



STATE OF WASHINGTON

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January 31, 2017

TO: Honorable John Braun
Honorable Kevin Ranker
Senate Ways & Means Committee

Honorable Timm Ormsby
Honorable Bruce Chandler
House Appropriations Committee

FROM: David Schumacher
Director

**SUBJECT: TECHNICAL CORRECTIONS RELATING TO GOVERNOR INSLEE'S
PROPOSED 2017-19 OPERATING BUDGET**

The following recommended changes to Governor Inslee's proposed operating budget represent technical corrections related to the budget released in December. OFM has transmitted updated budget data to your staff to reflect these and other minor technical corrections and updates.

Department of Revenue

Revenue Legislation - \$1.1 million (Carbon Pollution Reduction Account)

Administrative costs for the department to implement the Governor's proposed carbon pollution reduction tax were inadvertently omitted in the proposed budget.

Department of Social and Health Services – Mental Health

State Community Behavioral Health Hospitals - \$5.4 million GF-S, \$2.2 million Federal

The Governor's budget assumes three 16-bed state community behavioral health hospitals will be up and running the last quarter of fiscal year 2019. Full funding for the three community behavioral health hospitals was inadvertently omitted.

Inpatient Psychiatric Increase- \$20.3 million GF-S, \$38.0 million Federal

Funding for the inpatient psychiatric rate increase was placed incorrectly in the Health Care Authority's budget. Additionally, a technical error in the backup left out base funding for prospective beds.

Reduce BHO Non-Medicaid Reserves- \$2.0 million GF-S

Non-Medicaid Behavioral Health Organization reserve calculations contained a formula error which double counted some assumed available reserves.

Department of Social and Health Services – Long Term Care

Enhanced Discharge Placements – (\$25.0 million GF-S)

Capital costs related to enhanced service facilities and state operated living facilities were inadvertently captured in both the operating and capital budgets.

Health Care Authority

Initiative 1433 Minimum Wage – (\$70.8 million GF-S), (\$47.4 million Federal)

A technical error under-estimated the savings impact of caseload reductions due to the minimum wage increase.

Inpatient Psychiatric Increase – (\$9.9 million GF-S), (\$18.7 million Federal)

Funding for the inpatient psychiatric rate increase was placed incorrectly in the Health Care Authority's budget. See correction to Department of Social and Health Services above.

Low-Income Health I-502 – (\$106.1 million GF-S)

Funds in the Basic Health Plan Trust Account can be used in lieu of state dollars for low-income health care. While revenue into the Basic Health Plan Trust Account increased, the corresponding adjustment to use those funds instead of state dollars was omitted.

Department of Commerce

Walla Walla Community College – Grant for Water and Environmental Center - \$750,000 GF-S

The budget proposal released in December incorrectly included an item proposing elimination of the Department of Commerce's grant to Walla Walla Community College for operation of the college's water and environmental center.

Department of Corrections – Correctional Operations

Allow Earned Time Enhancements – \$6.2 million GF-S

The average daily population estimates provided for this proposal were inadvertently based on applying allowed earned time credits retroactively rather than prospectively, as intended. Therefore, the budget proposal overstated the savings from the proposed policy.

Department of Corrections – Community Supervision

Capital Budget Operating Impact – \$1.5 million GF-S

Funding provided for the operating impacts related to the Ahtanum View work release expansion project mistakenly included only the IT expenditures, understating the full cost of the expansion.

Employment Security Department

Workforce Training Assistance – \$20.0 million Carbon Pollution Reduction Account

The proposed carbon tax and investment program would provide \$20 million for workforce training assistance programs. Funding was inadvertently omitted for these programs.

Higher Education Institutions

Non-Represented General Wage Increase – (\$35.6 million GF-S), \$35.6 million Tuition Account

Due to a system error, the non-represented staff general wage adjustment compensation step was loaded into the budget system without the proper fund split between tuition and GF-S. This resulted in some of the institutions of higher education (IHE) and the State Board for Community and Technical Colleges receiving 100 percent GF-S and other IHEs receiving 100 percent tuition authority. For the 2017-19 budget, each institution's intended fund split was based on the tuition and near general fund splits used at maintenance level.

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Special Appropriations to the Governor

Local Government Distribution/Initiative 502 – (\$30 million GF-S)

The Governor's budget request in December included a \$30 million special appropriation for local government distribution of I-502 revenues. These distributions are now accounted for in the forecast as state revenues for distribution, so the special appropriation is no longer needed.

Multiple Agencies

Central Service Charges - \$7.2 million GF-S, \$10.6 million Other Funds

Several corrections are recommended for central service charges to agencies through the central services model. At maintenance level, Consolidated Technology Services (CTS) central service charge reductions were incorrectly spread to agencies and should be corrected to accurately reflect fee-for-service lines of business.

At policy level, central service charges for compensation and other services were not updated completely to reflect all changes proposed in the Governor's budget. An updated central service model has been shared with your fiscal staff.

Thank you for your consideration. Please feel free to contact OFM staff if you have any questions.

cc: Bryon Moore, Senate Ways & Means Committee
Charlie Gavigan, House Appropriations Committee