



2016 SUPPLEMENTAL OPERATING BUDGET Overview PSSB 6667

SENATE CHAIR

**SENATE WAYS & MEANS COMMITTEE
March 2016**

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Introduction

This document is intended to provide a high level summary of the new Senate 2016 supplemental operating budget proposal, PSSB 6667, and also provide a brief comparison with the previous budget, SSB 6246, which passed the Senate on February 26th. Other detailed information about the specific components of this proposal can be found in the Statewide Summary & Agency Detail Document. Since this proposal contains many of the same items as the previous Senate budget proposal, other information is available in the documents that were released on that earlier proposal. These documents are available at the Senate Ways & Means Committee website.

Overview of Budget Proposal

The new Senate 2016 supplemental budget increases Near General Fund and Opportunity Pathways spending by a net of \$178 million from the 2015-17 enacted spending level of \$38.2 billion. This reflects \$203 million in maintenance level changes for caseload and other adjustments based on current law requirements offset by approximately \$26 million in net policy level decreases. Additionally, the new Senate proposal appropriates \$190 million from the Budget Stabilization Account (BSA) for wildfire costs in the 2015-17 biennium.

The new Senate budget proposal assumes additional resources of \$57 million in the 2015-17 biennium (\$25 million in the 2017-19 biennium) from PSSB 6665 which changes certain television content provider taxation provisions. This includes: (1) clarifying the business and occupation tax rate of advertising income of television content providers; (2) providing a reduction in apportionment ratio to 1.1 percent (from 2.2 percent) for advertising income; and (3) waiving penalties for back taxes due if paid by October 1, 2016.

The new Senate supplemental budget proposal includes a provision that specifies that an additional \$154 million of the Public Work Assistance Account repayments will be transferred to the state general fund in the 2017-19 biennium. This transfer is connected to 2ESJR 8204 and 2ESB 5624 which create an alternative financing mechanism for local government infrastructure projects. This \$154 million transfer would be in addition to the \$73 million per biennia transfer directed in the enacted budget.

The new Senate budget proposal includes \$58 million in fund related actions and one-time fund transfers in the 2015-17 biennium. These include: (1) \$16 million from the Public Works Assistance Account; (2) \$14 million from higher than expected marijuana funds; (2) \$9 million from Performance Audit Account; (3) \$7 million from the Education Construction Account; and (4) \$3 million from Employment Service Administrative Account; and (5) \$2 million from unspent Aerospace Loan Account resources.

Based on all the changes proposed in the 2016 supplemental budget, the new Senate supplemental proposal is projected to leave \$583 million in unrestricted reserves and \$703

million in the Budget Stabilization Account at the end of the 2015-17 biennium. Based on the 4-year outlook methodology, PSSB 6667 is projected to leave an unrestricted ending fund balance of \$79 million and \$1.1 billion in the Budget Stabilization Account at the end of the 2017-19 biennium.

Spending Changes

The new Senate budget provides a net increase of \$203 million Near General Fund-State and Opportunity Pathways in maintenance level changes for caseload and other adjustments based on current law requirements. Areas of major increase include: (1) \$159 million in low-income health care; (2) \$24 million in the Department of Corrections; (3) \$19 million in DSHS - Long Term Care and Developmental Disabilities; and (4) \$18 million in DSHS - Economic Services. Some areas with decreases include: (1) \$34 million based on updated projections of debt service costs; and (2) \$17 million in based on adjusting K-3 class size funding based on actual utilization.

The net policy level decrease of \$26 million is comprised of \$228 million in policy level increases (in addition to \$190 million in fire related costs) and \$254 million in policy level decreases. The policy level increases include:

- \$35 million for safety improvements and other actions in state mental health hospitals.
- \$32 million for the Moore versus Health Care Authority lawsuit related to employee health benefits.
- \$28 million for restoring costs in low income health care for a federal waiver that was not approved and for Healthier Washington savings that were not realized.
- \$26 million for home health care individual provider overtime based on federal rule changes.
- \$18 million to maintain state need grant funding based on interactions with the College Bound program.
- \$8 million based on adjusting the tuition backfill at public colleges and universities.
- \$7 million for increasing tiered reimbursement for family child care providers and child care centers.

