



PROPOSED 2014 SUPPLEMENTAL
BUDGET & POLICY HIGHLIGHTS

December 17, 2013

Governor **Jay Inslee**

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State budget stabilizes, but major challenges loom

After five years of weathering a turbulent economy, Washington’s budget situation has stabilized. But there are significant challenges on the near horizon. While our economy continues its slow recovery, that growth is not generating enough revenue to keep pace with rising mandatory costs and the ever-increasing number of people the state serves — let alone fund our court-mandated basic education obligations over the next two biennia.

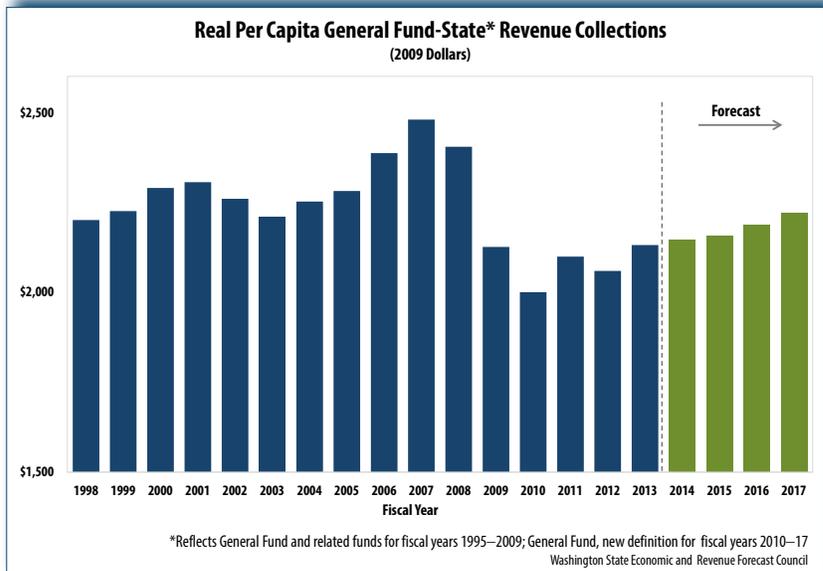
In light of these realities, Governor Jay Inslee is proposing only modest adjustments to the 2013–15 budget — primarily to address mandatory spending increases, cover costs or fill holes that were not anticipated when the budget was approved six months ago, and meet a small number of high-priority needs.

By sticking to a minimal supplemental budget, we will be better positioned to address the much greater challenges of the 2015–17 budget.

Slow recovery means slow revenue growth

There are encouraging signs in Washington’s economy. Home sales are up. In 2014, the state’s personal income is expected to grow at a slightly faster pace than for the nation as a whole. And reliance on unemployment compensation is expected to decline by more than 12 percent.

Still, Washington continues to climb out of the Great Recession at a much slower pace than it did from previous economic downturns. It’s been nearly six years since the start of the downturn and we still have not recovered all the jobs that were lost. By comparison, it took the state about three years to regain the jobs lost during the recession of the early 1980s.



As a state largely dependent on sales tax revenues, Washington has been particularly hard hit by the recession’s lingering effect on consumer confidence. In fact, as of this fall, real per capita state revenue collections remain well below where they were prior to the recession.

The slow pace of our recovery is expected to continue. Indeed, over the next four years, total state revenue collections are projected to grow at a significantly slower rate than during previous recoveries.

Caseloads, costs eat up revenue gains

The \$33.6 billion 2013–15 budget was signed into law on June 30, just in time to avoid a state government shutdown. Besides addressing a projected \$1 billion shortfall, the budget put nearly \$1 billion into K-12 education to begin meeting the state’s constitutional obligation to adequately fund basic education.

It also protects funding for programs that serve the most vulnerable citizens and ensures public safety. And it tackles critical shortfalls in a few areas, such as for state parks.

At the time it was passed, however, the budget was projected to leave only about \$50 million in unrestricted reserves. (The rest of the projected reserves — about \$580 million — are in the state’s constitutionally protected rainy day fund.)

Revenue projections for the biennium have since grown slightly. But so have the state’s costs. Governor Inslee’s proposed supplemental budget includes \$150 million in General Fund-State “maintenance level” spending to cover a variety of mandatory cost increases and continue delivering services at current levels.

About one-third of the mandatory cost increases are driven by rising caseloads and school enrollment. For example, by the end of the biennium we are expected to have about 10,200 more K-12 students than initially projected, and 900 more students than previously forecast will qualify for the state’s College Bound scholarship program. Meanwhile, the state’s prison system — which is already at capacity — is projected to have 336 more inmates than were forecast at the start of the biennium.

The mandatory increases also include nearly \$11 million to cover wildfire costs, primarily last season’s. And, as is typical with a new budget, the 2013–15 spending plan relied on some assumptions that are not panning out. For example, the budget assumed that the state would qualify for a 100 percent federal match to cover 20,000 individuals in one of the state’s Medicaid

programs. But the state has since been informed that it will instead get a 75 percent match, which means the state’s share will now be \$26 million.

Besides covering the mandatory increases, the Governor’s supplemental budget would increase General Fund spending by a net \$55 million to meet other state obligations or address high-priority needs in several areas. It includes nearly \$7 million for our prison capacity problem, most of which will be used to open a medium-security unit at the Washington State Penitentiary and \$8.2 million to begin complying with a legal settlement requiring the state to significantly expand mental health services for children.

It also includes \$13 million for critical information technology infrastructure upgrades, including \$737,000 to continue building the state’s Business One-Stop Portal that will provide a single, online resource to make it easier for small businesses to apply for permits, licenses, make payments and handle all other interactions with state government.

