

Ways & Means Briefing Book

January 2019



Senate Ways & Means Committee

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Staff Issue Area

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Richard Ramsey - Capital Budget Coordinator
786-7412

Bond Retirement and Interest
K-12 Capital Issues
Local Government Assistance
Municipal Research Council

Jeff Mitchell - Revenue Coordinator
786-7438

Revenue Policy Issues
K-12 Local Levies

Julie Murray - Budget Counsel
786-7711

House of Representatives
Senate
Special Appropriations to the Governor
Sundry Claims

Jasmin Adams - Committee Assistant
786-7716

Michele Ailshahi - Fiscal Analyst
786-7433

DSHS - Administration & Support Services
DSHS - Developmental Disabilities
DSHS - Information System Services
DSHS - Long Term Care
DSHS - Payments to Other Agencies
DSHS - Vocational Rehabilitation
Department of Services for the Blind
Department of Veterans Affairs
Department of Health (DOH)
Life Science Discovery Fund
School for the Blind
Center for Childhood Deafness and Hearing Loss

Amanda Cecil - Fiscal Analyst
786-7460

Board for Volunteer Firefighters
Collective Bargaining
Commission on Salaries for Elected Officials
Department of Retirement Systems
Employee Compensation
Employee Compensation/Health Benefits
PEBB Benefits
Pensions
Public Employment Relations Commission
SEBB Benefits
State Actuary
State Investment Board

Claire Goodwin - Fiscal Analyst
786-7736

Arts Commission
Commission on African-American Affairs
Commission on Asian-American Affairs
Commission on Hispanic Affairs
Courts:
Commission on Judicial Conduct
Court of Appeals
Law Library
Office of the Administrator for the Courts
Office of Civil Legal Aid
Office of Public Defense
Supreme Court
Criminal Justice Training Commission
Department of Commerce
Department of Licensing (non-transpo.)
Eastern Washington Historical Society
Forensics Investigation Council
Human Rights Commission
Minority & Women's Business Enterprises
Office of Archaeology & Historic Preservation
Office on Indian Affairs
State Patrol (non-transpo)
Washington State Historical Society

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K-12 Education:
OSPI/Statewide Programs
School Safety
Pupil Transportation
School Food Services
Educational Service Districts (ESD)
Institutional Education Programs
Highly Capable Students
Education Reform Programs
Transitional Bilingual Programs
Learning Assistance Programs
Charter Schools

Jed Herman - Fiscal Analyst

786-7346
Columbia River Gorge Commission
Department of Agriculture
Department of Ecology
Department of Fish & Wildlife
Department of Natural Resources
Environmental and Land Use Hearing Office
Military Department
Parks and Recreation Commission
Pollution Liability Insurance Agency
Puget Sound Partnership
Recreation and Conservation Office
State Conservation Commission
Utilities & Transportation Commission

Maria Hovde - Fiscal Analyst
786-7474

DCYF - Early Learning
DCYF - Child Welfare
DSHS/DCYF - Juvenile Rehabilitation
DSHS - Child Support Services
DSHS - Economic Services
TANF Issues

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786-7405

Revenue Policy Issues
Board of Tax Appeals
Department of Revenue
Joint Legislative Audit & Review Committee
Liquor Cannabis Board

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786-7454

Central Washington University
Community and Technical Colleges
Eastern Washington University
The Evergreen State College
Student Achievement Council
University of Washington
Washington State University
Western Washington University
Workforce Training & Education Board

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786-7708

K-12 Education:
Apportionment
Compensation
Special Education
Levies
Local Effort Assistance (LEA)

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Attorney General
Board of Accountancy
Board of Industrial Insurance Appeals
Caseload Forecast Council
Consolidated Technology Services
Department of Employment Security
Department of Enterprise Services
Department of Financial Institutions
Department of Labor and Industries
Economic & Revenue Forecast Council
Gambling Commission
Horse Racing Commission
Interagency Billing Model
Joint Legislative Systems Committee
LEAP Committee
Office of Administrative Hearings
Office of Chief Information Officer
Office of Financial Management
Office of the Governor
Office of the Lieutenant Governor
Public Disclosure Commission
Secretary of State
State Auditor
State Lottery Commission
State Treasurer
Statute Law Committee

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786-7710

Health Benefit Exchange
Insurance Commissioner
HCA - Low Income Health Care (Medicaid)

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786-7446

Department of Corrections
DSHS/HCA Behavioral Health
DSHS - Special Commitment Center
Justice Asst. Grant (formerly Byrne Grant)

Revenue

Key Facts

- The largest revenue streams to the Near GF-S are the sales and use tax (50 percent), the business and occupation tax (20 percent) and the property tax (13 percent).
- Near GF-S revenues are expected to increase from \$45.8 billion in the 2017-19 biennium to \$50.0 billion in the 2019-21 biennium.
- In fiscal year 2015 (the latest data available), Washington ranks 17th in state and local taxes per capita, and ranks 32nd in state and local taxes per \$1,000 of personal income. Washington has been trending down (less taxation in comparison to other states) over the last several years for which data is available.

Trend/Overview Information

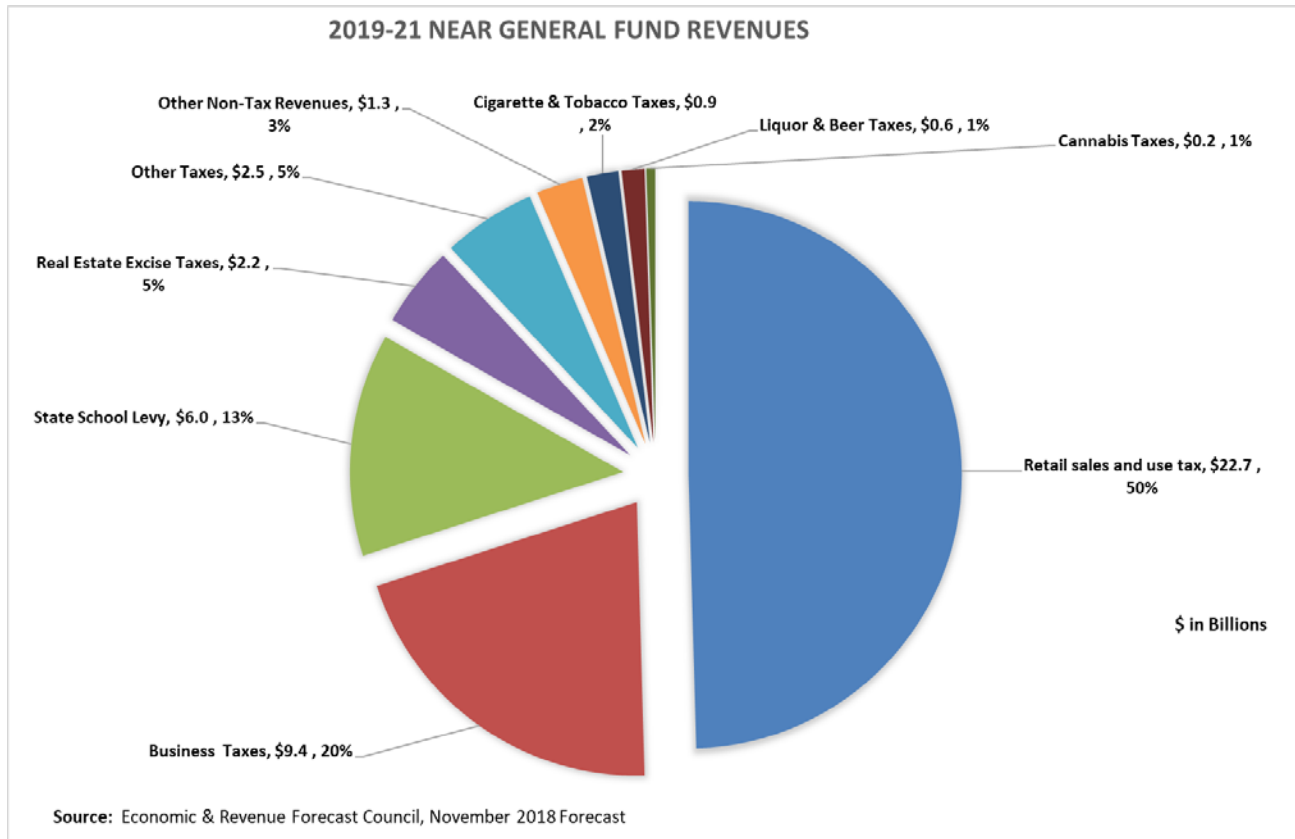
The graph below provides a biennial look at Near GF-S revenue over the past several biennia:



Source: Economic and Revenue Forecast Council, November 2018 Forecast

The pie chart below breaks out state near general fund revenues by source expected for the 2019-21 biennium based on the November 2018 forecast:

Tax Revenues to the Near State General Fund



Current Revenue Issues and Updates

State and Local School District Property Taxes

The 2017 legislature enacted legislation modifying K-12 finance (Engrossed House Bill 2242). The legislation included significant changes to the state property tax levy and local school district property tax levies imposed for operational purposes. Below is a brief discussion of the structural changes to these levies.

State Property Tax Levy: Pre- and Post-EHB 2242. The state imposes a state property tax levy deposited into the State General Fund and specifically dedicated to the support of the common schools. The state levy applies to the assessed value of all real and personal property located in Washington, unless specifically exempted. Until calendar year 2019, state law limited year-to-year growth of state property tax revenue to the lesser of 1 percent or the annual growth rate of inflation, plus an additional increase to reflect new construction, improvements to property, state-assessed utility value increases, and certain types of other properties added to the tax rolls in the prior year. Due to the impact of this 1 percent property tax revenue growth limit, the calendar year 2017 effective state property tax rate was \$1.89 per \$1,000 of assessed value. Without the passage of EHB 2242, the rate would have been about \$1.80 in calendar year 2018. EHB 2242 increased the state property tax rate to \$2.70 beginning in

calendar year 2018 and suspended the 1 percent revenue limit through calendar year 2021. In 2018, the legislature enacted legislation reducing the calendar year 2019 state property tax rate from \$2.70 to \$2.40. Since it is a one-year change, the rate will go back up to \$2.70 for levies collected in 2020.

Local School District Levies for Operational Purposes: Pre- and Post-EHB 2242. School districts raise funds locally for their districts through excess levies, which are voter-approved and limited in duration. In 2018, 288 of the state's 295 school districts imposed local levies for operational purposes - referred to as maintenance and operation (M&O) levies. Until calendar year 2019, the maximum amount a school district can collect through its M&O levy is a percentage of the state and federal funding received by the school district in the prior year. The percentage amount is typically referred to as the school district's levy lid. Most school districts have a levy lid of 28 percent. Therefore, these school districts may collect \$0.28 through their M&O levy for each \$1 of state and federal revenues the district receives. Some districts are "grandfathered" at a higher levy lid and may collect more. For M&O levies collected in calendar year 2018, the statewide average rate was \$2.30 per thousand dollars of assessed value. Under EHB 2242, a new M&O levy lid structure applies to M&O levies collected in calendar year 2019 and thereafter. Under this new levy lid structure, a district's maximum levy is the lesser of \$2,500 per pupil or the amount generated by a tax rate of \$1.50 per \$1,000 of assessed value. The \$2,500 per pupil cap adjusts by inflation beginning in calendar year 2020. EHB 2242 also renamed M&O levies as "enrichment" levies.

Sales Tax Collections from Out-of-State Businesses & Nexus Changes:

Nexus is a sufficient connection (an activity, transaction, property, etc.) between a state and a taxpayer allowing the state to impose its taxing jurisdiction over a taxpayer with regard to business activity conducted in the state by the taxpayer. A taxpayer with nexus is required to file returns and pay taxes that are due. Until this year, states were unable to enforce their sales and use tax laws with respect to catalog and online sellers that lacked a physical presence in Washington (remote sellers) stemming from a 1992 U.S. Supreme Court decision (*Quill Corp. v. North Dakota*).

While Washington and other states were prohibited from collecting sales and use tax from remote sellers under *Quill*, Washington began to eliminate the physical presence requirement for other excise taxes, namely the Business and Occupation (B&O) tax, beginning in 2010. The 2010 legislative changes eliminated the physical presence requirement on service activities subject to B&O tax for out-of-state firms. Therefore, as an example, out-of-state firms providing engineering, architectural, legal, and a variety of other services to in-state customers, were now required, in many cases, to start remitting B&O taxes. The legislature replaced the long-standing physical presence requirement with an economic presence test generally based on meeting a gross receipts threshold generated from a firm's customers located in the state. This economic presence requirement was extended to wholesaling activities in 2015 and retailing activities in 2017. The 2017 legislation also required remote sellers that meet a specified threshold of gross receipts from retail sales into this state to either collect retail sales tax on taxable retail sales into this state or comply with certain sales and use tax notice and reporting provisions.

In June 2018, the U.S. Supreme Court, in *Wayfair v. South Dakota*, overturned *Quill* thereby allowing states to collect sales and use taxes from remote sellers doing substantial business in a state. As described below, the Governor's budget assumes legislation addressing the *Wayfair* decision.

Major Changes in Revenue Resources in the Governor's Proposed 2019-21 Budget

Business and Occupation Tax Increase on Service Activities. (\$2.6 B in 2019-21) The Governor's budget assumes an increase in the B&O tax rate on service-related activities. The current rate of 1.5 percent would be increased to 2.5 percent, beginning July 1, 2019. Examples of business activities that would be subject to the rate increase include professional services such as accounting, engineering, health care, and legal services, as well as a wide variety of other professional and personal services.

Capital Gains tax (\$975 M in 2019-21) The Governor's budget assumes legislation establishing a state capital gains tax that includes a 9 percent tax rate and threshold exemptions of \$25,000 and \$50,000 for single and joint tax filers, respectively. The proposal would exempt the sale of certain capital assets including the sale of residential property and certain agricultural property and timberlands. The tax would be implemented in calendar year 2020 with tax returns submitted beginning in calendar year 2021.

Wayfair (\$123 M in 2019-21) The Governor's budget assumes legislation addressing the recent U.S. Supreme Court decision in *Wayfair*, which overturned long-standing court precedent preventing states from requiring out-of-state businesses with no physical presence in a state to collect and remit sales and use taxes to the state. Included in the proposal are changes to conform with the *Wayfair* decision as well as other changes that would more broadly address interstate taxation, including the narrowing of an import-export exemption related to sales taxes and business and occupation taxes.

Tobacco 21 (-\$9 M in 2019-21) The Governor's budget assumes legislation that would raise the tobacco and vapor products sale age from 18 to 21. This change assumes a reduction in the quantity of tobacco and vapor products that are purchased thereby decreasing associated tax revenues.

Clean Energy Tax Incentives (-\$5M in 2019-21) The Governor's budget assumes legislation increasing, extending, and creating several tax incentives that promote renewable energy and increase commercial building energy efficiency.

Operating Budget

Comparison of Governor's Budget Proposals

2019-21 Omnibus Operating Budget

Governor and OFM Budget Proposals

(Dollars In Thousands)

	NGF Total			Total Budgeted		
	Book 1	Book 2	Difference	Book 1	Book 2	Difference
Employee Compensation						
FSA Fund Transfer	183	183	0	0	0	0
K-12: SEBB	655,590	655,590	0	655,590	655,590	0
Non-Employee CBA	0	186,827	-186,827	167,204	354,031	-186,827
Non-Rep: Employee Benefits	3,237	3,237	0	8,386	8,386	0
Non-Rep: Salaries & Wages	186,716	186,716	0	486,821	486,821	0
ORCA Pass Transfer	1,908	1,908	0	-223	-223	0
PERS & TRS Plan 1 Benefit Increase	0	50,225	-50,225	381	56,616	-56,235
Rep: Employee Benefits	4,110	4,110	0	8,243	8,243	0
Rep: Salaries & Wages	270,567	270,567	0	504,638	504,638	0
Employee Compensation Total	1,122,311	1,359,363	-237,052	1,831,040	2,074,102	-243,062
K-12 Education						
Computer Science K-12 Expansion	0	4,000	-4,000	0	4,000	-4,000
Dual Language	0	3,250	-3,250	0	3,250	-3,250
Enhanced Institution Funding	0	5,250	-5,250	0	5,250	-5,250
Local Effort Assistance	0	213,568	-213,568	0	213,568	-213,568
Next Gen Science Standards	0	4,000	-4,000	0	4,000	-4,000
Other Increases	0	5,201	-5,201	0	5,201	-5,201
Other IT & Related Items	0	1,040	-1,040	0	1,040	-1,040
Paraeducator Training	0	24,558	-24,558	0	24,558	-24,558
Special Education Multiplier	0	94,454	-94,454	0	94,454	-94,454
Student Mental Health & Safety	0	7,497	-7,497	0	7,497	-7,497
Student Support Staffing	0	155,915	-155,915	0	155,915	-155,915
Suspend Levy Equalization	-566,436	0	-566,436	-566,436	0	-566,436
Transfer-School Safety Website	-392	0	-392	-392	0	-392
WSIPP Projects	0	800	-800	0	800	-800
K-12 Education Total	-566,828	519,533	-1,086,361	-566,828	519,533	-1,086,361
Higher Education Institutions						
Comp and Central Svcs Support	0	64,300	-64,300	0	64,300	-64,300
General Academic Support	0	50,000	-50,000	0	50,000	-50,000
Guided Pathways	0	8,000	-8,000	0	8,000	-8,000
Job Skills Program	0	12,000	-12,000	0	12,000	-12,000
Medical School - Completion Funding	0	10,800	-10,800	6,558	17,358	-10,800
Other Increases	0	6,514	-6,514	200	6,714	-6,514
UW Dental School	0	2,000	-2,000	0	2,000	-2,000
UW Hospital Support	0	14,000	-14,000	0	14,000	-14,000
WSIPP Projects	0	209	-209	0	209	-209
Higher Education Institutions Total	0	167,823	-167,823	6,758	174,581	-167,823
Higher Education Financial Aid						
Continue Program Suspensions	-9,514	-9,514	0	-9,514	-9,514	0
Opportunity Scholarship	0	14,127	-14,127	0	14,127	-14,127
Other Increases	0	5,755	-5,755	0	5,755	-5,755
State Need Grant	0	103,300	-103,300	0	103,300	-103,300
Suspend State Need Grant	-383,688	0	-383,688	-383,688	0	-383,688
Higher Education Financial Aid Total	-393,202	113,668	-506,870	-393,202	113,668	-506,870

2019-21 Omnibus Operating Budget

Governor and OFM Budget Proposals

(Dollars In Thousands)

	NGF Total			Total Budgeted		
	Book 1	Book 2	Difference	Book 1	Book 2	Difference
Health Care						
Managed Care Rates	-49,352	-49,352	0	-166,186	-166,186	0
Marijuana Related Revenue	-7,951	-6,003	-1,948	-1,948	0	-1,948
Newborn Screening	0	0	0	1,938	1,938	0
Other Increases	-708	16,835	-17,543	31,404	48,947	-17,543
PEBB Administrative Fees	0	0	0	6,035	6,035	0
Savings Restoration	0	81,421	-81,421	118,335	199,756	-81,421
SEBB TPA Payments	0	0	0	17,286	17,286	0
Tort Recovery FTEs	-1,376	-1,376	0	-4,760	-4,760	0
VRI: Bi-Directional	0	9,105	-9,105	27,721	36,826	-9,105
VRI: Primary Care	0	56,637	-56,637	42,055	199,583	-157,528
Health Care Total	-59,387	107,267	-166,654	71,880	339,425	-267,545
Long Term Care & DD						
Community Respite Beds	0	5,296	-5,296	976	6,272	-5,296
Electronic Visit Verification	0	6,383	-6,383	8,189	14,572	-6,383
Increase In-Home PNA	0	10,868	-10,868	13,819	24,687	-10,868
Other Increases	0	712	-712	241	953	-712
RHC ICF Medicaid Compliance	0	20,118	-20,118	20,118	40,236	-20,118
SOLA Expansion	0	13,671	-13,671	12,839	26,510	-13,671
Supported Living Investigators	-2,330	-2,330	0	9,058	9,058	0
Updated Facility Definition	-10,714	-10,714	0	-15,641	-15,641	0
Vendor Rate Increase	0	30,404	-30,404	4,472	65,892	-61,420
VRI: Community Residential	0	59,446	-59,446	58,170	117,616	-59,446
Long Term Care & DD Total	-13,044	133,854	-146,898	112,241	290,155	-177,914
Corrections and Other Criminal Justice						
Basic Law Enforcement Academy	0	4,517	-4,517	1,925	6,442	-4,517
Crime Lab & Tox Lab	0	6,252	-6,252	-1,044	5,208	-6,252
Custody Staff Increases	0	29,430	-29,430	0	29,430	-29,430
DOC Capacity	0	18,588	-18,588	0	18,588	-18,588
DOC Savings Bills	-49,145	-30,815	-18,330	-49,145	-30,815	-18,330
DOC: Health Care Cost	0	5,870	-5,870	0	5,870	-5,870
DOC: Health Care Delivery	0	5,414	-5,414	0	5,414	-5,414
Drug & Gang Task Force	0	8,000	-8,000	0	8,000	-8,000
Executive Protection Funding	0	1,303	-1,303	0	1,303	-1,303
I-1639 Implementation	1,894	5,947	-4,053	1,894	5,947	-4,053
Missing/Exploited Child Task Force	0	3,949	-3,949	0	3,949	-3,949
Other Increases	0	9,826	-9,826	1,035	10,861	-9,826
Reallocation of Debt Service	-334	-334	0	-334	-334	0
Violator Transport	0	4,818	-4,818	0	4,818	-4,818
VRI: Violator Bed Rate	0	7,869	-7,869	0	7,869	-7,869
Work Release Expansion	-1,300	15,245	-16,545	-1,300	15,245	-16,545
Yakima Jail Women's TC	-46	2,066	-2,112	-46	2,066	-2,112
Corrections and Other Criminal Justice Total	-48,931	97,945	-146,876	-47,015	99,861	-146,876

2019-21 Omnibus Operating Budget

Governor and OFM Budget Proposals

(Dollars In Thousands)

	NGF Total			Total Budgeted		
	Book 1	Book 2	Difference	Book 1	Book 2	Difference
Other Human Services						
Child Support Annual Fee Increase	-251	-251	0	-738	-738	0
Crime Victims Provider Rates	0	6,768	-6,768	0	6,768	-6,768
End AIDS	0	0	0	18,000	18,000	0
Foundational Public Health	0	22,000	-22,000	0	22,000	-22,000
Increase Transitional Housing	0	0	0	1,458	1,458	0
Newborn Screening	0	360	-360	620	980	-360
Other Increases	0	15,834	-15,834	19,319	39,269	-19,950
Quality Commissions	0	0	0	6,143	6,143	0
Transfer Cost Differential	0	3,955	-3,955	868	4,823	-3,955
Other Human Services Total	-251	48,666	-48,917	45,670	98,703	-53,033
Natural Resources						
Chemical Action Plan Implementation	0	0	0	4,482	4,482	0
DFW: Endangered Species	0	1,280	-1,280	0	1,280	-1,280
DFW: Fish Production	0	6,318	-6,318	1,011	8,859	-7,848
DFW: Maintain Operations	0	18,520	-18,520	0	30,209	-30,209
Litter Control	0	10,000	-10,000	6,000	16,000	-10,000
Off-Road Vehicles	0	1,300	-1,300	-1,300	0	-1,300
Office of Chehalis Basin	0	1,464	-1,464	0	1,464	-1,464
Orca Strategy	0	20,636	-20,636	1,232	21,868	-20,636
Other Increases	0	5,809	-5,809	9,407	16,740	-7,333
Other Savings	-1,068	-824	-244	-17,888	-17,644	-244
Parks Preventative Maintenance	0	7,593	-7,593	169	7,762	-7,593
Puget Sound Partnership	0	4,352	-4,352	0	4,352	-4,352
Removal of Toxic Material	0	0	0	8,290	8,290	0
Shift MTCA-funded work back to GF-S	0	20,000	-20,000	-20,000	0	-20,000
Washington Conservation Corps	0	0	0	1,259	1,259	0
Wildfires & Related Items	0	21,881	-21,881	0	21,881	-21,881
Natural Resources Total	-1,068	118,329	-119,397	-7,338	126,802	-134,140
All Other Policy Changes						
AG Services	0	2,037	-2,037	8,113	10,150	-2,037
Attorney Retention and Salary Grid	1,500	1,500	0	14,072	14,072	0
Career Connected Learning	0	74,049	-74,049	1,202	75,251	-74,049
Central Services	-25,933	38,414	-64,347	14,284	78,631	-64,347
Clean Environment	0	15,726	-15,726	6,468	22,386	-15,918
Communication Services Reform	0	8,000	-8,000	0	8,000	-8,000
Debt Service	45,468	50,297	-4,829	45,468	50,297	-4,829
Disaster Response Account	0	0	0	38,535	38,535	0
Enhanced 911/Next Generation	0	0	0	9,975	9,975	0
Fund Shift	0	3,340	-3,340	-3,340	0	-3,340
Homelessness	0	97,473	-97,473	0	97,473	-97,473
Judicial: All Other Increases	28,284	28,284	0	28,284	28,284	0
Judicial: IT & Related	6,882	6,882	0	26,941	26,941	0

2019-21 Omnibus Operating Budget

Governor and OFM Budget Proposals

(Dollars In Thousands)

	NGF Total			Total Budgeted		
	Book 1	Book 2	Difference	Book 1	Book 2	Difference
Judicial: Other Comp Changes	17,181	17,181	0	17,181	17,181	0
Lease & Facility Costs	0	20,286	-20,286	15,746	36,032	-20,286
Local Public Safety Account	-50,000	0	-50,000	-50,000	0	-50,000
Other Comp Changes	4,711	5,461	-750	5,835	6,585	-750
Other Increases	1,814	33,436	-31,622	19,452	51,074	-31,622
Other IT & Related Items	70	62,502	-62,432	196,914	283,746	-86,832
Other Savings	0	0	0	-1,270	-1,270	0
School Catastrophic Preparedness	0	1,000	-1,000	0	1,000	-1,000
ShakeAlert Monitoring Stations	0	5,000	-5,000	0	5,000	-5,000
Transfer of Capital Staff	0	3,926	-3,926	0	3,926	-3,926
All Other Policy Changes Total	29,977	474,794	-444,817	393,860	863,269	-469,409

Behavioral Health

BH: Gov's Five Year Plan	0	122,458	-122,458	139,084	261,542	-122,458
CSTC - New Cottage Operating Costs	0	10,816	-10,816	0	10,816	-10,816
MH: Trueblood Fines	0	-96,000	96,000	0	-96,000	96,000
Opioid Package	0	5,703	-5,703	4,534	10,237	-5,703
Other Increases	0	13,489	-13,489	52,468	65,957	-13,489
Other Savings	-5,462	-5,462	0	-5,462	-5,462	0
Psychiatric Intensive Care Unit	0	10,164	-10,164	0	10,164	-10,164
Secure Detoxification Facilities	0	10,792	-10,792	14,904	25,696	-10,792
State Hospital Operations	0	82,136	-82,136	0	82,136	-82,136
Suicide Prevention	0	2,764	-2,764	1,466	4,230	-2,764
Trueblood Other	0	3,124	-3,124	0	3,124	-3,124
Trueblood Settlement	0	90,667	-90,667	3,702	94,369	-90,667
Workforce Development	0	4,300	-4,300	0	4,300	-4,300
WSH Safety Response	0	22,200	-22,200	0	22,200	-22,200
Behavioral Health Total	-5,462	277,151	-282,613	210,696	493,309	-282,613

Children, Youth, & Families

Child Care Licensing Requirement	0	10,385	-10,385	0	10,385	-10,385
Child Welfare Social Workers	0	7,863	-7,863	7,434	15,297	-7,863
Domestic Violence Unit Transfer	-12,262	0	-12,262	-12,262	0	-12,262
ECEAP Expansion	0	42,924	-42,924	232	43,156	-42,924
ECLIPSE Program	0	4,304	-4,304	0	4,304	-4,304
Foster/Bio Parent Support	0	9,933	-9,933	3,678	13,611	-9,933
Fund Shifts	-41,737	-41,541	-196	-196	0	-196
Home Visiting	0	42,240	-42,240	6,288	48,528	-42,240
Increase BRS Rates	0	17,745	-17,745	7,604	25,349	-17,745
Increase Staff at JR Facilities	0	8,388	-8,388	0	8,388	-8,388
Other Increases	0	7,742	-7,742	836	8,578	-7,742
Other IT & Related Items	0	200	-200	0	200	-200
Preschool Expansion	0	30,110	-30,110	0	30,110	-30,110
VRI: Child Care Center Compensation	0	0	0	72,263	72,263	0
VRI: ECEAP	0	12,588	-12,588	0	12,588	-12,588
Children, Youth, & Families Total	-53,999	152,881	-206,880	85,877	292,757	-206,880

Plus Maintenance Changes

Plus Maintenance Changes	2,972,812	2,972,812	0	4,159,789	4,159,789	0
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Grand Total

Grand Total	2,982,928	6,544,086	-3,561,158	5,903,428	9,645,954	-3,742,526
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NGF-T = GF-S + ELT + OpPath + Ded McCleary + PFS

Compensation and Benefits

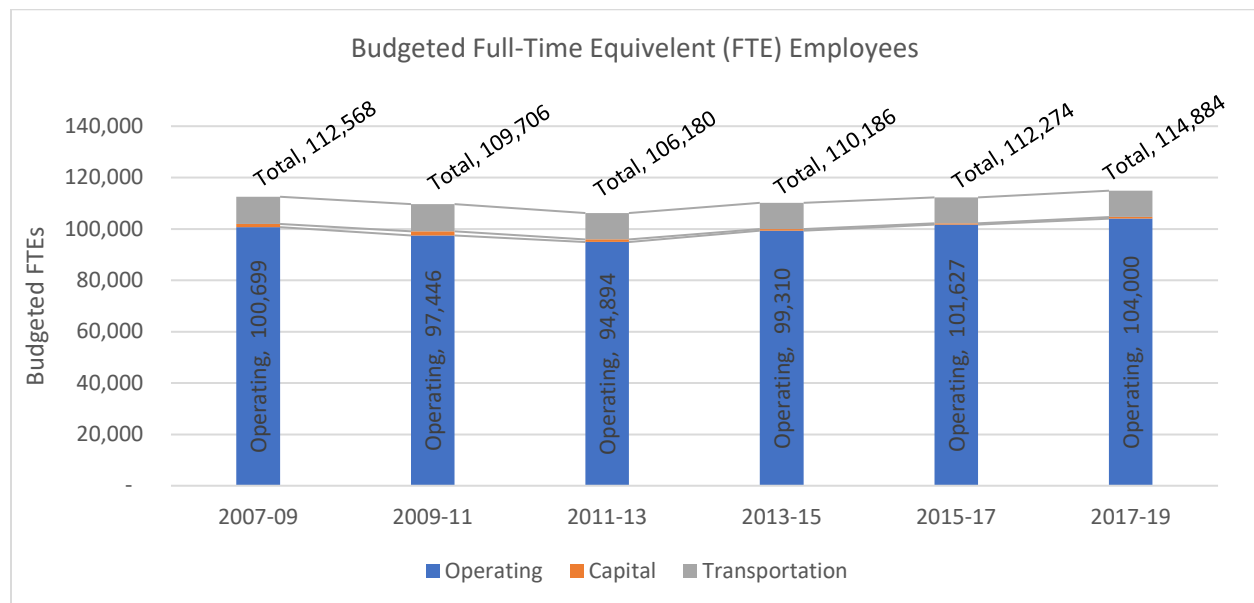
Salaries and health care costs for state employees that are represented are established and modified in labor contracts that are collectively bargained biennially. Salaries and health care costs for non-represented employees are generally set based on policy guidelines and practical restrictions on implementation. Historically across-the-board salary increases and health care provisions that have been bargained for represented employees have been extended to non-represented employees.