The \$254 million in policy level decreases include:

- \$41 million in savings from utilizing Work First balance based on lower caseloads and additional federal contingency funding.

- \$32 million in savings from utilization of additional I-502 funding for low income health care and health clinics.
- \$21 million in savings from utilizing Budget Stabilization Account for base fire suppression costs rather than state general fund.
- \$17 million in savings from utilizing Administrative Contingency funding in DSHS- Economic Services.
- \$13 million in savings from the rate setting for the Categorically Needy Blind Disabled and Community Options Program Entry System (COPES) populations and/or moving this population to fee-for-service from managed care.
- \$13 million in savings from Southwest Regional Support Network reserves.
- \$8 million in savings from unspent TANF Employment/Training funding.
- \$6 million in savings from using other funds for a portion of DOC community supervision costs.

Summary of Differences

On the resource side, the new Senate budget proposal assumes additional resources beyond those in the earlier proposal. First, the new Senate budget proposal assumes additional resources of \$57 million in the 2015-17 biennium (\$25 million in the 2017-19 biennium) from PSSB 6665 which changes certain television content provider taxation provisions.

Second, the new Senate supplemental budget proposal includes a provision that specifies that an additional \$154 million of the Public Work Assistance Account repayments will be transferred to the state general fund in the 2017-19 biennium. This transfer is connected to 2ESJR 8204 and 2ESB 5624 which create an alternative financing mechanism for local government infrastructure projects. This \$154 million transfer would be in addition to the \$73 million per biennia transfer directed in the enacted budget.

On the spending side, the largest change is appropriating \$190 million from the Budget Stabilization Account for wildfire costs in the 2015-17 biennium. In the original Senate proposal, the majority of these costs were paid from the state general fund.

Besides this change, the new Senate budget proposal increases 2015-17 spending by \$144 million from the earlier proposal. The larger spending increases from SSB 6246 include:

- \$75 million from no longer assuming savings associated with merging the LEOFF 1 and TRS 1 retirement systems.
- \$44 million from no longer utilizing mental Regional Support Network reserve funds.

- \$35 million lower maintenance level savings associated with K-3 class size funding based on actual utilization (lowering the savings from \$52 to \$17 million).
- \$13 million less savings associated with delaying and modifying the proposal to lower costs associated with health care coverage for the Categorically Needy Blind Disabled and Community Options Program Entry System (COPES) populations.
- \$11 million from providing one year of backfill for unrealized Healthier Washington savings.
- \$4 million more funding for maintaining the state need grant (bringing the total to \$18 million).

Some of the decreases in spending from the original Senate budget proposal includes:

- \$21 million in savings from utilizing Budget Stabilization Account for base fire suppression costs rather state general fund.
- \$14 million from no longer funding additional mental health community diversion programs.
- \$8 million more savings (increasing the total to \$41 million) from utilizing Work First balance based primarily on lower caseloads and additional federal contingency funding.

2016 Supplemental Balance Sheet (PSSB 6667)

General Fund-State, Education Legacy Trust, and Opportunity Pathways Accounts (and Budget Stabilization Account)

