



2017–19 BUDGET & POLICY HIGHLIGHTS

Governor Jay Inslee

December 2016

Contents

1	Overview
7	Economic Outlook
9	GF-S & All Funds Expenditures, Balance Sheet & Detail
13	Revenue
18	K-12 Education
22	Early Learning
23	Higher Education
25	Health & Human Services
29	Natural Resources
32	General Government
35	State Employees
37	Transportation
38	Capital
42	Budget Summary



OVERVIEW

Bold action now for a strong Washington future

Gov. Inslee's proposed budget would fully fund basic education and set new course to rebuild our mental health system

In many ways, Washington is the envy of other states. Though some regions of the state still struggle with high unemployment, overall we have one of the nation's most vibrant and diverse economies. Washington exports more products — from apples and wheat to airplanes and software — than nearly every other state. We have world-class research universities, a richly diverse population, a culture of creativity and innovation, and an abundance of natural beauty.

In the past four years, as Washington recovered from a historic recession, Gov. Inslee and the Legislature worked to bolster our state's reputation as a top-tier place to

live, learn and prosper. They invested in many of the things that Washingtonians value: high-quality early learning for thousands more children, affordable college and workforce training opportunities, much-needed K-12 investments, a stronger mental health system, transportation and other infrastructure improvements, beautiful parks and critical public safety programs.

Yet as we head into another two-year state budget cycle, state and local governments face a number of difficult challenges.

Decades of underfunding education and punting on tough choices mean the focus for legislators in 2017 must be to finish the

job of fully funding Washington's schools. In addition, the safety net for those with mental health and chemical dependency issues, and for at-risk children and families, allows too many to fall through.

Gov. Inslee's 2017–19 budget provides a bold vision for Washington's future. It would resolve our state's school-funding dilemma once and for all while making additional investments to ensure students and educators have the supports they need to succeed in the classroom. His budget also calls for rebuilding Washington's mental health system and provides vital resources to strengthen the state's safety net.

OVERVIEW

Funding for K-12 education composes the largest share of Washington's budget. But that funding has been inadequate for decades, and Washington is failing to meet its constitutional obligations for fully funding K-12 basic education. Now the Legislature is under court order to step up in 2017 to finish the job of fully funding K-12 education, which will require billions of dollars in new state support.

But there are needs beyond the minimums defined as basic education. Too many students aren't graduating from high school on time, if at all. Low-income and some minority students still face opportunity gaps. New teachers and principals too often do not get adequate resources and mentoring: Research shows that half of beginning teachers leave the profession in the first five years on the job, with 20 percent leaving after just one year.

Washington faces other big challenges as well.

Too many people with mental illnesses are not getting the care and treatment they urgently need. Our mental health system has inadequate community options in place, which further burdens already overcrowded state hospitals. We face rising crises of opioid addiction and homelessness. In many instances, these problems are intertwined. Our solutions need to be intertwined too.

In recent years, Gov. Inslee and the Legislature have made historic strides toward addressing these issues.