The budget makes several small but important education investments, such as \$3 million for a new teacher mentoring program, \$300,000 to develop new curricula that will provide students multiple paths to meet math and science graduation requirements, and \$250,000 for an early warning dropout prevention program. It also enhances STEM education in our K-12 and community college systems.

A new strategy on high tech R&D investment

Governor Inslee proposes a temporary, one-year extension of two tax preferences aimed at encouraging private sector investment in high tech research and development (R&D). During the period of the extension, the Governor will convene a work group of industry experts and higher education leaders to make recommendations on prioritizing state investment in the high tech sector.

The work group will discuss the tax treatment of high tech companies — with the dollars currently provided in tax incentives — and develop strategies

for future tax incentives and/or ways to invest directly in higher education institutions to produce engineering, computer science and other majors to support our high tech future.

The current tax preferences promote investment in advanced computing, advanced materials, biotechnology, electronic device technology and environmental technology. Both — a business and occupation tax credit on R&D spending up to \$2 million annually and a sales/use tax deferral on the construction of R&D facilities — are scheduled to expire Jan. 1, 2015.

Finding a more sustainable approach for future budgets

The Governor originally proposed to extend expiring taxes and close tax loopholes to help solve the 2013–15 budget shortfall and fund basic education. But instead, the budget that passed relies on one-time fixes, unspecified reductions and assumed savings, including:

- ◆ \$387 million in transfers from capital funds and one-time General Fund cost shifts to dedicated funds;
- ◆ \$320 million by again suspending Initiative 732 teacher cost-of-living raises;
- ◆ \$190 million in unspecified spending reductions and assumed savings, including \$140 million in assumed “reversions”; and
- ◆ \$94 million in one-time fund balance transfers from dedicated accounts.

Unfortunately, more one-time solutions are needed to balance the proposed supplemental budget. This approach is not sustainable. Barring an unforeseen dramatic rise in economic activity and revenue collections, we will face another sizable shortfall next year when work begins on the 2015–17 budget.

For starters, we will have to fill holes left by the one-time fixes used to balance the 2013–15

budget. Meanwhile, caseloads, enrollments and demands for services will continue to grow. We face a backlog of compensation issues — the state has not funded cost-of-living raises for teachers or state employees since 2008. And there is a growing need to provide resources for certain local law enforcement and firefighter pensions and increase payment rates for those who care for our most vulnerable residents.

On top of this, we will need to take another big — and expensive — step toward meeting our basic education obligations, as required by the State Supreme Court in its 2012 McCleary decision. The Legislature in 2009 and 2010 passed measures that committed the state to increase public school funding by \$3.7 billion or more between now and 2019.

Governor Inslee proposed making a \$1.3 billion down payment in the current budget. The Legislature, however, pared that down to slightly less than \$1 billion. To stay on track toward meeting our obligation, the state will need to make a substantially larger basic education investment during the next biennium while also protecting vital services to vulnerable children and adults, higher education and communities.

Investing in Washington’s aerospace future

Governor Inslee’s proposed supplemental budget funds key elements in his plan to invest in the state’s aerospace future and, ultimately, convince The Boeing Company to assemble its new 777X jetliner — and its carbon fiber wing — here in Washington.

During a special session the Governor called in November, lawmakers overwhelmingly approved legislation to expand the state’s investment in aerospace-related education and workforce development. That legislation — and the Governor’s operating and capital supplemental budgets — provide funds to:

- ▶ Create 1,000 additional community college enrollment slots in high-demand

aerospace fields such as composite materials manufacturing, machine maintenance and pre-engineering.

- ▶ Complete construction of the Central Sound Aerospace Training Center in Renton.
- ▶ Develop composites fabrication training programs at the Washington Aerospace Training and Research Center at Edmonds Community College.
- ▶ Design a new School of Advanced Manufacturing and Aerospace at Washington State University’s Everett campus.
- ▶ Support the University of Washington’s business operations plan for an advanced manufacturing and product development facility in conjunction with local municipalities and private industry.

Results Washington: A more efficient, effective and transparent state government



World-Class Education

Earlier this year, Governor Inslee launched Results Washington. This initiative uses Lean performance management tools to focus state government and its partners on five key goals: 1. World-class education; 2. A prosperous economy; 3. Sustainable energy and a clean environment; 4. Healthy and safe communities; and 5. Efficient, effective and accountable government.



Prosperous Economy

Each goal includes implementation strategies and specific, measurable indicators of progress.



Sustainable Energy and a Clean Environment

Washington has long been a national leader in adapting proven private-sector methods and tools to measure and improve state government performance. Results Washington builds on the best of those efforts, creating a framework for continuous improvement. The Governor intends to hold state agency leadership accountable for the performance of their groups and to communicate the results — positive, middling or sub-par — to the public in a clear, timely manner. He wants to make it easier for Washingtonians to see for themselves how well state government and its many partners, such as school districts, are delivering services.



Healthy and Safe Communities

Already the effort is yielding results:

- ◆ The Office of the Chief Information Officer brought together frontline employees from 11 agencies to develop a centralized addressing system that's estimated to save at least \$1.6 million as well as reduce taxing and billing errors.
- ◆ Working together, the Department of Social and Health Services and the Health Care Authority refined the process to recover overpayments to providers, cutting processing time in half.
- ◆ The Health Care Authority's Medical Assistance Customer Service Center has used Lean process improvements to slash a backlog of approximately 400 unresolved client complaints about billing or services from providers by more than 70 percent.