Dollars in Millions

	2015-17
RESOURCES	
Beginning Fund Balance	1,011.2
Revenue Forecast	
November 2015 Forecast	37,915.6
February 2016 Forecast Change	(78.2)
Transfer to Budget Stabilization Account (Incl. EORG)	(435.9)
Alignment to the Comprehensive Financial Statements & Other Adj	40.8
2015 Changes	
<i>Fund Transfers (Excluding BSA)</i>	178.0
2016 Proposed Changes	
<i>Fund Transfers (Excluding BSA)</i>	58.1
<i>Revenue Legislation</i>	55.9
<i>Budget Driven Revenue & Other</i>	(1.9)
<i>Transfers from BSA to GFS</i>	63.6
Total Resources (including beginning fund balance)	38,807.3
EXPENDITURES	
2015-17 Enacted Budget	
Enacted Budget (with vetos)	38,219.2
2016 Supplemental Proposed Changes	
<i>Proposed Maintenance Level</i>	203.6
<i>Proposed Policy Level</i>	(25.8)
<i>Assumed Reversions</i>	(172.5)
Total Expenditures	38,224.4
RESERVES	
Projected Ending Balance	582.8
Budget Stabilization Account Beginning Balance	513.1
Transfers from General Fund and Interest Earnings	<u>445.5</u>
Less Transfers Out And Spending From BSA (Early Action/EORG***)	<u>(63.6)</u>
Projected Budget Stabilization Account Ending Balance	895.0
Total Reserves (Near General Fund plus Budget Stabilization)	1,477.9

Appendix A

Fund Transfers & Budget Driven Revenue
(Near GF-S & Opp Pathways in Millions)

2016 Proposed Fund Transfers

2015-17 2017-19

To the General Fund

Public Works Fund Balance	16.0	154.4
Additional Dedicated MJ (fund balance)	14.0	-
Performance Audit	9.0	-
Education Construction Account	7.1	-
Employment Services	3.0	-
Aerospace Loan Account	2.0	-
Savings Incentive to GF (unspent balances)	1.1	-
Charitable, Educational, Penal, and Reformatory Institutions	1.0	-
Labor Relations Account	1.0	-
WA Housing Trust Account	1.0	-
Health Professions Account Transfer	0.5	-
Personnel Svcs Acct Transfer	0.5	-
Prof Engineers Acct Transfer	0.5	-
Real Estate Commn Acct Transfer	0.5	-
Real Estate Reserach Acct Transfer	0.5	-
Flood Control addition	0.4	-
Abolished accounts-equity transfers	0.1	-
Disaster Response Account	-	25.5
Elevator Account (HB 1465)	-	(18.5)

Fund Transfers to the General Fund

58.1 161.3

Budget Driven Revenue

HCA Health Clinics	(2.9)	(0.92)
Liquor Revolving Fund	0.6	1.67
Liquor Cannibas Board Dedicated Marijuana	0.3	0.57
Lottery	0.1	0.14

Budget Driven Revenue

(1.9) 1.5

Appendix B

PSSB 6667 (3/11/2016)