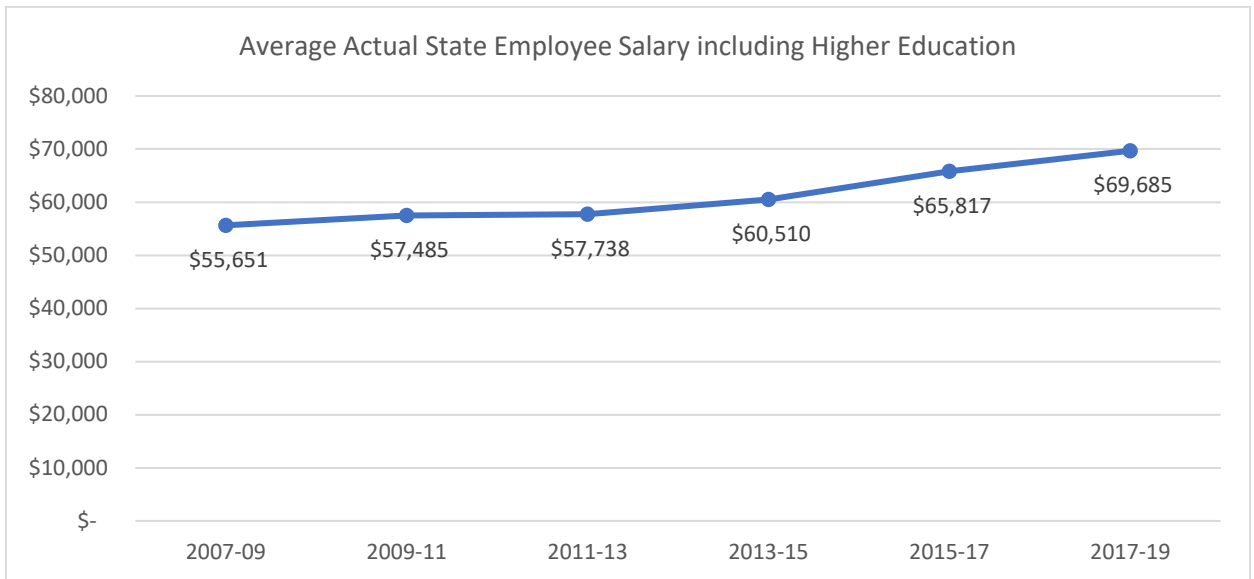
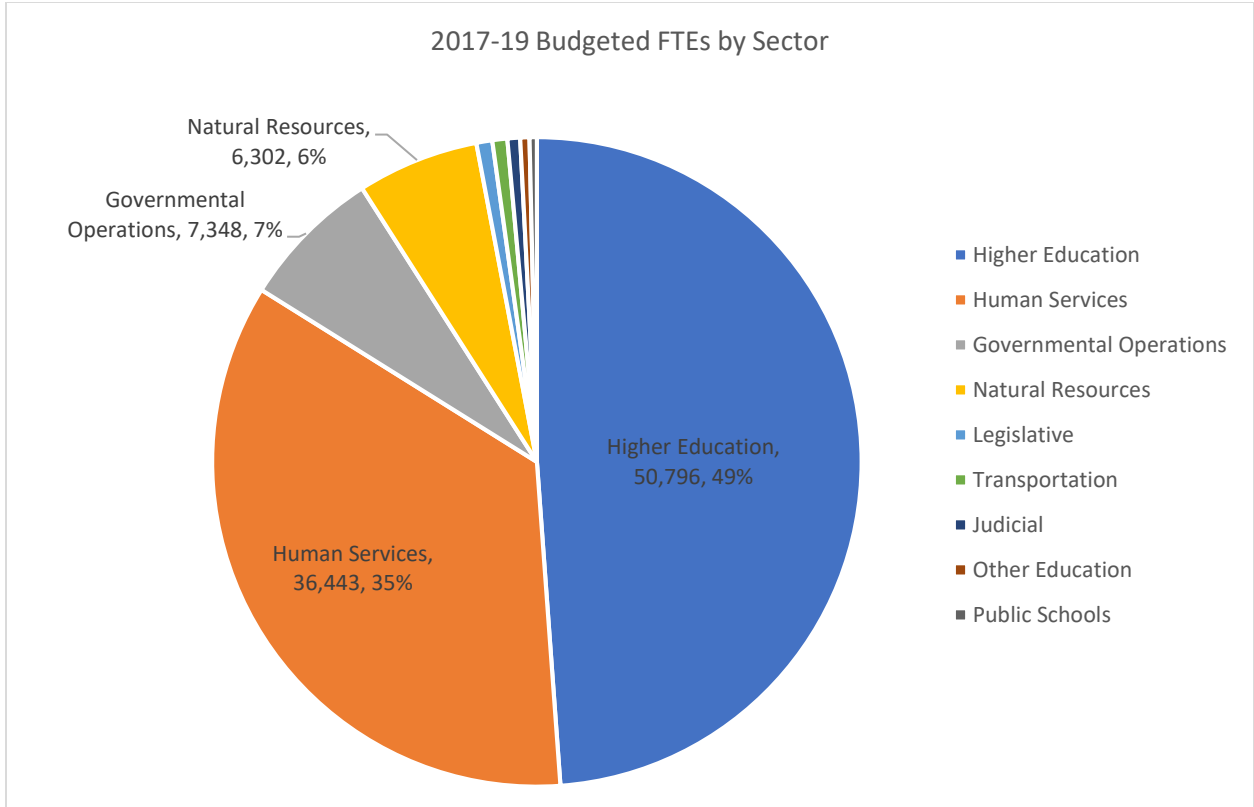
Higher education institutions have a mix of represented and non-represented employees but have greater flexibility than other state agencies in establishing salary levels. This includes the authority to grant salary increases that exceed the amount authorized and funded by the legislature. Generally, salary increases in excess of what is authorized by the legislature are expected to be funded from a locally funded source and not impact general fund expenditures.

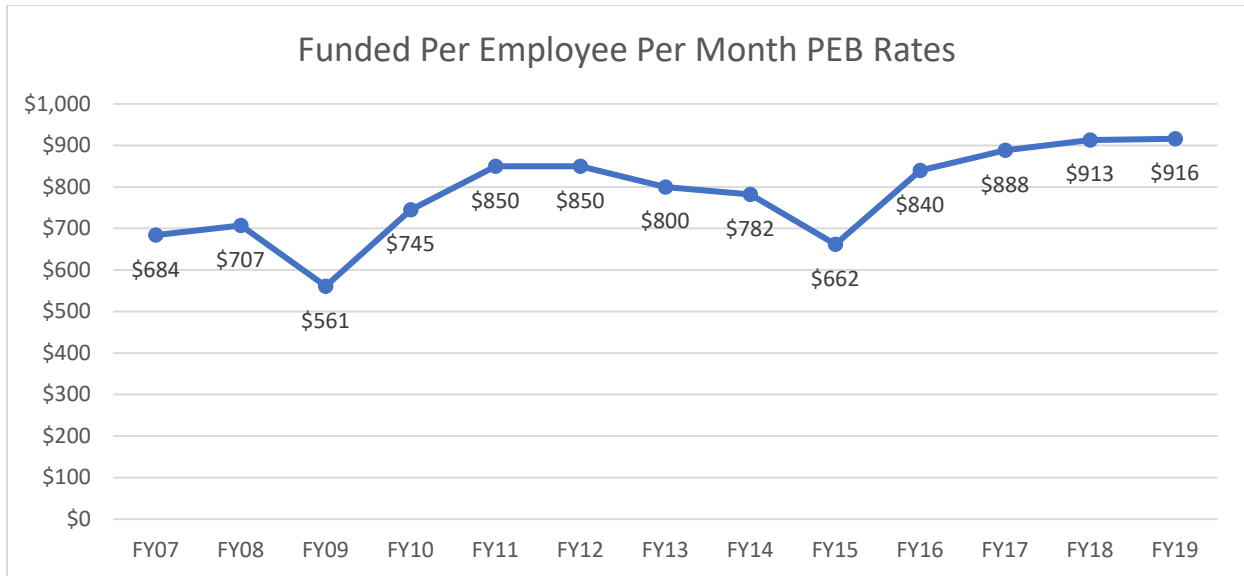
Key Facts

- Salaries and benefit making up about 22 percent of total state expenditures.

Trend/Overview Information







2017-19 Budget Recap

Funding for salaries and benefits was increased for the 2017-19 biennium by \$1,657 million across all operating budget funds and \$1,077 from NGF-T. Increases in salaries and wages were driven largely by a 2 percent general wage increase at the beginning of each fiscal year and an additional 2 percent on January 1, 2019, as well as targeted increases for certain job classes, which were applied to most employees statewide. Increases in health care and pension resulted from increasing costs of the current level of benefits.

(\$ in thousands)	2017-19 NGF-T	2017-19 All Budgeted Funds
Salaries and wages for represented employees	\$653,285	\$872,262
Salaries and wages for non-represented employees	122,449	343,341
Health benefits (PEBB)	50,648	126,078
Pension rate increases	245,638	308,735
All Other	5,258	6,494
Total 2017-19 Employee Compensation Increases	\$1,077,278	\$1,656,910

In addition to funding for state employee salaries and benefits, funding for non-employee groups was increased by \$288.8 million across all operating budget funds and \$142.7 million NGF-T.

(\$ in thousands)	2017-19 NGF-T	2017-19 All Budgeted Funds
In-Home Care Providers (SEIU 775)	\$77,304	\$160,356
Agency Provider Parity	21,216	47,742
Adult Family Homes (AFHC)	28,205	63,697
Family Child Care Providers (SEIU 925)	15,135	15,215
Language Access Providers (WFSE)	167	334
2017-19 Non-Employee Increases	\$142,027	\$287,344

Current Budget Issues

Funding is increased in the Governor's proposed budget for salaries and benefits for the 2019-21 biennium by \$1,218 million across all budget funds and by \$566 million NGF-T. Costs are made up primarily of two 3 percent general wage increase at the beginning of each fiscal year for most represented and non-represented state employees. Health care rates are expected to increase from a per employee per month rate of \$916 in FY19 to \$977 in FY20 and \$978 in FY21.

(\$ in thousands)	2019-21 NGF-T	2019-21 All Budgeted Funds
Salaries and wages for represented employees	\$295,776	\$542,279
Salaries and wages for non-represented employees	186,158	486,027
Health benefits (PEBB)	69,501	157,891
Pension rate increases	1,436	2,871
All Other	13,478	29,384
2019-21 Compensation Increases	\$566,349	\$1,218,452

The Governor's proposed budget includes an additional \$354 million across all operating budget funds and \$187 million NGF-T for collective bargaining agreements with the non-employee groups.

(\$ in thousands)	2019-21 NGF-O	2019-21 All Budgeted Funds
In-Home Care Providers (SEIU 775)	\$72,391	\$164,678
Agency Provider Parity	21,316	48,444
Adult Family Homes (AFHC)	37,577	84,411
Family Child Care Providers (SEIU 925)	54,908	54,908
Language Access Providers (WFSE)	635	1,590
2019-21 Non-Employee Increases	\$186,827	\$354,031

K-12 Education

Washington State provides funding for basic and non-basic education through appropriations to the Office of the Superintendent of Public Instruction (OSPI). Funding for the nine regional Educational Service Districts (ESDs) is also provided through OSPI's budget. Of the total appropriated to OSPI, over 99 percent is subsequently distributed to school districts across the state. Less than one percent is for OSPI itself, the ESDs, and statewide programs (i.e. grants that are managed centrally).

Key Facts

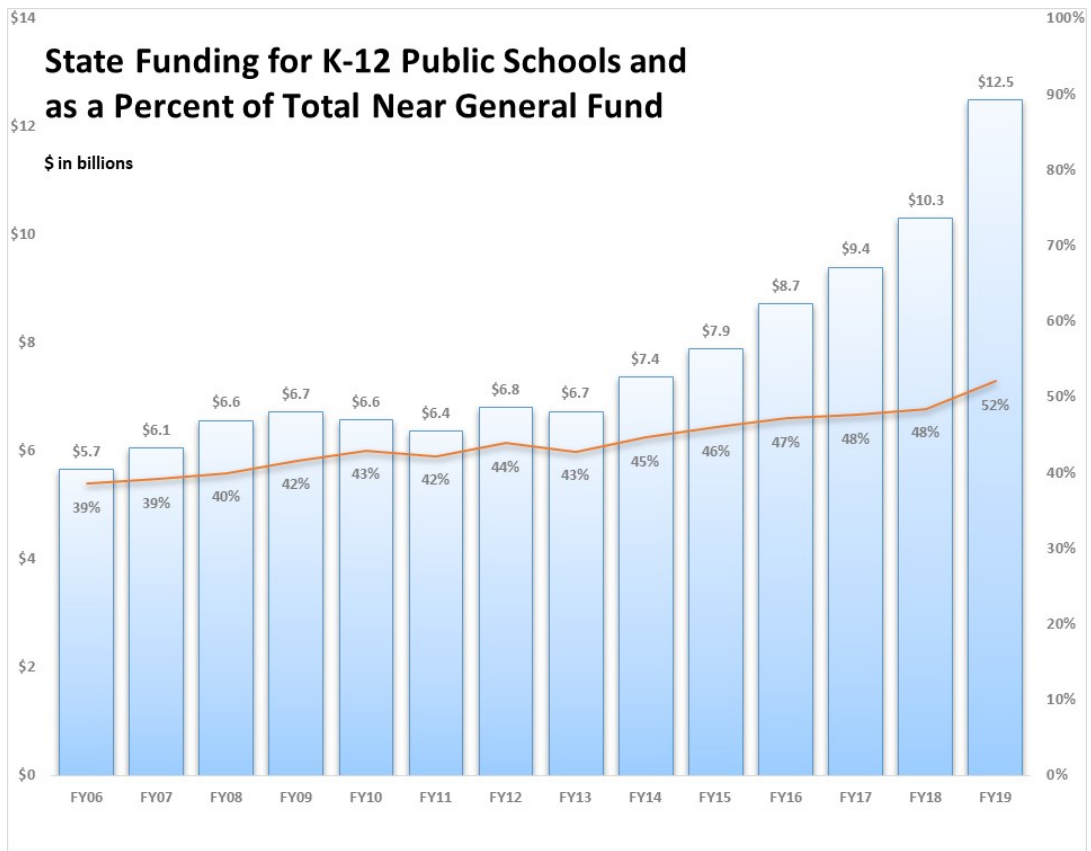
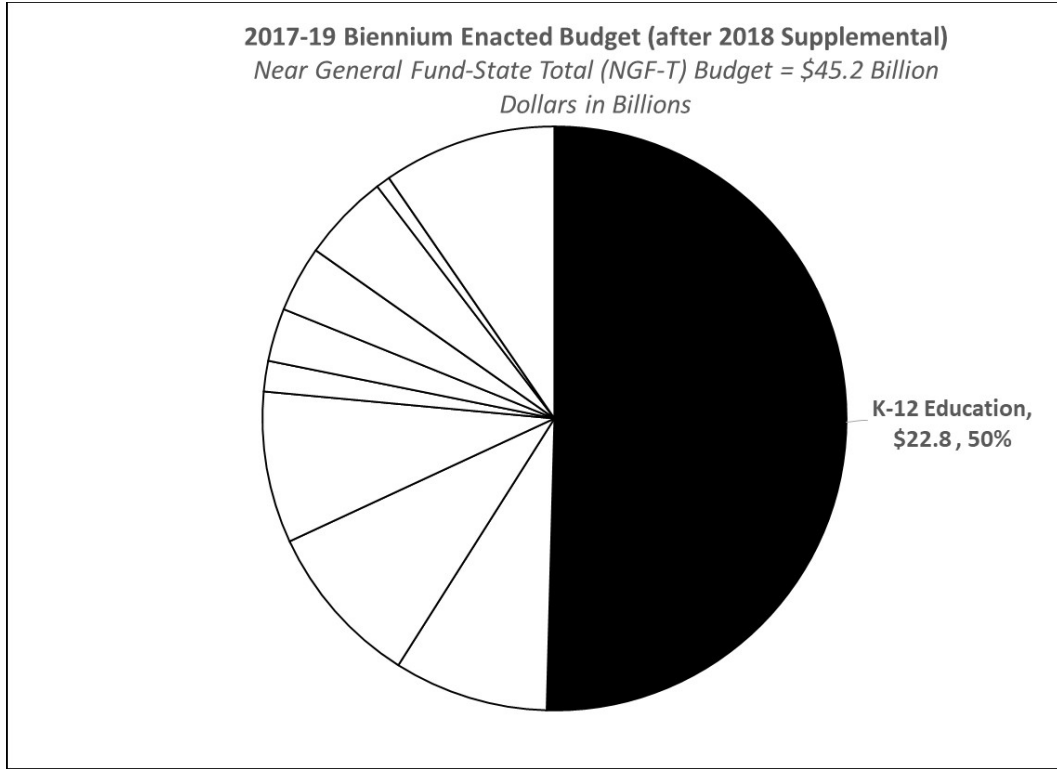
- K-12 Public School appropriations, 2018-Supplemental Budget: \$22.8 billion, NGF-T
- School districts' operating fund sources for school year 2017-18: State funds (71 percent), Federal (7 percent), Local Taxes (17 percent), Other funds (4 percent)
- Number of K-12 students: 1,092,586*
- Number of schools: 2,246
- Number of school districts: 295; Tribal Compacts: 5; and Charter Schools: 10
- K-12 staff in school year 2017-18, all fund sources: 110,611 (70,171 teachers and other certificated staff; 4,920 administrators; and 42,448 support staff)
- State-funded staff in school year 2018-19 (73,833 teachers and other certificated staff; 5,023 administrators; and 26,861 support staff)

* *Projected full-time-equivalent students for school year 2018-19*

More detailed descriptions of the organization and funding of the state's public schools can be found in the Senate Ways & Means publication, "A Citizen's Guide to Washington State K-12 Finance." It can be found online at: <http://www.leg.wa.gov/SENATE/COMMITTEES/WM/Pages/default.aspx>.

Trend/Overview Information

K-12 education is the largest single part of the NGF-T budget, comprising 52 percent of the total in fiscal year 2019. The following charts display the history of K-12 appropriations, as well as the percentage of the NGF-T budget allocated to K-12.



Recent Basic Education Legislation Affecting K-12 Funding

Engrossed House Bill 2242 (2017) and its implementing appropriations in the 2017-19 operating budget substantially increases state allocations for school staff salaries and changes the way in which these salaries are established and adjusted in the future. In addition, EHB 2242 provides new state common school tax revenues, increases state programming and funding for a number of K-12 basic education programs, reforms local levy revenues and their uses, and enacts other reforms to improve the transparency, accountability, and efficiency of school funding.

The following are some examples of the major K-12 funding changes provided in EHB 2242:

- Increased salary allocation for school employees are phased in beginning in the 2018-19 school year with full implementation in the 2019-20 school year.
- The minimum state allocated salaries are further increased for some school districts to reflect regional differences in the cost to recruit and retain staff and are annually adjusted for inflation.
- State basic education funding is enhanced under the prototypical school model through increases to the following programs: special education, vocational education, highly capable, learning assistance, and transitional bilingual, all beginning in the 2017-18 school year.
- Beginning with calendar year 2019, a district's maximum enrichment levy (formerly named maintenance and operation levy) is the lesser of \$2,500 per pupil or a rate of \$1.50 per \$1000 of assessed value. Enrichment levy expenditures effective with taxes levied for collection in calendar year 2020 are subject to new limitations and must only be used for enrichment of the state's program of basic education. Permitted forms of enrichment consist of extracurricular activities, extended school days or school years, additional course offerings, early learning, administration of enrichment activities, and additional activities approved by OSPI.
- Beginning with enrichment levies for collection in calendar year 2020, a district must receive approval from OSPI of an enrichment expenditure plan before it may submit an enrichment levy proposition to the voters.
- EHB 2242 established a new state property tax for common schools, beginning in calendar year 2018, for a total rate of \$2.70 per \$1,000 of assessed value when combined with the existing state property tax.

Several changes and enhancements were made to EHB 2242 in the 2018 session with the passage of Engrossed Second Substitute Senate Bill (E2SSB) 6362. In response to the Washington State Supreme Court's McCleary order on November 15, 2017, the full implementation of increased state salary allocations were moved ahead from school year 2019-20 to school year 2018-19.

The state allocated salaries are increased to the following amounts for school year 2018-19:

- Certificated Instructional Staff: An average salary of \$65,216.
- Certificated Administrative Staff: An average salary of \$96,805.
- Classified Staff: An average salary of \$46,784.

Salary increases totaled \$775.8 million in the 2017-19 biennium (\$969.8 million for the entire 2018-19 school year).

Other changes resulting from E2SSB 6362 include:

- \$4 million in the 2017-19 biennium was provided for increased regional salary adjustments for districts west of the Cascade Mountains adjacent to a district with a regionalization factor more than one tercile higher.
- Addition of an experience factor adjustment for school districts with above-average education and experience for Certificated Instructional Staff, beginning in the 2019-20 school year. This adjustment is estimated at \$34.6 million in the 2019-21 biennium.
- Funding of \$26.9 million in the 2017-19 biennium as provided to increase the special education excess cost multiplier from 0.9309 to 0.9609.

2017-19 Budget Recap

As reflected in the table below, the 2018 supplemental budget provides about \$22.8 billion for K-12 public schools. This represents a \$4.7 billion or a 26 percent increase from the estimated expenditures for the 2015-17 biennium.

2018 Supplemental Operating Budget BASIC EDUCATION PROGRAMS (Dollars in Millions)		
General Apportionment (RCW 28A.150.260)	\$14,989	65.7%
Special Education (RCW 28A.150.370)	\$2,043	9.0%
Transportation (RCW 28A.160.150)	\$1,038	4.6%
Learning Assistance Program (RCW 28A.165)	\$672	2.9%
Bilingual (RCW 28A.180)	\$310	1.4%
Highly Capable Program (RCW 28A.185)	\$46	0.2%
Institutions (RCW 28A.190)	\$28	0.1%
Sub-Total: Basic Education Programs	\$19,126	83.8%
2018 Supplemental Operating Budget NON-BASIC EDUCATION PROGRAMS (Dollars in Millions)		
Compensation Adjustments	\$2,320	10.2%
Local Effort Assistance (Levy Equalization)	\$877	3.8%
Education Reform	\$291	1.3%
OSPI & Statewide Programs	\$107	0.5%
Educational Service Districts	\$18	0.1%
Food Service	\$15	0.1%
Charter Schools	\$56	0.2%
Charter School Commission	\$1	0.0%
Sub-Total: Non-Basic Education Programs	\$3,685	16.2%
TOTAL - STATE FUNDS*	\$22,811	100%
*State Funds include the General Fund-state, Opportunity Pathways Account, the Education Legacy Trust Account, the Pension Funding Stabilization Account, and the Dedicated McCleary Penalty Account, together known as Total Near General Fund.		

As discussed in the prior section, most of the funding increases in 2017-19 relate to the enactment of Engrossed House Bill 2242 and Engrossed Second Substitute Senate Bill 6362, both of which substantially increased state funding for several compensation-related elements as well as the categorical programs.

Governor's Budget

Special Education Cost Multiplier. The state special education formula consists of a basic education allocation for children with disabilities aged 5 and enrolled in kindergarten to 21, plus a supplemental allocation for students with disabilities aged birth through 5 and not yet enrolled in kindergarten. For students with disabilities aged K-21, the special education allocation formula takes the annual average headcount of special education students aged kindergarten through age 21, limited to 13.5 percent of annual average K-12 resident full-time equivalent students, multiplied by the district's basic education allocation rate, and further multiplied by 0.9609.

OSPI convened a workgroup to review special education safety net rules and make recommendations on providing new access to safety net funding as required by Engrossed House Bill 2242 (2017). The Legislature also requested OSPI to further examine the excess cost multiplier and provide recommendations on whether the multiplier is still accurately reflecting the actual school district needs, and if not, determine a more accurate value. OSPI submitted a report to the Legislature with recommendations on November 1, 2018.

The Governor is proposing a new approach to the special education excess cost multiplier that was based on recommendations from the special education workgroup report. The new multiplier is multi-tiered to reflect the intensity, duration, and location of special education services provided. The intent is to provide additional funding for more costly students and incentive inclusive approaches to providing special education services. The multiplier would be phased-in over six years with FY 25 being the final year of implementation. The Governor's budget proposes \$36 million in FY 20 and \$58 million in FY 21. The 4-year outlook is \$289 million.

Staffing Ratios. The Governor proposes increasing staffing levels for nurses, social workers, psychologists and guidance counselors in elementary and middle schools. The approach phases-in funding so that only high poverty districts receive additional funding in the 2019-2021 biennium. After six years, all districts will receive additional funding from the higher staffing ratios. The Governor's budget proposes \$156 million in the 2019-2021 biennium and \$467 million in the 4-year outlook.

Levies. The Governor's levy proposal reverts to a percentage-based system, similar to the levy system prior to calendar year 2019. The proposal replaces the current per pupil and tax rate caps with a 28 percent levy lid with no exceptions for grandfathering or ghost money. Districts may levy up to 28 percent of their combined state and federal revenues, which was the pre-levy cliff rate for the majority of districts. Local effort assistance funding is proposed to equalize the local property tax rates up to 50 percent of the Governor's proposed local levy limits, beginning in calendar year 2020.

Healthcare Benefits (SEBB). The Governor proposes to implement the School Employee Benefits Board insurance program beginning January 1, 2020. The insurance funding rate is \$1,170 per eligible employee per month for fiscal year 2020 and \$1,195 per eligible employee per month for fiscal year 2021. Per ESSB 6241, an eligible school employee is anticipated to work at least 630 hours per school year. The Governor proposes \$939 million in the 2019-2021 biennium and \$2 billion in the 4-year outlook.

Paraeducators. The Governor proposes comprehensive paraeducator training in new statewide standards beginning in the 2019-20 school year. HB 1115 (2017) states that, subject to appropriation, school districts must provide four days of training to all paraeducators in the fundamental course of

study on paraeducator standards of practice. The Governor's budget proposes \$25 million in the 2019-2021 biennium and \$73 million in the 4-year outlook for school districts to meet the required four days of training.

School Safety/Mental Health. The Governor proposes to establish and develop regional school safety centers and coordinated regional suicide prevention and behavioral health systems at each of the nine ESDs. The Governor's budget proposes \$7.5 million in the 2019-2021 biennium and \$15 million in the 4-year outlook.

Higher Education

Public higher education institutions include two research universities, four regional universities, and 34 community and technical colleges (CTCs). In addition to postsecondary instruction, the institutions provide research, healthcare and other services. State¹ appropriations and tuition policy are interconnected levers that drive the institutions' budgets. State dollars also fund a variety of financial aid programs, the largest being the State Need Grant.

