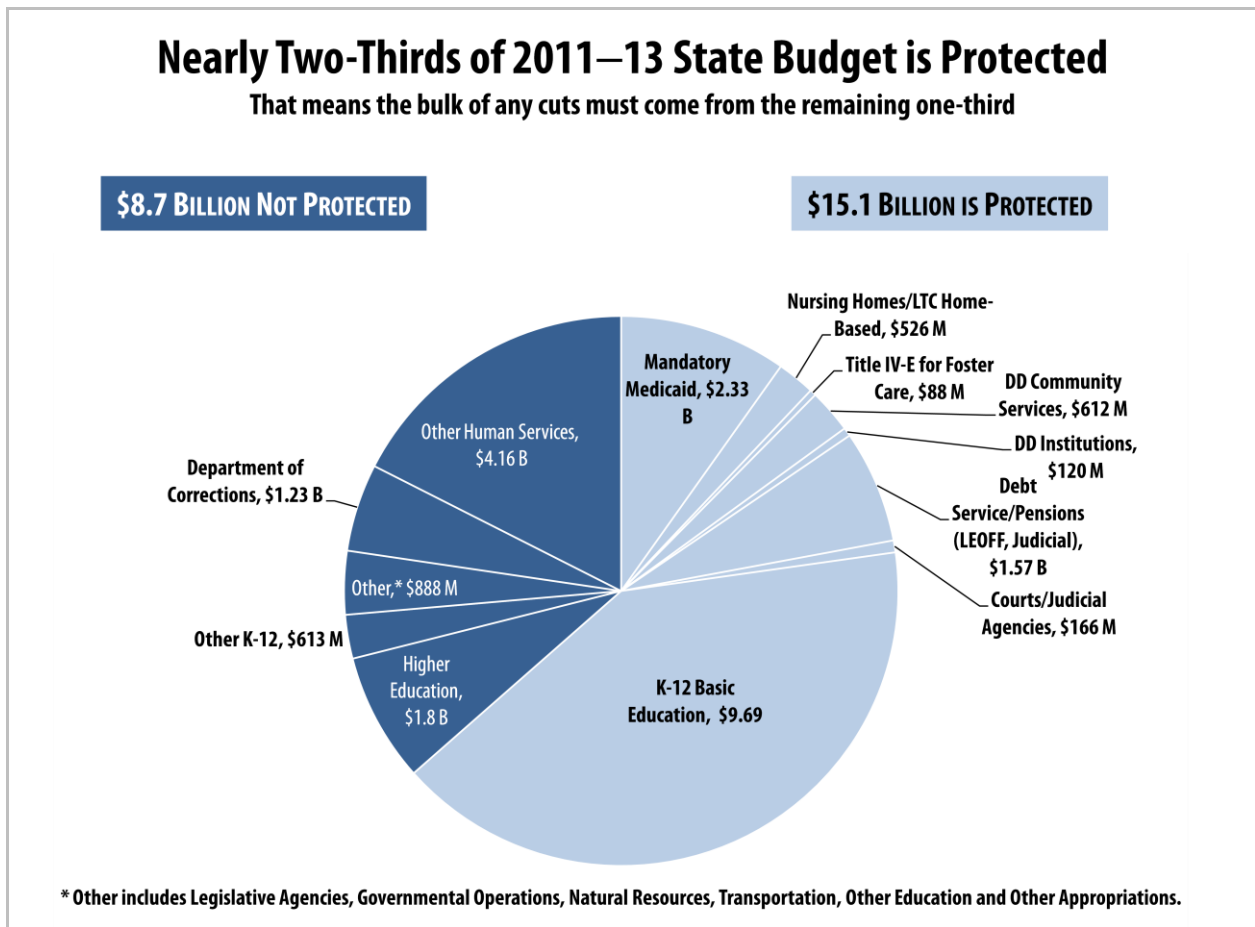
	Alternatives	Governor Preliminary Choices
Eliminate Liquor Excise Tax Sharing (effective 7/1/12)	26,400	26,400
Reduce Liquor Excise Tax Sharing 10%	2,600	
Eliminate County Criminal Justice (effective 2/1/12)	42,100	
Reduce County Criminal Justice 5% (effective 7/1/12)	1,680	
Eliminate Streamlined Sales Tax Mitigation (effective 2/1/12)	36,400	
Reduce Streamlined Sales Tax Mitigation 25% (effective 7/1/12)	6,200	
Eliminate Rural County Economic Development Sales Tax Credit (effective 3/1/12)	24,000	
Reduce Rural County Economic Development Sales Tax Credit to 0.04% (effective 5/1/12)	10,700	10,700
Eliminate Local Public Health MVET Backfill (effective 7/1/12)	24,000	
Reduce Local Public Health MVET Backfill 20% (effective 7/1/12)	4,800	
Eliminate City Criminal Justice (effective 2/1/12)	16,700	
Reduce City Criminal Justice 5% (effective 7/1/12)	688	
Eliminate Annexation Sales Tax Credit (effective 2/1/12)	17,800	
Eliminate Annexation Sales Tax Credit (effective 5/1/12)	13,500	13,500
Reduce Annexation Sales Tax Credit 50% (effective 7/1/12)	7,900	
Eliminate Distressed City County Assistance (effective 2/1/12)	8,986	
Eliminate Distressed City County Assistance (effective 7/1/12)	6,400	
Reduce Distressed City County Assistance 20% (effective 7/1/12)	1,300	
Eliminate State Funding of County Prosecuting Attorneys Salaries (effective 7/1/12)	2,900	
Require local government to pay 50% of Criminal Justice Training Costs (effective 7/1/12)	3,300	3,300
Reduce Criminal Justice Training Commission 10% (effective 7/1/12)	1,500	
Eliminate Rural Drug Task Force Funding (WASPC budget) (effective 1/1/12)	1,500	1,500
Reduce Rural Drug Task Force Funding 50% (WASPC budget) (effective 1/1/12)	725	
<b>Total Local Assistance</b> (w/highest dollar amount options)	<b>\$264,886</b>	<b>\$90,800</b>
<b>Total Reductions</b> (using highest dollar options for the "Alternatives" total)	<b>\$3,837,579</b>	<b>\$1,651,171</b>
<b>RESERVE</b>		
Delay June 30, 2013 Apportionment payment to July 1, 2013	330,000	330,000
Estimated underexpenditures from Fiscal Year 2011	60,000	60,000
	<b>4,227,579</b>	<b>2,041,171</b>