Efficient, Effective and Accountable Government

A key part of this effort is aligning budget and policy with the goals. The Governor will use the Results Washington priorities and outcome measures to inform his decisions for the 2015–17 biennial budget.

BALANCE SHEET

2013–15 Enacted Budget Balance Sheet with Governor’s 2014 Supplemental General Fund-State (GFS), Education Legacy Trust Account (ELTA), Opportunity Pathways Account (OPA) and Budget Stabilization Account

Dollars in millions

	General Fund-State	ELTA and OPA	Total
Resources			
Beginning fund balance	\$167.5	\$(11.1)	\$156.4
September 2013 forecast	33,007.2	588.4	33,595.6
November 2013 forecast			
Non-economic changes			
Reclassification of prior period adjustments	(40.8)		(40.8)
Tobacco settlement arbitration	10.5		10.5
Revenue update (economic change)	5.5	5.5	11.1
Current revenue totals	32,982.4	593.9	33,576.4
Transfer to Budget Stabilization Account	(311.8)		(311.8)
Enacted fund transfer	128.3	289.3	417.7
Prior period adjustments	40.8		40.8
Governor’s proposed 2014 supplemental resource changes	(35.8)	138.9	103.1
Total resources (including beginning fund balance)	32,971.5	1,011.0	33,982.5
Expenditures			
Enacted budgets			
Enacted 2011–13 and 2013–15 budgets	32,795.5	835.8	33,631.3
HB 2088 (aerospace appropriations)	10.5		10.5
Assumed reversions in 2013–15	(140.0)		(140.0)
Governor’s proposed 2014 supplemental	80.4	171.5	252.0
Total expenditures	32,746.5	1,007.3	33,753.8
Reserves			
Projected ending GFS, ELTA & OPA balances	225.0	3.7	228.7
Budget Stabilization Account			
Budget Stabilization Account beginning balance	269.7		269.7
Transfer from General Fund and interest earnings	312.5		312.5
Projected Budget Stabilization Account ending balance	582.2		582.2
Total reserves (including Budget Stabilization Account)	\$807.2	\$3.7	\$810.9

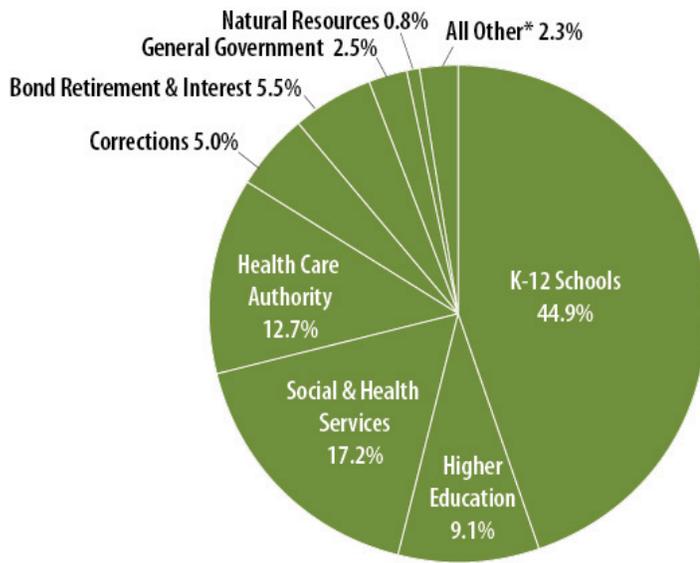
BALANCE SHEET DETAIL

2013–15 Enacted Budget Balance Sheet with Governor’s 2014 Supplemental Revenue Legislation and Budget Driven Revenue – NGFS

Dollars in millions	General Fund- State	ELTA and OPA	Total
Tax Incentives Extensions			
R&D tax preferences	\$(26.2)		\$(26.2)
Increase B&O tax filing threshold	(3.4)		(3.4)
Total	(29.6)		(29.6)
Revenue Transfers			
State toxics to ELTA		41.9	41.9
Local toxics to ELTA		67.4	67.4
Revised Child/Family Reinvestment Account	3.2		3.2
Deposit appropriation from GF		23.5	23.5
Total	3.2	132.7	135.9
Budget Driven Revenue			
LCB budget driven revenue	0.4		0.4
Lottery kiosk at SeaTac Airport		0.01	0.01
Total	0.4	0.01	0.4
Technical and Other Changes			
Adjust OPA for CAFR adjustment		6.1	6.1
DNR PILT adjustment	(0.2)		(0.2)
Correct liquor excise tax for locals	(9.6)		(9.6)
Total	(9.7)	6.1	(3.6)
Total	\$(35.8)	\$138.9	\$103.1

PROPOSED BUDGET EXPENDITURES

Near General Fund-State and Opportunity Pathways Account: Operating Distribution of General Fund-State Expenditures after the 2014 Supplemental Budget