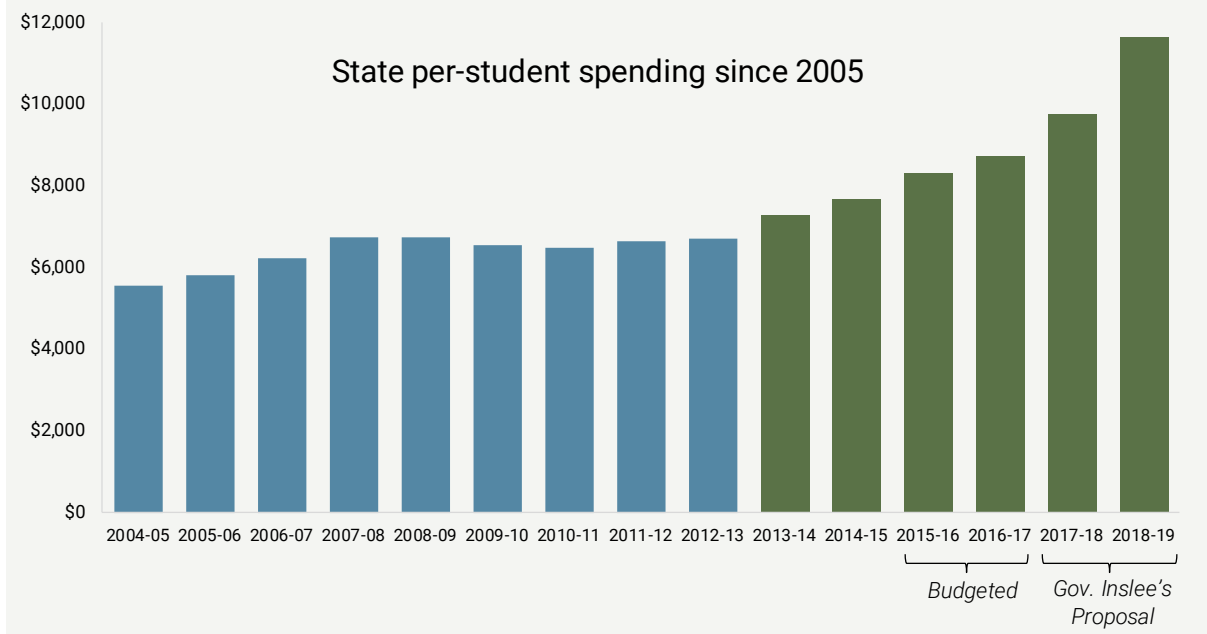
Since 2013, we have increased K-12 education spending by more than \$4.6 billion, much of it to meet basic education obligations. For instance, we have reduced early elementary class sizes and, for the first time ever, fully funded all-day kindergarten and pupil transportation.

Meanwhile, we have invested more than \$250 million to expand and improve the state's early learning system. Washington gained national attention in 2015 when it eased the burden on students and their families by cutting tuition in our public colleges and universities.

We've invested more than \$180 million in mental health services and are addressing a long list of safety and staffing reforms at Western State Hospital.

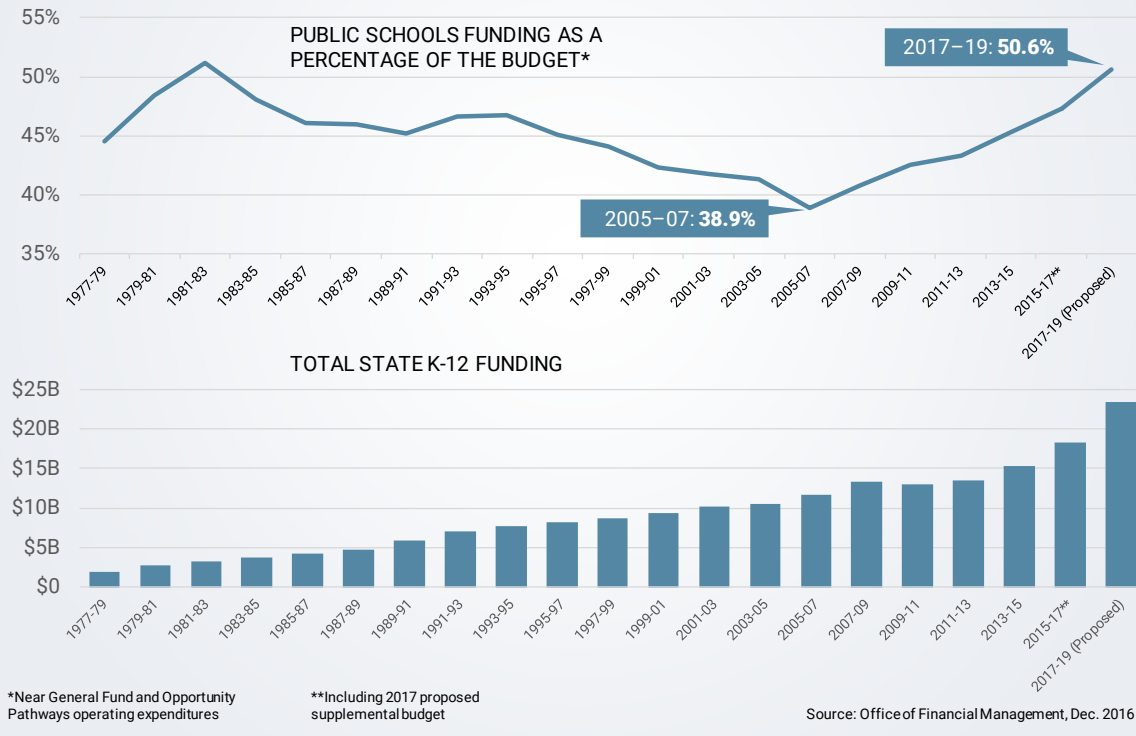
Last year, the state enacted the largest multimodal transportation funding package in state history — a \$16 billion investment to provide jobs, safety and much-needed traffic relief. And over the past four years, the state has spent more than \$1 billion on projects and activities in Puget Sound to restore fish and wildlife habitat, remove barriers from salmon streams and clean up toxic sites.