Key Facts

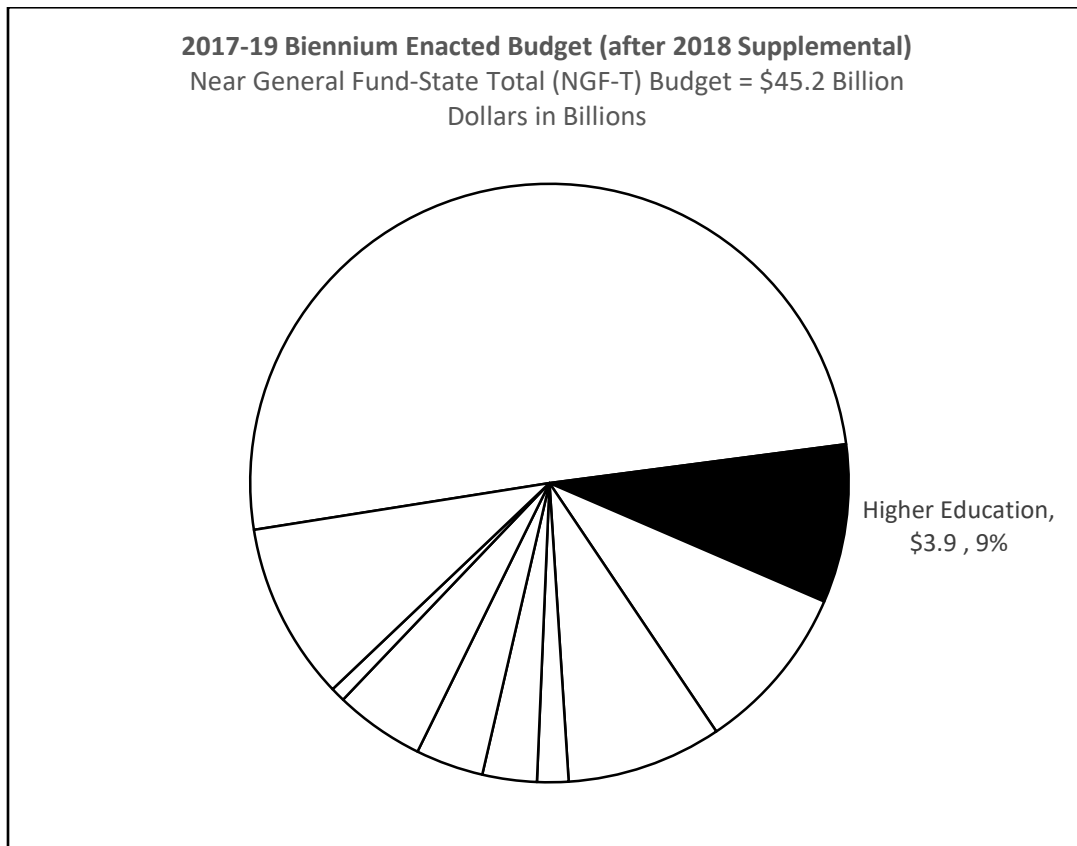
- 2017-19 Biennium Enacted Budget (after 2018 Supplemental): \$14.5 billion total funds; \$3.9 billion state funds; \$3.0 billion operating fee tuition
- Portion of core academic functions² funded with state funds (four-year institutions): 44 percent
- Portion of core academic functions funded with state funds (CTCs): 67 percent
- State-Funded FTE Enrollment in the 2017-18 academic year: 241,600
- Four-Year School Degree production in the 2016-17 academic year (most current data available):
 - 25,370 undergraduate degrees
 - 8,300 graduate degrees
- Community and Technical College Degree/Certificate production in the 2017-18 academic year (most current data available):
 - 30,315 associate degrees
 - 21,130 certificates
 - 1,005 applied baccalaureate degrees
- Students served by the State Need Grant in the 2017-18 academic year: 70,043
- Students served by the College Bound Scholarship in the 2017-18 academic year: 19,188

¹ State funds include the Near General Fund, Opportunity Pathways Account, Opportunity Express Account, Education Legacy Trust Account, Pension Funding Stabilization Account, and select expenditures from building accounts.

² Core academic functions include the cost of instruction, state sponsored research, and public service activities.

Overview/Trend Information

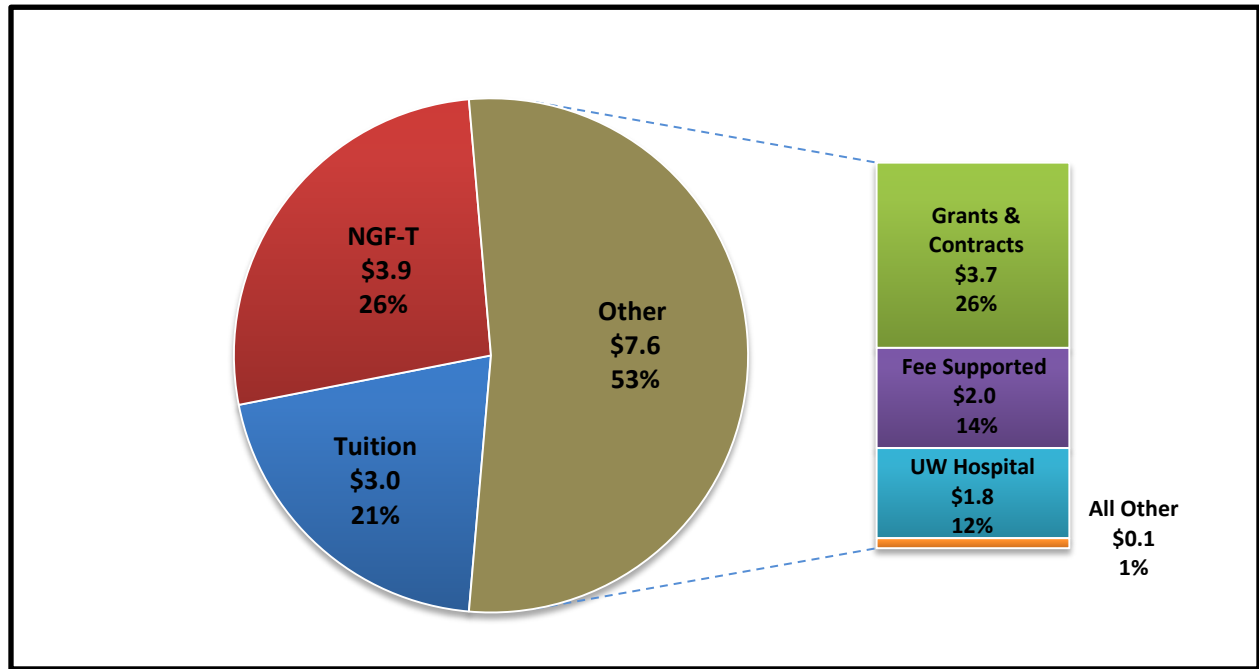
Of the \$45 billion state budget, higher education represents 9 percent (which increases to 10 percent if you include higher education's portion of debt service).



Higher Education Funding

Higher education funding, like most areas of the state budget, is comprised of more than state funds (NGF-T). For the 2017-19 biennium (after the 2018 Supplemental), the total budget for higher education from all funds is approximately \$14.5 billion (representing about 16 percent of the overall state budget from all funds). About 26 percent of this amount comes from state funds (\$3.9 billion). About 80 percent of state funds go directly to the public institutions and 20 percent goes to the Student Achievement Council for financial aid programs.

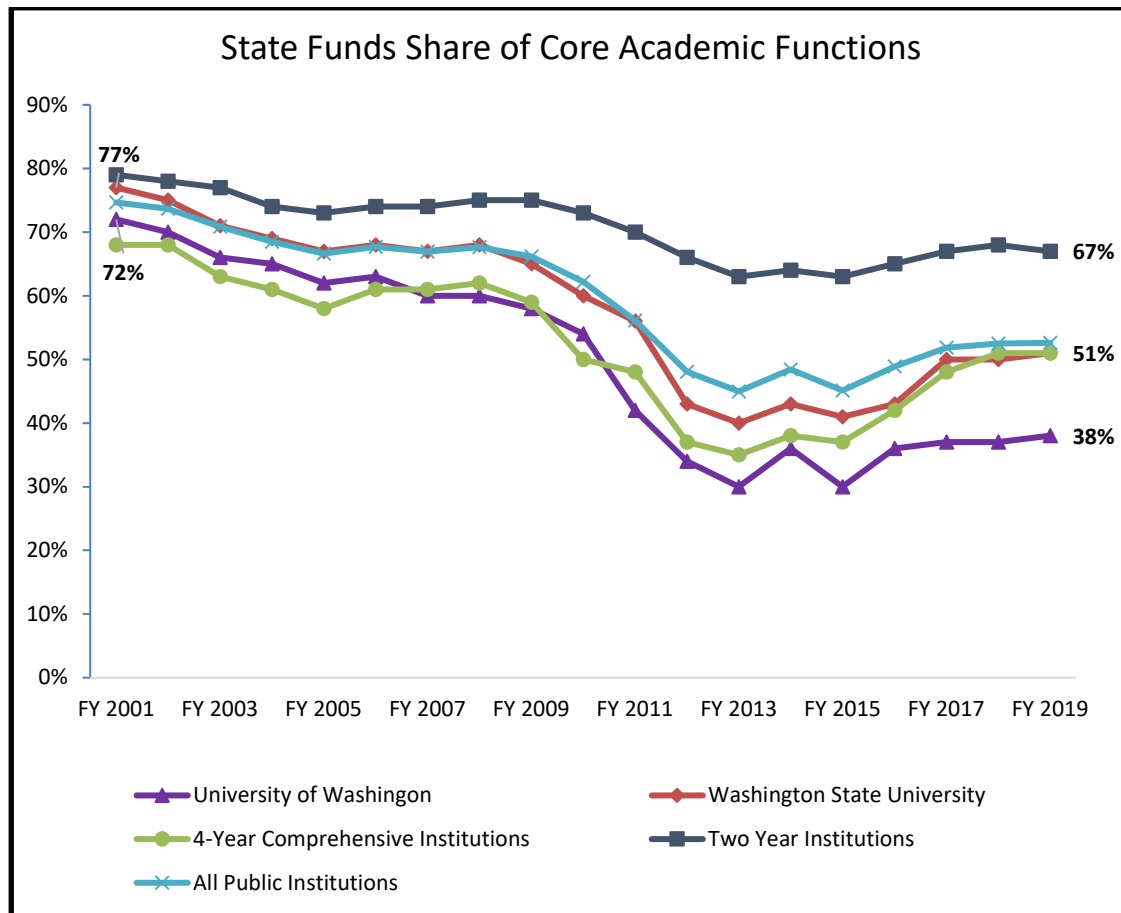
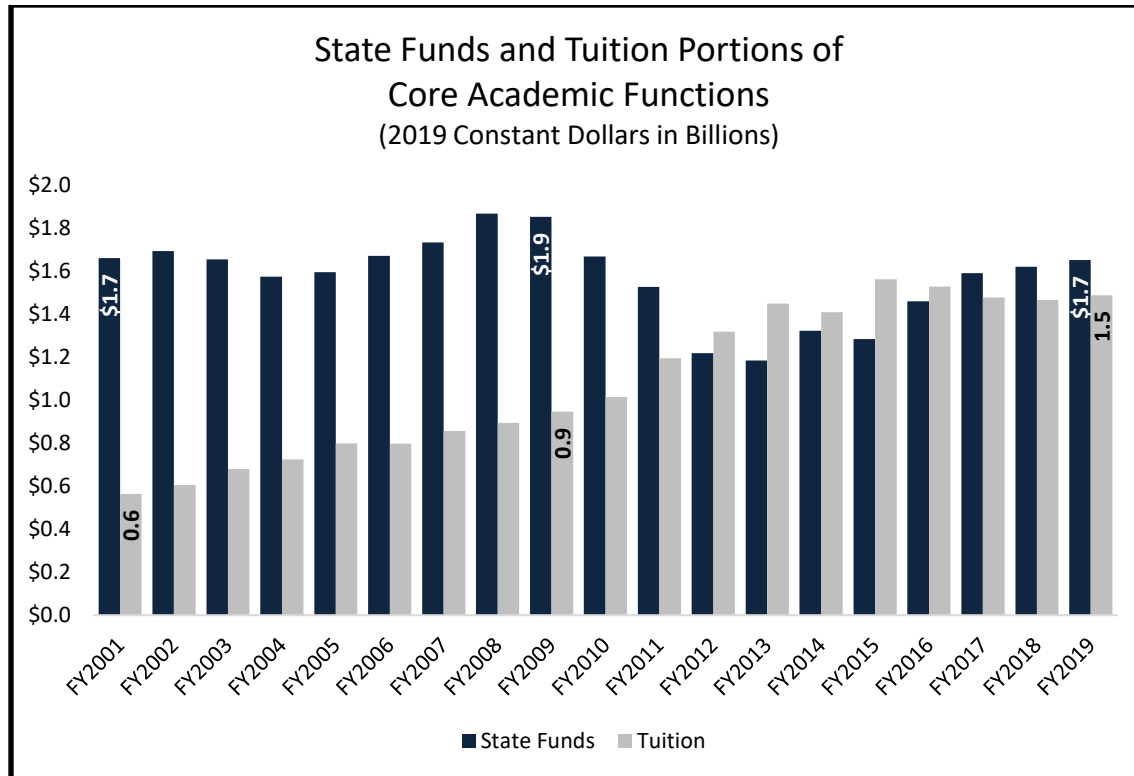
**2017-19 Biennium (after 2018 Supplemental)
Total Higher Education Operating Budget by Fund Sources
Dollars in Billions**



State Share of Core Academic Functions

After adjusting for inflation, funding for core academic functions has increased by approximately 2.2 percent per year since FY 2001. The proportion of core academic functions³ paid for with state funds versus tuition has also changed over time. The average growth rate since FY 2001 for state funds has been 0.6 percent per year while tuition increased by 5.5 percent on average. As a result, state funding has declined relative to tuition since FY 2001 and now represents 67 percent of funding for core academic functions in the community and technical college system and 44 percent in the four-year institutions. See the second chart on the following page for detail by institution.

³ Core academic functions include the cost of instruction, state sponsored research, and public service activities.



Enrollment and Completion

From the 2010-11 academic year to the 2016-17 academic year, the four-year institutions increased their enrollments by an average of 1,717 per year and their degrees awarded by an average of 496 per year. Enrollments for the community and technical colleges dropped by an average of 13,745 per year over the same period. The CTCs produced annual increases in degrees and transfers except for a small drop in 2016-17. But, about 4,100 fewer students completed a certificate program in 2016-17 than in 2010-11.

PUBLIC FOUR YEAR INSTITUTIONS							
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Enrollments (Headcount)							
Undergraduate	101,969	104,779	105,769	106,793	108,771	110,880	112,272
Graduate	25,308	24,544	24,630	24,837	25,710	26,511	26,917
Total	127,277	129,323	130,399	131,630	134,481	137,391	139,189
Degrees Awarded							
Undergraduate	23,487	24,363	24,417	24,100	24,887	25,435	25,373
Graduate	7,211	7,423	7,591	7,582	7,816	8,092	8,303
Total	30,698	31,786	32,008	31,682	32,703	33,527	33,676
Annual Percent Change							
Headcount Enrollments		1.6%	0.8%	0.9%	2.2%	2.2%	1.3%
Degrees Awarded		3.5%	0.7%	-1.0%	3.2%	2.5%	0.4%
STATE BOARD OF COMMUNITY AND TECHNICAL COLLEGES							
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Enrollments (Headcount)							
	455,906	419,743	399,367	388,082	385,872	379,480	373,437
Degrees/Academic Transfer							
Associate	26,963	28,387	28,820	28,817	29,648	30,013	29,534
Applied Baccalaureate	141	160	198	247	308	503	785
Total	27,104	28,547	29,018	29,064	29,956	30,516	30,319
Other Credentials							
Certificates (Workforce Training)	25,082	24,442	25,851	24,654	24,388	25,353	20,939
Apprenticeships	1,229	1,361	1,503	817	782	848	1,055
Basic Skills	6,435	6,230	6,148	5,897	3,705	4,924	5,174
Total	32,746	32,033	33,502	31,368	28,875	31,125	27,168
Annual Percent Change							
Headcount Enrollments		-7.9%	-4.9%	-2.8%	-0.6%	-1.7%	-1.6%
Degree/Academic Transfers		5.3%	1.6%	0.2%	3.1%	1.9%	-0.6%
Other Credentials		-2.2%	4.6%	-6.4%	-7.9%	7.8%	-12.7%

2017-19 Biennial and 2018 Supplemental Enacted Budget Recap

For the 2017-19 biennium, a total of \$3.9 billion in state funds (NGF-T) was provided in support of the higher education system (including financial aid); \$3.1 billion (81 percent) of which was appropriated directly to the institutions of higher education. Compared to the 2015-17 biennium, this represents a \$294 million (10 percent) increase in state funds to the institutions of higher education. State support for the higher education system overall grew by 9 percent compared to the 2015-17 biennium.

Major Increases:

State Need Grant

The legislature provided an additional \$68 million for the State Need Grant (SNG), a need-based financial aid program, in the 2017-19 biennial and 2018 supplemental budgets. The majority of the funding in the 2017-19 biennial budget (\$37.6 million) was provided to maintain prior SNG service levels for the 2017-19 biennium. The remainder of the additional 2017-19 biennial budget funding (\$11.9 million) increased award amounts for students attending private not-for-profit four-year institutions and increased the number of served students. The funding provided in the 2018 supplemental budget (\$18.5 million) was intended to reduce the waiting list for the SNG by a quarter in fiscal year 2019.

Medical Education and Research

\$20.3 million was provided to support medical education and research in the 2017-19 biennial budget. Washington State University was provided with \$10 million for the inaugural class of 60 medical students at the Elson S. Floyd College of Medicine starting in fall 2017 and 60 first and 60 second year students starting in fall 2018. The University of Washington (UW) was provided with \$5 million to continue medical education for 20 additional students entering their third and fourth years at the UW's Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) medical education program in Spokane. This additional funding increased the third and fourth year cohorts to 60 students. The UW also received \$5.3 million for medical research at the Institute for Stem Cell and Regenerative Medicine and the Center for Sensorimotor Neural Engineering.

Washington Opportunity Scholarship Program

\$18 million was provided in the 2017-19 biennial and 2018 supplemental budgets for the Opportunity Scholarship state match requirement in fiscal years 2018 and 2019. A public-private partnership, the WSOS program provides scholarships to students who have received their high school diploma or GED in Washington State and are pursuing a four-year degree in a high-demand field such as science, math, technology, engineering, or health care. The state is required to match private donations up to \$50 million annually.

New and Expanded Degree Programs

An additional \$10.1 million was provided in the 2017-19 biennial and 2018 supplemental budgets to expand and create new programs at the University of Washington, Western Washington University, State Board of Community and Technical Colleges, and Central Washington University.

University of Washington Compensation

An additional \$9 million was provided to the University of Washington in the 2018 supplemental budget on a one-time basis to temporarily support a portion of central services and compensation costs from the state General Fund instead of tuition revenue.

Student Success

An additional \$4 million was provided in the 2017-19 biennial budget for student success initiatives to improve retention and graduation rates at the community and technical colleges (\$3 million) and Western Washington University (\$1 million). Student success initiatives include programs such as academic advising, tutoring, and other educational supports.

Governor's Proposed 2019-21 Budget**State Need Grant**

The Governor's proposed 2019-21 biennial budget would increase funding for the State Need Grant (SNG) by \$103 million in the 2019-21 biennium, and assumes a total 4-year cost of \$321 million. The additional funding would phase-out the waiting list beginning in fiscal year 2022.

Additional Support for Compensation and Central Services

An additional \$64 million in state funds is proposed to pay for higher compensation and central service costs at the institutions of higher education. This funding is in addition to the amount provided through the typical funding formula. The total 4-year cost of this proposal is \$131 million.

Student Success and Academic Programs

An additional \$58 million in the 2019-21 biennium is proposed in support of student success and academic programs at the institutions of higher education. The 4-year institutions would receive \$32 million for academic program enhancements, student support services and other university priorities. The Community and Technical Colleges would receive \$26 million to continue implementation of the Guided Pathways model. The total 4-year cost of this proposal is \$116 million.

Career Connected Learning

The Governor proposes additional spending by the higher education agencies of \$40 million for activities to support career connected learning. This is part of a suite of investments that would cost \$86 million across 14 agencies in the 2019-21 biennium, with a total 4-year cost of \$221 million. The funding would pay for 1) grants for partnerships between local business, labor, education and nonprofit organizations; 2) additional enrollment in dual credit courses, career and technical education courses, registered apprenticeships, and Jobs Skills trainings; and 3) cross-agency coordination of career connected learning.

Support for University of Washington Hospitals and Dentistry

The Governor proposes providing \$16 million in the 2019-21 biennium to support operations of Harborview Medical Center, the University of Washington Medical Center, and the University of Washington School of Dentistry. The total 4-year cost of these proposals is \$32 million.

Washington Opportunity Scholarship Program

The Governor would provide \$14 million to match private donations to the Opportunity Scholarship program (WSOS). A public-private partnership, the WSOS program provides scholarships to students who have received their high school diploma or GED in Washington State and are pursuing a four-year degree in a high-demand field such as science, math, technology, engineering, or health care. The state is required to match private donations up to \$50 million annually.

Washington State University Medical School

The Governor would provide \$11 million to fully fund four years of medical school for cohorts of 60 students at WSU's Elson S. Floyd College of Medicine. The total 4-year cost of this proposal is \$25 million.

Department of Children, Youth, and Families

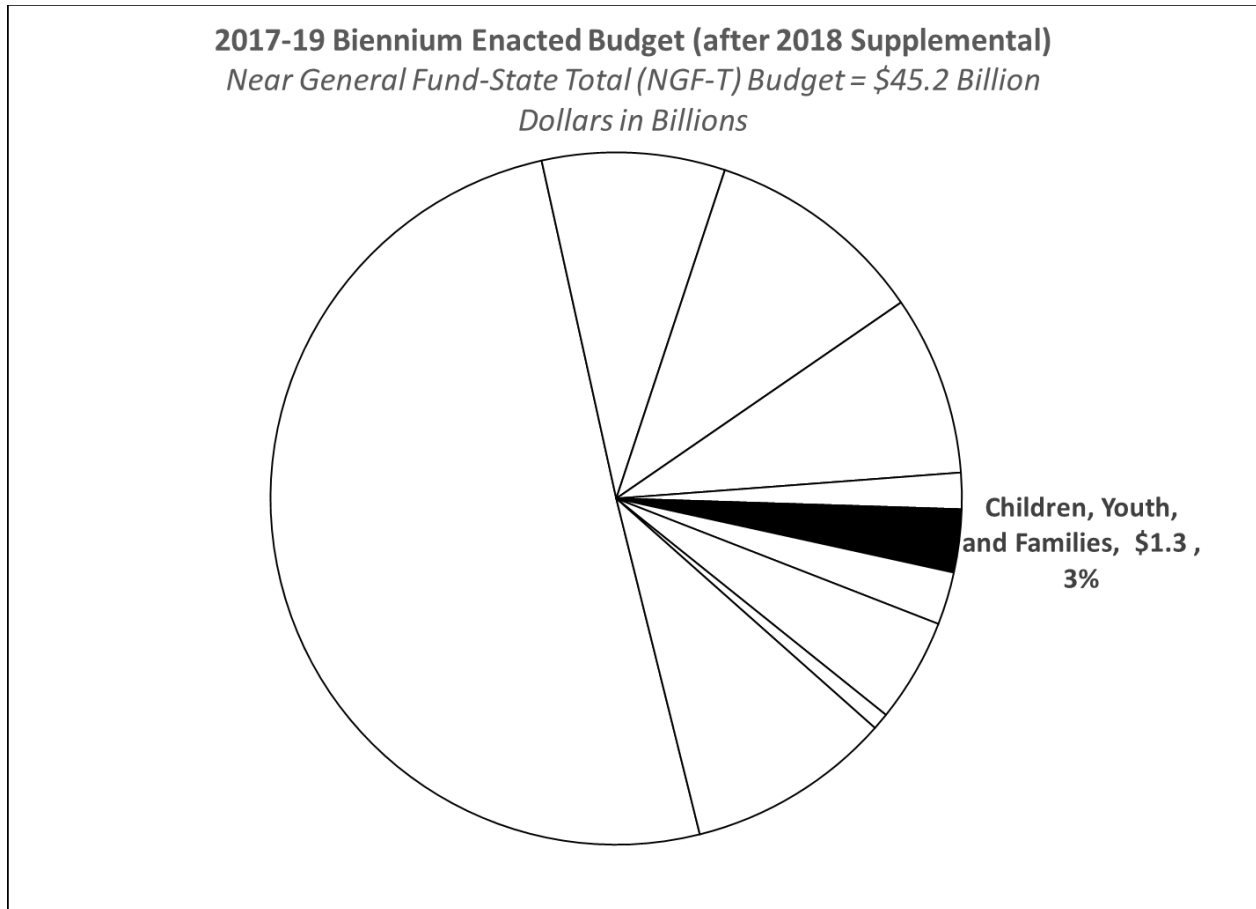
The Department of Children, Youth, and Families (DCYF) was created in 2017 via Chapter 6, Laws of 2017, 3rd Special Session (Second Engrossed Second Substitute House Bill 1661) by consolidating the Department of Early Learning (DEL) and the Children's Administration of the Department of Social and Health Services effective July 1, 2018. DCYF is responsible for implementing early learning policy; coordinating child care and early learning programs; and providing child welfare services, including managing the adoption and foster care systems. Barring any legislative changes to the contrary, the Juvenile Rehabilitation (JR) Administration of the Department of Social and Health Services will be consolidated into DCYF July 1, 2019. In addition, funding associated with the Working Connections Child Care program, which currently exists in the Economic Services Administration of the Department of Social and Health Services, will be transferred to DCYF July 1, 2019. For the purposes of this document, JR is included in DCYF.

Key Facts

- 2017-19 biennial budget (DCYF + Juvenile Rehabilitation (JR)): \$2.2 Billion total funds; \$1.3 Billion Near General Fund Total (NGF-T)
- ECEAP (FY 2018) - 12,491 funded slots
 - Partial Day (\$7,578 per slot): 10,037 slots (80 percent)
 - Full Day (\$10,312 per slot): 1,998 slots (16 percent)
 - Extended Day (\$15,961 per slot): 456 slots (4 percent)
- Working Connections Child Care (WCCC) Children Served (FY 2018): 51,690 monthly average
- Foster Care Caseload (FY 2018): 11,690 monthly average
- Adoption Support Caseload (FY 2018): 15,530 monthly average
- Juvenile Rehabilitation Caseload (FY 2018): 489 monthly average

Trend/Overview Information

For the 2017-19 biennium, including the 2018 supplemental budget, state appropriations for DCYF + JR totaled \$1.3 billion, which represents 2.9 percent of the \$45.2 billion state budget.



The largest drivers of DCYF's budget are:

- ECEAP, which provides nutrition, health, education, and family support services to children aged 3 and 4 years old from households with income below 110 percent of the federal poverty level and those who are eligible for special education due to a disability. Statute directs that ECEAP will become an entitlement in the 2022-23 school year and the number of slots are to be phased in incrementally each year until full implementation is achieved. The budget funded 1,800 additional slots in Fiscal Year 2019 which will bring the total number of slots funded to 13,491 by the end of the 2017-19 biennium. An additional 5,926 slots are needed to reach full entitlement.
- Mandatory caseloads, including foster care, adoption support, and juvenile rehabilitation. Chapter 208, Laws of 2018 (Engrossed House Bill 2008), added two new child welfare-related caseloads that will be included in the official forecasts of the Caseload Forecast Council - Behavioral Rehabilitation Services (BRS) and Child Protective Services screened-in intakes. Although both caseloads are forecasted to increase, Child Protective Services screened-in intakes are projected to increase by 16 percent by Fiscal Year 2021. Beginning with the 2019-21 biennial budget, costs associated with these two new forecasts will be funded at the maintenance level.

2017-19 Budget Recap

A total of \$132.6 million (\$104.9 million NGF-T) was provided to DCYF + JR during the 2017-19 biennium including, but not limited to, the following:

Child Welfare

- \$8.2 million (\$5.9 million NGF-T) to phase in 61.7 additional caseworkers and associated staff by the conclusion of the 2019-21 biennium, and to add 10 additional foster home licensors
- \$6.4 million (\$4.3 million NGF-T) for a monthly \$750 per-child rate add-on for Behavioral Rehabilitation Services (BRS) placements in congregate care settings and to implement an enhanced rate add-on for providers who increase BRS bed capacity
- \$5.5 million NGF-T for emergent placement contracts to facilitate placements for foster children who have higher-level needs
- \$3.7 million (\$2.2 million NGF-T) to implement Chapter 20, Laws of 2017, 3rd sp.s. (Second Engrossed Substitute Senate Bill 5890) which modifies adoption support payments and providers foster parents short-term assistance
- \$1.1 million NGF-T to add 6.5 FTEs to increase relative search referrals and facilitate placements of dependent children with relatives, when appropriate; and to expand performance-based contracts for family support services pursuant to Chapter 284, Laws of 2018 (Senate Bill 6407)

Early Learning

- \$37.7 million NGF-T for ECEAP for 1,800 additional ECEAP slots (630 partial day, 1,080 full day, and 90 extended day) and to provide a 6 percent base rate increase
- \$4.3 million NGF-T to continue funding for the Early Childhood Intervention Prevention Services (ECLIPSE) Program, which provides early intervention and treatment services for children exposed to risk factors that impact development, behavior, and mental health
- \$2.3 million NGF-T was deposited into the Home Visiting Services Account to expand the Home Visiting program to an additional 275 families and to equalize rates paid to providers
- \$2.0 million for forecasted adjustments to tiered reimbursement awards

Juvenile Rehabilitation

- \$2.8 million NGF-T for caseload adjustments;
- \$732,000 NGF-T to hire 7.6 FTE to operate an acute mental health program for youth at Green Hill School; and
- \$539,000 for two homeless prevention specialists and costs of temporary housing to assist homeless youth in finding stable placements when returning to the community from incarceration.

Program Support

- \$2.7 million NGF-T for 26.6 FTE to provide administrative support to DCYF;
- \$1.0 million NGF-T (plus an additional \$1.0 million provided to the Office of Financial Management) to support implementation costs of the creation of DCYF
- \$580,000 (plus an additional \$630,000 provided to the Office of the Governor) to establish the Office of Innovation, Alignment, and Accountability.

Governor's Budget

The Governor's budget proposal provides a total of \$574.9 million (\$388.8 million NGF-T) to DCYF + JR during the 2019-21 biennium including, but not limited to, the following:

Child Welfare:

- \$46.5 million NGF-T for mandatory caseload adjustments;
- \$25.3 million (\$17.7 million NGF-T) to increase rates for behavioral rehabilitation services providers;
- \$16.3 million (\$7.9 million NGF-T) to hire an additional 106.9 child welfare social workers by the end of the biennium; and
- \$13.6 million (\$9.9 million NGF-T) for additional supports to foster and biological parents, including establishing a mentoring and liaison program and making improvements to the foster parent licensing process.