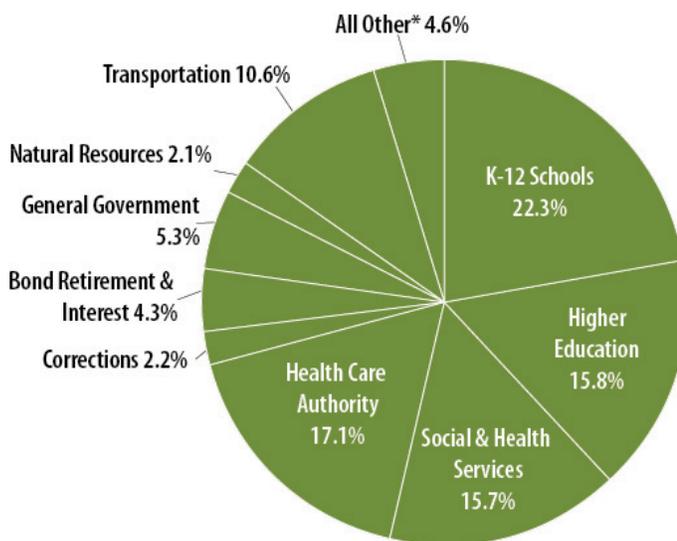


Dollars in millions	
K-12 Schools	\$15,228
Higher Education	3,079
Social & Health Services	5,830
Health Care Authority	4,292
Corrections	1,699
Bond Retirement & Interest	1,852
General Government	856
Natural Resources	276
All Other*	782
Total	\$33,894

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

All Funds: Operating Plus Transportation Capital

Distribution of All Funds Expenditures after the 2014 Supplemental Budget



Dollars in millions	
K-12 Schools	\$17,153
Higher Education	12,193
Social & Health Services	12,084
Health Care Authority	13,189
Corrections	1,723
Bond Retirement & Interest	3,326
General Government	4,029
Natural Resources	1,613
Transportation	8,144
All Other*	3,529
Total	\$76,983

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

Preschool, K-12 & Higher Education

College Bound Scholarships

\$7.2 million Education Legacy Account

Accommodate higher costs for the College Bound Scholarship program. Funding covers summer awards and policy savings assumed in the 2013–15 budget that will not be achieved until fiscal year 2015, one year later than assumed. Funding is in addition to \$4.0 million in maintenance level to cover nearly 900 additional awards not assumed in the 2013–15 budget.

Increase preschool access

\$4.0 million General Fund-State

Increase the number of Early Childhood Education and Assistance Program preschool slots by 500, to 10,591 in fiscal year 2015.

New teacher mentoring program

\$3.0 million GF-S

Support new teachers with mentoring programs that link them with experienced peers who share best practices for instruction and classroom management.

STEM Alliance

\$1.0 million GF-S

Support the work of the STEM Alliance for regional networks that connect businesses in the science, technology, engineering and math industries with school districts to drive relevant curriculum and real-world learning. Funding will also be used to develop technology-based teacher training materials in math and science.

Science and math curriculum support

\$495,000 GF-S

Coordinate state curriculum support for district implementation of the math Common Core State Standards and the Next Generation Science Standards, including environmental responsibility.

STEM for under-represented students

\$410,000 GF-S

Continue the Mathematics and Science Achievement (MESA) Community College Program at six campuses. MESA provides education support for traditionally under-represented students majoring in STEM fields.

Pre-apprenticeship grants

\$400,000 GF-S

Support Running Start for the Trades by offering grants of up to \$10,000 to districts for student pre-apprenticeship programs.

Math and science equivalencies curriculum

\$300,000 GF-S

Develop math and science equivalency curricula for Career and Technical Education courses, which will give students multiple pathways for meeting math and science course requirements for graduation.

Early warning dropout prevention

\$250,000 GF-S

Implement or improve district early warning dropout systems. Grants will allow districts to share best practices for improving outcomes for students at risk of dropping out of high school.

Investing in our aerospace future

School of Advanced Manufacturing

\$500,000 GF-S

Develop the cornerstone of Washington State University's programs at the University Center campus in Everett with design funds for a School of Advanced Manufacturing and Aerospace. In conjunction with the aerospace industry, WSU will begin program design in 2014 and offer classes in the 2015–16 academic year.

Advanced materials manufacturing

\$500,000 GF-S

Develop University of Washington business operation plans for a new, advanced manufacturing and product development facility in conjunction with private industry, Snohomish County, the city of Everett and the Port of Everett.

Investing in promising research

Institute for Protein Design

\$1.0 million GF-S

Support the Institute of Protein Design at the University of Washington, which is designing proteins to serve as vaccines and therapeutic tools with the goal of developing Washington companies that will further advance and commercialize these products.

Jet Fuels Center of Excellence

\$750,000 GF-S

Develop alternative jet fuels at Washington State University. The Federal Aviation Administration provided WSU with funding for the Air Transportation Center of Excellence for Alternative Jet Fuels and the Environment. State funds are a match for a portion of administration and graduate research assistant expenses.

NATURAL RESOURCES AND THE ENVIRONMENT

Wildland fire suppression

\$10.8 million General Fund-State

Cover wildland fire suppression costs incurred during summer 2013 and anticipated for spring 2014 by the Department of Natural Resources and the Department of Fish and Wildlife.

Support visitors and maintain State Parks

\$3.0 million other funds

Enhance park maintenance and retain staff to continue delivering services to visitors. A 29-year-old snowblower that keeps the road open to the summit at Mt. Spokane State Park will also be replaced.

Increase toxic cleanups

\$1.4 million other funds

Speed up toxic cleanups across the state by adding site managers and developing standardized plans for remediating less-complex sites.

Fish passage barriers

\$1.4 million GF-S

Implement the mandates of a federal court injunction requiring correction of fish passage barriers on lands owned by State Parks and the departments of Natural Resources and Fish and Wildlife by 2016.

Teaway Community Forest Management

\$982,000 GF-S

Fund staff to manage public access and enforce state fish, wildlife and habitat laws at the Teaway Community Forest.

Reduce oil spill risk from rail and vessels

\$652,000 other funds

Reduce the likelihood of oil spills by assessing risks from greater use of rail and outbound vessels, and developing preparedness and response plans along cross-state rail routes.