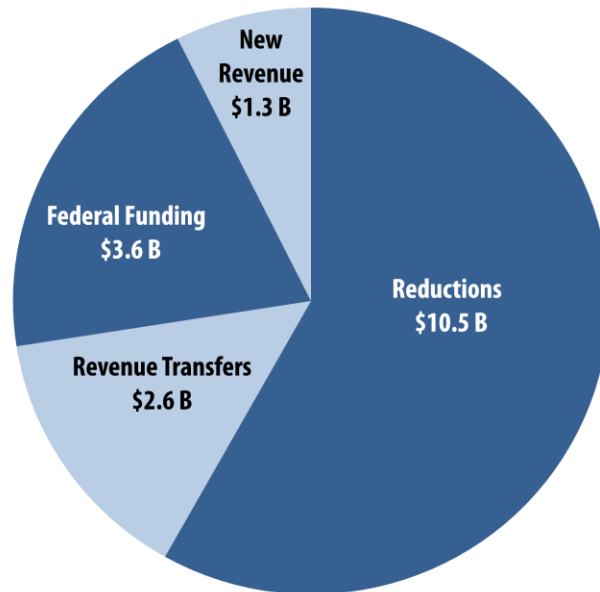
### As Revenue Declines, Our Budget Alternatives Become More Limited

The September revenue forecast for Washington state government shrank projected General Fund revenue for the current biennium by more than \$1.4 billion. To leave a reserve, we estimate that a total of \$2 billion in cuts is needed.

About two-thirds of General Fund-State spending is protected by constitutional, legal or contractual obligations. Thus the bulk of any cutting must be made to the other one-third of the budget. Cutting as much as \$2 billion from the unprotected portion of the budget would result in cuts of more than 20 percent to those programs and services.



**Since the start of the Great Recession, Gov. Gregoire and the Legislature have addressed \$18 billion in budget shortfalls. The largest share of that solution — nearly \$10.5 billion — has been reductions to current and projected spending.**



**FY 2009–13 Budget Solution = \$18 Billion**  
General Fund-State

OFFICE OF FINANCIAL MANAGEMENT

October 2011

## Since the Start of the Great Recession . . .

State revenue forecasts have dropped by more than \$7.5 billion and real per capita state revenue collections have plummeted to the lowest levels since the mid-1990s. To reconcile declining revenue in the face of increasing demands:

- ✓ We have cut nearly \$10.5 billion from existing and projected spending. These reductions have put more pressure on the state's safety net and forced all of government to do more with less.
- ✓ We have launched major reforms that rein in long-term cost drivers, boost government efficiency and help speed our state's economic 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.
  - Adopted reforms that save \$1.1 billion in workers' compensation costs over four years.

### Getting ahead of the crisis

State agencies submitted options for 5 and 10 percent cuts in General Fund spending last month, in answer to direction from Governor Gregoire. The Governor announced that she will call a special session of the Legislature to address the budget shortfall.