Child Care:

- \$54.9 million NGF-T to fund the 2019-21 collective bargaining agreement for licensed family homes which includes base rate and tiered reimbursement increases for a licensed family home providers, hourly wage increases for family, friend and neighbor (FFN) providers, as well as investments in professional development
- \$72.3 million in federal funds for tiered reimbursement rate increases for child care center providers who achieve level 3 or level 4 in the Quality Rating and Improvement System;
- \$34.9 million NGF-T for caseload adjustments associated with tiered reimbursement and quality improvement awards, and meeting the statutory deadline that all subsidized child care providers rate a level 3 by December 2019;
- \$10.4 million NGF-T for additional supports to licensed family home providers, including professional development scholarships, resources to meet health and safety standards, and rate increases for those serving infants and toddlers

Preschool:

- \$37.4 million for 2,385 additional ECEAP slots to meet the entitlement in Fiscal Year 2023;
- \$12.6 million for a 3 percent increase in ECEAP slot rates;
- \$4.6 million for an early ECEAP pilot program to serve 154 children, newborn to three years of age) in families with incomes below 110 percent of the federal poverty level;
- \$2.0 million to increase administrative staff in ECEAP by 5.5 FTEs and to provide assistance to providers to aide them in meeting the required quality standards;
- \$30.1 million to establish 1,907 preschool slots for children aged three and four in families with incomes up to 200 percent of the federal poverty level

Birth to 3 Programs:

- \$19.1 million (\$12.9 million NGF-T) for an additional 2,951 slots in home visiting programs;
- \$18.8 million NGF-T to establish a program whereby nurses will conduct in-home assessments to an estimated 16,854 volunteering families with newborns between 3 and 12 weeks of age to connect them with home visits and/or other early learning services; and
- \$7.1 million NGF-T for a statewide referral system to link families with early learning services in their local communities.

Juvenile Rehabilitation

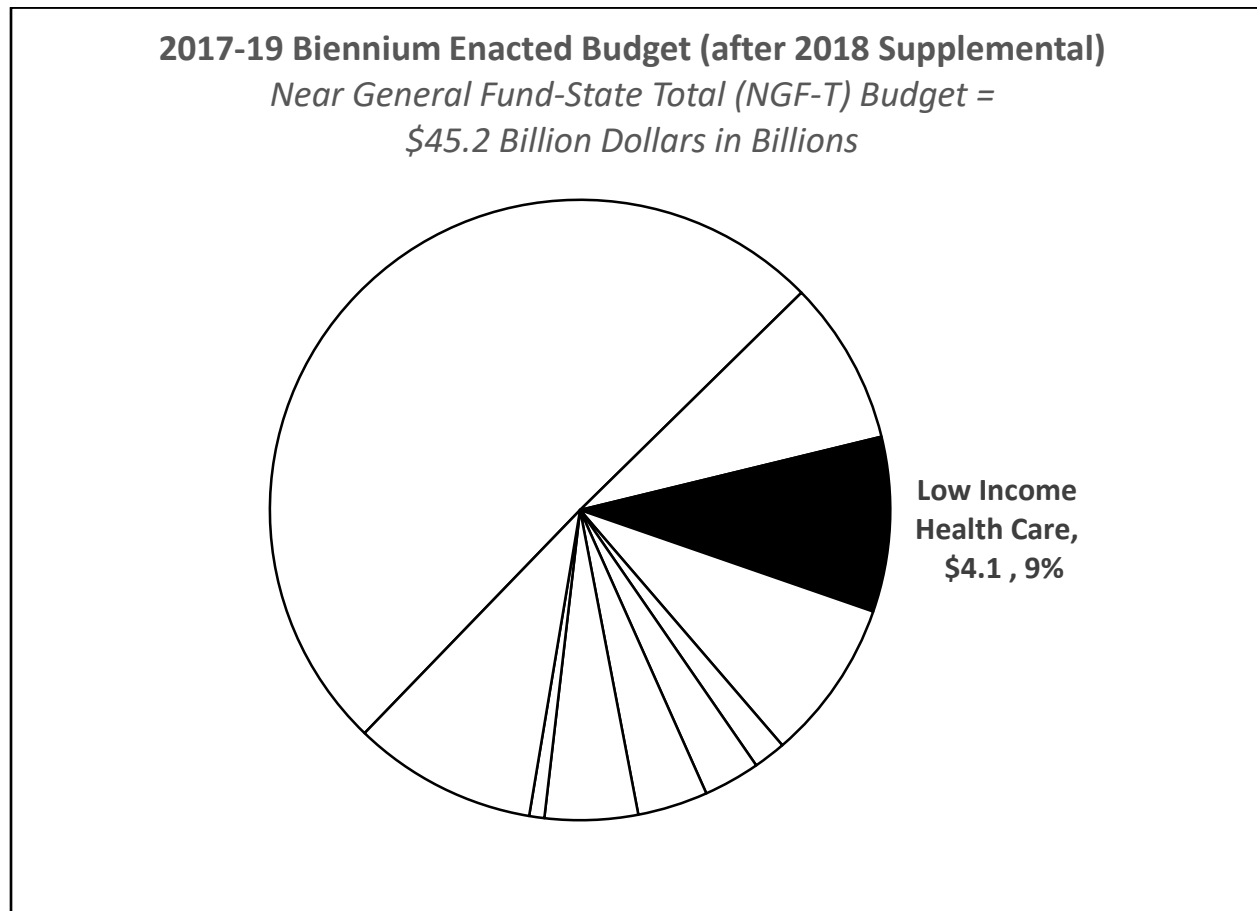
- \$9.6 million NGF-T to increase staff in juvenile rehabilitation facilities

Low-Income Health Care

Washington is budgeted to spend \$17.1 billion during the 2017-19 biennium to cover all or part of the physical health cost of medical and dental care for an average of 1.8 million low-income children and adults. These expenditures are administered by the Health Care Authority, which contracts with managed care insurance plans and directly with hospitals, physicians, dentists, pharmacies, and other medical providers to deliver services under Medicaid.

Key Facts

- Total 2017-19 biennial budget: \$4.9 billion Near-General Fund State + Hospital Safety Net, \$11.6 billion Federal (primarily Medicaid), and \$0.9 billion other state and local funds
- Estimated Lives Covered in FY 2019: 1.9 million or 1 of every 4 Washingtonians, including:
 - ✓ 1 of every 2 children in the state
 - ✓ 1 of every 2 pregnant women
 - ✓ 1 of every 5 adults (non-pregnant, non-elderly)
 - ✓ 1 of every 10 elderly adults
- Average Annual Cost Per Person Covered: \$4,049, ranging from \$1,658 per year for Children's Health Program (CHP) to \$18,237 per year for non-citizen pregnant women
- Total State Staff: 1,037 FTE's



Trend/Overview Information

Publicly-funded medical care for low-income people is the third largest component of the state-funds operating budget, after K-12 education and human services programs.

State dollars are only part of how low-income medical spending is financed. Total low-income medical care spending is financed through the Medicaid program - which is a jointly federal-state funded entitlement program. Additional funds for the program come in through the Hospital Assessment program and are used in lieu of state funds for Medicaid hospital services. The total of all funds through the Hospital Assessment program for the 2017-19 biennium total an additional \$1.4 billion dollars. The following table shows how the federal and state shares of Medicaid financing have changed and are expected to change. In 2008 the federal and state shares of total costs were roughly the same - 47 percent and 51 percent respectively. By 2010, this had shifted to a 37 percent state share. Ten years later, nearly seven out of every ten Medicaid dollars will be federal. This is largely a result of four factors: Medicaid expansion under the Affordable Care Act, the renewal of the Hospital Safety Net Assessment, Initiative 502 funding, and improved federal match for the Children's Health Insurance Program (CHIP).

Total funding for low-income medical grew by 7.2 percent from 2010 to 2019 - with federal funding growing at 8.4 percent compared to the state share increasing by 2.4 percent. When Near GF-T and Pension Stabilization is combined with the Hospital Assessment, there is growth of 3.6 percent.

Medicaid Enrollment and Funding Changes Over Ten Years					
FY 2010 to FY 2019					
Population/Funds	Totals		Percent Share of Total		Avg Annual Growth
	2010	2019	2010	2019	2010 to 2019
WA State Population	6,724,540	7,535,510	100%	100%	1.3%
Medicaid Pop.	1,147,948	1,855,762	17%	25%	5.5%
Non-Medicaid Pop.	5,576,592	5,679,748	83%	75%	0.2%
Fund Source	\$ in millions		Percent Share of Total		Avg Annual Growth
	2010	2019	2010	2019	2010 to 2019
Total Funds	\$ 4,619.5	\$ 8,602.4	100%	100%	7.2%
NGF-T*	\$ 1,686.5	\$ 2,086.8	37%	24%	2.4%
Hospital Safety Net**	\$ 83.1	\$ 346.7	2%	4%	17.2%
Federal	\$ 2,831.8	\$ 5,838.0	61%	68%	8.4%
Other Funds	\$ 18.1	\$ 331.0	0%	4%	38.1%
*NGF-T includes GF-S and Pension Fund Stabilization					
**Hospital Safety Net began in 2010					

2017-19 Budget Recap

The 2017-19 all-funds appropriation of \$17.3 billion for low-income medical care is a net \$1.2 billion (7.4 percent) increase from the 2015-17 biennium appropriations, and includes a net \$150 million (3.8 percent) increase in state-fund appropriations (Near GF-T + Pension Stabilization).

The majority of the total fund increases (\$1.2 billion) are almost entirely due to Medicaid Expansion under the Affordable Care Act (ACA) continuing, increasing hospital rates under the Hospital Safety Net, Hepatitis C funding, and increased managed care rates. Of the net \$2 billion in increases, \$1.8 billion is from federal sources. This is offset by reductions in state-fund appropriations (\$181.7 million) which are realized primarily through forecast adjustments for all populations and buy-back of previous savings initiatives. Improved federal matching rates for the Children's Health Insurance Program (CHIP), Initiative 502 funding, and the continued funding of the Hospital Safety Net program help to offset these additions in funding.

Current Budget Issues

The 2018 supplemental budget contained a buy-back of unrealized savings from two policy items from previous budget periods. These are discussed in greater detail below.

- Healthier Washington (State Health Care Innovation):
 - 2018 only - \$67.7 million (\$30.2 million Near GF-T and Pension Stabilization)
- Pharmacy Savings:
 - 2017-19 - \$39.1 million (\$11.5 million Near GF-T and Pension Stabilization)

State Health Care Innovation: In December 2014, Washington State received approximately \$65 million from the Centers for Medicare and Medicaid Services (CMS) Innovations Fund to implement its State Health Care Innovation Plan. Implementation is expected to slow the growth of state health care costs. This bill also required the creation of an All Payer Claims Database (APCD), collaboration with Department of Social and Health Services to integrate physical and behavioral health rates, and savings attributable to the innovation plan beginning in State Fiscal Year 2016. The Office of Financial Management has contracted with a vendor for the APCD.

During FY 2015, there were no savings attributable to Healthcare Innovation (Healthier Washington). Beginning in FY 16, HCA has requested to restore savings based on lack of Early Adopters for fully integrated behavioral and physical health plans. Since 2016, two regions have fully integrated. An additional request has been made by HCA to restore savings in FY19-21 in anticipation of the integration of behavioral and physical health in the remaining regions. The requested restoration of savings is \$67.1 million (\$29.7 million Near GF-T and Pension Stabilization) in FY19. This amount is nominally, incrementally reduced as other regions integrate.

The HCA has appropriation authority for a second waiver from CMS for an additional \$1.2 billion in federal spending authority for parallel innovation strategies. These strategies require HCA to leverage existing state funds and secure new local funds as the matching dollars. This waiver is to be used for Accountable Communities of Health, Long Term Support Services, and Supportive Housing and Employment. There are no Near GF-T and Pension Stabilization in this budget item.

Pharmacy Savings: The 2017 legislature directed HCA to implement a single, standard preferred drug list (PDL) and operating as the single pharmacy benefits manager (PBM) under the

prescription drug purchasing consortium beginning January 1, 2018. This was partially vetoed to exclude the single PBM. HCA has incrementally implemented the single PDL and is requesting a partial restoration of savings of \$49.7 million (\$14.2 million Near GF-T and Pension Stabilization) for the FY 2019-21 biennium.

Maintenance Level Costs: The Governor's proposed maintenance level budget includes forecasted increases of \$1.2 billion (\$471.4 million Near GF-T and Pension Stabilization) for the FY 2019-21 biennium. These costs total \$1.4 billion NGF-T over four years.

Maintenance level includes updates to caseload and utilization as well as federal rule changes, technical corrections and managed care rate updates.

Of the changes included in maintenance level, managed care rates increased by \$283.1 million (\$137.5 million Near GF-T and Pension Stabilization) for the FY 2019-21 biennium. This is a total of \$281.7 million NGF-T over four years and represents a composite increase of 8.7% across rate categories.

Long Term Care and Developmental Disabilities

The Aging and Long Term Support Administration (AL TSA) and Developmental Disabilities Administration (DDA) are part of the Department of Social and Health Services (DSHS).

Washington is budgeted to spend \$3.8 billion Near General Fund Total (\$8.4 billion total funds) during the 2017-19 biennium to provide aging and long-term support services, which are primarily Medicaid-funded (i.e. state and federal matching funds). Both AL TSA and DDA operate an institutional-based Medicaid entitlement program. The entitlement setting in AL TSA is nursing homes and the entitlement setting in DDA is Residential Habilitation Centers (RHCs). Both AL TSA and DDA offer Medicaid waiver programs. These programs waive the Medicaid entitlement and offer alternative services to clients in their own homes or community residential settings (i.e. adult family homes and assisted living homes).

Since both AL TSA and DDA primarily provide Medicaid funded services, the Medicaid rules guide the structure and operation of the programs. These rules, and associated case law, significantly limit the state's ability to manage expenditures through program or client eligibility changes.

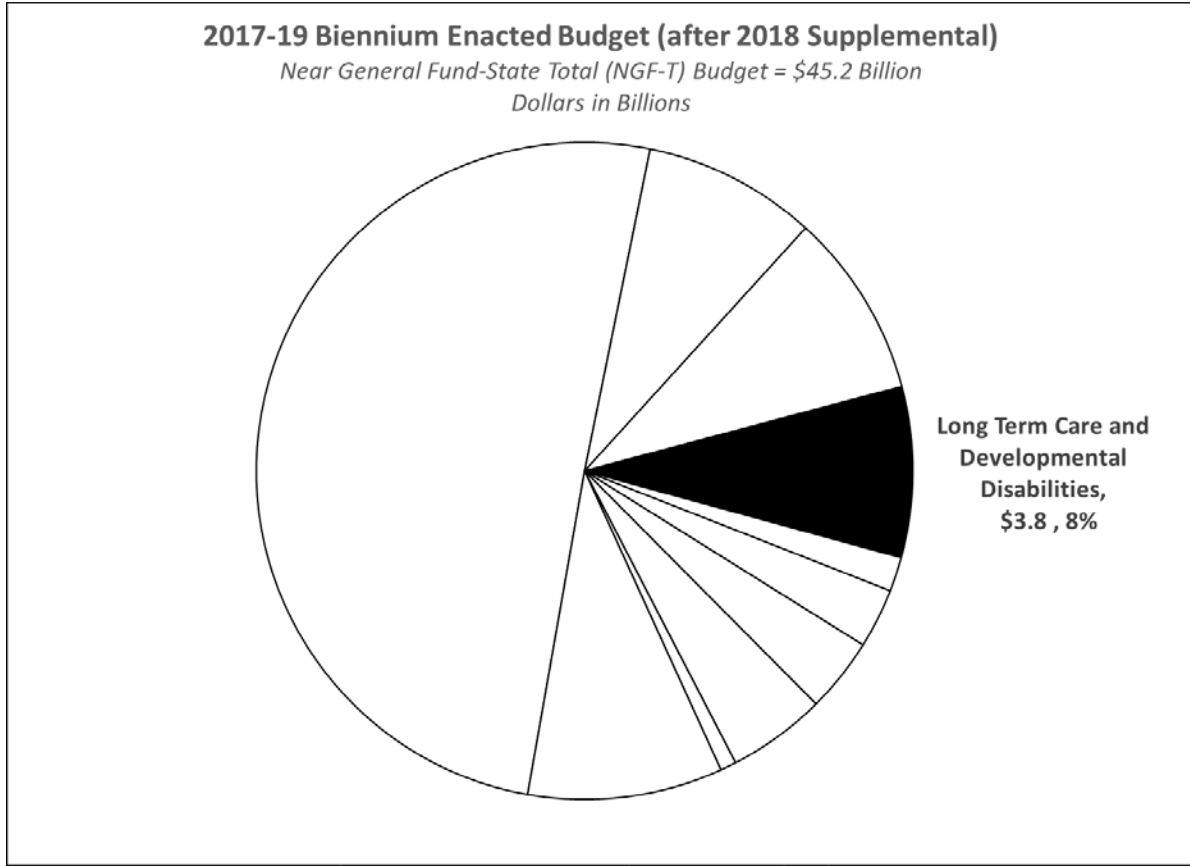
Key Facts

- 2017-19 budget by program:
 - AL TSA: \$2.3 billion Near General Fund Total (\$5.3 billion total funds) and 2,000 FTEs.
 - DDA: \$1.5 billion Near General Fund Total (\$3.0 billion total funds) and 3,770 FTEs.
- Percent of the program that comes from the state: 45 percent
- Number served and average monthly cost per client:

Service Setting	Numbers Served	Average Monthly Cost per Client
Nursing Homes	9,700	\$ 5,600
AL TSA Community Residential	12,800	\$ 2,100
AL TSA In-Home	42,100	\$ 2,100
Residential Habilitation Centers	800	\$25,300
DDA Community Residential	4,600	\$ 9,700
DDA In-Home	14,600	\$ 2,400

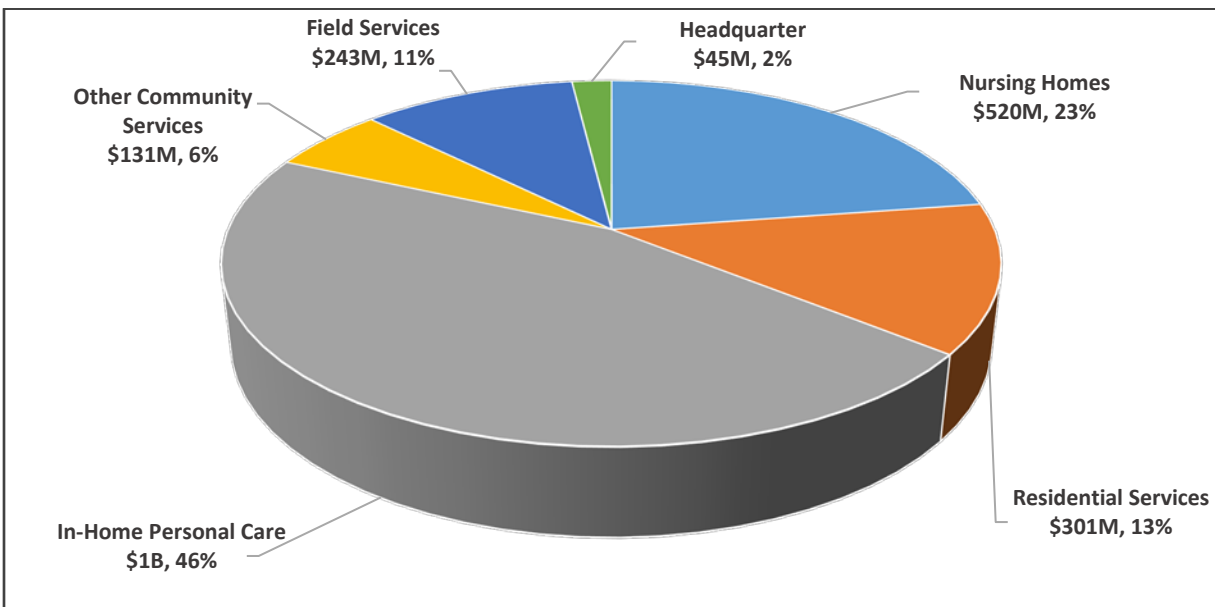
Trend/Overview Information

AL TSA and DDA programs and services account for just over 8 percent of the statewide Near General Fund Total for the 2017-19 biennium and roughly 27 percent of the total human services budget.

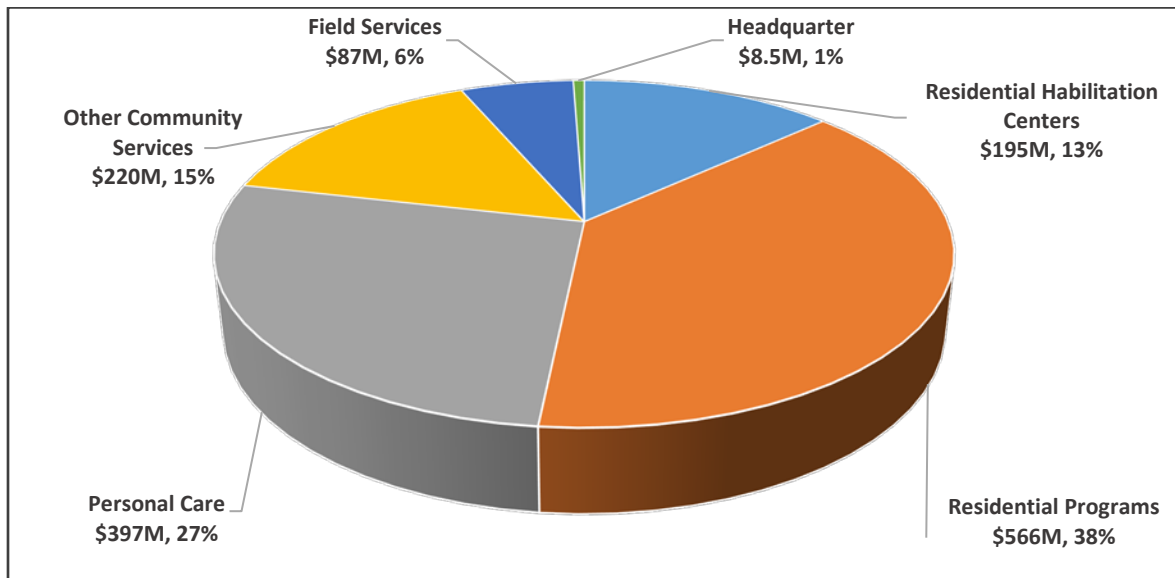


With AL TSA and DDA, the bulk of Near General Fund Total dollars are budgeted for home and community based services.

AL TSA 2017-19 Biennium Enacted Budget (after 2018 Supplemental)
Near General Fund Total (NGF-T) = \$2.3 Billion



**DDA 2017-19 Biennium Enacted Budget (after 2018 Supplemental)
Near General Fund Total (NGF-T) = \$1.5 Billion**



Over 90 percent of ALTSA and about 30 percent of DDA are forecasted caseload programs. Client caseloads for in-home and residential personal care (both ALTSA and DDA), ALTSA waiver services, and ALTSA entitlement services are modeled and adjusted by the Caseload Forecast Council. These costs are funded in the maintenance level budget. Per capita expenditures for these service areas are modeled and adjusted by joint legislative and executive staff workgroups, and are also adjusted in the maintenance level budget. Unlike ALTSA, DDA residential services beyond personal care are capped. Per capital expenditures for the existing capped client caseload are adjusted in maintenance level. Increases in caseload are explicitly funded by the Legislature at policy level.

Caseload increases are primarily driven by demographic changes, particularly due to the impact of an increasingly aging population. The overall state population is projected to grow at about 1 percent per year, however, the 65 and older population is growing at four times that rate. This impacts growth in the elderly population receiving services, but also impacts adults with developmental disabilities. Roughly 70 percent of the caregivers for adults with developmental disabilities are parents and relatives who are themselves aging and incurring more difficulties in providing care. Per capita cost increases have occurred across both the ALTSA and DDA populations. These costs are typically driven by worker wages and benefits--primarily the impact of collective bargaining agreements for home care workers. However, a portion of the cost increases are driven by increases in client acuity which correspondingly increase required levels of care.

2017-19 Budget Recap

Total funding for ALTSA and DDA combined accounts for roughly 60 percent of the DSHS budget, and is approximately \$8.4 billion total (\$3.8 billion Near General Fund Total) in budgeted expenditures for the 2017-19 biennium. This funding represent an 18 percent increase for the two programs combined compared to 2015-17 expenditures.

The 2018 Supplemental operating budget includes the following item (which impacts both programs):

- A total of \$43.3 million (\$1.3 million Near General Fund Total) is provided for a Consumer Directed Employer (CDE) to become the legal employer of individual providers for administrative purposes, pursuant to Chapter 278, Laws of 2018 (Engrossed Substitute Senate Bill 1699). Among other tasks, the CDE will be responsible for verifying training requirements, conducting background checks, implementing an electronic visit verification system, and monitoring compliance with overtime regulations.

The following items from the 2018 Supplemental operating budget are unique to each program and are, therefore, described separately:

Long-Term Care

- A total of \$2.2 million (\$1.0 million Near General Fund Total) is provided for a targeted rate add-on to contracted Assisted Living facilities with an average Medicaid occupancy of 60 percent or higher.

Developmental Disabilities

- A total of \$15.6 million (\$7.8 million Near General Fund Total) is provided to comply with active treatment, client safety, governing body and management, client rights, and other Centers for Medicare and Medicaid Services certification requirements at the Residential Habilitation Centers.
- A total of \$2.7 million (\$1.4 million Near General Fund Total) is provided to move 47 clients from the Residential Habilitation Centers into community settings. Clients will phase into State Operated Living Alternative placements over a three-year period.

Current Budget Issues/Governor's Budget

The Governor's proposed 2019-21 biennial operating budget, for AL TSA and DDA combined, totals \$10.3 billion (\$4.7 billion Near General Fund Total). The Near General Fund Total funding represents about a 24 percent increase for the two programs combined compared to the 2017-19 biennial budget.

The Governor's proposed 2019-21 biennial operating budget includes the following items (which impacts both programs):

- A total of \$65.9 million (\$30.4 million Near General Fund Total) is provided for contracted provider rate increases for employees in nursing homes, assisted living facilities, and critical nursing services.
- A total of \$13.9 million (\$10.9 million Near General Fund Total) is provided to continue the implementation of a Consumer Directed Employer (CDE) to become the legal employer of individual providers for administrative purposes, pursuant to Chapter 278, Laws of 2018 (Engrossed Substitute Senate Bill 1699).
- A total of \$14.6 million (\$6.4 million Near General Fund Total) is provided to comply with the federal 21st Century Cures Act, which requires states to implement an Electronic Visit Verification (EVV) system by January 1, 2020 or receive a federal match rate reduction.

- A net Near General Fund Total savings of \$2.3 million is achieved by providing fee authority for supported living providers to cover oversight and investigation costs for clients residing in supported living settings. Provider rates are increased to cover the cost of the fee, which is eligible for federal matching funds, and results in a state savings.

The following items from the Governor's proposed 2019-21 biennial operating budget are unique to each program and are, therefore, described separately:

Long-Term Care

- Consistent with statute, a total of \$24.7 million (\$10.9 million Near General Fund Total) is provided for an annual cost-of-living (COLA) adjustment to the Personal Needs Allowance for Medicaid clients in community and institutional settings.

Developmental Disabilities

- A total of \$117.6 million (\$59.4 million Near General Fund Total) is provided to increase the rate for community residential service providers in supported living, group homes, and licensed staffed residential homes. Rates will increase by 10 percent on January 1, 2020, and by an additional 10 percent on January 1, 2021.
- A total of \$40.2 million (\$20.1 million Near General Fund Total) is provided to add 184 FTE staff at the Residential Habilitation Centers (RHCs) and 54 FTE staff to four new State Operated Living Alternative (SOLA) homes to comply with active treatment, health and safety, client rights, and other Centers for Medicare and Medicaid Services (CMS) requirements for Intermediate Care Facilities (ICFs).
- A total of \$33.8 million (\$17.2 million Near General Fund Total) is provided for RHC residents who have requested community placements to transition to SOLAs, including the completion of the 47 SOLA placements from the 2018 Supplemental operating budget (\$6.4 million Near General Fund Total) and an additional 100 SOLA placements in the 2019-21 biennium (\$10.5 million Near General Fund Total). Funding is also provided to continue contracted services with family mentors (\$350,000 Near General Fund Total).
- A total of \$4.8 million (\$2.5 million Near General Fund Total) is provided for two new children SOLA homes in western Washington. Each SOLA home will house three children.
- A total of \$10.6 million (\$5.9 million Near General Fund Total) is provided for employment services for approximately 915 individuals with developmental disabilities who will transition out of high school in the 2019-21 biennium.
- A total of \$6.3 million (\$5.3 million Near General Fund Total) is provided to expand beds for Overnight Planned Respite Services (OPRS) for adults and Enhanced Respite Services (ERS) for children by six each (\$4.4 million Near General Fund Total); and to increase the daily rate for existing beds for OPRS and ERS (\$900,000 Near General Fund Total).

Economic Services Administration

The Economic Services Administration (ESA) administers public assistance programs that provide low-income Washington residents with cash assistance, food assistance, some eligibility determinations for medical assistance, child support enforcement and collections, eligibility for child care subsidy, disability determinations, employment services, and other services within the Department of Social and Health Services (DSHS). ESA's Community Service Offices serve as the "front door" for cash and food benefits and referrals to other programs and services for low-income families. ESA clients include low-income individuals, families, and children; pregnant women; individuals with disabilities; older adults; refugees; and immigrants.