Consumer product toxics testing

\$611,000 other funds

Test products to ensure compliance with state laws limiting toxic substances in consumer products.

Parks and Outdoor Recreation Task Force

\$100,000 GF-S; \$100,000 other funds

Support the Governor's Blue Ribbon Task Force on Parks and Outdoor Recreation in developing recommendations to boost outdoor recreation tourism and the number of visitors, provide stable funding for State Parks and other state recreation lands, and promote student environmental education.

HUMAN SERVICES, HEALTH AND PUBLIC SAFETY

Human Services

Nursing home rate increase

\$29.2 million other funds

Increase the nursing home assessment fee from 3.8 percent of costs to 6 percent. Additional revenues and federal matching funds will increase the daily Medicaid nursing home rate. Twenty percent of this increase will be directed to low-wage workers.

Improve WorkFirst participation

\$14.8 million other funds

Change the WorkFirst program to meet federal participation rules and avoid a \$13.6 million penalty. Clients who meet the requirements of their plan will be eligible for an incentive award.

Family home child care rate increase

\$10.3 million General Fund-State

Fund the family home child care collective bargaining agreement. This includes a 4 percent increase effective July 1, 2014, a 4 percent increase effective Jan. 1, 2015, and funding for a pilot project to evaluate the effectiveness of provider incentives to improve the quality of care.

Children's mental health settlement

\$8.2 million GF-S; \$7.2 million other funds

Provide high-needs youth with intensive mental health services as identified in the children's mental health legal settlement.

Vulnerable adults incident tracking

\$5.4 million other funds

Finish development of the Tracking Incidents among Vulnerable Adults system to improve tracking of abuse and other incidents for vulnerable clients who are aged or disabled.

Parental termination Attorney General costs

\$3.2 million GF-S; \$958,000 other funds

Increase funds to the Attorney General's Office to reduce the backlog of parental termination and adoption cases in the child welfare system.

Developmental and autism screenings

\$2.7 million GF-S; \$3.5 million other funds

Add reimbursement for developmental and autism screenings to the Medicaid plan to assure that children with developmental issues are identified as soon as possible. Evidence shows that early identification and treatment can improve outcomes for families and children.

Supported living investigations

\$1.8 million other funds

Set a certification fee for supported living providers who assist clients needing long-term care. Fee revenue will be used to hire additional Residential and Community Services investigators to respond to reports of suspected abuse, neglect or financial exploitation in supported living facilities.

Veterans benefits database

\$360,000 other funds

Complete a feasibility study to determine how best to coordinate veterans benefits available at the local, state and federal levels to ensure veterans receive all the benefits to which they are entitled.

Community First Choice option

\$296,000 GF-S; \$296,000 other

Develop a viable Medicaid waiver, which would result in the state receiving an additional 6 percent federal match for services provided to individuals with developmental disabilities and the elderly. Savings could be re-invested in additional client services.

Health

Tobacco use prevention

\$2.0 million GF-S

Continue the Tobacco Quitline and tobacco cessation services to reduce the incidence of chronic disease and overall health care costs.

State Health Care Innovation Plan

\$1.2 million GF-S; \$1.5 million other funds

Develop and implement a five-year innovation plan to transform public and private health purchasing and health care delivery to cut costs and improve health.

Federal basic health planning

\$500,000 GF-S

Develop a plan for offering a federal basic health program. The plan would identify if federal funds could be used to cover legal residents not currently eligible for Medicaid coverage.

Healthiest Next Generation initiative

\$500,000 GF-S

Add project staff in the departments of Health and Early Learning and the Office of Superintendent of Public Instruction to develop and execute strategies of a comprehensive childhood obesity prevention project.

Public Safety

New prison capacity

\$5.1 million GF-S

Open a 256-bed medium security unit at the Washington State Penitentiary to meet the demands of a rising male offender caseload and reduce crowding.

Female offender jail beds

\$1.5 million GF-S

Contract with a county jail for 64 beds for female offenders at a rate no more than \$65 per day to meet the demands of a rising female offender caseload and reduce crowding.

GENERAL GOVERNMENT

Marijuana regulation and enforcement

\$4.9 million other funds

Continue implementation at the Washington State Liquor Control Board of a regulatory structure for recreational marijuana. Funding will also cover related IT systems and new staff for marijuana licensing, enforcement and auditing.

L&I claims expeditors

\$665,000 other funds

Hire seven claims processors to expedite workers' compensation claims to get employees back to work more quickly.

Economic development and job creation strategies

\$3.8 million General Fund-State

Expand business recruitment and retention opportunities to boost jobs. Funds will restore capacity to support trade missions and export assistance, complete a new index to cut time and cost for regulatory compliance, and provide technical assistance for business startups. The Entrepreneurs-in-Residence program that aids in commercialization of research and development projects at higher education institutions is partially funded. Funds will also maximize federal, local and private funding partnerships for developing technology-based industries.

Local government planning support

\$982,000 GF-S

Provide additional technical staff support at the Department of Commerce to assist local governments with Growth Management Act planning requirements.

Business One-Stop Portal

\$737,000 GF-S

Continue implementation of the Business One-Stop Portal at the Office of the Chief Information Officer that will provide a single, online resource for small businesses to interact with state government. When fully implemented, business owners will be able to apply for registrations, licenses and permits, and view the status of these applications online; file quarterly and annual reports; make payments and manage accounts; and make changes to their account once instead of having to make the same changes separately with each agency.

CAPITAL AND TRANSPORTATION

Capital

Over the current biennium, capital construction projects funded through all sources will create or sustain about 23,300 jobs as part of a total construction budget of \$3.8 billion.