### What's next?

Week of Oct. 24 – Governor delivers budget alternatives to Legislature

Nov. 17 – Revenue forecast

Week of Nov. 21 – Governor releases 2012 supplemental budget proposal

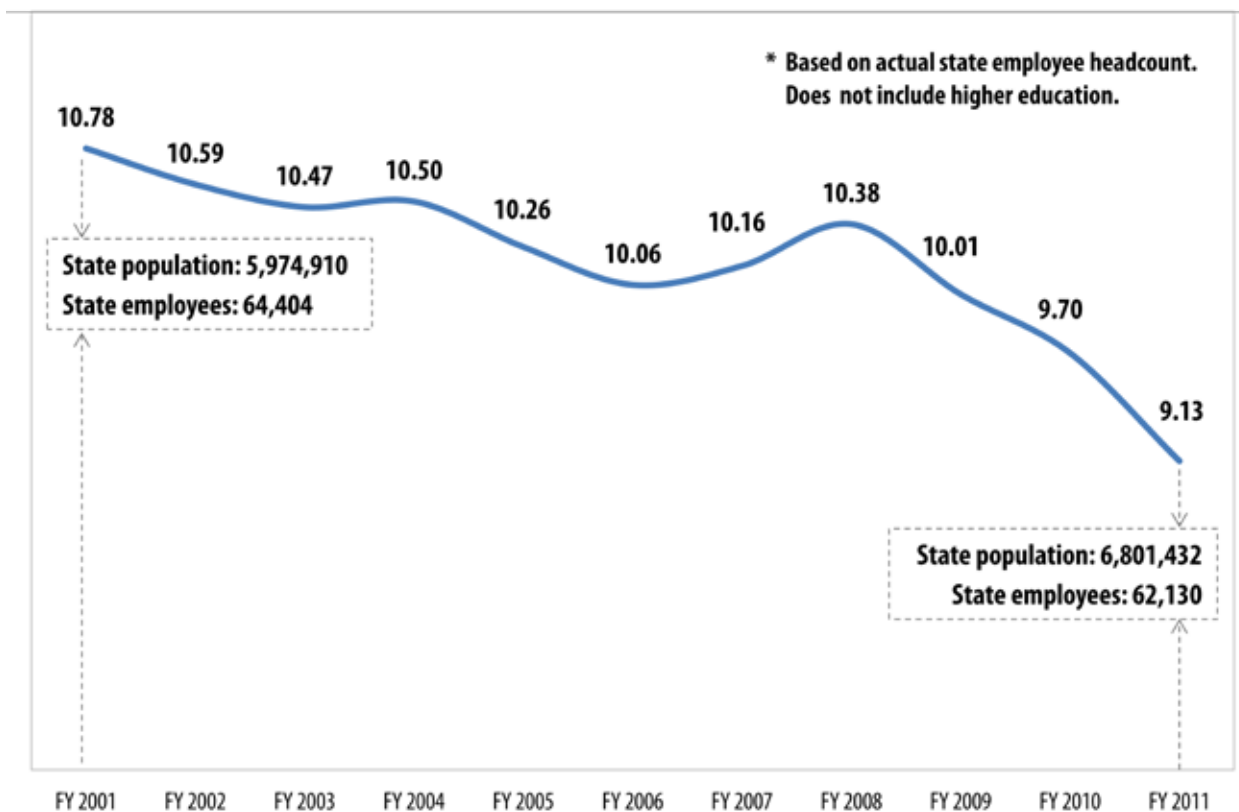
Nov. 28 – Special session of the Legislature convenes



### A Shrinking State Workforce

In 2001, there were 5.9 million residents in Washington and 64,000 state general government employees. Ten years later, we have more than 6.8 million residents and a little more than 62,000 state employees. Put another way: We have nearly 1 million more people being served by 2,000 fewer state employees.