Major assistance programs administered by ESA include:

- **Temporary Assistance for Needy Families (TANF):** Cash grants for low-income individuals with children (lifetime limit of 60 months) and children whose parents are ineligible or who are being cared for by non-parent caregivers. Clients must participate in approved WorkFirst activities to receive the full TANF grant. Failure to participate results in a reduced grant and continued lack of participation may result in benefit termination.
- **State Family Assistance (SFA):** Cash assistance to legal immigrants who are ineligible for TANF due to legal immigration status of less than 5 years, students aged 19-20, and certain pregnant women.
- **WorkFirst program:** Support services focused on obtaining paid, unsubsidized employment for low income families who receive TANF cash welfare.
- **Working Connections Child Care (WCCC):** Child care subsidies for low-income parents who are working, participating in an approved work activity, or receiving TANF cash assistance. Barring any legislative change to the contrary, effective July 1, 2019 funding associated with this program will be transferred to the Department of Children, Youth, and Families (DCYF). ESA will continue to make eligibility determinations for this program and to distribute payment to providers for services rendered.
- **Additional Requirements for Emergent Needs (AREN):** Emergency cash payments to prevent eviction, utility shut off, and other emergency payments related to health and safety for TANF, State Family Assistance (SFA), and Refugee program clients.
- **Aged, Blind and Disabled (ABD):** Cash assistance to low-income clients, without dependents, who cannot work due to a disability and are likely to meet federal Supplemental Security Insurance (SSI) standard; and for legal immigrants and refugees who cannot obtain SSI, but meet the disability criteria.
- **Basic Food/Supplemental Nutrition Assistance Program (SNAP):** Federally funded food assistance program for Washington residents, refugees, and legal immigrants (with legal status of 5 years or more).
- **State Food Assistance (FAP):** Food assistance to legal immigrants who are ineligible for federal SNAP due to immigration status of less than 5 years.
- **Diversion Cash Assistance (DCA):** Short term, emergency cash assistance to TANF/SFA-eligible households, who do not need ongoing monthly cash assistance. If family ends up on TANF/SFA within 12 months, the household repays the DCA benefit.
- **Refugee and Immigrant Services (RCA):** Cash assistance and medical assistance for newly arrived refugees.

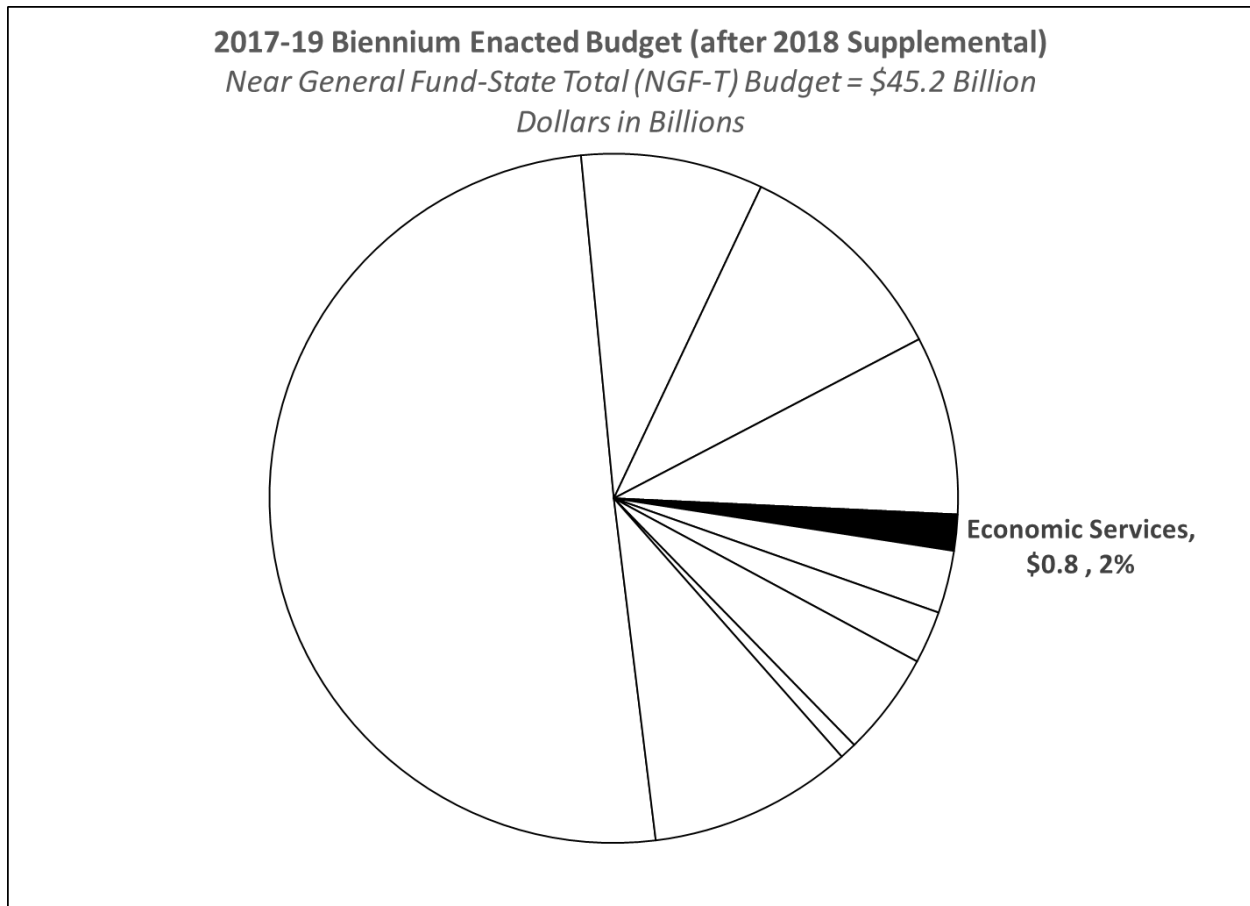
Key Facts

- Total 2017-19 Enacted Budget: \$2.2 billion total funds (\$764.9 million Near General Fund Total (NGF-T))
- Percent of budget that comes from state funds: 34.5 percent
- TANF/WorkFirst as a percent of total budget: 18.9 percent
- Child Care as a percent of total budget: 21.5 percent
- Numbers served and average monthly cost:

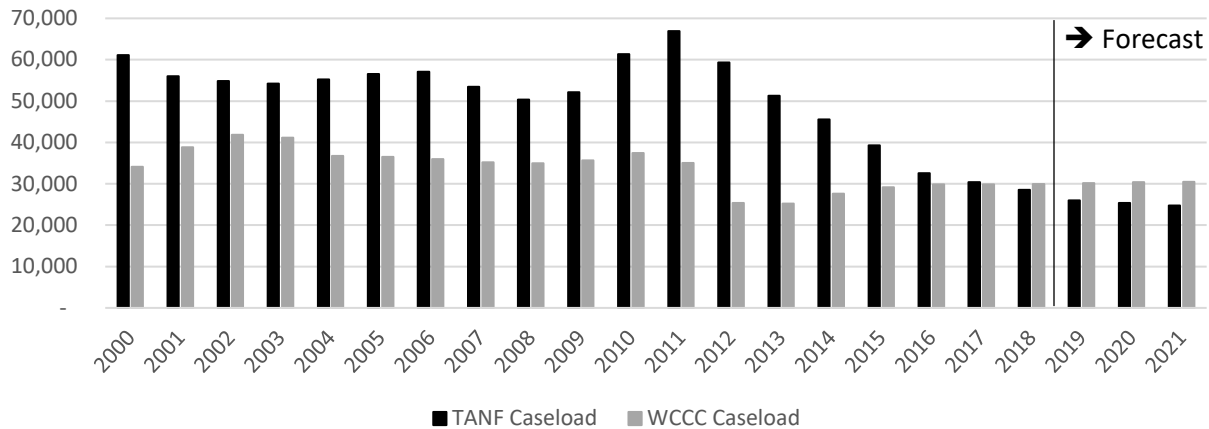
Major Public Assistance Programs, Fiscal Year 2017			
Type	Programs	Caseload	Avg. Monthly Cost/Case
Food Assistance	Supplemental Nutritional Assistance Program	519,308	\$222
Cash Grant	TANF Cash Assistance	28,556	\$407
Child Care Subsidy	Working Connections Child Care	30,767	\$853
Cash Grant	Aged, Blind and Disabled	20,064	\$170
Food Assistance	State Food Assistance	11,826	\$151

Trend/Overview Information

ESA accounts for 1.7 percent of the statewide budget for the 2017-19 biennium and represents 15.7 percent of the total budget for DSHS.



A significant portion of ESA's budget is driven by forecasted caseloads for the TANF/Workfirst and Working Connections Child Care program (WCCC). These programs are forecasted, as a courtesy, by the Caseload Forecast Council (CFC). TANF/WorkFirst and WCCC are not entitlements and, as a result, the Legislature has significant flexibility to make policy choices that impact these caseloads or benefit levels.



- TANF caseloads increased from 2009 through 2011 as a result of the Great Recession. Reductions in grants and a five-year lifetime limit resulted in significant caseload declines beginning in 2012. Caseloads are estimated to continue to decline through Fiscal Year 2021.
- Program changes in WCCC, such as income eligibility and a child support enforcement requirement, created a decline in utilization in 2011 and 2012, although these policies were largely removed in 2012. The caseload has since been growing, although that growth has slowed. The caseload is projected to increase slightly through Fiscal Year 2021.

2017-19 Budget Recap

In the 2017-19 biennium, including the 2018 supplemental budget, ESA's overall budget increased by \$15.4 million, but NGF-T appropriations experienced an overall net reduction of \$138.8 million. The following are some of the major changes made during the 2017-19 biennium:

- \$118.8 million NGF-T decrease in the TANF/WorkFirst program from the following:
 - Forecasted caseload savings (\$120 million);
 - Utilizing available federal funds (\$36.2 million);
 - Utilizing Pension Funding Stabilization Account funds (\$29.3 million);
 - Utilizing available one-time fund balance in the Administrative Contingency Account (\$5.4 million);
 - Capturing under-expenditures in the WorkFirst job search, education, and training activities (\$7.2 million)
 - Caseload declines in the Diversion Cash Assistance program (\$3.1 million).
- \$38.4 million NGF-T decrease in the WCCC program from the following:
 - Reductions in caseload by extending the WorkFirst infant exemption to individuals with children under the age of two (\$14.8 million);
 - Implementation of an automated time and attendance system and greater quality control measures (\$9.0 million);
 - Modifying rules governing approval of full-day care for children who attend school full-time (\$8.3 million);
 - Obtaining greater clarity of household composition prior to approval (\$3.1 million); and

- Forecasted caseload savings (\$3.2 million).
- \$7.3 million decrease in NGF-T for workforce reductions, including reducing the number of lead staff working with eligibility determinations and other management reductions
- \$28.4 million NGF-T for a 2 percent base rate increase for licensed family home providers and a 6 percent base rate increase for child care center providers
- \$15.1 million NGF-T for enhancements to cash assistance programs, including a 6.5 percent increase to the cash grants provided through TANF, State Family Assistance, and Refugee Assistance programs (\$13.0 million); eliminating means testing for kinship care providers (\$1.6 million); and increasing resource limits used in determining eligibility for public assistance programs (\$0.4 million)

Governor's Budget

The Governor's budget proposal provides a total of \$140.7 million (\$94.8 million NGF-T) to the Economic Services Administration for the 2019-21 biennium, which includes, but is not limited to, the following:

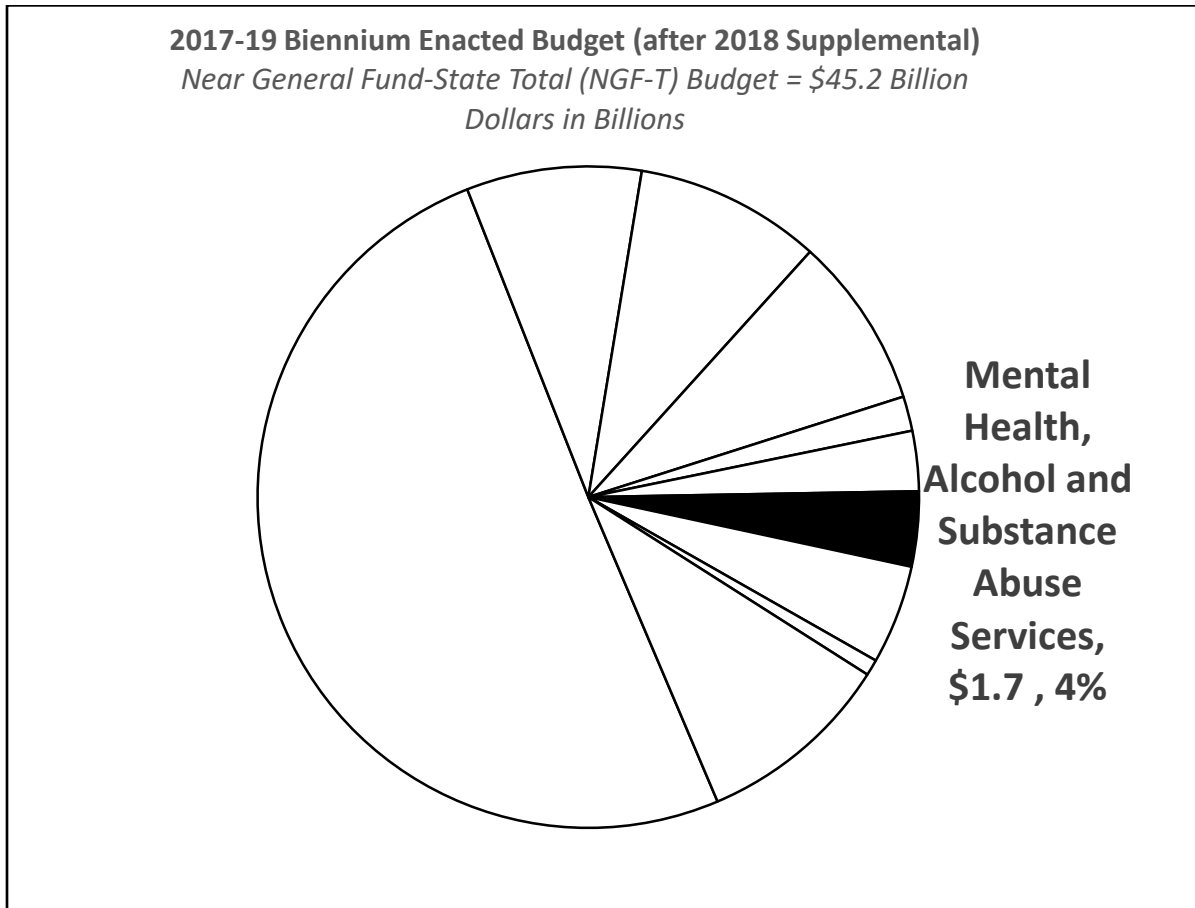
Assistance Programs

- \$28.6 million NGF-T for caseload adjustments; and
- \$2.1 million (\$2.0 million NGF-T) to increase naturalization services.

General

- \$28.7 million (\$9.3 million NGF-T) to continue the Eligibility Services and Automated Client Eligibility System (ACES) Remediation (ESAR) project; and
- \$10.0 million (\$6.1 million NGF-T) for costs related to lease adjustments.

Behavioral Health (Mental Health and Alcohol and Substance Abuse Services)



State Hospitals and Community Behavioral Health

Behavioral health services for those living with severe, chronic, or acute mental illnesses or substance use disorders have historically been administered primarily through DSHS. These services include operation of two adult state hospitals that deliver psychiatric treatment to clients on civil or forensic commitment orders and for the Child Study Treatment Center, which is a small psychiatric inpatient facility for children and adolescents. Beginning July 1, 2018, the community behavioral health system was transferred under the oversight of Health Care Authority (HCA). HCA contracts with local and private administrative entities to coordinate crisis response, community support, and residential and resource management services through a network of community providers.

Washington is budgeted to spend **\$3.7 billion total funds (\$1.7 billion GF-S)** during the 2017-19 biennium to provide mental health and substance abuse services for low-income Washingtonians.

Key Facts

State Hospitals

- Total: 2017-19 budget: \$867 million in total funds and 3,377 FTEs
- Percent of budget that comes from state funds: 68 percent
- Western State Hospital: 1,837
- Eastern State Hospital: 843
- Child Study Treatment Center: 94

Community Behavioral Health

- Total: 2017-19 budget: \$2.83 Billion in total funds and 131 FTEs
- Percent of budget that comes from state funds: 35.8 percent
- Community Services/RSNs: 197,643 (172,015 are Medicaid)

Trend and Overview Information

Both the Mental Health and Alcohol and Substance Abuse (ASA) programs are adjusted at maintenance level for Medicaid caseload changes, similar to other Medicaid programs and rates are updated through contracted actuaries and then submitted for approval to Centers for Medicare and Medicaid Services (CMS).

Beginning July 1, 2018, the community behavioral health system, formally part of DSHS, transferred under the oversight of Health Care Authority (HCA).

In 2014, the Legislature passed Senate Bill 6312, which requires the integration of behavioral health services with primary care services provided by regional Managed Care Organizations by January 1, 2020. To date, two regions have fully integrated with five more regions set to fully integrated by the end of fiscal year 2019. The final three more regions will fully integrate by January 1, 2020.

On July 8, 2018, CMS, after an eighteen-month period to come into compliance with safety and operating standards, decertified Western State Hospital, creating a loss of \$53 million in federal funds.

On November 1, 2018, U.S District Court for the Western District of Washington granted preliminary approval of settlement agreement in the case, Trueblood v. DSHS. This agreement sets forth specific investments and services to meet the established timelines for provision of competency services.

2017-19 Budget Recap

State Hospitals

- A total of \$109 million General Fund-State is provided to provide for increased staffing and other costs of addressing quality of care and patient safety issues at the state hospitals. This includes a combination of one-time and ongoing funding for Western State Hospital to implement a plan of corrections, which is required in order to maintain federal funding at the facility. Funding is also provided for the state hospitals to develop and implement an acuity based staffing tool and to develop a hospital-wide staffing model.
- A total of \$46.4 million General Fund-State is provided on a one-time basis for contempt fines, plaintiff attorney fees, and court monitor costs related to Trueblood et al. v. the Department of Social and Health Services.

- A total of \$11.2 million General Fund-State is provided to address issues related to timeliness of competency evaluation and restoration services and open 45 new forensic beds at Western State Hospital effective July 1, 2018.
A savings of \$9.2 million General Fund-State is achieved by eliminating funds provided for the addition of 24 contracted forensic beds in Yakima which will not be opened pursuant to an agreement by DSHS and plaintiffs submitted to and approved by the federal court.

Community Behavioral Health

- A total of \$145 million (\$55 million General Fund-State) was provided for enhanced community behavioral health services to reduce state hospital usage and keep individuals out of the criminal justice system. This includes funding to increase rates for Behavioral Health Organizations and for community long-term inpatient providers, which serve children and youth crisis centers, clubhouses and assisted outpatient pilots.
- \$19.6 million in federal funding was provided through a Medicaid Transformation waiver for supported housing and employment.
- \$34 million (\$17.7 million General Fund-State) was provided for community placement beds for discharging patients of the state psychiatric hospitals. Specific placement options include enhanced service facilities, adult family homes, skilled nursing facilities, shared supportive housing, assisted living facilities, and state-operated living alternatives.
- An increase of \$18.6 million (\$8.7 million General Fund-State) was provided to contract for long-term inpatient hospital beds in private community settings.
- A total of \$15.5 million General Fund-State was provided for costs associated with treatment services in Institutions for Mental Diseases (IMD) that are unallowable under current federal regulations and are priced at a higher rate than the FY 2017-19 enacted budget assumed.
- A total of \$14.5 million General Fund-State was provided on a one-time basis to create reserve funds for Administrative Services Organizations providing crisis services in mid-adopter regions transitioning to fully integrated managed behavioral health purchasing.

Opioid Prevention

- \$24 million in federal funding authority and FTEs was provided to allow the Department to implement federal grants awarded by the Substance Abuse and Mental Health Services Administration to prevent opioid use.
- A total of \$12.6 million (\$2.7 million General Fund-State) was provided for targeted programs to increase prevention and treatment of opioid use across the state and implement peer support services for individuals with substance use disorders.

Summary of Governor's Budget

\$413 million Near General Fund-State (GF-S) and \$660 million total funds is provided for the 2019-21 Governor's Budget to increase behavioral health services across multiple agencies.

State Hospitals

- \$139 million GF-S is provided to maintain operations and increase safety measures at the State Hospitals and Child Study Treatment Center.
- \$91 million GF-S is provided to address the Trueblood v. DSHS lawsuit and to implement the finalized settlement agreement between the parties both at the state hospitals and in community investment.

- \$85 million GF-S and \$209 million in total funds is provided for investments in community mental health to expand treatment options, to include partial hospitalization, intensive outpatient services, mental health drop-in facilities and increased suicide prevention.
- \$52 million GF-S and \$96 million total funds is provided to continue increasing alternative community placements for individuals ready for discharge from the long-term inpatient care under the Involuntary Treatment Act, including individuals with developmental disabilities.
- \$30 million GF-S is provided to address opioid crisis related treatment and prevention services.

Homelessness/Commerce

Introduction

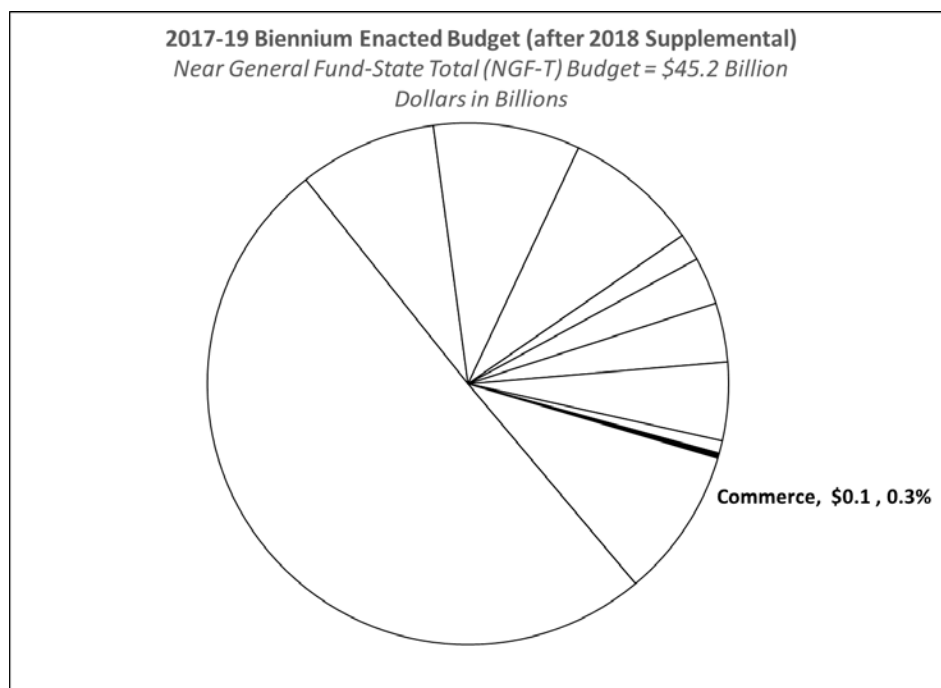
The Department of Commerce (Commerce) administers a variety of programs to enhance community and economic development using federal, state, and local funds. One of the major functions of the Department is managing programs that assist individuals and families experiencing homelessness.

Key Facts

- Total 2017-2019 biennial budget + 2018 supplemental: \$582 million (\$143 million Near General Fund-Total)
- Homelessness and housing 2017-2019 biennial budget + 2018 supplemental: \$195 million (\$69.7 million Near General Fund-Total)
- Homelessness and housing programs represent 33 percent of Commerce's total operating budget.
- Near General Fund-Total spending for homelessness and housing programs represent 49 percent of all Near General Fund-Total spending within the Department.
- 22,304 people were counted as homeless in the statewide January 2018 point-in-time count:
 - 54 percent were located in King County
 - 91 percent of those counted as unsheltered were persons without minors
 - 44 percent of those counted as sheltered were persons in families
- 11,727 households were provided housing in CY16 through the Consolidated Homeless Grant

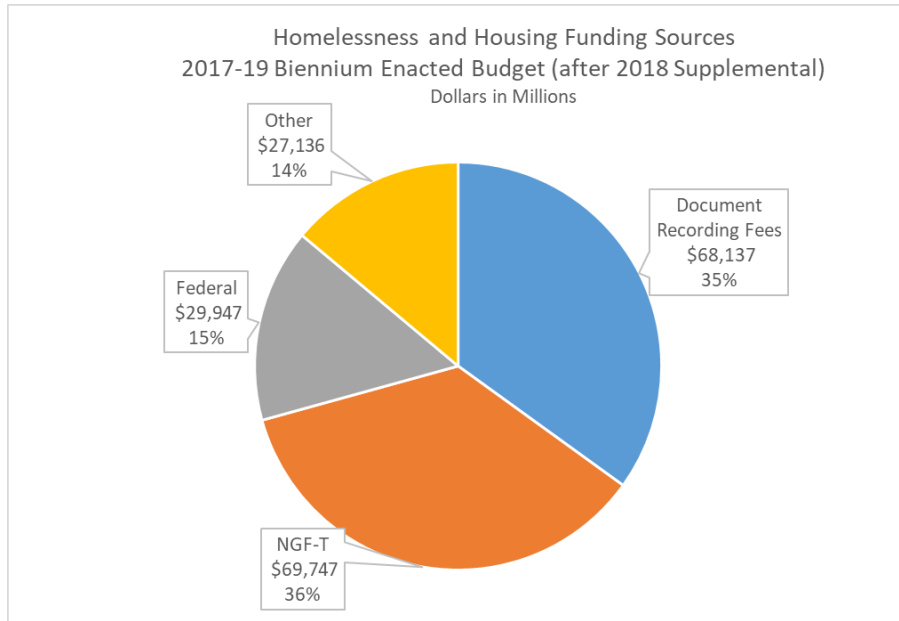
Trends

The Department of Commerce accounts for 0.3 percent of the statewide Near General Fund-Total for the 2017-19 biennial enacted budget, after the 2018 supplemental. Homeless and housing programs account for 0.15 percent of the statewide Near General Fund-Total for the 2017-19 biennial enacted budget, after the 2018 supplemental.

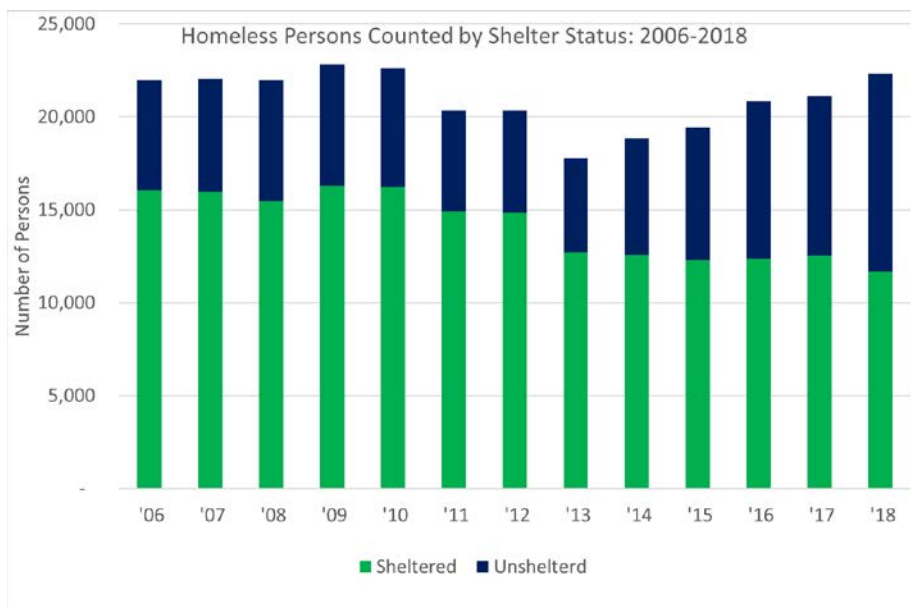


Homelessness and Housing

Sources of funding for homelessness and housing programs in the operating budget at Commerce come from General Fund-State, document recording fee revenue, federal grants, and other sources such as local contributions and dedicated funds. The largest funding source is the General Fund-State (seen in the chart as NGF-T) with document recording fee revenue representing the second largest source of funding.



Below is a chart that shows the statewide annual point-in-time count of persons experiencing homelessness by shelter status from January 2006 through January 2018. From 2006 to 2018, the percent change in total persons counted as homeless increased by 1.6 percent. The percent change in persons counted as sheltered in the same period decreased by 27 percent and persons counted as unsheltered increased by 80 percent.



2017-19 Budget Recap

\$582 million was provided to the Department of Commerce in the 2017-2019 biennium to fund all programs within the agency, including homeless assistance and housing programs. The 2017-2019 biennial funding level for Commerce represented an increase of \$67.7 million (13.1 percent) from the 2015-2017 biennial amount. Funding that addresses homelessness and housing totaled \$195 million in the 2017-2019 biennium (\$69.7 million Near General Fund-Total), or 33 percent of the agency's total operating budget.

2018 Supplemental

- \$6.3 million (\$0.151 million Near General Fund-Total) was provided for housing and homeless assistance programs. Of this total, major enhancements included:
 - Chapter 85, Laws of 2018 (Engrossed Second Substitute House Bill 1570) and Chapter 66, Laws of 2018 (E2SHB 2578) both increased the Document Recording Fee which will provide additional funds for the Consolidated Homeless Grant and the newly created Landlord Mitigation Program.
 - Funding was provided for staff to facilitate the monthly transfer of Housing and Essential Needs (HEN) client names to contracted service providers as established by Chapter 48, Laws of 2018 (Substitute House Bill 2667). HEN eligibility was also expanded to include Aged, Blind, and Disabled program recipients who are homeless or at-risk of homelessness and individuals with a chemical dependency who are homeless or at-risk of homelessness.
 - One-time funding for a survey of homeless youth service and informational gaps was provided, as well as grant funding for an emergency shelter to serve homeless families with children.