Department of Commerce

Public Works Pre-construction Loan Program

\$10.0 million

Provide loans to local governments for preconstruction activities that ensure access to grants, low-interest federal loans and other construction funding sources. A portion of this funding is for Puget Sound restoration.

Renton Aerospace Training Center

\$5.0 million

Design and construct a new building at the Renton Aerospace Training Center and provide equipment.

High-efficient housing demonstration

\$5.0 million

Develop high-efficient, affordable housing projects with funds awarded on a competitive basis.

Department of Corrections

Prison capacity predesign

\$1.8 million

Complete predesign studies on capacity issues for male and female prison populations.

Office of Financial Management

Catastrophic flood relief

\$5.0 million

Develop flood hazard mitigation measures throughout the Chehalis Basin.

Department of Social and Health Services

Fircrest School electrical service repairs

\$2.5 million

Replace a failing electrical system.

Lakeland Village chiller replacement

\$1.4 million

Replace a failed cooling system and save energy costs.

Department of Ecology

Water Pollution Control Revolving Loan Program

\$70.5 million

Provide low-interest loans to public entities for the design, acquisition and construction of water pollution control facilities. A portion of this funding is for Puget Sound restoration.

Increase toxics cleanups

\$27.3 million

Fund projects in the Puget Sound area and Eastern Washington that remediate contaminated sites.

Low-level nuclear waste disposal trench closure

\$3.4 million

Complete closure of trenches used for disposal of commercial, low-level radioactive waste at the Hanford Nuclear Reservation.

Department of Fish and Wildlife

Marblemount hatchery culverts

\$1.1 million

Replace a 120 foot-long culvert near the Marblemount hatchery that has been designated as a fish passage barrier and construct a new channel.

Department of Natural Resources

Replace barrier culverts on Department of Natural Resources land

\$3.3 million

Replace 55 fish passage barriers to bring the department's forest road infrastructure up to salmon recovery and Clean Water Act standards. A portion of this funding is for Puget Sound restoration.

Teanaway Community Forest Trust

\$1.6 million

Correct fish passage barriers, meet road maintenance and abandonment planning responsibilities and perform other activities in the Teanaway Community Forest.

Recreation and Conservation Funding Board

Boating Facilities Program

\$2.0 million

Provide grants to acquire, develop and renovate facilities for motorized recreational boating.

Central Washington University

Buried oil storage tank remediation

\$2.0 million

Remove, clean and dispose of two underground diesel oil tanks.

The Evergreen State College

Tacoma campus acquisition

\$12.5 million

Purchase the facility now leased for Evergreen's Tacoma campus through a certificate of participation.

Western Washington University

Carver academic renovation

\$5.0 million

Renovate the Carver Academic Center to address urgent seismic, life safety and preservation issues and educational program needs.

Centralia Community College

Student services

\$3.2 million

Acquire land and follow permitting requirements for construction of a student services building.

Transportation

Over the current biennium, transportation construction projects funded by all transportation fund sources — not just the 2003 Nickel and 2005 Transportation Partnership Act packages — will create or sustain about 20,580 jobs as part of a total construction budget of \$4.0 billion.

Programs we continue

State Route 520 Evergreen Floating Bridge replacement

Total project cost not to exceed \$4.6 billion;

2013–15 funding: \$950.1 million multiple fund sources

The new bridge is scheduled to open in late 2015 or early 2016.

Alaskan Way Viaduct

Total support over time: \$3.1 billion multiple fund sources;

2013–15 commitment: \$875.0 million

The funding commitment of \$3.1 billion is maintained. Up to \$200 million in tolls may be generated. The tunnel is on schedule to open to traffic in 2015.

Interstate 405 corridor improvements

Total project cost: \$1.7 billion multiple fund sources;

2013–15 commitment: \$234.1 million

Congestion will be relieved in the state's busiest commute route by widening I-405 from Kirkland to Bellevue and beginning preliminary engineering and right-of-way acquisition on a direct connector between SR 167 and I-405.

Interstate 5 Tacoma high-occupancy vehicle lanes

Total project cost over time: \$1.5 billion multiple fund sources;

2013–15 commitment: \$193.0 million

Construction continues on the high-occupancy toll lanes between Highway 16 and the Nalley Valley, M Street to Portland Avenue, and Portland Avenue to Port of Tacoma Road northbound. Most of the construction will be completed in 2017.

North Spokane Corridor

Total project cost: \$608.0 million multiple fund sources;

2013–15 commitment: \$88.1 million

Funding completes the Francis Avenue Bridge, relocates 7.5 miles of BNSF railroad mainline,

builds two structures, starts construction of noise walls along I-90 and purchases right-of-way property to complete the corridor.

Interstate 90 Snoqualmie Pass – East

Total project cost: \$551.4 million Transportation Partnership Account;

2013–15 commitment: \$133.6 million

Work on I-90 east of Snoqualmie Pass includes constructing bridges, which will allow sufficient clearance for snow to pass underneath. It also calls for widening I-90 and replacing concrete pavement.

Washington State Ferries liquid natural gas conversion

\$526,000 Puget Sound Capital Construction Account-State and Federal

Conversion design continues for the six Issaquah class ferries from ultra-low sulfur diesel fuel to liquefied natural gas. When conversion is completed, which will require more funding, fuel costs and emissions will be reduced, including nitrogen oxides by 85 percent and carbon dioxide by 25 percent. Sulfur oxides and particulate emissions will be eliminated.