GOV. INSLEE'S BUDGET CONTINUES SUBSTANTIAL PROGRESS IN K-12 FUNDING



OVERVIEW

In Gov. Inslee's budget, K-12 tops 50% of state spending for the first time in more than 30 years



Gov. Inslee believes it is time to step up to these obligations.

Washington's economy is more than capable of sustaining the investments needed to fund these services. Our state's antiquated tax system is not. It is time for Washington to join the mainstream of states in generating sufficient revenue to provide the services our citizens expect.

Governor's budget fully funds K-12 education, reduces local property taxes

Gov. Inslee's 2017–19 operating, transportation and capital budgets tackle our biggest problems and keep Washington's economy moving forward. He is proposing a comprehensive solution to pay for those investments with a combination of tax and revenue changes, reserves and modest spending cuts.

First and foremost, the governor is proposing to fully and sustainably fund Washington's K-12 education system with one of the largest K-12 education funding packages in state history. His plan will send about \$2.7 billion to local school districts to pay the state's full share of educator compensation, including a salary increase for beginning teachers to help recruit and retain talented educators. The proposal will also alleviate decades-long basic education funding disparities between school districts.

The benefits of the governor's plan would be felt statewide:

- » Every school district would receive more money from the state.

These are big and important improvements, but much more work remains.

Some will argue the state should cut other state programs to meet our K-12 obligations. But finding the billions of dollars needed to fully fund basic education would require devastating cuts to the social services safety net that many of

our most at-risk students and vulnerable citizens rely on. It would almost certainly mean cuts in other areas as well, including higher education, health care or public safety. Such reductions do not reflect the values and priorities of most Washingtonians.

Others may argue the state should again stall on meeting its school funding commitments. But

OVERVIEW

- » The infusion of state funding would enable school districts to reduce local school taxes by at least \$250 million statewide per year.
- » Local school taxes would be reduced in 119 of the state's 295 school districts — and more than three-fourths of households and businesses would get a property tax cut.

The governor's budget, however, goes beyond simply meeting the state's constitutional school-funding obligations. It directs another \$1.1 billion to continue reducing early elementary class sizes and to bolster proven strategies for hiring and retaining well-trained educators, address opportunity gaps that leave many students of color and low-income students struggling, and give students enriching opportunities to prepare for either college or work. And the governor's capital budget includes nearly \$1 billion for new school construction.

A decade ago, spending on public schools made up less than 39 percent of the state's Near General Fund operating budget. Large education investments during the past four years have pushed that figure above 47 percent. And, under Gov. Inslee's proposed budget, K-12 education spending would top 50 percent of total state spending — the highest it's been since the early 1980s.

The governor's operating and capital budgets invest about \$70 million to continue expanding and improving the state's early learning programs, including funding for about 2,700 more preschool slots.