2017-2019 Biennial

- \$8.6 million (\$6.6 million Near General Fund-Total) was provided for homelessness programs and additional grants. Of this total, major enhancements included:
 - Homelessness funding to serve individuals with a history of mental illness through a mix of low-barrier housing, shared permanent supportive housing and independent permanent supportive housing
 - Homeless youth services to reduce youth exits from state systems into homelessness and increase crisis residential center and HOPE center capacity
 - An increase to the Washington Youth and Families Fund
 - Upgrades to the Homeless Management Information System (HMIS)

Governor's Proposed Budget

The Governor's proposed 2019-21 biennial budget includes \$135.9 million (\$127.6 million Near General Fund-Total) for the Department of Commerce. Of this total, funding for homelessness and housing total \$97.1 million General Fund-State, or 71 percent of the total proposed budget for Commerce. Major items include:

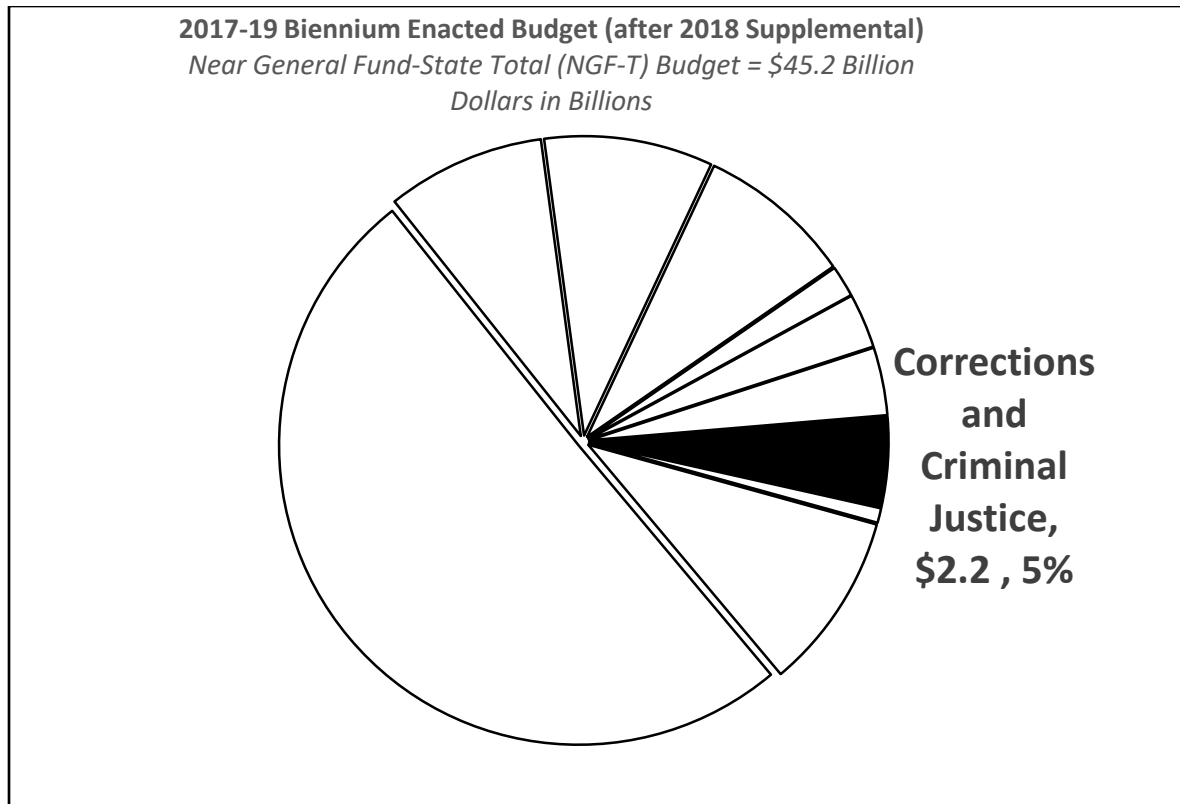
- \$38.5 million General Fund-State to provide permanent supportive housing and temporary rent assistance to ~1,000 families.
- \$34.3 million General Fund-State to provide permanent supportive housing to 1,000 homeless individuals with a disability who qualify for Medicaid Foundational Community Supports services.

- \$12.0 million General Fund-State to increase the Consolidated Homeless Grant. The Consolidated Homeless Grant is distributed to counties to provide housing and other homelessness services.
- \$8.0 million General Fund-State to address youth homelessness. This includes \$4.0 million for the Anchor Communities Initiative, \$2.0 million for the homeless youth program's carryforward-level shortfall, and \$2.0 million to expand services for homeless youth across the state.
- \$4.3 million General Fund-State for the seven “buildable lands” counties (Whatcom, Snohomish, King, Kitsap, Pierce, Thurston and Clark), the cities within them and regional planning organizations to conduct buildable lands analyses to address the ways zoning and land use regulations are impacting affordable housing development.

Other items not related to homelessness and housing in the Governor's budget include:

- \$8.0 million General Fund-State for local government drug and gang task forces.
- \$7.5 million General Fund-State for clean energy projects. Governor proposed legislation would establish new performance energy standards for covered commercial buildings and create the Washington Clean Energy Act to transition the state's electricity supply to 100 percent carbon neutral by 2030. Funding would also provide Commerce resources for long-term planning for net-zero energy codes for buildings.
- \$1.2 million General Fund-State to establish the Governor's Statewide Broadband Office. Governor proposed legislation would establish the broadband office at the Department of Commerce to provide wider-access to broadband across the state.

Department of Corrections and Other Criminal Justice



Key Facts

- Adult offenders are housed in 8 major prisons (6 for men and 2 for women), 4 minimum custody work camps, 12 work release centers, and approximately 1000 beds rented in county jails.
- Civilly committed sexually violent predators reside in 1 total confinement facility on McNeil Island, 2 secure community transition facilities, and various less restrictive alternative group homes. Currently, there are approximately 284 individuals under the oversight of the SCC.

Trend and Overview Information

Department of Corrections

A total of \$2.1 billion was provided to the Department of Corrections (DOC) for the operation of prisons and the supervision of offenders in the community for the 2017-19 biennium. The 2017-19 funded level for DOC represents an increase of \$200.7 million (10.5 percent) from the 2015-17 budget.

Based on the November forecasts provided by the Caseload Forecast Council, the prison system is projected at monthly average incarceration rate of 17,930 prison and work release inmates and 1,493 offenders housed in jails, who have violated the terms of their community supervision through June 2019. DOC is also projected to provide community supervision to 20,307 offenders monthly who have either received sentencing alternatives or have served their sentences and have been released into the community through June 2019.

	2017-19 Budget	Number of Offenders/ Residents	FTE Staff	FY2018 Cost per Offender/Resident
DOC Prison	\$1,313 million	17, 841	5,886	\$39,025
DOC Supervision	\$369.5 million	18,839	1,414	\$7,989
SCC	\$98.2 million	278	428	\$177,000

2017-19 Budget Recap

Department of Corrections

- An increase of \$3.2 million General Fund- State was provided to add records staff and improve IT governance and oversight to ensure that offenders are serving correct sentence lengths.
- An increase of \$3.1 million General Fund – State was provided for treatment of more patients with Hepatitis C within the prisons. The increase was due to implementation of a new process for screening individuals for Hepatitis C resulting in a higher number of patients who qualify for treatment under departmental protocols.
- An increase of \$2.7 million General Fund – State was provided to add 20 work release beds and provide a 7.5 percent rate increase to work release vendors.
- An increase of \$2.5 million General Fund – State was provided to cover costs associated with sentencing changes under Chapter 335, Laws of 2017 (Senate Bill 5037), which makes a DUI a felony upon a fourth conviction.
- \$2.9 million was provided for a 25 percent rate increase to vendors providing chemical dependency treatment services.
- \$975,000 was provided for 62 additional beds in current work release facilities to increase overall incarceration capacity.
- \$626,000 was provided to implement House Bill 2638, which expands partial confinement options beyond traditional work release for eligible individuals. Expanded partial confinement options include up to six months electronic home monitoring with community supervision and an extension of traditional work release term from six to twelve months.
- Additionally, savings of \$11.7 million General Fund – State is assumed as a result of management reductions and historical underspending.

Special Commitment Center

The 2017-19 operating budget provides a total of \$98.2 million General Fund-State, for the Special Commitment Center (SCC). The 2017-19 funded level for SCC represents an increase of \$16.2 million (19.8 percent) from the 2015-17 biennium.

Washington State Patrol

The 2017-19 operating budget provides a total of \$174.1 million to the Washington State Patrol (WSP) for fire mobilization and fire training, forensic and crime laboratory work, criminal records management, executive protection, and investigative assistance to local law enforcement agencies for the 2017-19 biennium. The 2017-19 funded level for the WSP represents a decrease of \$15.9 million (8.3 percent) from the 2015-17 biennium.

Criminal Justice Training Commission

The 2017-19 operating budget provides a total of \$60.7 million to the Criminal Justice Training Commission (CJTC) for training and certification of local law enforcement and corrections officers as well as pass-through funds to the Washington Association of Sheriffs and Police Chiefs (WASPC). The 2017-19 funded level for the CJTC represents an increase of \$11.1 million (22.3 percent) from the 2015-17 biennium.

Summary of Governor's Budget

Department of Corrections.

The Governor's proposed 2019-21 budget for the Department of Corrections (DOC) includes an additional \$335 million General Fund-State over the 2017-19 biennium. Major items include:

- \$49 million in General Fund-state to cover increased costs for prison and community supervision caseload increases based on the November 2018 forecast provided by the Caseload Forecast Council.
- \$17 million General Fund-State to provide staff and operating costs for capacity projects anticipated to open during the 2019-21 biennium to include: a 128-bed minimum security prison at Maple Lane for women, a 41-bed expansion at Ahtanum view, and new programming space at the Washington State Penitentiary.
- \$16.4 million General Fund-State to increase custody and nursing staff to cover posts in an effort to reduce overtime and account for leave, training, and other staff requirements.
- \$15.5 million General Fund-State for increased security staff to provide community hospital watches, one-on-one watches, and increased coverage in the mental health units.
- \$15.2 million General Fund-State for 250 additional work release beds to house individuals transitioning back into communities in the last six months of their sentences.

The Governor's proposed 2019-21 DOC budget also includes savings provisions:

- \$13 million in General Fund-State is saved through prospective sentencing changes to allow nonviolent offenders and individuals serving time for drug offenses to earn up to 50 percent off their sentences rather than the current 33 percent.
- \$9.6 million General fund-state is saved by changing the presumption on supervision terms to running concurrently, unless expressly ordered by the court to run consecutively.
- \$8.2 million in General Fund-State is saved through sentencing changes allowing non-confinement sanctions for low-level violations by individuals under community supervision and changing hearing requirements resulting in up to 30 day jail confinements.

Special Commitment Center

The Governor's proposed 2019-21 budget for the Special Commitment Center includes an additional \$16 million in General Fund-State. Major items include:

- \$4 million General Fund-State is provided for forecasted changes to the populations in the Special Commitment Center total confinement facility, secure community transition facilities and less restrictive alternative populations. The increase is predominantly due to an increased use of contracted community facilities because of court orders.
- \$1.8 million General Fund-State is provided for operating functions associated with a six-bed expansion at the King County secure community transition facility anticipated to be operational during the 2019-21 biennium.

Washington State Patrol

The Governor's proposed 2019-21 budget for the Washington State Patrol includes an additional \$23.1 million (\$20.7 million General Fund-State) over the 2017-19 biennium. Major items include:

- \$3.9 million General Fund-State to increase funding to the Missing and Exploited Children Task Force.
- \$2.5 million General Fund-State for an additional seven FTEs to address a backlog in the DNA laboratory that test evidence from sexual assaults and murders.
- \$2.3 million General Fund-State to provide six and one-half additional FTEs to address a backlog in the toxicology laboratory that processes evidence from impaired driving and death investigations.

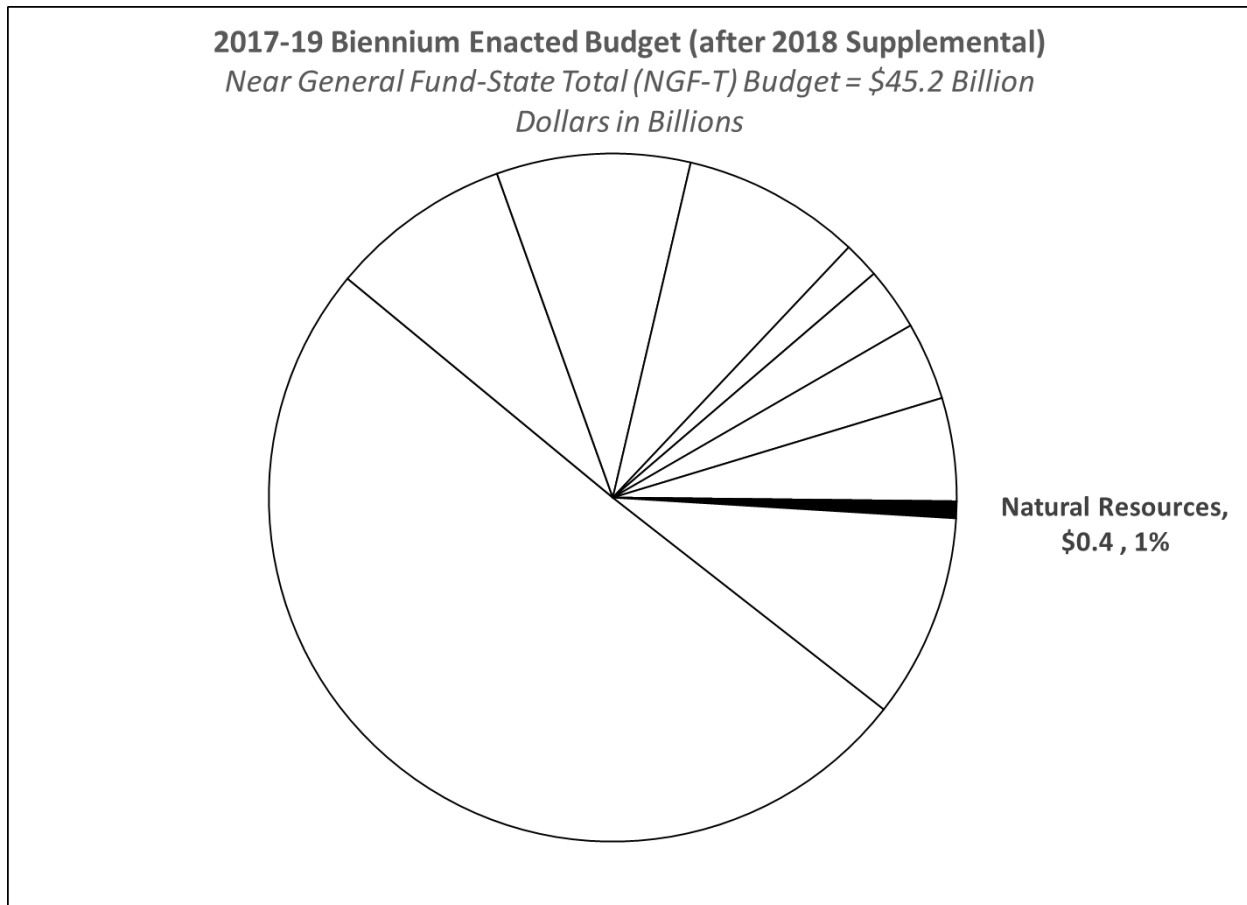
Criminal Justice Training Commission

The Governor's proposed 2019-21 budget for the Criminal Justice Training Commission includes \$12.8 million (\$10.7 million General Fund-State). Major items include:

- \$6.4 million (\$4.5 million General Fund-State) for nine additional Basic Law Enforcement Academy classes each fiscal year that increases the number of classes from 10 to 19.
- \$4.0 million (\$4.0 million General Fund-State) is provided for the Mental Health Field Response program administered by the Washington Association of Sheriffs and Police Chiefs for grants to the phase one regions as outlined in the settlement agreement under Trueblood v. Department of Social and Health Services, as well as an annual report.

Natural Resources

In the 2017-19 biennium, natural resource programs represent less than 1 percent (0.8 percent) of the Near GF-S and Opportunity Pathways budget (\$356 million). The total budget, including various other funds, for natural resources is approximately \$1.94 billion and represents 2.2 percent of the overall budget. The natural resources agencies budgets are funded primarily by dedicated accounts.



Key Facts

Of the 11 agencies that are included in the natural resources budget, the three largest agencies (Ecology DNR, and WDFW) account for approximately 78 percent of the total:

- Department of Ecology (DOE) regulates, inspects, and provides technical assistance for the environment; including air, land and water pollution and clean up. (\$42 million NGF-T; \$505 million total)
- Department of Natural Resources (DNR) manages 2.6 million acres of aquatic lands and 3 million acres of state trust lands for revenue to trust beneficiaries, such as school construction. NGF-S is used to fight forest fires, administer Forest Practices (regulations), provide geology services, and manage conservation areas. (\$123 million NGF-T; \$545 million total)
- Department of Fish and Wildlife (WDFW) provides protection to fish and wildlife and their habitats and sustainable fish and wildlife related recreational and commercial opportunities. (\$94 million NGF-T; \$457 million total)

- Department of Agriculture (Ag) provides support to the agricultural community and promotes consumer and environmental protection. (\$34 million NGF-T; \$200 million total)
- State Parks and Recreation Commission (State Parks) manages 120,000 acres with 125 developed parks, 35 heritage sites, 13 interpretive centers and more than 700 historic structures. (\$19 million NGF-T; \$165 million total)
- Washington State Conservation Commission (SCC) supports and guides the 45 conservation districts as a non-regulatory resource of information, guidance, and technical services for private landowners in dealing with land, water, and air quality conservation. (\$14 million NGF-T; \$26 million total)
- Recreation and Conservation Office (RCO) manages grant programs for outdoor recreation, wildlife habitat and farmland, and restoration of salmon habitat. (\$3 million NGF-T; \$12million total)
- Puget Sound Partnership (PSP) coordinates the regional effort to clean up Puget Sound. (\$5 million NGF-T; \$18 million total)
- Environmental and Land Use Hearing Office (ELUHO) hears appeals and decides cases of certain land use and environmental decisions. (\$4 million NGF-T; \$5 million total)
- Pollution Liability Insurance Program (PLIA) makes pollution liability insurance available and affordable to the owners and operators of regulated petroleum underground storage tanks and heating oil tanks by offering reinsurance services to the insurance industry. (No NGF-T; \$2.5 million total)
- Columbia River Gorge Commission is a bi-state compact agency and funded equally by Oregon and Washington and works in partnership with the U.S. Forest Service, Tribes, and six counties within the National Scenic Area to adopt land use policy for the approximately 115,000 acres in the Scenic Area. (Washington's share is \$1 million NGF-T; \$2 million total)

2017-19 Budget Recap

Natural Disasters

Fire Suppression, Planning, and Prevention

State general fund support of \$27.9 million and \$19.8 million from the Budget Stabilization Account (BSA) were provided to the Department of Natural Resources (DNR) for fiscal year 2018 fire suppression costs. The BSA amount has been provided in separate legislation, Substitute House Bill 3002 (Budget stabilization account).

Under Special Appropriations, increased fire response capability at DNR has been funded with \$1.7 million Forest Fire Protection Assessment Account for the one-time costs of upgrading tracking systems for wildfire and forest health data, and the ongoing costs of training DNR and fire service personnel, adding fire management staff, and replacing aviation fuel trucks and fire engines.

A total of \$1.7 million state general fund support has been provided for DNR to implement wildfire-related bills. This includes mapping assistance to local governments specified in Chapter 189, Laws of 2018 (Engrossed Substitute Senate Bill 6109), a new prescribed burn certification program in Chapter 172, Laws of 2018 (House Bill 2733), recommendations on areas without established fire protection and the value of fire prevention programs in Chapter 227, Laws of 2018 (Substitute House Bill 2561) and for forest health assessments in Chapter 95, Laws of 2017 (Second Substitute Senate Bill 5546). Funding has

also been provided to implement forest health treatments in Chapter 248, Laws of 2017 (Engrossed Second Substitute House Bill 1711).

Earthquakes and Tsunamis

State general fund support of \$380,000 has been provided for DNR to produce new and improved earthquake and tsunami hazard maps, a seismic inventory of critical facilities, and a geologic hazards database to support planning and decision-making.

Oil Transportation

The Department of Ecology (DOE) has been provided \$1.1 million from the Oil Spill Prevention Account (OSPA) for activities required by Chapter 262, Laws of 2018 (Engrossed Second Substitute Senate Bill 6269), including updating various oil spill planning for situations where spilled oils may sink or submerge in water and conducting a joint large-scale, multiple plan equipment deployment drill every three years. DOE has also been required to establish the Salish Sea Shared Waters forum to address common issues in the shared waterways of Washington and British Columbia.

The operating budget also includes a one-time transfer of \$4.7 million from the Oil Spill Response Account to the OSPA.

Water Availability and Water Rights Compliance

Total operating budget funding of \$4.5 million has been provided for DOE, with assistance from the Departments of Agriculture and Fish & Wildlife (DFW), to establish watershed restoration and enhancement committees in fifteen watersheds, promulgate rules, create a water-metering pilot project, and provide information to a joint legislative task force as specified in Chapter 1, Laws of 2018 (Engrossed Substitute Senate Bill 6091). The capital budget also provided \$20 million in state bonds for related watershed restoration and enhancement projects.

State general fund support of \$625,000 has also been provided for DOE water rights compliance staff to address water use in violation of state water resources laws through formal and informal enforcement actions as well as provide technical assistance.

Land and Marine Species Management

Nonnative Finfish (Atlantic Salmon)

Total funding of \$173,000 has been provided to multiple natural resource agencies for implementation of Chapter 179, Laws of 2018 (Engrossed House Bill 2957), including updated guidance for commercial net pen aquaculture. The bill prohibits existing aquaculture leases of nonnative finfish from being renewed and DNR from executing any new leases of nonnative finfish for state-owned aquatic lands.

Orca Whale Protection

State general fund support of \$1.5 million has been provided for DFW to address orca whale recovery, including increasing the production of Chinook salmon at hatcheries, increasing enforcement to maintain distance between vessel traffic and orca pods, and supporting, one-time, the Governor's Executive Order 18-02, Southern Resident Killer Whale Recovery and Task Force. State bond support of \$825,000 has also been provided in the capital budget for hatchery upgrades, hatchery facilities review,

and fish screen installation. Through the Governor's veto actions, an additional \$650,000 state general fund was also made available for orca whale recovery.

Global Wildlife Trafficking

State general fund support of \$300,000 has been provided for DFW to enforce prohibitions against global trafficking in non-native endangered species parts and products as provided in Initiative No. 1401, approved by voters in November 2015.

Wolf Management

State general fund support of \$183,000 has been provided one-time for DFW to develop an Environmental Impact Statement to study the opportunities and challenges of translocating wolves into areas of the state where wolves are currently absent.

One-time state general funding of \$80,000 has also been provided for the Department of Agriculture to grant to the Sheriff's Offices of Ferry and Stevens Counties to cooperate with the state on wolf management activities.

Litter Control

For fiscal year 2019, \$1 million of state general funds have been provided to the State Parks and Recreation Commission (State Parks) and \$1 million of the distribution of the litter tax to the Parks Renewal and Stewardship Account has been reduced. This results in no net impact to State Parks funding and a \$1 million increase in funds to the Waste Reduction, Recycling, and Litter Control Account, which is provided to DOE for litter control activities.

Summary of the Governor's Budget Request

Orca- The Governor proposes approximately \$50 million for Southern Resident Killer Whale recovery. *(The Governor's Office indicates the amount of orca-related funding is approximately \$1.1 billion, across the operating, capital and transportation budgets including all funded projects that have an effect on orca recovery.)* The proposed investments come from 38 recommendations of his Task Force. The proposals range from addressing a number issues including stormwater, increased salmon hatchery production, and limiting boating traffic around resident orca pods.

Wildfire and Forest Health - The Department of Natural Resources proposes to increase the state's ability to respond to wildfires by increasing the base budget to include hiring 15 additional permanent engine leaders, add two helicopters to the existing fleet of seven, expand the number of correctional camp fire crews, and increase training of state and local fire crews. The department also is requesting funds to hire permanent staff to assist private landowners, thin forests on federal land, and carry out forest health strategies. \$43 million Total; \$35 million NGFS, \$61 million Four- Year.

Fire suppression costs for calendar year 2018 are approximately \$82 million total. The legislature has a history of funding these costs through the supplemental budget. The Governor proposed 2019 supplemental budget funds the cost with a number of different accounts, including the Budget Stabilization Account at \$43 million. \$82 million Total; \$14 million NGFS, \$0 Four-Year.

Model Toxics Control Account (MTCA) fund swap with Near General Fund - The Department of Ecology proposes to reverse ongoing fund shifts that were legislatively enacted in previous biennial budgets in which state general fund savings were made by shifting agency operating costs onto MTCA funds. The effect of the proposal would create greater MTCA fund availability for capital budget projects. \$20 million NGFS, \$40 million Four-Year.

Maintain hunting and fishing services - The Department of Fish and Wildlife were required to review their budget and management structure in the 2017-19 biennial operating budget. They have performed the review and are requesting funding to support base operating functions through proposed fee increases and state general fund. \$30 million Total; \$19 million NGFS; \$38 million Four-Year.

Preserve State Parks Operations - State Parks is requesting support for basic operations, including customer service, facility maintenance, and law enforcement. For the past three biennia the enacted operating budgets have provided \$10 million in transferred revenue from taxes that would otherwise go to the Waste Reduction, Recycle, and Litter Control Account. \$10 million NGFS, \$20 million Four-Year.

Pesticide Safety Education - The Department of Agriculture requests funding for increased training and education of agriculture workers on safe pesticide handling and application requirements. \$500 thousand NGFS, \$1 million Four-Year.

Information Technology

Information technology costs are spread across state government ranging from acquisition to maintenance and operations. Cost pools generally include labor (internal and external), services (internal and external), hardware, software, telecom, other, and facilities and power.

The Information Technology (IT) Investment Pool (IT Pool), specified in section 713 of the Fiscal Year (FY) 2018 supplemental operating budget (Engrossed Substitute Senate Bill 6032) or section 724 of the 2017-19 biennial operating budget (Substitute Senate Bill 5883), allows the Director of the Office of Financial Management (OFM) to authorize funds from an appropriated pool for targeted IT projects that meet certain criteria, including approval by the Office of the Chief Information Officer (OCIO). Funding was also provided directly to agencies.

2017-19 Biennial Operating Budget Recap

A total of \$15.1 million (\$14.2 million General Fund-State) was provided for the Information Technology Investment Revolving Account - also known as the IT Pool - for eleven IT projects across eight agencies. The OFM approves spending from the account, subject to review by the state CIO. In order to receive funding, the state agency must submit a technology budget, an investment plan and certifications from the state CIO that the project is consistent with state policy and has adequate management and oversight. Additional review and scrutiny is applied to projects that exceed \$2 million in total funds or require more than one biennium to complete.

2019-21 Governor's Budget

Funding is mostly provided directly to agencies, and some projects are subject to the conditions, limitations and review provided in section 950. These projects are subject to technical oversight by the OCIO. These projects include, but are not limited to:

- \$81.9 million is provided for the Labor and Industries (L&I) 'Worker's Compensation System Replacement' project to replace L&I's aging workers' compensation computer systems
- \$53.7 million is provided for OFM's One Washington project. Out of this amount:
 - \$29.3 million is to continue expanded readiness activities to address business and technical risks and to prepare for a transition in future biennia, and
 - \$24.4 million (\$24.4 million General Fund-State) is provided in section 726 as a change management IT pool of funding for agencies to apply for
- \$10 million is provided for the Military Department's Enhanced 911/Next Generation' project to finish the transition of and operate the new network
- \$9.5 million is provided for the Department of Retirement System 'Legacy IT Update' project to update legacy IT systems focusing on re-hosting mainframe systems and initial planning for a customer management system

Judicial Branch Information Technology

\$29.7 million (\$6.9 million General Fund-State) is provided for Judicial Information Technology. The majority of funds proposed support case management systems at the Courts of Limited Jurisdiction and the Superior Court through the Administrative Office of the Courts.

Litigation

Davison v. State is a class action suit brought Thurston County Superior Court by the American Civil Liberties Union on behalf of indigent juveniles facing charges in Grays Harbor County who have the constitutional right to the appointment of counsel. Plaintiffs allege that Grays Harbor County systemically fails to provide constitutionally adequate indigent juvenile defense, and that the State, rather than the county, is responsible for providing and paying for indigent juvenile defense services. The State is arguing it has satisfied its constitutional duty to provide public defense by passing statutes that require counties and cities to do so, providing them with statutory authority to raise local tax revenue, and by supplementing local resources with state funds.

After denying the State's motion for summary judgment, the Superior Court judge recently ruled that it believes that if the State knows of a systemic failure to provide indigent defense services in a county, the State has a duty to intervene. However, recognizing that this is a controlling question of law that as to which there is substantial ground for a difference of opinion, the judge certified the issue for immediate appellate review and delayed further motions on the case. It is likely the State will seek discretionary review by the State Supreme Court on this question of law.