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	1,011	1,092	1,011	583	168	583
Current Revenues						
February 2016 Revenue Forecast	18,660	19,178	37,837	20,021	20,871	40,892
Additional Revenue Based on 4.5% Growth Rate Assumption	-	-	-	20	72	92
	18,660	19,178	37,837	20,041	20,943	40,983
Other Resource Changes						
Transfer to BSA	(184)	(188)	(372)	(197)	(205)	(401)
Extraordinary Revenue to BSA	-	(64)	(64)	-	(8)	(8)
Extraordinary Revenue transfer from BSA to GF-S	-	64	64	-	8	8
Prior Period Adjustments	20	20	41	20	20	41
2015 Session Transfers and Other Resource Changes (Net)	96	82	178	51	51	101
2016 Session Transfers and Other Resource Changes (Net)	22	37	58	81	81	161
Other Revenue Legislation Increases	-	57	57	13	13	25
Other Revenue Legislation Decrease	(0)	(1)	(1)	(1)	(3)	(4)
Budget Driven Revenue	(3)	1	(2)	1	1	1
Total Revenues and Resources (Including Beginning Balance)	19,623	20,277	38,807	20,591	21,068	41,491
Enacted Appropriations	18,639	19,580	38,219	20,494	21,036	41,530
K-12 (excluding 2015 PL K-3 and All Day K)	8,564	8,864	17,428	8,992	9,184	18,175
K-3 Class Size	83	268	350	524	590	1,114
All Day K	55	125	180	151	158	309
All Other Enacted Appropriations	9,937	10,324	20,261	10,827	11,105	21,931
2016 Supplemental Maintenance Level	37	166	204	97	63	160
2016 Supplemental Policy Level	(60)	34	(26)	(81)	(24)	(105)
K-12 Education	0	3	3	1	1	3
Charter Schools	-	3	3	4	4	7
Higher Education	11	19	30	7	7	14
Dept of Early Learning	(6)	4	(2)	2	2	4
Mental Health/Dev. Disabilities/Long Term Care	(29)	2	(27)	(1)	(6)	(8)
State Hospitals Enhancement	14	21	35	9	9	18
Community MH Enhancement	-	2	2	2	2	4
IP Overtime	8	18	26	20	21	41
Low Income Health Care	(2)	(10)	(12)	(28)	(29)	(57)
Healthier WA & Waiver Savings Restoration	20	8	28	9	9	17
Children's/Economic Svcs	(19)	(46)	(65)	(30)	(31)	(61)
Corrections/JRA/SCC	1	(2)	(1)	6	8	14
All Other	(11)	(13)	(25)	(75)	(19)	(94)
Debt Service	-	1	1	1	1	3
Fires	(21)	-	(21)	-	-	-
Moore Settlement	-	32	32	-	-	-
I-732	-	-	-	5	6	11
PEBB (Non-Rep)	-	(6)	(6)	(6)	(6)	(11)
Pension Rate Changes	-	-	-	(5)	(6)	(10)
Low Income Health Care/I-502	(24)	(5)	(29)	(2)	4	2
Actual/Estimated Reversions	(86)	(86)	(173)	(86)	(86)	(173)
Other Fund Adjustments						
Revised Appropriations	18,531	19,694	38,224	20,423	20,989	41,412
Projected Unrestricted Ending Balance	1,092	583	583	168	79	79
Budget Stabilization Account						
Beginning Balance	513	509	513	703	914	703
Transfer From GFS	184	188	372	197	205	401
Reversions from BSA expenditures	-	-	-	-	-	-
Extraordinary Revenue from GF-S	-	64	64	-	(8)	(8)
Extraordinary Revenue Transfer to GF-S	-	(64)	(64)	-	8	8
Appropriations from BSA for fires	(190)	-	(190)	-	-	-
Interest Earnings	1	6	7	14	27	41
Ending BSA Balance	509	703	703	914	1,146	1,146
Combined Near GF-S Total & BSA Ending Balance	1,601	1,286	1,286	1,082	1,225	1,225

** Totals may not tie fiscal year due to rounding.

Appendix C

2015-17 Omnibus Operating Budget -- 2016 Supplemental

(Dollars In Thousands)

	NGF+OpPth			Bud Stb-S		
	PSSB 6667	ESSB 6246	Difference	PSSB 6667	ESSB 6246	Difference
Employee Compensation						
PEBB Funding Rate	-5,732	-5,732	0	0	0	0
Employee Compensation Total	-5,732	-5,732	0	0	0	0
K-12 Education						
Charter Schools	3,166	6,409	-3,243	0	0	0
Teacher Shortage	1,000	1,000	0	0	0	0
Education Funding Task Force	500	500	0	0	0	0
Shift Between Funds	205	0	205	0	0	0
All Other Increases	64	198	-134	0	0	0
Paraeducator Certification	0	907	-907	0	0	0
All Other Savings	-365	-160	-205	0	0	0
K-12 Education Total	4,570	8,854	-4,284	0	0	0
Higher Education Institutions						
CAP Tuition Backfill	7,858	7,858	0	0	0	0
Alcoa Worker Training	3,000	0	3,000	0	0	0
All Other Increases	969	1,066	-97	0	0	0
MESA	450	450	0	0	0	0
All Other Savings	-385	-1,258	873	0	0	0
Higher Education Institutions Total	11,892	8,116	3,776	0	0	0
Higher Education Financial Aid						
State Need Grant-Increased Costs	18,000	13,973	4,027	0	0	0
All Other Increases	682	0	682	0	0	0
All Other Savings	-104	-104	0	0	0	0
Higher Education Financial Aid Total	18,578	13,869	4,709	0	0	0
Early Learning & Child Care						
Tiered Reimbursement	7,017	6,013	1,004	0	0	0
ECLIPSE Funding	2,152	0	2,152	0	0	0
All Other Increases	935	0	935	0	0	0
One-Time Savings & Underspend	-2,458	-2,458	0	0	0	0
Shift Between Funds	-9,800	-6,713	-3,087	0	0	0
Early Learning & Child Care Total	-2,154	-3,158	1,004	0	0	0
Health Care						
Waiver Savings Restoration	16,737	16,737	0	0	0	0
Healthier WA Savings Restoration	11,366	0	11,366	0	0	0
Vendor Rate Increase	4,669	4,669	0	0	0	0
Health Homes Services	3,909	3,893	16	0	0	0
All Other Increases	970	1,196	-226	0	0	0