And recognizing that higher education costs remain a burden for middle-class students and families, the governor proposes freezing tuition for the next two years at our public colleges and universities. His budget directs about \$56 million to the institutions to offset what would have been 2.2 percent and 2.0 percent tuition increases each year of the biennium, and includes another \$146 million to boost student financial aid.

Inslee's budget transforms mental health and children's services, continues investments in homelessness and behavioral health integration

The state continues to make targeted investments in its current budget for staffing and safety issues in our psychiatric hospitals and throughout the public mental health system.

With his 2017–19 budget, the governor is putting forward a plan to overhaul the state's mental health system, informed by recommendations from outside experts. While short-term investments to address challenges at Western State Hospital are necessary, the governor is proposing a significant expansion of resources to serve people in community settings where the chances of successful treatment are much greater. His operating and capital budgets include about \$300 million to significantly expand and improve services in communities and at the state's psychiatric hospitals. For example, the budgets would add about 180 new psychiatric staff positions at the hospitals and begin funding for nine new 16-bed regional hospitals throughout the state by 2023 to provide sorely needed capacity

for civil commitments and for addressing acute psychiatric care needs. All told, the governor's budget would add more than 1,000 new beds and more than 700 staff positions to the state's mental health system.

To tackle the opioid crisis, the governor this fall issued an executive order to marshal the combined resources of state agencies, local public health organizations, law enforcement, tribal governments and other partners to help achieve better outcomes and safer communities. And the governor's budget will continue the state's health care integration initiative so patients seeking mental health, substance use and medical care receive a full range of services through a better-coordinated and more efficient delivery system.

The governor's budgets also include nearly \$120 million to combat homelessness. The operating budget increases support services — such as health care and housing assistance — for chronically homeless individuals and families and for youth at risk of becoming homeless. The capital budget provides funding for more than 1,700 new affordable housing units and to preserve housing.

There is abundant evidence that early childhood development is vital to success later in life. While the state provides a broad array of services to give children a strong foundation, those services are spread among multiple agencies. This splintered approach makes it more difficult to coordinate efforts and assure the best possible outcomes for children and families.

OVERVIEW

Early this year, the governor issued an executive order calling for the formation of a new children’s agency to “promote greater accountability, heighten the visibility of children’s issues, and reduce barriers to improving service and outcomes for children and families.”

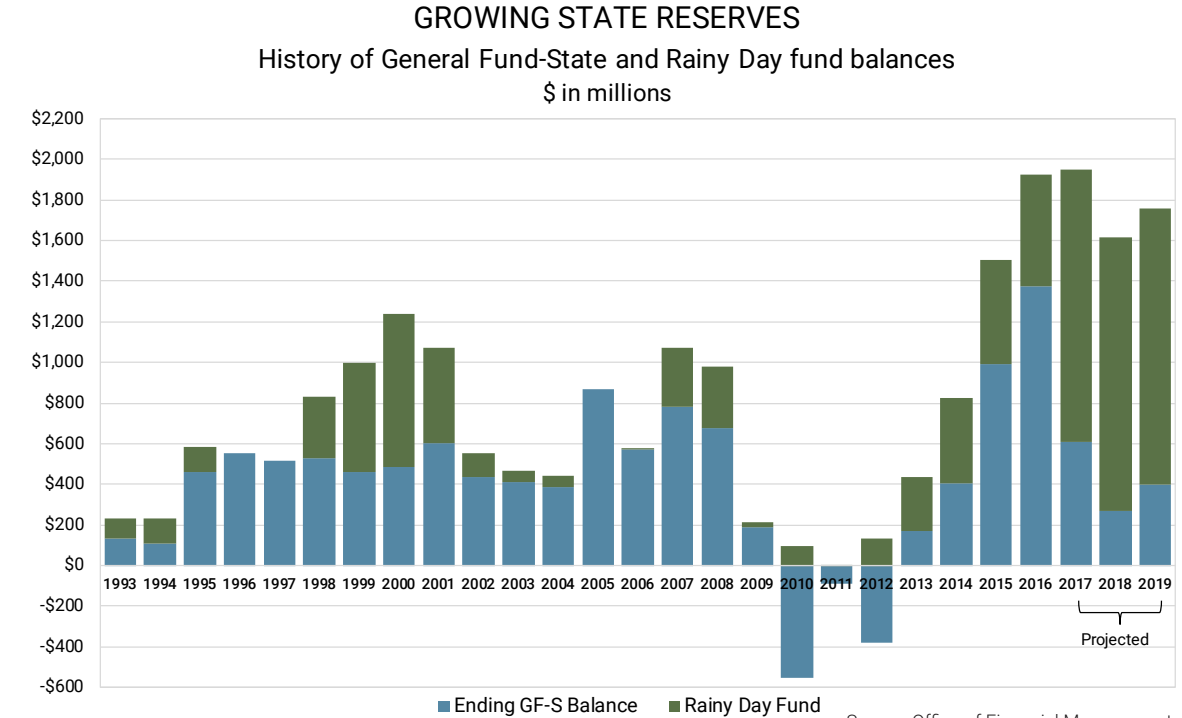
Last month, the governor’s Blue Ribbon Commission on the Delivery of Services to Children and Families recommended consolidating all the state’s early childhood services in a single agency “exclusively dedicated to the social, emotional and physical well-being of children, youth and families — an agency that prioritizes early learning, prevention and early intervention at critical points along the age continuum from birth through adolescence.”