SEIU 775 v. DSHS is lawsuit brought in Thurston County Superior Court seeking to invalidate two Department of Social and Health Services rules, challenging that they are not allowed under the federal Fair Labor Standards Act (FLSA) and the state Minimum Wage Act (MWA). The rules in dispute are:

- The shared benefit rule, which may reduce a client's in-home personal care service hours when any of the four task (meal preparation, shopping, housework, and wood gathering) also benefit the client's Individual Provider (IP).
- The informal supports rule, which may reduce a client's in-home personal care service hours when an IP who is a family member of the client or who has a household relationship with the client agrees to do a task without getting paid for those hours.

SEIU 775 is claiming that the shared benefit and informal supports rules are uncompensated hours in violation of the FLSA and MWA. Both parties brought summary judgment motions with the State challenging *SEIU 775*'s standing to bring the lawsuit, and *SEIU*'s motion challenging the validity of the informal support and shared benefit rules. The Superior Court judge decided not to rule on either motion, and instead, severed the claims to invalidate the rules from the claims for damages and asked for the parties for briefs on rules claim in February 2019.

Capital Budget

The capital budget includes appropriations for a broad range of construction and repair projects involving state office buildings; colleges and universities; prisons and juvenile rehabilitation facilities; parks and recreational facilities; K-12 schools; affordable housing for low-income persons and people with special needs; water quality, water supply, and flood risk reduction infrastructure; and other capital facilities and programs.

Debt Limit and Bond Capacity

Washington State has a constitutional debt limit. The State Treasurer may not issue any bonds that would cause the debt service (principal and interest payments) on any new and existing bonds to exceed this limit. Under a constitutional amendment approved by the voters in 2012, the state debt limit is currently 8.25 percent of the average of the prior six years' general state revenues, defined as all unrestricted state tax revenues. This limit is reduced to 8 percent beginning on July 1, 2034.

A model administered by the State Treasurer's Office is used to calculate the available bond capacity for the current budgeting period and for future biennial planning purposes. The model calculates the actual debt service on outstanding bonds and estimates future debt service based on certain assumptions including revenue growth, interest rates, rate of repayment, rate of bond issuance, and other factors.

2017-19 Budget Recap

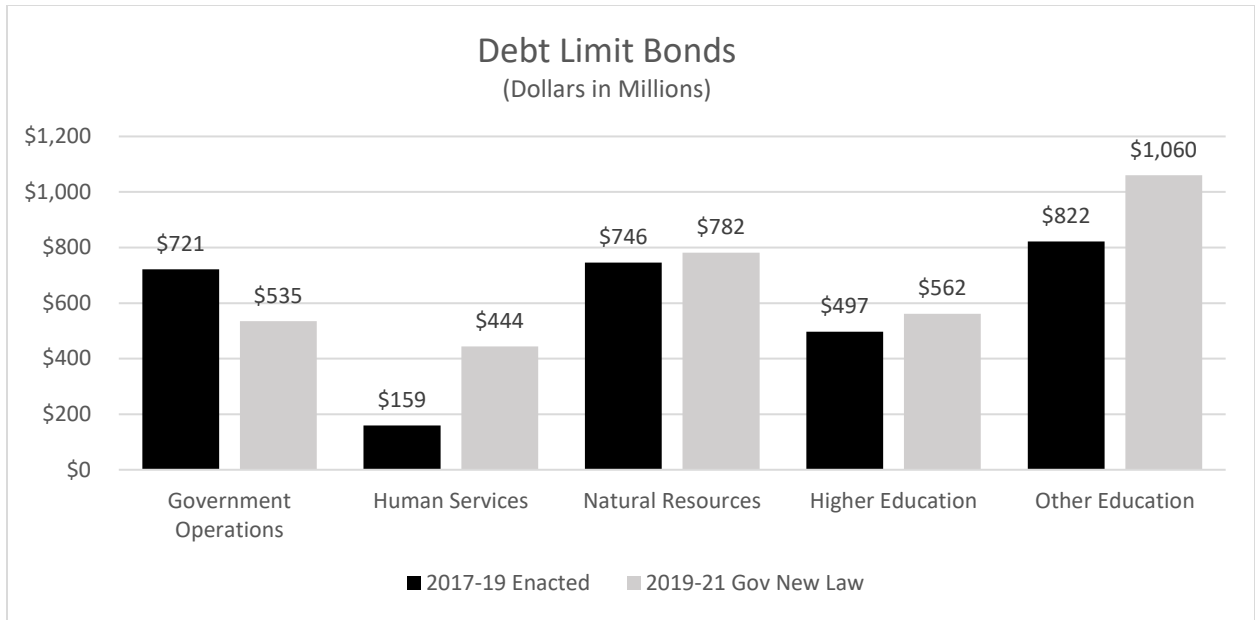
For the 2017-19 biennium, the new bond capacity is \$2.93 billion. There is also debt limit bond capacity remaining from bonds previously authorized for the Columbia River Basin Water Supply. In addition, \$300 million in bonds is authorized for watershed and fisheries restoration and enhancement projects, with proceeds being dispersed in phases of \$20 million per year over 15 years.

With the enactment of the 2017-19 biennial and 2018 supplemental capital budgets, \$12.8 million remained in bond capacity for future budgets.

2019-21 Governor's New Law

The Governor's proposed 2019-21 capital budget relies upon bond capacity of \$3.47 billion. The additional debt capacity is attributable to the Governor's revenue proposals. The remaining bond authority of the Governor's budget is \$80.8 million.

The following chart compares the debt limit bonds appropriations in the 2017-19 enacted and 2019-21 Governor's proposal capital budgets.



Office of the Secretary of State

The Office of the Secretary of State (SOS) is responsible for safeguarding vital government records, documents and process to include the state archives and public records. The SOS is charged with preserving the integrity of elections to include elections, voting and redistricting.

Key Facts

- The OSOS leases 156,856 gross square feet
 - Four non-privately owned facilities: 78,520 square feet (state archives, special programs, federal publication storage, and corporation and charities division)
 - Three privately owned facilities: 78,336 square feet (Washington State Library, Washington state elections, and records center annex)

2017-19 Budget Recap

Archives

- \$5 million was provided for preservation of the state archives

Elections

- \$0.1 million was provided for ballot boxes

2019-21 Governor's New Law

Minor Works

- \$0.6 million was provided for minor works projects

Current Budget Issues

Archives Building

The OSOS submitted a predesign addendum in December 2018 for the proposed new library-archives building in Tumwater. The proposal is for 174,955 square feet at a cost of \$108 million. This was not included in the Governor's budget.

Key considerations in this project include, but are not limited to:

- \$103M from a Certificate of Participation (COP) and associated RCW changes necessary to generate the revenue to pay debt
 - 50 percent of the debt is based on an impact to the operating budget
 - Recording Fee increase of \$2.00 on documents files at County Auditors' Offices
 - SOS assumes the fee will start 07-01-2019 (FY2020).
 - 13 percent of the debt payment is based on an impact to the operating budget
 - Transfer of \$0.50 fee, which funded the now paid off COP for the Digital Archives facility in Cheney, Washington
- \$5M (state bonds) for design, which was provided in 2017-19
- \$6M used from SOS Corporations fund (fund 407) to pay principal and interest during construction through occupancy

Department of Commerce

The Department of Commerce (Commerce) administers over 100 programs to enhance community and economic development and build infrastructure. Capital programs at Commerce provide funding to local governments, non-profit organizations, federally recognized tribes, and private entities that provide a public good. Through debt financing and other sources of revenue, Commerce funds projects related to affordable housing, clean-energy, weatherization, arts and culture facilities, youth and recreational facilities, behavioral health, and public infrastructure that promotes private business growth.

Key Facts

- **Housing Trust Fund Program:** Provides grants and loans for the preservation, rehabilitation, and construction of affordable housing through a competitive process. Over \$1.0 billion has built over 50,000 units of affordable housing since 1986. Approximately 80,000 people live in these units at any given time. Under 46 projects, 2,105 units/beds were produced through competitive awards (CY18).
- **Building Communities Fund:** Awards state grants to nonprofit, community-based organizations to defray up to 25 percent of eligible capital costs to acquire, construct, or rehabilitate nonresidential community and social service centers. \$67.0 million has funded 88 projects since 2009.
- **Building for the Arts:** Awards grants to performing arts, art museum, and cultural organizations for up to 20 percent of eligible capital costs for acquisition, construction, and major renovation of arts-related facilities. Since 1991, \$87.0 million has funded 212 arts-related projects.
- **Youth and Recreational Activities:** Awards grants to registered nonprofit organizations to defray up to 25 percent of eligible capital costs for the acquisition, construction and major renovation of non-residential youth recreational facilities. Since its creation in 2003, more than 68 projects totaling \$35.0 million has been funded.
- **Clean Energy Fund:** Established in 2013, the Clean Energy Fund (CEF) program funds the development, demonstration and deployment of clean energy technology. The program provides grants for grid modernization to public and private electrical utilities, solar generating projects, research and development matching funds for new and emerging technologies, grants to non-profit lenders that promote private investment, and grants to demonstrate new approaches to electrification of transportation systems for local governments and utilities.
- **Weatherization:** The program contracts with local agencies that weatherize low-income homes and apartments. Services are performed through established technical specifications and applicable building codes. Weatherized homes receive a comprehensive energy audit and an inspection. Services may include insulation, sealing air gaps, heating systems efficiency modifications, elimination of mold, lead-based paint, and asbestos. Between 2010-2016, funding weatherized 22,573 households.
- **Public Works Board:** Assists local governments in addressing local public works infrastructure needs through a dedicated local funding pool (Public Works Assistance Account), existing as a revolving loan program, and managed by a citizens' board comprised of local infrastructure representatives. 29 projects totaling \$82.3 million from bond proceeds was funded in FY18.

2017-19 Budget RecapHousing Trust Fund

- \$102.1 million in bonds (\$110.8 million total) was provided for the preservation, rehabilitation, and construction of affordable housing through the Housing Trust Fund program. This included \$24.4 million for housing projects that provide supportive housing and case-management services to persons with chronic mental illness and \$10.0 million for housing preservation grants or loans awarded competitively.

Local and Community Projects

- \$129.8 million in bonds was provided to the Department of Commerce to make grants to local governments and non-profit organizations statewide for a wide range of 192 community-based projects. Of this total, the 2018 Supplemental Capital Budget included \$40.5 million for 95 additional community-based projects.

Community-Based Grants

- \$30.9 million in bonds was provided for the Building Communities Fund to support 26 competitively selected social service and multipurpose community center projects sponsored by nonprofit organizations statewide.
- \$12.0 million in bonds was provided for the Building for the Arts program to support 16 non-profit organizations for performing arts, art museums, and cultural facilities projects.
- \$6.9 million in bonds was provided for the Youth and Recreational Facility Grants to support 12 non-profit organizations for recreational projects that feature an indoor youth recreational component and a supporting social service or educational component.

Energy

- \$40.6 million in bonds (\$46.1 million total) was provided for the Clean Energy Fund for matching funds to businesses, electric utilities, and research institutions to provide energy efficiency, renewable energy generation, and intermittent energy integration to residences and businesses.
- \$23.5 million in bonds was provided for financial assistance grants to low-income households to improve home energy efficiency and healthy home measures for weatherization.

Public Works Board

- \$116.1 million in bonds was provided for the Public Works Assistance Account loan program. Of the total, \$97.1 million was provided to 25 projects through the construction loan program and \$19.0 million was provided in the form of low or no interest preconstruction and emergency loans to local governments to repair, replace, or rehabilitate bridges, roads, sanitary sewer systems, domestic water systems, storm sewer systems and solid waste/recycling systems.

Behavioral Health

- \$90.8 million in bonds was provided for 16 specific projects and included \$49.6 million in competitive funding for community behavioral health projects, including projects for children and minor youth.

Broadband Infrastructure

- \$10.0 million in bonds was provided to create the CERB administered Broadband Infrastructure Program. CERB provides low-interest loan/grant packages to local governments and federally recognized Indian tribes, financing the cost to build infrastructure to provide high-speed, open-

access broadband service, to rural underserved communities, for the purpose of community economic development.

Current Budget Issues/Governor's Budget

Housing Trust Fund

- The Governor proposes \$140.0 million in bonds for the Housing Trust Fund program. The following specifications are proposed:
 - \$35.0 million is provided for modular housing
 - \$10.0 million is provided for ultra-high energy efficient, net-zero or passive housing
 - \$10.0 million is provided for competitive loans and grants for housing preservation
 - \$10.0 million is provided for specific-projects
 - \$75.0 million is provided for competitive loans and grants on new construction projects which includes:
 - \$13.5 million for housing for people with chronic mental illness
 - \$10.5 million for housing for homeless families with children
 - \$10.5 million for housing for homeless veterans
 - \$10.5 million for housing for homeless youth
 - \$10.5 million for housing for people with developmental disabilities
 - \$7.5 million for homeownership
 - \$12.0 million for housing for other low-income populations such as seniors and farmworkers

Other Housing

- The Governor proposes \$10.0 million in bonds for grants to local governments to mitigate the costs of developing affordable housing.
- The Governor proposes \$5.0 million in bonds to provide deferred payment loans to rural property owners to pay the cost of rehabilitation and repair of their homes.

Energy

- The Governor proposes \$175.2 million in bonds for energy-related projects. The following specifications are proposed:
 - \$57.5 million in bonds to the Clean Energy Fund
 - \$22.5 million for grid modernization
 - \$17.5 million for competitive grants for research and development of new clean energy technologies
 - \$12.5 million for grants to non-profit lenders to create a revolving loan fund to support the use of energy efficiency and renewable energy technologies
 - \$5.0 million for the Washington Maritime Innovation Center
 - \$35.0 million in bonds for energy and solar grants
 - \$25.0 million in bonds for weatherization
 - \$10.0 million in bonds for a new competitive grant program for the development of net-zero energy schools to reduce greenhouse gas emissions

Public Works Assistance Account

- The Governor proposes \$130.0 million from the Public Works Assistance Account (PWAA) for low or no interest loans to local governments to repair, replace, or rehabilitate public works projects.
- The Governor proposes a transfer of \$25.0 million from the PWAA to the newly proposed Statewide Broadband Account.

Behavioral Health

- The Governor proposes \$112.0 million in bonds for behavioral health capacity grants that fund construction and equipment costs associated with establishment of behavioral health facilities.

Broadband Infrastructure

- The Governor proposes \$25.0 million be transferred from the Public Works Assistance Account into the newly proposed Statewide Broadband Account to acquire, install, and construct infrastructure that supports broadband services and for strategic planning for deploying broadband service in unserved and underserved areas.

Office of Financial Management

The Office of Financial Management (OFM) is responsible for oversight of state capital budgets and leased facilities. OFM capital budget staff provide statewide capital budget development, life cycle costs analysis, financial analytics, and assist agencies in implementing projects and programs. OFM statewide facilities team provides oversight of real estate procurement and management by applying a statewide perspective to analysis, long-term planning, policy development and state facility portfolio management.

2017-19 Budget Recap

Capital Budget Staffing

- \$1.2 million was provided for OFM capital staffing

Emergency Repair

- \$5 million was provided for contingency funding for emergency capital projects, reviewed and approved with oversight by capital budget staff

Statewide Oversight Staffing

- \$2.5 million was provided for OFM statewide oversight staffing

Studies, pilots, reports, and plans

- \$650,000 was provided for, but not limited to, behavioral health statewide plan, evaluation of law enforcement training by community colleges, and a higher education facility study

2019-21 Governor's New Law

Capital Budget Staffing

- \$1.3 million was provided for OFM capital staffing

Emergency Repair

- \$5 million was provided for contingency funding for emergency capital projects, reviewed and approved with oversight by capital budget staff

Statewide Oversight Staffing

- \$2.6 million was provided for OFM statewide oversight staffing

Department of Enterprise Services

The Department of Enterprise Services (DES) is responsible for asset and building management services for DES managed offices, garages, public spaces and historic spaces. The DES is responsible for the repair, maintenance, and tenant improvements for facilities and grounds on the State Capital Campus as well as DES owned facilities in Thurston County. The DES also provides contract management of facility services and negotiation and administration of leases.

Key Facts

- 4.7 million gross square feet in 52 facilities across five counties
- DES serves 40 state agencies

2017-19 Budget Recap

Engineering and Architectural Staffing

- \$14 million was provided for DES capital staffing

Building Repair, Maintenance, Equipment, and System Adjustments

- \$30 million was provided to maintain buildings and systems to include, but not limited to, campus physical security, elevator modernization and repairs and water filtration repairs, legislative building exterior preservation cleaning, building envelope repairs, and transportation building preservation

Minor Works

- \$3.9 million was provided for preservation projects

Studies, pilots, reports, and plans

- \$5 million was provided for, but not limited to, capital lake long-term management planning, campus-wide electrical services panels - Arc Flash Study, Buy Clean Washington, and towards a new Capital Childcare Center

2019-21 Governor's New Law

Engineering and Architectural Staffing

- \$21 million was provided for DES capital staffing

Building Repair, Maintenance, Equipment, and System Adjustments

- \$25 million was provided to maintain buildings and systems to include, but not limited to, campus physical security, elevator modernization, east plaza water infiltration and elevator repairs, legislative building exterior preservation cleaning, and building envelope repairs

New Building

- \$15.9 million was provided to design and construct a capital childcare center to serve an estimated 150 children in 11 classrooms

Minor Works

- \$3.3 million was provided for preservation projects

- \$0.5 million was provided for programmatic projects

Studies, pilots, reports, and plans

- \$2.3 million was provided for, but not limited to, state capitol master plan, capital lake long-term management planning, and campus-wide electrical services panels - Arc Flash Study

Current Budget Issues

Newhouse Building

- \$450,000 funded for a predesign in 2017-19
- DES continues to work with Schacht and Aslani Architects on the Newhouse Building Predesign. The Phase I report for the Newhouse Replacement Predesign was made available in late December
- Final Predesign is anticipated by August 2019
- This was not included in the Governor's budget

Washington State Patrol

The mission of the Washington State Patrol (WSP) is to provide and improve the safety and security of the public. The major programs funded out of the Capital Budget includes the Fire Training Academy and the Crime Lab.

Located near North Bend, the Fire Training Academy (FTA) provides training for firefighters and public safety professionals on a 52 acre campus. The facility offers participants the opportunity to train with live fire simulation using burn props and buildings. The campus consists of an administrative building, three classrooms, an instructor resource room, a dormitory, a dining hall, water-well, storage facilities, as well as the training courses for fire suppression and hazardous material spill cleanup.

Washington State Patrol operates five multi-service crime laboratories in Seattle, Tacoma, Marysville, Spokane, Vancouver and limited-service crime laboratories including the Kennewick, Tumwater (Latent Fingerprints), and the CODIS Laboratory (felon database program) in Seattle. The Crime Lab provides forensic services for criminal justice agencies such as DNA testing, CODIS lab testing/matching, firearm analysis, microanalysis, chemistry testing, latent fingerprint identification, and crime scene assistance.

Key Facts

- The Fire Training Academy trains an average of 5,000 students annually that prepares them for certifications including International Fire Service Accreditation Congress fire service accreditation (IFSAC), National Fire Training Academy, and United States Coast Guard certifications in maritime firefighting.
 - Washington State recognizes the IFSAC as the certification entity for firefighters.
 - Persons interested to test for certification may be trained by their local fire departments, local colleges who offer fire service training, or the Washington State Fire Training Academy.
- As of January 2018, there was an average 170 day wait for DNA casework results.
- As of July 2018, there are 160.5 FTEs in the Crime Lab.
- One FTE in the DNA functional area that tests sexual assault kits can process seven cases per month.
- Substitute House Bill 1068 passed in the 2015 Legislative Session, requiring that all law enforcement agencies submit a request for laboratory analysis within 30 days of receiving a sexual assault kit when consent has been given to have it analyzed.

2017-19 Budget Recap

\$3.1 million from the Fire Service Training Account was provided to continue a project to improve the water treatment and stormwater system at the Fire Training Academy.

Current Budget Issues/Governor's Budget

- The Governor's budget provides \$1.4 million in bonds to address structural repairs to the burn building at the Fire Training Academy, renovations and security upgrades at the Kennewick Laboratory, and renovations to the Vancouver Crime Lab to help address the Sexual Assault Kit backlog.

Military Department

The Military Department (Department), headquartered at Camp Murray, has four major operational divisions: the Army National Guard, Air National Guard, Emergency Management, and State Services. Using state and federal resources, the Department provides services including homeland defense, homeland security, and emergency mitigation, preparedness, response and recovery activities. The Department manages capital programs at Camp Murray and readiness centers throughout the state to respond to local emergencies and disasters and to accommodate the state's military mission.

Key Facts

Facilities of the Washington National Guard

- 29 locations; over 400 facilities; over 2.2 million square feet
- 33 Readiness Centers
- 5 field maintenance shops
- Average age of facilities is 63 years

2017-19 Budget Recap

The capital budget appropriations for the Military Department totaled \$79 million, \$16 million from State Bonds. The majority of the capital funding for the department comes from federal appropriations, the state provides matching funds.

\$50 million total funds has been provided for three readiness centers:

- Centralia - \$4.8 million for major renovations
- Thurston County - \$42.7 million for a new center in Tumwater, which consolidates the Olympia and Puyallup units.
- Tri Cities - \$0.8 million for design of a new facility to continue Military Dept. operations, training and Stryker Brigade unit transformation.

Current Issues and Governor's Budget Proposal

Interbay - The Washington National Guard currently owns and operates the Seattle Armory, a readiness center in north Seattle. The site is being actively evaluated for rezone for alternative use with part of this evaluation including moving the readiness center to North Bend.

The appropriation request is to purchase land with state bonds at North Bend, for \$4.5 million. Future costs are for the state to contribute 25% toward the design and construction of the new readiness center. Costs would be spread over the next 10 years at a total of approximately \$88 million, with 75% coming from federal appropriations. There currently is no agency request or Governor proposal for the Interbay topic.

Readiness Centers - The Governor's proposed budget provides \$22 million for new and renovated readiness centers.

- Anacortes - \$.08 million for renovation
- Centralia - \$2 million for improvements including ADA access.

- Kent - \$8 million for renovation including ADA access
- Tri Cities - \$15 million for construction of a new facility. Design funding was provided in 2017-19.

Department of Health

The Department of Health (DOH) was formed in 1989 to promote and protect public health, monitor health care costs, maintain standards for quality health care delivery, and plan activities related to the health of Washington citizens.

The DOH operates the state-owned Public Health Lab (PHL) located in Shoreline. The PHL provides assessment and surveillance of infectious, communicable, genetic, and chronic diseases and environmental health concerns.

The DOH also administers the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a federal/state financing partnership that provides low-interest loans to public water systems for capital improvements that increase public health protection and compliance with drinking water regulations. "Public water systems" includes both municipal and privately-owned water systems. Funding for DWSRF comes from an annual federal capitalization grant, loan repayments and interest, and state matching funds, generally from the Public Works Assistance Account or bonds.

Key Facts

- The PHL includes:
 - Newborn Screening Program: provides genetic screening for heritable diseases, such as sickle cell and cystic fibrosis.
 - Microbiology Lab: tests for diseases such as HIV, influenza, Malaria, Rabies, and others.
 - Environmental Sciences Lab: tests for biological, chemical, and radiological contamination.
 - Operations and Technical Support: provides quality assurance, sample control, maintenance, and training.
- Number of regulated public water systems in the state: 17,500; population served: 6.4 million.

2017-19 Budget Recap

The 2017-19 Enacted Capital Budget for DOH totals \$170.6 million, and includes the following items:

Public Health Laboratories

- \$2.6 million in bonds was provided to adjust funding for the office and conference room space within the newborn screening wing; the 2015-17 Capital Budget provided \$3 million in bonds for the newborn screening wing addition.

Drinking Water State Revolving Fund

- A total of \$160 million (\$150 million in federal drinking water state revolving funds and \$10 million in bonds for the state match) is provided for low-interest loans to publicly- and privately-owned water systems statewide for designing, financing, and constructing improvements aimed at increasing public health protection and compliance with drinking water regulations.
- \$5 million in bonds is provided for drinking water consolidation grants through the Department of Health.
- \$1.5 million in bonds is provided to the City of Othello for a new drinking well and water tower.

Current Budget Issues/Governor's Budget

The Governor's proposed 2019-21 Biennial Capital Budget for DOH totals \$56 million, and includes the following items:

Public Health Laboratories

- \$7.6 million in bonds is provided for predesign, design, permitting, construction, and installation of a new boiler plant.
- \$196,000 in bonds is provided for a predesign of an addition of two new laboratory wings, a staff meeting area, and a media center for increasing capacity. Design and construction would total \$27 million in bonds in 2021-23 and 2023-25.

Drinking Water State Revolving Fund

- A total of \$46 million (\$35 million in federal drinking water state revolving funds and \$11 million from the Public Works Assistance Account for the state match) is provided for low-interest loans to publicly- and privately-owned water systems statewide for designing, financing, and constructing improvements aimed at increasing public health protection and compliance with drinking water regulations.
- \$1.5 million in bonds is provided for drinking water consolidation grants through the Department of Health.

Labor and Industries

The Department of Labor and Industries (L&I) is responsible for workplace safety.

Key Facts

- An estimated 2.5 million Washington workers
- Serve customers in 19 offices across Washington

2017-19 Budget Recap

Building Repair, System Renewals and Maintenance

- \$13.5 million was provided for building repair, maintenance and system renewals to include, but not limited to, LNI headquarter elevators, and modernizing the lab and training facility.

2019-21 Governor's New Law

Building Repair, System Renewals and Maintenance

- \$58.6 million was provided for building repair, maintenance and system renewals to include, but not limited to, LNI headquarter elevators, cooling system replacement at L&I headquarters and modernizing the lab and training facility. Out of this amount:
 - \$53.2 million is provided for modernization of the industrial hygiene lab and training facility that will be occupied by L&I and the Department of Agriculture

Minor Works

- \$2.5 million was provided for minor works preservation projects

Department of Social and Health Services - Developmental Disabilities Administration

The Developmental Disabilities Administration (DDA) is part of the Department of Social and Health Services (DSHS).

DDA provides long-term supports and services to individuals with developmental disabilities, age 16 or older. While DDA offers options for home and community services, the program operates an institutionally based Medicaid entitlement program. The entitlement service setting is the state-operated Residential Habilitation Centers (RHCs). The RHCs are 24-hour facilities certified as either: (1) Intermediate Care Facilities offering habilitation services, intensive nursing, therapy services, and work-related assistance; or (2) Nursing Facilities providing an extensive array of services for persons requiring daily nursing care.

Key Facts

- Total number served at Residential Habilitation Centers (FY 2018 monthly average): 780 residents
- FY 2018 average monthly cost per client: \$25,300
- Four Residential Habilitation Centers:
 - Fircrest School in Shoreline: nursing and intermediate care; FY 2018 monthly average: 210 residents
 - Rainier School in Buckley: intermediate care; FY 2018 monthly average: 300 residents
 - Yakima Valley School in Selah: nursing; FY 2018 monthly average: 90 residents
 - Lakeland Village in Medical Lake: nursing and intermediate care; FY 2018 monthly average: 180 residents

2017-19 Budget Recap

The 2017-19 Enacted Capital Budget for DSHS includes the following RHC items:

Fircrest School

- \$300,000 in bonds was provided for a predesign to replace the existing nursing facilities at Fircrest School with a new building, renovating an existing building, or using a recently closed nursing facility that complies with current regulations.
- \$200,000 from the Charitable Educational Penal and Reformatory Institutions Account was provided to rezone the Fircrest campus with the City of Shoreline.

Rainier School

- \$600,000 in bonds was provided to repair or replace six roofs across the campus.
- \$300,000 in bonds was provided for a predesign to replace the existing nursing facilities at Rainier School with a new building, renovating an existing building, or using a recently closed nursing facility that complies with current regulations.

Yakima Valley School

- \$500,000 in bonds was provided for repairs, replacements, and updates to the fire sprinkler components and fire alarm systems.

Lakeland Village

- \$5 million, including \$2.5 million in bonds, was provided to upgrade and reconfigure the electrical power system and install a new emergency generator and transfer switch.

Current Issues/Governor's Budget

The Governor's proposed 2019-21 Biennial Capital Budget for DSHS includes the following RHC items:

Fircrest School

- \$103.2 million in bonds is provided to design and construct a new 120-bed nursing facility.
- \$2.9 million in bonds is provided to design and construct a new fire alarm system.

Rainier School

- \$12.1 million in bonds is provided to construct an energy efficient cooling system that meets temperature limits set by the Center for Medicaid and Medicare Services.
- \$1.5 million in bonds is provided to design and construct a new fire alarm system.

Yakima Valley School

- \$1.4 million in bonds is provided to replace the fire alarm system and the landing, guardrail, and handrails at the entrance of the Main Building.

Lakeland Village

- \$6.1 million in bonds is provided to complete the third phase of required electrical replacements, including reconfiguring circuits, and replacing the emergency generator, automatic transfer switch and load management controls.

Department of Social and Health Services - Behavioral Health

The Department of Social and Health Services (DSHS) provides shelter, care, protection and/or support to 2.4 million of our state's 7.1 million people. The Department has institutions or facilities that provide care for individuals in need of intensive mental health services for both adults and youth. In addition, the department provides treatment and secure housing for sex offenders in state-owned settings.

Key Facts

- State Mental Health Institutions supply over 1,200 inpatient beds for individuals needing care under civil commitment laws, forensic evaluations and restorations, or have been found not guilty by reason of insanity
 - Western State Hospital (WSH) in Lakewood: 872 beds for adult care
 - Eastern State Hospital (ESH) in Medical Lake: 371 beds for adult care
 - Child Study Treatment Center (CSTC) in Lakewood: 47 beds for youth care
- The Special Commitment Center (SCC) provides specialized mental health treatment for civilly committed sex offenders who have completed their prison sentences and are housed in a total confinement facility and two secure transition facilities.
 - McNeil Island Total Confinement Facility: Currently housing 216 individuals
 - Pierce County Secure Community Transition Facility (SCTF) on McNeil Island: 24 bed capacity
 - King County SCTF: six bed capacity.