Washington State Ferries Olympic class vessels

Total project cost: \$260.6 million multiple fund sources;

2013–15 funding: \$140.0 million

Washington State Ferries will take delivery of two Olympic class vessels. The first vessel is expected to be delivered in February 2014 and the second vessel in November 2014.

Clean economy initiatives

Energy efficiency modeling

\$7.5 million Multimodal Transportation Account

Community energy efficiency modeling will aid local governments, including cities, counties and ports, in prioritizing investments related to fleet electrification and business development that increase transportation energy efficiency. Energy efficiency will reduce transportation costs and help ensure our ports and other commerce hubs remain globally competitive.

Fast-charging network for electric vehicles

\$5.0 million Multimodal Transportation Account

Doubling the number of state highway miles that can be traveled by electric vehicles will cut greenhouse gas emissions. The expansion of Washington's electric highway fast-charging network will leverage public-private partnerships, a model that was successful in setting up 12 public charging locations along I-5, U.S. 2 and I-90 in 2012.

Other priorities

Stormwater

\$25.0 million Motor Vehicle Account-State

With this funding, the Washington State Department of Transportation will be in full compliance with the National Pollutant Discharge Elimination System permit requirements to trap and treat polluted waters throughout the state transportation system, helping to ensure cleaner waterways.

IT system improvements

\$9.1 million multiple fund sources

A new fuel tax-filing system that lets customers file electronically; a new, more secure system to issue driver licenses and ID cards; and initial improvements to the registered vehicle and driver databases to prepare them for upgraded systems are funded at the Department of Licensing.

Firearms backlog

\$409,000 General Fund-State

The backlog of records on pistol transfers in the firearms program will be eliminated at the Department of Licensing, providing law enforcement with accurate, up-to-date information.

Disadvantaged businesses

\$258,000 Motor Vehicle Account

WSDOT will conduct outreach activities to disadvantaged businesses across the state to ensure that an expanded pool of businesses have more opportunities to compete for, and contract with the department.

SUPPLEMENTAL BUDGET SUMMARY

Governor's 2014 Supplemental Budget Policy Items

Employee Compensation	Near GFS	Other
Merit Increments	\$272,000	
Recruitment and Retention	182,000	\$ 3,220,000
Salary Step/Merit Increments	69,000	
Additional Salary Step	4,000	
State Employee Health Insurance	(36,469,000)	(39,513,000)
Employee Compensation Total	(35,942,000)	(36,293,000)
K-12 Education		
New Teacher Mentoring Program	3,000,000	
New Instructional Hours Correction	1,965,000	
STEM Alliance	1,000,000	
Science and Math Curriculum Support	495,000	
Pre-Apprenticeship Grants	400,000	
Math and Science Equivalencies	300,000	
Program Compliance	264,000	
Early Warning Dropout Prevention	250,000	
K-12 Education Total	7,674,000	
Higher Education Institutions		
Institute for Protein Design	1,000,000	
Jet Fuels Center of Excellence	750,000	
Advanced Materials Manufacturing	500,000	
School of Advanced Manufacturing	500,000	
STEM for Under-Represented Students	410,000	
Federal Economic Development Grant		588,000
Higher Education Institutions Total	3,160,000	588,000
Higher Education Financial Aid and Other		
College Bound Scholarship Award Levels	4,039,000	
College Bound – Summer Attendance	3,206,000	
Private/Local Grant Authority		300,000
Higher Education Financial Aid and Other Total	7,245,000	300,000
Early Learning and Child Care		
Child Care Family Home Rate Increase	10,343,000	70,000
Increase Preschool Access	4,000,000	
Child Care Center Quality Pilot	1,000,000	
Electronic Time System	944,000	
Local Grant for Early Achievers		50,000
Early Learning and Child Care Total	16,287,000	120,000
Low-Income Health Care		
Implement Affordable Care Act Savings	10,000,000	
Developmental and Autism Screenings	2,742,000	\$3,453,000
ProviderOne Phase 2 Funding	1,923,000	7,109,000
Affordable Care Act Client Eligibility System	1,418,000	15,263,000
State Health Care Innovation Plan	1,201,000	1,540,000
ProviderOne ACA Enhancements	1,120,000	2,365,000
Cost Allocation Update for Health Benefit Exchange	711,000	4,906,000
ProviderOne Phase 2 Operations and Maintenance	693,000	1,698,000
Federal Basic Health Planning	500,000	
Medicaid Plan Choice	390,000	3,510,000