The governor’s budgets and accompanying legislation lay the groundwork for making the new children’s agency a reality in the next biennium.

The governor is proposing a modest general wage increase for most state employees, with targeted increases for certain jobs, such as for State Patrol officers and staff at the state psychiatric hospitals. Prior to the 2015 increase, state employees had not received a general wage increase since 2008, the longest stretch since the early 1960s that state employees have gone without one.

Governor’s budget avoids increase in property or sales taxes, relies on sustainable new funding, reserves and modest cuts

Gov. Inslee has said repeatedly that Washington cannot solve its biggest budget challenges by



Even in the face of perennial shortfalls, the state in recent years has amassed record reserves. That’s because each year, the state is required by law to deposit 1 percent of General Fund revenues into its constitutionally protected Budget Stabilization Account. That “rainy day” fund is projected to reach nearly \$1.2 billion by the start of the next biennium and total state reserves are projected to top \$2.1 billion.

cutting services in ways that would jeopardize the safety net for our most vulnerable citizens or further hamper efforts to protect Washington’s environment. He also believes general increases in areas such as the state property or sales tax would only make our state’s already highly regressive tax system even more unfair.

While his budget calls for cuts in some areas, his plan relies primarily on a balanced mix of new

revenue and on dipping into the state’s robust budget reserves.

Fortunately, the state’s budget reserves have grown to record levels over the past few years and are projected to reach nearly \$2 billion at the end of the current biennium. The governor’s budget would use a portion of those reserves to close the shortfall in the next two-year budget, leaving nearly \$1.8 billion in total reserves at the end of the 2017–19 biennium.

OVERVIEW

The governor is proposing several revenue changes that will enable the state to finally meet its constitutional basic education obligations and address some of our most pressing needs. It would also put Washington's revenue system closer to the mainstream of other states. The governor's plan calls for:

- » Closing five outdated tax exemptions that are no longer fulfilling their original purpose.
- » Imposing a new capital gains tax on the sale of stocks, bonds and other assets to increase the share of state taxes paid by a tiny fraction of our wealthiest taxpayers.
- » Increasing the business and occupation tax rate that is applied to a broad range of personal and professional services, such as those provided by accountants, architects, attorneys, consultants and real estate agents. The B&O tax exemption for small businesses would be increased to avoid a tax increase on our smallest business owners.
- » Enacting a new tax on carbon pollution associated with the production and consumption of fossil fuels. About half the revenue generated by the new carbon tax would be directed toward K-12 education.

Making government more effective, efficient and customer-focused

Launched in 2013, Gov. Inslee's [Results Washington](#) initiative is helping drive improvements on goals in education, the economy, energy, environment, health, safety and effective government. Results Washington's data-driven, collaborative approach, which has drawn national interest, is proving itself in real-world results: More than half the nearly 200 measures are on track to meet or beat targets. Many of these measures represent complex challenges, such as homelessness, struggling students, offender recidivism, traffic deaths and public health problems.