### GENERAL GOVERNMENT EMPLOYEES PER 1,000 POPULATION\*



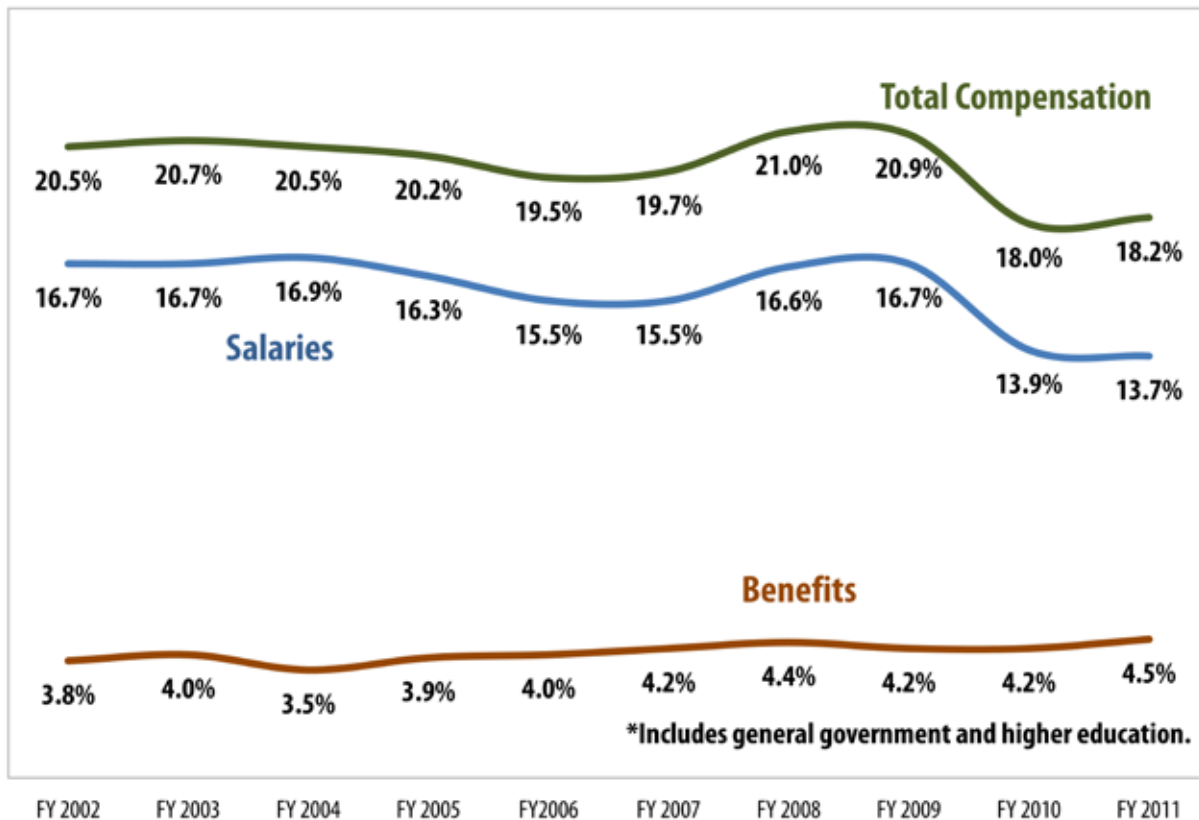
Office of Financial Management/State Human Resource Office

October 2011

### Fewer Managers in State Government

Since 2005, in response to a directive from Governor Gregoire, state agencies have reduced the number of Washington Management Service employees by more than 1,100 — more than a 21 percent decline. And during the past three years, the overall number of managers in state government has shrunk by nearly 11 percent, compared to a 9 percent decline for non-managers.

## STATE EMPLOYEE COMPENSATION AS A PERCENT OF THE GENERAL FUND-STATE BUDGET BY FISCAL YEAR\*



### Salaries and Benefits

- State employee compensation — including salaries, wages and benefits — make up 18.2 percent of the total General Fund-State budget. By contrast, 10 years ago, state employee salaries, wages and benefits made up 20.5 percent of that budget. State employee salaries and wages alone represent 13.7 percent of today’s General Fund budget, compared to 16.7 percent 10 years ago.
- State employees, whose wages have been frozen since 2008, agreed to take a 3 percent pay cut and contribute a greater portion to their health care costs to help solve the shortfall in the current budget. These reductions were achieved through collective bargaining. Teachers are also taking pay cuts, but at a slightly lower rate in recognition of wages lost through fewer learning improvement days. Together, these pay cuts save the state \$356 million.
- State employees are paying a larger share of their benefit costs. For instance, by 2013, the average employee contribution to medical coverage will top \$147 per month, compared to less than \$28 per month in 2001. Employees in the PERS 2 and TRS 2 retirement systems have seen their contribution rates increase from less than 1 percent in 2002 to nearly 5 percent in 2011.

# MAJOR GOVERNMENT REFORMS

## **Cut unfunded liability in half in older pension plans**

Future automatic benefit increases will end in closed pension plans, which will save taxpayers \$344 million over the next two years and \$7.6 billion over the next 25 years.

**Status: Completed July 2011 (lawsuit filed)**

## **Eliminated retire-rehire option**

Restrictions now disallow retired public employees who return to work for an institution of higher education to participate in a separate retirement plan offered by the institution. Individuals are no longer allowed to draw full-time retirement benefits as well as a salary.

**Status: To be implemented January 2012**

## **Reduced state employee salaries**

In the first cut of its kind since at least the 1960s, when the state created the current personnel system, the salaries of public servants are being cut — not frozen — by 3 percent for two years.

**Status: Implemented July 2011**

## **Enacted largest workers' compensation reforms in a century**

The bipartisan package of reforms will protect workers and help them get back to work, support businesses and save \$1.1 billion over the next four years.

**Status: To be implemented January 2012**

## **Saved businesses \$300 million with unemployment insurance reform**

A bipartisan package helped businesses, especially small businesses, avoid a 36 percent increase in unemployment insurance rates. This will save businesses \$300 million in the first year.

**Status: Implemented for 2011 and subsequent rates; permanently restructured formulas**

## **Offered amnesty period on tax penalties**

The first-ever amnesty period on back taxes brought in \$343 million and gave a fresh start to more than 8,000 Washington businesses — 78 percent of them small businesses.

**Status: Completed April 30, 2011**

## **Increased state employee share of health insurance costs**

Workers agreed to pay a 25 percent larger share of health insurance costs, from 12 percent to 15 percent — more than ever before.