NGF-P = GF-S + ELT + OpPath

2015-17 Omnibus Operating Budget -- 2016 Supplemental

(Dollars In Thousands)

	NGF+OpPth			Bud Stb-S		
	PSSB 6667	ESSB 6246	Difference	PSSB 6667	ESSB 6246	Difference
Health Home Services	397	0	397	0	0	0
Inpatient Cost Avoidance	-4,154	-4,154	0	0	0	0
Aged Blind Disabled Changes	-12,766	-25,533	12,767	0	0	0
Shift Between Funds	-32,555	-32,555	0	0	0	0
Health Care Total	-11,427	-35,747	24,320	0	0	0
Mental Health						
Transitional Support for WSH	23,400	23,400	0	0	0	0
Compensation Increases	8,681	8,681	0	0	0	0
SCC Increases	4,142	4,142	0	0	0	0
WSH Civil Ward	3,035	3,035	0	0	0	0
Housing Support and Step-Down Svcs	2,000	2,000	0	0	0	0
Enhanced Community SVCS Plus NH	651	1,586	-935	0	0	0
DSHS: Mental Health	250	250	0	0	0	0
WSH Discharge Coordinators	224	224	0	0	0	0
All Other Increases	135	135	0	0	0	0
Community Diversion Applications	0	14,085	-14,085	0	0	0
One-Time Savings & Underspends	-28,222	-71,833	43,611	0	0	0
Mental Health Total	14,296	-14,295	28,591	0	0	0
Long Term Care & DD						
DSHS/DD & LTC: IP Overtime	26,430	26,430	0	0	0	0
DD Client Protections	1,303	1,303	0	0	0	0
All Other Increases	870	833	37	0	0	0
Consumer-Directed Personal Care	542	0	542	0	0	0
AFH Change of Ownership Fee	193	193	0	0	0	0
Yakima Valley School Respite	0	824	-824	0	0	0
Better Life Experience Program	0	199	-199	0	0	0
Transfer	-23	-23	0	0	0	0
All Other Savings	-983	-983	0	0	0	0
Shift Between Funds	-1,000	-1,000	0	0	0	0
Long Term Care & DD Total	27,332	27,776	-444	0	0	0
Corrections and Other Criminal Justice						
All Other Increases	1,849	1,339	510	0	0	0
DOC Contract with SBCTC	1,252	1,252	0	0	0	0
Work Releases	987	987	0	0	0	0
Felony DUI	831	831	0	0	0	0
WSP Recruitment and Retention	388	0	388	0	0	0
BLEA Training Reimbursement	0	-884	884	0	0	0
Yakima Jail Bed Underspend	-900	-900	0	0	0	0

NGF-P = GF-S + ELT + OpPath

2015-17 Omnibus Operating Budget -- 2016 Supplemental

(Dollars In Thousands)