Governor's 2014 Supplemental Budget Policy Items

Low-Income Health Care (cont.)	Near GFS	Other
Centers for Medicare & Medicaid Services "Lock-Out" for CHIP	347,000	644,000
ProviderOne Operating Rules	197,000	1,056,000
Maintain Managed Care Rates	(10,291,000)	(10,700,000)
Low-Income Health Care Total	10,951,000	30,844,000
Long -Term Care, Developmental Disabilities, Mental Health		
Children's Mental Health Settlement	8,241,000	7,221,000
Workplace Violence Prevention	2,161,000	
Residential Habilitation Centers Medicaid Compliance	1,880,000	2,363,000
Behavioral Health Redesign	2,032,000	1,166,000
Retirement Actuarial Study	500,000	
Community First Choice Option	296,000	296,000
Health Path Washington	269,000	3,387,000
Nursing Home Rate Increase		29,178,000
Provider Compensation System	(3,221,000)	(9,970,000)
Vulnerable Adults Incident Tracking		5,388,000
Supported Living Investigations		1,806,000
Long-Term Care, DD, Mental Health Total	12,158,000	40,835,000
Corrections and Other Criminal Justice		
New Prison Capacity	5,119,000	
Female Offender Jail Beds	1,496,000	
Statewide Jail Study	300,000	
Corrections and Other Criminal Justice Total	6,915,000	
Other Human Services		
Parental Termination Attorney General Costs	3,205,000	5,121,000
Tobacco Use Prevention	2,000,000	
Information Technology Disaster Recovery	1,461,000	1,879,000
Confidential Data Compliance	759,000	166,000
Healthiest Next Gen Initiative	500,000	
Marijuana Education	472,000	
Adoption Incentive Grant	(70,000)	70,000
Complete Next Generation Tax System		23,585,000
Improve WorkFirst Participation		14,809,000
Temporary Assistance for Needy Families Contingency Funds		13,732,000
Electrical Program Workload Adjustment		3,004,000
Improvements to Prevailing Wage		1,098,000
Online Licensing Project		848,000
Claims Expeditors		665,000
Veterans Benefits Database		360,000
Kinship Care Income Disregard		298,000
Develop New UI Benefits System		251,000
Veterans Innovation Program		104,000
Walla Walla Veterans Home Delay		(6,729,000)
Other Human Services Total	8,327,000	59,261,000
Natural Resources		
Fish Passage Barriers	1,432,000	
Teanaway Community Forest Trust	982,000	

Governor's 2014 Supplemental Budget Policy Items

Natural Resources (cont.)	Near GFS	Other
Outdoor Recreation Task Force	100,000	100,000
Contracts Management System	48,000	218,000
Sustainable Trust Land Revenue		7,100,000
Increase Toxic Cleanups		1,441,000
Water Quality Data Systems Upgrade		815,000
Reduce Oil Spill Risk from Rail and Vessels		652,000
Consumer Product Toxics Testing		611,000
Major Equipment Replacement		500,000
Increase Hanford Compliance		312,000
Biosolids Permitting		299,000
Sustaining Hunter Education		272,000
Yakima Adjudication Support		260,000
Records Management		247,000
Coordinate Hanford Permit Revision		224,000
Vancouver Region Office Relocation		218,000
Wildlife Disease Management		200,000
Federal Funding Adjustment		(2,000,000)
Natural Resources Total	2,562,000	11,469,000
All Other Items		
Education Legacy Trust Account	23,500,000	
Efficiency Savings Offset	15,000,000	
Disaster Response Account	11,308,000	
Attorney General Legal Services	3,211,000	4,968,000
Innovation Contract	1,950,000	
DSHS Permanency Initiative (Courts)	1,946,000	
Local Government Planning Support	982,000	
Thurston County Impact Fee	977,000	
Entrepreneurs-in-Residence	750,000	
Business One-Stop Portal	737,000	
Startup Washington 365	500,000	
Firearms Workload	409,000	
U.S. Open Security	400,000	
Data Center Relocation Funding	365,000	2,338,000
Strategic Growth Expansion	300,000	
Telecommunication Systems Replacement	280,000	
Private Sector Retirement Savings	250,000	
Regulatory Process Improvement	250,000	
Appellate Indigent Funding – Death Penalty	225,000	
2014 Supplemental Debt Service	191,000	
Sundry Claims	133,000	
Immigration Consequences	100,000	
Washington State CASA	75,000	
Office of Chief Information Officer Services	67,000	122,000
Administrative Hearings	52,000	152,000
Community Energy Efficiency		7,500,000
Superior Court Case Management System		5,306,000
Business and Technology Modernization		5,286,000

Governor's 2014 Supplemental Budget Policy Items

All Other Items (cont.)	Near GFS	Other
Increased Legal Services to Agencies		5,075,000
Electric Highway Infrastructure		5,000,000
Customer Service Center Procurement		3,881,000
Additional Staffing		3,486,000
Moore vs. HCA		2,414,000
Prorate and Fuel Tax System		2,355,000
Commercial Insurance		2,278,000
I-405 Express Toll Lanes		2,019,000
Driver's License Issuance System		1,491,000
Enterprise Content Case Management System		1,093,000
Marijuana Traceability System		782,000
Information Technology Security Enhancements		750,000
Reservation System Implementation		714,000
SeaTac Airport Kiosk		623,000
Increase Airport Aid Grants		565,000
Antitrust Litigation Increase		528,000
Liquid Natural Gas Conversion		526,000
Marijuana Tax System		378,000
Everett Weigh Station Reconstruction		350,000
Security Guards		327,000
Education Research Data Center		316,000
Tacoma Narrows Bridge Cashless Study		300,000
Disadvantaged Business Enterprise Engagement		258,000
Pavement Preservation		250,000
Infrastructure Information Portal		250,000
Master Address Services		189,000
State Ferries Trades Apprenticeship Program		188,000
Project Quality Assurance Reform		185,000
State Records Center Stockpickers		162,000
Federal Grant Authority		152,000
Community Economic Revitalization Board Support		149,000
Equipment Replacement		137,000
Kelso Roof Replacement		110,000
Assistant State Physical Anthropologist		109,000
Aviation Emergency Services		102,000
Continuity of Operations Plan Coordinator		89,000
Administrative Cost Increases		80,000
McNeil Island Boundary Survey/Appraisal		75,000
OMWBE Support		67,000
Replace HVAC – Kennewick Detachment		50,000
Emergency and Disaster Training		50,000
Archives Vehicle Replacement		38,000
All Other Total	63,958,000	63,613,000
Grand Total All Categories	\$103,295,000	\$170,737,000

More information available in the agency recommendation summaries: www.ofm.wa.gov/budget14/recsum/default.asp

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