**Status: To be implemented January 2012**

### **Closed McNeil Island Corrections Center, Maple Lane School, Pine Lodge Corrections Center, Ahtanum View**

The state closed the Corrections Center on McNeil Island; Maple Lane School, a youth treatment facility near Centralia; Pine Lodge, a facility for female offenders near Spokane; and Pine Lodge, a facility in Yakima for elderly offenders.

**Status: Completed 2011**

### **Closed and consolidated residential habilitation centers**

For the first time in 18 years, the state closed a residential habilitation center, halted admissions at another and ended admissions of people 16 and younger. The state will invest savings into comprehensive community care so Washingtonians with disabilities can live in the community.

**Status: In progress**

### **Reformed the welfare-to-work program, TANF**

New time limits and reduced grant amounts will be imposed to target the program.

**Status: Implementation in progress**

### **Ended the Disability Lifeline program**

The Disability Lifeline program will be replaced by programs that provide medical care and housing support, instead of cash assistance, for the temporarily disabled who are unable to work.

**Status: Implemented October 2011**

### **Created the Office of Fraud and Accountability**

The new office in the Department of Social and Health Services will crack down on inappropriate use of benefits and improve transparency within the agency.

**Status: Implemented May 2011**

### **Paid for adult family home licensing with fees**

Adult family homes will pay fees to support licensing and oversight costs. Those fees will represent 39 percent of the state's licensing and oversight costs instead of the current 6 percent.

**Status: Effective July 2011**

### **Consolidated the Health Care Authority and Medicaid administration**

This move combines the state's two largest health care purchasers to promote evidence-based medicine, realign incentives to improve care and cut health care costs.

**Status: Completed July 2011**

### **Consolidated information technology, office support functions**

The Department of Enterprise Services will provide office support functions once offered by five agencies. Consolidated Technology Services will consolidate and standardize information technology and services for all state agencies. These represent the biggest reform of state government's structure in nearly 20 years and will save \$18.8 million in the next biennium.

**Status: Effective October 2011**

### **Created the Discover Pass to fund, preserve recreation areas**

Sales from the Discover Pass and other revenue sources will help replace General Fund support of the state parks system in four years. This should save \$789 million over the next 10 years and preserve our state's natural treasures.

**Status: Completed July 2011**

### **Addressed the state debt level**

The State Finance Committee will lower the state debt limit from 8.75 percent in 2016 to 7.75 percent by 2022.

**Status: In progress**

### **Implemented recommendations of the Higher Education Funding Task Force**

The Legislature and governor implemented the Higher Education Funding Task Force's recommendations on tuition flexibility. Opportunity Scholarships, an endowment seeded with \$50 million from private sources and \$5 million from the state, will help low- and middle-income Washington students get a higher education. Colleges and universities will be able to set the price of tuition and will face stronger accountability and performance measures.

**Status: Implemented August 2011**

### **Consolidated the Conservation Corps into the Puget Sound Corps**

The Puget Sound Corps will restore parks, protect habitat and work on other environment projects in the Puget Sound and its watershed.

**Status: Completed July 2011**

### **Eliminated 154 boards and commissions**

Nearly one-third of 460 boards and commissions were eliminated, and 22 were restructured, to save taxpayer money and operate more efficiently.

**Status: Completed**

## **BUDGET SAVING ACTIONS: LEGAL RISKS AND COURT DECISIONS**

Some ideas on closing budget gaps cannot be implemented because of court decisions or legal risks. Government operates within a complex legal framework. And, as observed in the *New York Times*: “State budget battles — usually between governors and legislatures — are increasingly involving another branch of government, the judiciary.” Thus, federal and state laws and legal risks must be considered in budget decisions.

Lawsuits, including class actions, are regularly filed on behalf of those affected by budget cuts. Those challenging a budget cut may ask a court to stop a planned budget reduction from taking effect, either temporarily while the court decides the case or permanently if the court decides against the state. If the court grants a temporary restraining order or injunction, the state must continue to pay for programs it had intended to cut.

Several actions taken to save funds in the 2011-2013 biennial budget (from July 1, 2011 to June 30, 2013) have been impacted by subsequent court actions. Some of these cases are continuing and could result in additional impacts beyond the current biennium. Also, challenges to budget reduction actions that were taken in prior years have ongoing impacts and could require additional payments from the State General Fund in 2011-2013 or future years.

Washington, like other states that administer Medicaid programs, has seen a number of legal challenges to Medicaid payment rate changes. Throughout the country, and especially in the jurisdiction covered by the Ninth Circuit Court of Appeals, states have been sued by Medicaid health care providers or recipients who allege the provider-

reimbursement rates are not high enough to meet federal requirements. Earlier this month the United States Supreme Court heard argument in a case where the State of California and the Solicitor General of the United States both argued that providers should not be able to use the Supremacy Clause as a procedural vehicle for challenging the rates and that Congress intended Medicaid provider-reimbursement rates to be reviewed by a federal agency rather than the courts. They argued that Congress delegated oversight of this complex area of law to the U.S. Department of Health & Human Services' Centers for Medicare & Medicaid Services (CMS), and that CMS--rather than the courts--should make decisions on whether a state's rates meet the conditions to receive federal funds. A ruling in this case could impact ongoing cases against the State of Washington.