2017-2019 Budget Recap

\$91 million in total funds were appropriated in the 2017-19 budget for capital projects within DSHS. Another \$91 million was provided through the Department of Commerce for competitive grants and specific projects to increase capacity for behavioral health Services in community settings. DSHS projects include:

- \$12.5 million in bonds was provided to increase the bed capacity at the CSTC by 18 beds to provide services to youth with acute mental illness needs.
- \$10.6 million in bonds was provided for renovations of two wards within Building 29 at WSH to convert the beds from civil beds to forensic beds to increase capacity to meet the needs under the Trueblood v. Washington State DSHS case.
- \$5.5 million in bonds was provided for safety improvements at WSH to include fire suppression updates, roof replacement, and window replacements.
- \$2.6 million in bonds was provided to increase the capacity at the King County SCTF from six beds to 12.
- \$6.5 million was provided to add two 25-bed forensic units at ESH.
- \$2.9 million was provided to address issues at WSH identified by the Centers for Medicare and Medicaid Services

Current Budget Issues/Governor's Budget

The Governor proposes capital projects within DSHS totaling \$300 million and another \$110 million in the Department of Commerce for competitive grants to increase capacity for behavioral health services in community settings in the proposed 2019-21 Capital Budget. Some of the projects that are included are:

- \$30.9 million is provided for predesign and design phases for state-operated civil behavioral facilities to care for individuals with acute mental health needs currently being served on civil commitments at the two state hospitals. This includes predesign for three 150-bed facilities and predesign and design for two 48-bed facilities and four 16-bed facilities.
- \$29 million is provided for construction of two new 30-bed admission units for competency evaluation and restoration services at WSH.
- \$18 million is provided for design and construction of a new treatment and recovery center as an addition to building 28 to provide increased treatment space for the current population.
- \$13 million is provided to construct a new boiler plant and demolish the existing building, which supports domestic hot water, the heating system and kitchens for two main facilities.
- \$13 million is provided to address patient safety improvements such as addressing potential ligature risks at ESH, WSH, and CSTC.
- \$7.5 million is provided for predesign and schematic design of a new 500-bed forensic bed hospital on the grounds of WSH.

Department of Veterans Affairs

The Washington Department of Veterans Affairs (WDVA) provides supports and services to veterans and their family members, including claims assistance, counseling services, and educational, housing, and employment assistance. The WDVA also provides long-term care, in state Veterans Homes, for honorably discharged veterans, their spouses, and Gold Star parents; and is responsible for the state Veterans Cemetery at Medical Lake.

Key Facts

- Total number of residents at state Veterans Homes: 603 residents
- Four state Veterans Homes:
 - Washington Soldiers Home in Orting: continuum-of-care, 183 residents
 - Washington Veterans Home in Retsil: continuum-of-care, 240 residents
 - Spokane Veterans Home: skilled nursing, 100 residents
 - Walla Walla Veterans Home: skilled nursing, 80 residents

2017-19 Budget Recap

The 2017-19 Enacted Capital Budget for WDVA totals \$6.7 million, and includes the following items:

Washington Soldiers Home

- \$250,000 in bonds was provided for the restoration and preservation of the Soldiers Home Cemetery.

Washington Veterans Home

- \$750,000 in bonds was provided for predesign and design for a 48 bed geriatric-psychiatric center for recovery and reintegration in Building 10.

Washington State Veterans Cemetery

- \$3 million (\$2.7 million in federal funds and \$300,000 in state bonds) was provided to add 1,000 standard size vaults and ten oversized vaults; and to install a secondary road and an expanded irrigation system.

Current Budget Issues/Governor's Budget

The Governor's proposed 2019-21 Biennial Capital Budget for WDVA totals \$9 million, and includes the following items:

Washington Veterans Home

- \$3.3 million in bonds is provided to demolish and remove Buildings 6 and 7, which were decommissioned 13 years ago.
- \$750,000 in bonds is provided to retrofit an HVAC system in the Skilled Nursing Building.

Department of Children, Youth, and Families

The Department of Children, Youth, and Families (DCYF) is responsible for implementing early learning policy; coordinating child care and early learning programs; and providing child welfare services, including managing the adoption and foster care systems. Barring any legislative changes to the contrary, the Juvenile Rehabilitation (JR) Administration of the Department of Social and Health Services will be consolidated into DCYF July 1, 2019. JR provides care, custody, and treatment for juvenile offenders committed to the state by juvenile courts.

Key Facts

- Juvenile rehabilitation caseload (FY 2018): 489 monthly average
- Three juvenile detention facilities:
 - Green Hill School (fenced medium/maximum security): male offenders, ages 16-21
 - Echo Glen Children's Center (unfenced medium/maximum security): male offenders, ages 11-16, and female offenders
 - Naselle Youth Camp (unfenced medium security): male and female offenders
- Eight community juvenile detention facilities: state-owned, minimum security facilities for youth who are eligible for a step-down opportunity in which to complete their residential sentence. One of the facilities is dedicated to serving female offenders.
- Early Childhood Education and Assistance Program (ECEAP) (FY 2018): 12,491 funded slots
- Working Connections Child Care (WCCC) Children Served (FY 2018): 51,690 monthly average
- Behavioral Rehabilitation Services (BRS) caseload (FY 2018): 650 monthly average

2017-19 Budget Recap

Juvenile Rehabilitation

- \$9.8 million in bonds was provided to remodel and add onto existing housing units to create a four-bed transition treatment unit for the female population at Echo Glen Children's Center
- \$3.2 million in bonds was provided to improve security and surveillance and to plan for the replacement of the recreation building at Green Hill School
- \$539,000 in bonds was provided for a predesign to assess beds required to support youth residing at juvenile rehabilitation facilities up to age 25 pursuant to Chapter 162, Laws of 2018 (Engrossed Second Substitute Senate Bill 6160).

Early Learning/Child Care

- \$15.5 million in bonds was provided to fund an early learning facility grant program to provide assistance for designing, constructing, or modernizing public or private early learning education facilities. This grant program will be administered by the Department of Commerce.

Child Welfare

- \$2.0 million in bonds was provided for a BRS capacity grant program to provide funds to providers for renovation or construction to expand bed capacity for foster care involved youth receiving temporary, intensive services to address extreme service needs in order to stabilize placement. This grant program will be administered by the Department of Commerce.
- \$1.4 million in bonds was provided for predesign and design to establish a BRS facility at Pine Lodge. The predesign is required to demonstrate the need for the program, any operating impacts, and available service providers.

Current Budget Issues/Governor's Budget

The Governor's capital budget proposal provides a total of \$59.1 million in new funding for DCYF + JR and an additional \$23.5 million to the Department of Commerce for early learning and child welfare facilities. Projects funded with these new appropriations include, but are not limited to, the following:

Juvenile Rehabilitation

- \$41.7 million for juvenile rehabilitation institutions, including \$35.7 million to replace the recreation building at Green Hill School

Early Learning/Child Care

- \$16.5 million to the Department of Commerce to continue a grant/loan program to expand early learning facilities
- \$5.0 million to the Department of Commerce to establish preschool slots for children in families with incomes between 110 and 200 percent of the federal poverty level

Child Welfare

- \$2.0 million to the Department of Commerce for grants to increase bed capacity for children in foster youth who receive behavioral rehabilitation services

Department of Corrections and Other Criminal Justice

The Department of Corrections (DOC) is responsible for the incarceration of felony offenders and community oversight for certain felony and gross misdemeanor offenders sentenced in Washington State Superior Courts. The Department manages 12 state correctional facilities and 12 work release facilities as the primary resources for incarcerating, and rehabilitating individuals in the state correctional system.

Key Facts

- DOC manages 8 main prison facilities for incarcerated men and women.
 - Washington State Penitentiary: 2,601 males
 - Coyote Ridge Corrections Center: 2,528 males
 - Monroe Corrections Center: 2,488 males
 - Airway Heights Corrections Center: 2,174 males
 - Stafford Creek Corrections Center: 1,972 males
 - Washington Corrections Center: 1,518 males
 - Clallam Bay Corrections Center: 900 males
 - Washington Corrections Center for Women: 874 females
- DOC manages 4 minimum security camps for incarcerated men and women.
 - Larch Minimum Camp: 480 males
 - Olympic Minimum Camp: 480 males
 - Cedar Creek Minimum Camp: 480 males
 - Mission Creek Minimum Camp: 304 females
- DOC manages 741 work release beds for men and women including both state run and contracted facilities.

2017-19 Budget Recap

\$49 million was provided in total for capital projects within the Department of Corrections for the 2017-19 biennium. Some of the projects were:

- \$9.7 million was provided for construction of a new program and support building at the medium security complex at the Washington State Penitentiary in Walla Walla.
- \$6 million was provided to replace the security electronics network at Coyote Ridge Corrections Center.
- \$4.3 million was provided for predesign, design and renovation at the existing Maple Lane Corrections Center facility to create a 128 bed minimum facility for women.
- \$740,000 was provided to design and construct 41 beds of new work release capacity at Ahtanum View Work Release in Yakima.

Current Budget Issues/Governor's Budget

The Governor proposes capital projects within the Department of Corrections totaling \$70 million. Some of the projects included are:

- \$20 million is provided for minor works preservation; this is a \$10 million increase over the 2017-19 funded level to maintain the current state facilities within the department.
- \$16 million is provided to construct the high-voltage distribution infrastructure at the Washington Corrections Center.

- \$14.7 million is provided for projects to establish reclaimed water lines, replace fire alarm systems and roofs.
- \$9.7 million is provided to construct a new boiler system that replaces seven diesel boilers at Clallam Bay Corrections Center's central plant.

Natural Resources

The natural resources area of the capital budget includes funding projects in eight agencies: The Departments of Ecology; Fish & Wildlife; Natural Resources; Agriculture, as well as the Recreation and Conservation Office; Parks and Recreation Commission (State Parks); State Conservation Commission; and the Washington Pollution Liability Insurance Program.

Key Facts

Of the 8 agencies that have projects in the natural resources functional area of the capital budget in 2017-19, the three largest agencies (Ecology, Recreation and Conservation Office, and Dept. of Natural Resources) account for approximately 87 percent of the appropriations. The total natural resource appropriation for the biennium is \$1.38 billion.

Department of Ecology (DOE)

- Manages water supply (Office of the Columbia River, Yakima Integrated Plan, etc.)
- Assists local governments and others in meeting water quality standards (Water Pollution Control grants)
- Funds toxic pollution prevention and clean up under the Model Toxics Control Act (MTCA).
- **\$354 million State Bonds; \$773 million total**

Recreation and Conservation Office (RCO)

- manages grant programs for outdoor recreation, wildlife habitat and farmland (e.g. Washington Wildlife and Recreation Program, etc)
- Manages grants for salmon habitat restoration (e.g. Salmon Recovery Funding Board programs, etc.)
- **\$200 million State Bonds; \$294 million total**

Department of Natural Resources (DNR)

- Manages 2.6 million acres of aquatic lands (Aquatic Lands Enhancement Account (ALEA) revenue, Trust revenue)
- Manages 3 million acres of state trust lands. Trust Lands are a combination of federally granted and legislatively authorized lands that are managed for specific fiduciary beneficiaries, like Common School construction.
- Manages 163 thousand acres of conservation land at 94 different sites (Natural Areas)
- **\$55 million State Bonds; \$136 million total**

Department of Fish and Wildlife (WDFW)

- Manages a hatchery system for salmon and other fish species
- Provides public hunting and fishing access as well as land conservation
- Most of the appropriations are for maintenance of hatcheries
- **\$62 million State Bonds; \$77 million total**

State Parks and Recreation Commission (State Parks)

- Manages 120,000 acres
 - 125 developed parks (e.g. Moran, Lake Sammamish)

- 35 heritage sites,
- 13 interpretive centers (e.g. Gingko Petrified Forest), and
- 700 historic structures (e.g. Fort Worden, St. Edwards, etc)
- Most of the appropriations are for maintenance
- **\$51 million State Bonds; \$58 million total**

Washington State Conservation Commission (SCC)

- Grant programs to assist landowners achieve conservation objectives (e.g. Conservation Reserve Enhancement Program (CREP) and Regional Conservation Partnership Program (RCP))
- Program implementation through 45 conservation districts
- **\$21 million State Bonds; \$22 million total**

Pollution Liability Insurance Program (PLIA)

- Provides financial assistance to the owners and operators of regulated petroleum underground storage tanks and heating oil tanks to assist in the prevention and clean up of underground oil spills.
- **\$1 million State Bonds; \$14 million total**

Department of Agriculture (Ag)

- Provides funding for state fairs
- Provided funding for a craft brewing and distilling center.
- **\$2.5 million State Bonds; \$2.5 million total**

2017-19 Budget Recap

Water Supply (\$96.4 million)

The Department of Ecology has been provided \$96.4 million to continue programs whose purpose is to use a wide range of methods to increase water supplies to meet the instream flow needs of fish and wildlife and the out-of-stream needs of agriculture and communities:

- \$33.8 million is for continued implementation of the Columbia River Basin Supply Development program through coordinated conservation projects, instream flow improvement projects, and leases of water to end users;
- \$31.1 million is for additional work on projects under the Yakima River Basin Integrated Plan;
- \$11.5 million is for projects related to water conservation, irrigation efficiencies, and watershed capital plans; and
- \$20 million is for work related to watershed restoration and enhancement projects (Hirst).

Floods (\$95.5 million)

A total of \$95.5 million has been provided for flood risk reduction and floodplain habitat restoration projects statewide. Of that amount:

- \$35.5 million is for competitively-awarded grants to local governments, tribes, and non-governmental organizations for a ranked list of 12 projects to reduce flood risks and promote floodplain ecosystem recovery; and
- \$60 million is for flood mitigation projects developed by the Governor's Chehalis Basin Work Group that include long-term strategies to reduce flooding and local priority flood protection and habitat restoration projects.

Toxics Clean-Up and Prevention (\$121.4 million)

Clean up and remediation related projects are supported with dedicated accounts such as the MTCA related accounts, Cleanup Settlement Account, and bonds. In addition to providing \$20 million bonds in place of MTCA revenues to continue existing projects and start delayed projects, the following projects are funded:

- \$28.7 million is provided for the American Smelting and Refining Company's cleanup work in Ruston and Everett;
- \$28.4 million from the Air Pollution Control Account from Volkswagen penalties for projects that replace older, higher polluting vehicles;
- \$11 million in MTCA funds for Remedial Action Grants and funding for a healthy housing remediation project;
- \$10 million is provided for Coordinated Prevention Grants to local governments hazardous waste and solid waste management;
- \$11.6 million to fund projects that clean up toxic sites in the Puget Sound and Eastern Washington;
- \$8.2 million in MTCA funds to begin loan repayment to the Cleanup Settlement Account;
- \$2.5 million to fund projects that reduce diesel emissions and wood stove pollution; and
- \$1 million to fund waste tire pile clean-up and prevention.

VW Settlement

Washington State received reimbursement rights of \$112.7 million as a result of a settlement with Volkswagen. The funds are available through a trust manager and are used to reimburse expenditures made on consent decree defined outcomes that reduce harmful nitrogen oxide emissions.

State Parks

State Parks has been provided \$57.9 million for renovation, preservation, and minor repair projects throughout the state.

Fish and Wildlife

A total \$77 million has been provided to the Department of Fish and Wildlife. Of this amount, \$5 million is provided for hazard fuel reduction, forest health and ecosystem improvement projects. The Department of Fish and Wildlife has also been provided funding to improve hatchery operations. The hatcheries receiving funding are:

- Clarks Creek Hatchery, \$11.4 million;
- Dungeness Hatchery, \$615,000;
- Eells Spring Hatchery, \$1.4 million;
- Forks Creek Hatchery, \$2.4 million;
- Hoodspout Hatchery, \$4.8 million;
- Kalama Falls Hatchery, \$816,000;
- Minter Hatchery, \$6.5 million;
- Naselle Hatchery, \$8 million;
- Samish Hatchery, \$350,000; and
- Wallace River Hatchery, \$2 million.

Recreation, Conservation, Salmon Recovery, and Habitat Protection

The DNR and the RCO have been provided appropriations aimed at recreational lands and facilities, and environmental protection and conservation, including:

- \$80 million to RCO for Washington Wildlife and Recreation Program competitive grants to support habitat conservation, outdoor recreation, riparian protection, and farmland and forest preservation projects statewide;
- \$48 million to RCO for Puget Sound acquisition/restoration and estuary/salmon restoration projects;
- \$19.7 million in state funds and \$50 million in federal expenditure authority to RCO for statewide and Puget Sound-focused recovery efforts for salmon and other species;
- \$42.5 million in federal and state expenditure authority to RCO for grants for youth recreation, boating facilities, non-highway off-road vehicle activities, firearm and archery range facilities, and park, trail, and other outdoor recreational projects;
- \$19.7 million to RCO for the new Brian Abbott Fish Passage Barrier Removal Board program to fund 13 competitively-selected projects for design, engineering and construction to remove fish passage barriers in local jurisdictional, tribal, and privately owned lands throughout the state;
- \$12.5 million to RCO for projects that support the Washington Coastal Restoration Initiative;
- \$12.3 million to RCO for 22 Aquatic Lands Enhancement projects;
- \$10 million for the Trust Land Transfer program within DNR to transfer common school trust lands with low income-producing potential but high recreational and environmental value to other public agencies for use as natural or wildlife areas, parks, recreation, or open spaces;
- \$13 million for DNR for mitigating forest hazards through thinning, prescribed burning, and other measures to reduce risk of forest fires and insect damage on state-owned public lands; and
- \$17.7 million for a loan to DNR for installing a pipeline and irrigation delivery system to bring water to land owned by DNR, known as Paterson Pipeline. The revenues from the leased irrigation acreages will repay the loan with interest.

The State Conservation Commission has been provided \$8 million for pass-through grants to conservation districts to help private landowners in shellfish growing and non-shellfish growing areas of the state to plan and implement practices that benefit water quality. In addition, \$4 million in state bonds is provided to match federal resources for the Regional Conservation Partnership Program.

Private Forest and Agricultural Lands

The Forest Riparian Easement Program has been provided \$3.5 million and the Family Forest Fish Passage Program has been provided \$5 million to continue to assist family forest landowners with the financial and regulatory impacts of Forest and Fish legislation enacted in 1999. The funds will be used, respectively, to purchase 50-year conservation easements along riparian areas from family forest landowners and to repair or remove fish passage barriers on forest road crossings over streams.

Current Budget Issues/ Governor's Budget

Due to the delay in enacting the 2017-19 biennial capital budget, there is a relatively high amount of reappropriation requests: \$1.65 billion for the natural resources functional area; the amount of new appropriations requested is \$1.39 billion.

The Governor's proposed 2019-21 budget attributes \$596 million as benefiting Orca whale recovery. Most of this funding are in programs that are already in existence and provide water quality or salmon production that are beneficial for Orca whale recovery.

The following is a summary of total amounts proposed in the Governor's current law budget proposal:

Department of Ecology: \$639 million, including:

- Water Supply (Columbia River, Yakima, Chehalis Basin): \$116 million
- Toxic cleanup: \$63 million
- Stormwater: \$66 million
- Floodplains by Design: \$43 million

Recreation and Conservation Funding Board: \$352 million including:

- 2019-21 - Brian Abbott Fish Barrier Removal Board: \$25 million
- 2019-21 - Puget Sound Acquisition and Restoration: \$43 million
- 2019-21 - Salmon Recovery Funding Board Programs: \$85 million
- 2019-21 - Washington Wildlife Recreation Grants: \$115 million

State Parks and Recreation Commission: \$66 million

- \$45 million for various park maintenance projects
- \$3 million to begin development of a new park: Nisqually State Park

Department of Fish and Wildlife: \$129 million

- \$88 million for hatchery work and improvements

Department of Natural Resources: \$171 million

- \$14 million for Forest Health
- \$15 million for Trust Land Transfer program

State Conservation Commission: \$22 million

- \$5 million for CREP
- \$4 million as match for federal RCPP

Washington Pollution Liability Insurance Program: \$13 million

Higher Education

Public higher education institutions include two research universities, four regional universities, and 34 community and technical colleges. In addition to traditional postsecondary instruction, the institutions provide research, healthcare and other services. Capital budget appropriations to the institutions of higher education primarily include state bonds and funds generated from the building fee portion of tuition.

Key Facts

- State-Funded FTE Enrollment 2017-18 academic year: 241,600
- Four-Year School Degree production in the 2016-17 academic year (most current data available):
 - 25,370 undergraduate degrees
 - 8,300 graduate degrees
- Community and Technical College Degree/Certificate production in the 2017-18 academic year (most current data available):
 - 30,315 associate degrees
 - 21,130 certificates
 - 1,005 applied baccalaureate degrees
- Number of state-supported facilities in 2016 (most current data available): 1,478
- Total area of facilities in 2016 (most current data available): 51 million gross square feet
- Average facility preservation backlog in 2016 (most current data available): 14.9 percent of replacement value

2017-19 Budget Recap

The 2018 capital budgets provided \$497 million in state bonds to the institutions of higher education and \$222 million from building fee accounts for minor works and facility repairs. The 4-year institutions received \$281 million in state bonds and the Community and Technical Colleges received \$216 million. These amounts included funding for the following major construction/renovation projects.

University of Washington

- Burke Museum: \$24 million
- Evans School - Parrington Hall Renovation: \$10 million
- Population Health Sciences Building: \$15 million
- Center for Advanced Materials and Clean Energy Research Test Beds: \$20 million

Washington State University

- Pullman Plant Sciences Building: \$52 million
- Global Animal Health Building: \$23 million

Eastern Washington University

- Interdisciplinary Science Center: \$67 million

Central Washington University

- Nutrition Science: \$23 million

Community and Technical College System

- Edmonds Community College - Science, Engineering, Technology Building: \$39 million
- Whatcom Community College - Learning Commons: \$35 million
- Big Bend - Professional-Technical Education Center: \$35 million
- Spokane - Main Building South Wing Renovation: \$26 million
- Highline - Health and Life Sciences: \$24 million

Governor's Proposed 2019-21 Budget

The Governor's proposed new-law budget provides \$562 million in state bonds to the institutions of higher education and \$244 million from building fee accounts for minor works and facility repairs. The proposed budget assumes just over \$1 billion in total funds. The 4-year institutions would receive \$292 million in state bonds and the Community and Technical Colleges would receive \$270 million.

4-year Institutions

The Governor's proposed state bond funding for construction of major projects includes:

- UW: Health Sciences Education - T-Wing Renovation/Addition: \$70 million
- WSU: Global Animal Health Building (completes funding provided in 2017-19): \$36 million
- WSU: Washington State University Tri-Cities - Academic Building: \$27 million
- CWU: Nutrition Science (completes funding provided in 2017-19): \$32 million
- WWU: Sciences Building Addition & Renovation: \$60 million

Community and Technical College System

The budget proposal would fund through priority #17 on the CTCs' list. State bond funding for major project construction includes:

- Bates: Medical Mile Health Science Center: \$41 million
- Pierce Fort Steilacoom: Cascade Building Renovation - Phase 3: \$32 million
- Shoreline: Allied Health, Science & Manufacturing Replacement: \$37 million
- Wenatchee Valley: Wells Hall Replacement: \$30 million
- South Seattle: Automotive Technology Renovation and Expansion: \$23 million

Public Schools

The state provides support to 295 local school districts for school construction and modernization, enhancements for science, technology, engineering and math (STEM) facilities, construction and maintenance of skills centers and health and safety grants through appropriations in the capital budget. The Office of the Superintendent of Public Instruction (OSPI) manages the grant and assistance programs. The capital budget also provides funding for OSPI staff to administer these programs.

Key Facts

- Through the School Construction Assistance Program (SCAP), the state provides assistance to school districts constructing new and remodeling existing buildings. To be eligible for SCAP funding a district must have a space or remodeling need and must obtain voter approval of a bond, capital levy or other source of local share of a project. The state assistance is determined by a funding formula based on three factors: (1) eligible area (square feet per student; varies by grade); (2) construction cost allocation (the maximum cost per square foot that the state will match); and (3) the state funding assistance percentage (this ranges from 20 percent to 100 percent and is derived by calculating assessed land values per student).
- SCAP funding is the single largest project appropriation in the capital budget; it is funded with a mix of state bond proceeds and revenue from the management of state trust lands

2017-19 Budget Recap

The 2017-19 capital budget appropriated a total of \$1,079 million for public schools, including:

- \$949 million was provided for the SCAP for state share of school construction costs for 98 projects in 52 school districts.
- \$26 million was provided for career and technical education facilities including grants for STEM classroom and lab renovations or additions; funds for renovation for the Everett Pathways to Medical Education; and funds for construction of core growth at the Tri-Tech Skill Center.
- \$41 million was provided for modernization grants for small, rural school districts with full-time equivalent student enrollments fewer than 1,000
- \$45.5 million was provided for distressed schools; grant recipients include school districts with projects to address challenges related to extraordinary growth, and to maintain and repair existing buildings.
- \$15 million was provided for equipment or small repair and minor works grants to support career and technical education programs, agricultural science in schools, ADA compliance, skill centers, and healthy kids and healthy schools.
- \$3.4 million was provided for OSPI capital program administration.

Joint Task Force on School Construction

The budget also directed a legislative task force be established regarding improving state funding for K-12 school construction. The task force reviewed improvements to the SCAP; innovative school design and construction; utilization of school spaces for multiple uses; and existing reports and recommendations of school construction costs, school facilities inventory and condition. The findings and recommendations for an improved state school construction financial assistance program were provided to the Legislature December 15, 2018.

Current Budget Issues/Governor's Budget

The Governor's proposed 2019-21 capital budget provides \$1,221 million for public schools, including:

- \$1,109 million for SCAP.
- \$80 million for a competitive school preservation program to assist local school districts statewide that cannot participate in the SCAP, with building system repairs as part of a major modernization project. OSPI may also provide grants for project planning to school districts.
- \$13 million for health and safety grants.
- \$7 million for competitive grants to school districts to purchase and install equipment that expand Career Connected Learning opportunities.
- \$4.1 million for OSPI capital program administration.
- 7.6 million for skills center modernization and minor works.

Joint Task Force on School Construction

The priority recommendations of the joint legislative task for improving state funding for K-12 construction include:

- address the needs of rural school districts that cannot qualify for SCAP;
- adjust the student space allocation to be based on actual square footage per student in schools;
- support reduced class sizes in kindergarten through third grades through school construction;
- consider providing school construction credit for schools used for other community services like early learning and health services;
- pursue allowing school districts to borrow money and issue bonds for school capital projects with approval of a simple majority of voters at bond elections;
- increase the construction cost allowance to be based on the actual costs of school construction; and
- increase the minimum state funding assistance percentage from 20 percent to 30 percent.

Washington State Historical Society

The Washington State Historical Society (WSHS) is a non-profit 501(c)(3) membership organization, open to any and all individuals, families, or firms. Founded in 1891, the Historical Society is dedicated to collecting, preserving, and presenting Washington's history. The Historical Society offers a variety of services to researchers, historians, and scholars, as well as operating the State History Research Center (Tacoma) and the Washington State History Museum (Tacoma). The Historical Society is governed by a Board of Trustees, which includes seven public officials (the Governor, Secretary of State, Superintendent of Public Instruction and four State Legislators) who serve ex officio. The major capital programs include support for the two facilities in Tacoma and the Heritage Capital Projects Fund grant program.

The purpose of Heritage Capital Projects Fund is to support the capital needs and facilities of heritage organizations, tribal governments, public development authorities, and local government agencies that interpret and preserve Washington's history and heritage. The state can reimburse up to 1/3 of the eligible costs of selected heritage capital projects, and grantees must provide at least a 2/3 match.

Key Facts

- Since 1995, the Washington State Historical Society has administered roughly \$40.0 million through the Heritage Capital Projects Fund.

2017-19 Budget Recap

- Prior to July 2018, custody of the State Capital Museum and Outreach Center in Olympia (aka the Historic Lord Mansion) was overseen by the WSHS. Through a provision in the 2018 Supplemental Capital Budget, authority was transferred to The Evergreen State College.
- \$3.5 million in bonds was provided for minor works projects at the Washington State History Museum and the Research Center in Tacoma, including renewal of the Great Hall at the Washington State History Museum.
- \$8.9 million in bonds was provided for grants for the Heritage Capital Projects Fund.
- \$75,000 in bonds was provided to develop a strategic master plan in accordance with recommendations of the ten-year Architectural Needs Assessment. The master plan will engage a museum and exhibit planning team to document and define the current and future operational needs of the State History Museum.

Current Budget Issues/Governor's Budget

- \$5.7 million in bonds is proposed for the Heritage Capital Projects Fund.
- \$1.5 million in bonds is proposed for minor capital preservation projects estimated to cost between \$25,000 and \$1.0 million that extend the life of existing facilities and their supporting infrastructure systems at the History Museum and Research Center.
- \$955,000 in bonds is proposed for minor capital programmatic work to modernize space and renew older exhibits in the History Museum's largest exhibit, the Great Hall.

Eastern Washington State Historical Society

Founded in 1916, the Northwest Museum of Arts and Culture (aka Eastern Washington State Historical Society) is the largest cultural organization in the Inland Northwest. The museum is one of Washington State's five Smithsonian affiliates and is accredited by the Alliance of American Museums. The museum is located in Spokane, Washington.

Key Facts

- Museum hosts more than 100,000 visitors each year
- Located on a 5-acre campus with four buildings and a three story parking lot in a historic residential neighborhood west of downtown Spokane
- Houses the largest collection of Plateau Indian art and artifacts in the world
- Over 1 million objects are maintained and preserved at the Museum

2017-19 Budget Recap

- \$770,000 in bonds was provided for minor repair and facility preservation projects to address immediate issues at the Campbell House Museum.

Current Budget Issues/Governor's Budget

- The Governor's 2019-21 biennial budget proposes \$2.3 million in bonds to fund renovations to the Campbell House and minor works preservation on the other facilities.