	NGF+OpPth			Bud Stb-S		
	PSSB 6667	ESSB 6246	Difference	PSSB 6667	ESSB 6246	Difference
Offender Supervision	-2,268	-2,268	0	0	0	0
Shift Between Funds	-6,023	-6,023	0	0	0	0
Corrections and Other Criminal Justice Total	-3,884	-5,666	1,782	0	0	0
Other Human Services						
All Other Increases	2,691	2,691	0	0	0	0
Performance Based Contracting	1,351	1,351	0	0	0	0
Medicaid Cost Allocation Correction	1,139	1,139	0	0	0	0
Increase Child Placing Agency Rates	1,002	952	50	0	0	0
Family Assessment Response (FAR)	1,000	2,274	-1,274	0	0	0
Homelessness	207	207	0	0	0	0
All Other Savings	-707	-364	-343	0	0	0
Children's Admin: Staffing Underspending	-4,176	-4,176	0	0	0	0
Underspent TANF Employment/Training	-7,723	-7,723	0	0	0	0
Shift Between Funds	-17,000	-19,428	2,428	0	0	0
WorkFirst Fund Balance	-41,277	-33,277	-8,000	0	0	0
Other Human Services Total	-63,493	-56,354	-7,139	0	0	0
Natural Resources						
All Other Increases	4,387	4,052	335	0	0	0
All Other Savings	-1,504	-1,504	0	0	0	0
Shift Between Funds	-4,623	-6,756	2,133	0	0	0
Other Fire Related Increases	-5,525	-5,525	0	0	0	0
Emergency Drought Funding	-7,277	-4,500	-2,777	0	0	0
Fires & Other Disasters	-21,055	0	-21,055	189,675	0	189,675
Natural Resources Total	-35,597	-14,233	-21,364	189,675	0	189,675
All Other Policy Changes						
Moore v HCA Settlement	32,208	32,225	-17	0	0	0
Central Services	5,695	5,636	59	0	0	0
All Other Increases	4,347	3,625	722	0	0	0
IT Pool	2,834	2,834	0	0	0	0
Youth Homelessness	1,010	0	1,010	0	0	0
Pension Merger	0	-75,400	75,400	0	0	0
All Other Savings	-1,315	-1,588	273	0	0	0
Eliminate Results Washington	-1,437	-1,437	0	0	0	0
Pacific Tower Reduction	-3,879	-3,879	0	0	0	0
OFM Centralized Services	-7,727	-7,685	-42	0	0	0
Shift Between Funds	-11,956	-11,956	0	0	0	0
All Other Policy Changes Total	19,780	-57,625	77,405	0	0	0

NGF-P = GF-S + ELT + OpPath

2015-17 Omnibus Operating Budget -- 2016 Supplemental

(Dollars In Thousands)

	NGF+OpPth			Bud Stb-S		
	PSSB 6667	ESSB 6246	Difference	PSSB 6667	ESSB 6246	Difference
<i>Maintenance Level</i>						
HCA: Managed Care Rates	196,154	196,154	0	0	0	0
HCA: Medicare Parts A, B, and D	65,572	65,572	0	0	0	0
K-12 Education	42,907	42,716	191	0	0	0
Corrections	24,338	24,338	0	0	0	0
DSHS/DD & LTC: All Other	18,914	18,914	0	0	0	0
DSHS: Econ. Services	18,352	18,352	0	0	0	0
Central Services	4,061	4,061	0	0	0	0
DSHS: Other	3,506	3,506	0	0	0	0
Workers' Compensation	508	508	0	0	0	0
DSHS: Childrens	-1,216	-1,216	0	0	0	0
DSHS: Mental Health	-5,036	-5,036	0	0	0	0
K-3 Compliance Adj	-17,408	-52,544	35,136	0	0	0
All Other	-18,707	-18,707	0	0	0	0
Debt Service	-33,577	-33,577	0	0	0	0
HCA: All Other	-94,777	-94,777	0	0	0	0
<i>Maintenance Level Total</i>	203,591	168,264	35,327	0	0	0
 Grand Total	 <u>177,752</u>	 <u>34,069</u>	 <u>143,683</u>	 <u>189,675</u>	 <u>0</u>	 <u>189,675</u>

NGF-P = GF-S + ELT + OpPath