### **Examples**

- Adult immigrants who have been lawfully present in the United States less than five years are not eligible for federal food stamps, with limited exceptions. Since 1997 a state program has provided food assistance to legal immigrants who could not get assistance under the federal program. The state determined it could no longer afford to fully fund the \$30.3 million this program would have required in the 2011-2013 biennium. However, a federal district court has required the state to continue paying for this food assistance until a lawsuit challenging the budget cut is resolved.

- To address a budget deficit the state reduced by 10% the non-medical assistance provided to disabled and elderly persons on Medicaid for help with daily living activities such as hygiene, eating, shopping and meal preparation. These personal care services are

provided to more than 45,000 individuals. The reductions varied according to the level of disability, with the average reduction from 161 hours to 144 hours per month. It was estimated this would reduce state General Fund expenditures by \$98 million in the 2011-2013 biennial budget. Although the federal district court found the reduction did not violate any legal rights, the Ninth Circuit Court of Appeals put the reductions on hold pending a full hearing. In the interim, the Department of Social and Health Services (DSHS) was prevented from implementing the budget reduction. The reductions were implemented again after the full hearing, but the Ninth Circuit recently issued an interim order preventing the reductions for individuals who are the named plaintiffs in the lawsuit pending the court's decision on the motion for preliminary injunction.

■ In December 2010 a state court awarded \$57 million in retroactive payments plus accrued interest of \$33 million to in-home service providers for disabled Medicaid recipients. The award was to repay previous benefit reductions that were held to violate federal law. DSHS had implemented a "shared living rule" which automatically reduced state payments for in-home care hours by approximately 15% if the recipient lived with a paid caregiver. This rule presumed that the work of cleaning, shopping and meal preparation benefitted the entire household and not just the disabled recipient, and thus the state should pay only a portion of the hours devoted to these activities. The Washington Supreme Court had invalidated the rule, holding that DSHS had to assess each individual's need for services without applying a presumption. This subsequent award will be appealed.

■ The 2011 Legislature reduced the scheduled rate increases for Medicaid payments for

certain hospital services. The increase in rates for inpatient services went from 13% to 3.96% and for outpatient services from 36.83% to 27.25%. Implementation of these changes could reduce the amount paid from the State General Fund by as much as \$150 million. In addition, the Legislature increased payments from the Hospital Safety Net Assessment Fund by \$150 million, allowing a reduction of the same amount in expenditures from the State General Fund in the 2011-13 biennial budget. (It is the State General Fund that has a severe revenue shortfall.) The Washington State Hospital Association has filed a lawsuit asking the court to invalidate the legislation in which the rate and funding adjustments were required.

■ Beginning October 1, 2011, the state Medicaid program determined it would only pay for three non-emergency visits to the Emergency Room per client per year. Subsequent non-emergency visits will not be covered by Medicaid unless they fall within special exceptions. The state spent nearly \$98 million on Medicaid Emergency Room visits last year. The new limit on non-emergency visits could save the State General Fund \$32.9 million in the 2011-2013 biennial budget. Hospital and medical associations and institutions have filed a lawsuit seeking to reverse this limit.

■ The 2010 Legislature, after study, changed the methodology for setting Medicaid rates the state pays to nursing homes. The Ninth Circuit Court of Appeals enjoined the use of the new methodology until approval was obtained from the federal government. On September 27, 2010, CMS gave formal notice that it approved the State's proposal to change the payment methodology. In the interim, the state had to make additional payments. The litigation is ongoing regarding an additional legal claim; if the claim were to

succeed the State General Fund budget savings could be reduced by \$7 million.

- Community health centers that contract with the State to provide medical assistance to Medicaid clients filed a lawsuit challenging the payment rates set by the state for 2009. The health centers contend the State's payment methodology violates federal Medicaid law and is an unconstitutional impairment of their contracts with the State. The health centers claim their payments for services provided in 2009 should be an additional amount of \$8 million to \$14 million. If the health centers prevail, there could be allegations that additional payments are due for other years.

- A 2011 budget reduction required participants in the state-subsidized Basic Health program to show they were eligible for a federal funding match that pays part of the cost. To be eligible for the federal funding match, individuals must be lawfully present in the United States for five years or fall within limited exceptions. Those who did not provide the required information were removed or "disenrolled" from the Basic Health program. A federal district court found the notice sent by the State was insufficient to advise the recipients of their rights; although the Disenrollment Notice explained some of the recipients' appeal rights, it did not cite the governing regulations or notify the individual that he or she could request continued coverage pending the outcome of an appeal under those regulations. The court ordered the state to reenroll any recipient who pays the premium until new notices are sent. Additionally, the court held the state did not have the authority to disenroll legal immigrants, regardless of whether they are eligible for the federal funding match. Notices will be mailed to approximately

11,000 people. At this point it is unknown how many individuals will re-enroll. The monthly cost per person will be approximately \$200. By way of example, if 3400 people are required to be re-enrolled the cost could exceed \$16 million for the 2011-2013 fiscal biennium.