In addition, hundreds of agency-level process improvements are resulting in faster services, better outcomes, streamlined processes, easier-to-use forms and millions of dollars in cost avoidance.

Underlying much of this work is Lean management, a set of principles and tools widely used in the private sector. Lean relies on employee-led, customer-focused cycles of continuous improvement.

Examples of results are:

- » Increasing graduation rates
- » Protecting workers
- » Reducing the need for remedial college classes
- » Helping Washingtonians find jobs
- » Reducing teen smoking and drinking
- » Expanding online college course options
- » Cleaning up toxic sites
- » Preserving working farmland

For specifics and more examples of results, please see www.results.wa.gov.

ECONOMIC OUTLOOK

Washington outlook: Personal income makes above-average gains

Washington's economy has continued to outpace the nation's during this expansion. Recent economic performance has solidified that advantage, which Washington should maintain through the 2017–19 biennium.

Washington's jobless rate trended above the national rate for much of the past year. The state's rate has historically been above the national norm due to its outsized share of seasonal and cyclical industries. Recent trends are more likely the result of Washington's vibrant economy, which promotes an increase in workforce participation. In fundamental ways, that is good news as it reflects a boost in workers' confidence in their ability to find gainful employment. By the end of the 2017–19 biennium, Washington's unemployment rate is projected to fall to 4.9 percent, down from the current 5.4 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should post increases of 3.1 percent for fiscal year 2017, 2.8 percent in fiscal year 2018 and 3.3 percent in fiscal year 2019 — each higher than national projections. On a per-capita basis, Washington's real personal income should reach \$50,304 in fiscal year 2019, more than \$3,000 above the U.S. average.

These gains in Washington's personal income will occur despite declines in aerospace employment, which is expected to fall by 6.6 percent in fiscal year 2017, 3.9 percent in fiscal year 2018 and 2.0

National outlook: Slow, steady expansion expected to continue next biennium

The national economy is expected to continue its slow but steady expansion during the 2017–19 biennium as the effects of the Great Recession dissipate. The nation's gross domestic product grew at a 1.7 percent pace in fiscal year 2016. National GDP is expected to rise to 2.0 percent in fiscal year 2017 and 2.1 percent in fiscal years 2018 and 2019.

The most notable feature of this period of expansion is continued low oil prices. The United States experienced an energy boom after the recession as greater exploration and newer drilling methods brought huge new reserves of oil and natural gas to market. That abundance drove down energy prices, and the prospect of even bigger reserves has helped hold the line on costs.

OPEC recently tried to counter these low prices by restricting the supply of crude sold by member countries. That proved unsuccessful, and supplies have remained plentiful, assuring moderate prices in the near term; the cost of a barrel of crude is expected to be \$52 in fiscal year 2019, about half its 2014 price. This has put a damper on energy investments and domestic exploration, which in turn has put a damper on mining activity and employment. However, it has cut transportation costs for the movement of goods, boosted the amount of disposable income that households have to spend on nonenergy goods and services, and heightened demand for new vehicles.

In the latter half of fiscal year 2016, the nation's jobless rate fell below 5.0 percent for the first time since February 2008. The extended period of high unemployment trailing out of the recession was nearly twice as long as the recession caused by the Sept. 11, 2001, attacks. Of particular concern during the jobs drought and subsequent expansion has been the persistent decline in workforce participation — the share of population 16 years and older who are working or looking for work.

While the aging population had been responsible for part of the decline in participation, sluggish job growth was also a factor. This waning share made it possible for the unemployment rate to drop significantly without a substantial increase in employment. And with continued economic expansion, the unemployment rate should fall to 4.6 percent by fiscal year 2019. Steady growth in the economy should produce a rebound in workforce participation among prime working-age populations, though demographic forces will still exert a downward influence on the overall participation rate.