- A prior settlement of a class action (brought on behalf of foster children with three or more placements) required the state to make improvements with oversight by an expert panel. The settlement followed entry of a broad injunction by a trial court. The injunction was reviewed by the Washington Supreme Court, which noted "[I]ack of funds does not excuse a violation of the constitution and this court can order expenditures, if necessary, to enforce constitutional mandates." The foster care system has been improved, but the plaintiffs are seeking an extended settlement. If settlement is not reached, the matter will be determined by a judge.

- The Foster Parents Association has brought suit claiming the foster care rates the state pays should be increased by approximately 60 percent. It claims this rate increase is necessary to meet the requirements of the federal foster care funding law. Such an increase would have a significant fiscal impact; the amount of the potential impact has not been calculated.

- In May 2011 the Washington Supreme Court invalidated a DSHS rule that adjusted the number of in-home personal care hours the state would pay for children with disabilities who live with their parents. The adjustment was based on the premise that services should be based on needs attributable to disability rather than age, and that a parent is legally responsible to provide certain personal care services (such as

assistance with bathing, dressing and eating for a young child) regardless of whether the child has disabilities. The Washington Supreme Court held that adjustments to the personal care hours had to be based on an assessment of each child's individual circumstances. A second lawsuit has been filed seeking an immediate end to such adjustments until individualized assessments are completed, and retroactive payments for personal care services provided to recipient children that were not reimbursed due to the rule. That case is pending.

### **BUDGET SAVINGS ACTIONS: THE LEGAL FRAMEWORK GOVERNING THE STATE AS EMPLOYER**

Some ideas on addressing budget gaps relate to changing the terms of public employment. In recent years budget savings have been achieved through reduced staffing levels, reductions in work hours, and agreement on 3% salary reductions and higher cost sharing by employees for their health care benefits.

Changes to the terms of public employment are implemented within a system of civil service laws, collective bargaining laws and agreements, and constitutional restraints. The historical purpose of the civil service law was to ensure public employees were selected on merit and could be discharged only for sound reasons, and not because of political influences. Collective bargaining laws allow state employees to participate in decisions affecting their jobs and the public service work they perform. Additionally, the state's employment relationships are governed by constitutional provisions that require due process and prohibit impairments of contracts. These laws and constitutional requirements mean that the state, unlike many private employers, cannot simply make employment decisions and take action.

To be a realistic part of the budget solution, decisions that impact public employment must be implemented within this legal framework. Individual employees, associations or unions who believe the state has failed to follow the law can pursue legal remedies against the state, as illustrated by the following examples.

### **Examples**

- The 2011 Legislature limited automatic annual increases in the monthly benefit amounts paid to retirees in the Public Employees and Teachers Retirement Systems Plan 1. These increases had been in place since 1995. No additional annual increase will be provided unless a retiree is receiving a minimum level of retirement benefit. This change reduces the state employer contribution rates and thus reduces State General Fund expenditures in the 2011-2013 fiscal biennium by \$399 million. The 1995 law that instituted the automatic increases also reserved the Legislature's right to repeal the increases in the future. However, lawsuits have been filed alleging these changes to the automatic annual increases are unconstitutional impairments of contracts, breach the contracts of pension members, violate due process rights, and should be prevented under the legal doctrines of equitable and promissory estoppel.

- In 2010 the Legislature passed a law that directed state agencies to achieve budget savings using reduction in employee compensation costs, temporary layoffs (sometimes referred to as "furloughs"), reduced work hours, or other methods. Two public employee unions filed lawsuits alleging the implementation of these measures would, among other things, unconstitutionally impair their collective bargaining agreements. The court has set a

hearing in November 2011 on a claim of an unconstitutional impairment of contract.

■ The implementation of the law described above also generated ONE HUNDRED employee grievances. For example, one union alleged an agency violated a collective bargaining agreement by implementing agency-wide temporary layoffs based on position duties without regard to employee seniority. The state agency demonstrated it would be almost impossible to implement agency-wide temporary layoffs based on seniority. Further, the agency contended the collective bargaining agreement did not require seniority as a consideration for temporary layoffs when implementing agency-wide closures on dates specified by the legislature. However, the arbitrator ruled in favor of the union. The union is seeking full back-pay to all employees who were temporarily laid off. If back pay is ordered, it would cost the agency approximately one million dollars.

■ When collective bargaining agreements have been entered that govern labor expenditures during a fiscal biennium, modifications to the agreements must be negotiated. Generally, the terms of an existing agreement will remain in effect until a new agreement is negotiated. When the legislature reduces funding or requires changes to public employment, the state may be required to bargain the impacts of the implementation of these changes. Complaints of unfair labor practices may be filed if employee representatives contend the collective bargaining laws have not been followed. SEVENTEEN unfair labor practice complaints have been filed in the last two years.

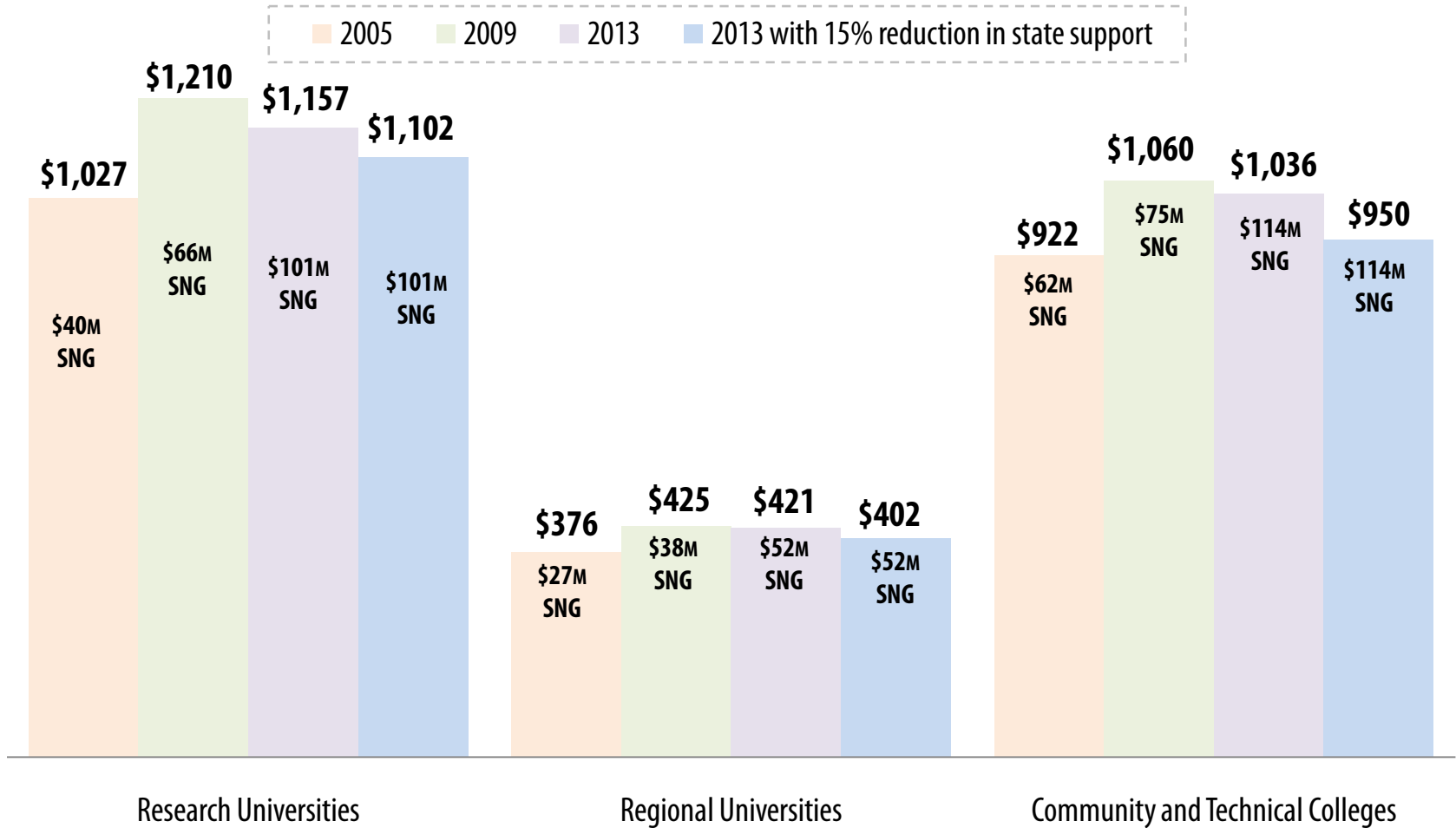
■ In 2009 the legislature enacted a law instructing the Department of Social and

Health Services (DSHS) to change existing contracts for child welfare services. DSHS believed this law encompassed “case coordination” contracts among those contracts exempted from the statute that governs when work performed by state employees may be contracted out to private entities. A union asked a state court to halt this “contracting out” of work performed by state employees. The court entered an injunction that prevented DSHS from contracting with private providers. The court interpreted the law as requiring an explicit legislative command for an agency to contract out specific work in order to be exempted from the requirements of the “contracting out” statute.

# Higher Education Funding by Sector

## State support, tuition and State Need Grant (SNG)

(Constant dollars in millions)



Even with additional 15 percent cut in general fund support, total FY 2013 funding at most institutions will be near or above FY 2005 levels.