Sales of new single-family homes had also been slow to recover following the recession. The foreclosure of millions of homes nationwide when the housing bubble burst released a huge number of homes into the market, driving down prices and suppressing demand for new construction. The economic recovery and expansion then spurred demand for this ample supply of homes. Now with the inventory of foreclosed homes depleted and with millennials entering the market, demand for new single-family homes has begun to stimulate new construction; housing starts are expected to reach 1.4 million nationally in fiscal year 2019.

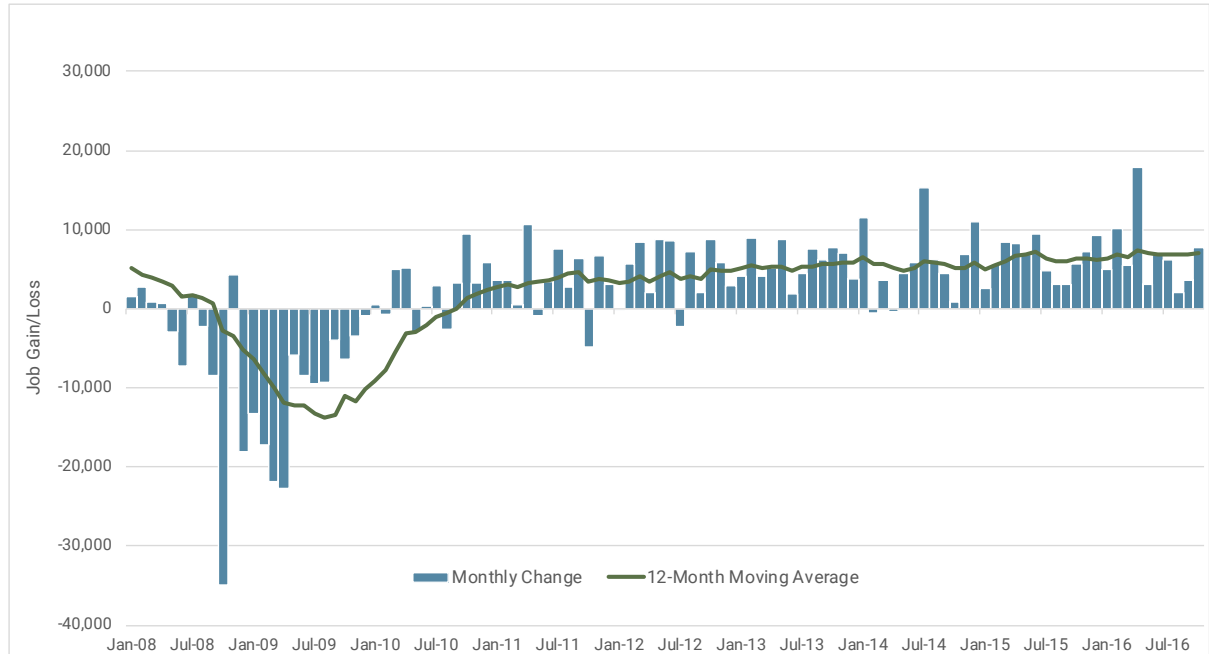
The nation's economy remains at risk from several factors: slowing Asian economies (especially China), uneven wage growth, slow growth and debt issues in Europe, and instability in the Middle East and Eastern Europe.

percent in fiscal year 2019. Though this places a drag on overall nonfarm employment growth, Washington will still net a 2.4 percent gain in total payroll jobs in fiscal year 2017, a 1.6 percent increase in fiscal year 2018 and a 1.5 percent increase in fiscal year 2019, again well above national projections.

Construction activity in Washington is expected to grow at a healthy rate during the 2017–19 biennium. While multifamily housing construction was prompted by demand for rental units in the recession’s wake, income gains have renewed demand for single-family housing. Building permits should surpass 40,700 in fiscal year 2018 and 41,300 in fiscal year 2019. As a result, construction employment should jump by 3.0 percent and 3.3 percent, respectively. That should boost construction jobs to 5.8 percent of total nonfarm employment, a bit above historic averages and indicative of a robust housing market.

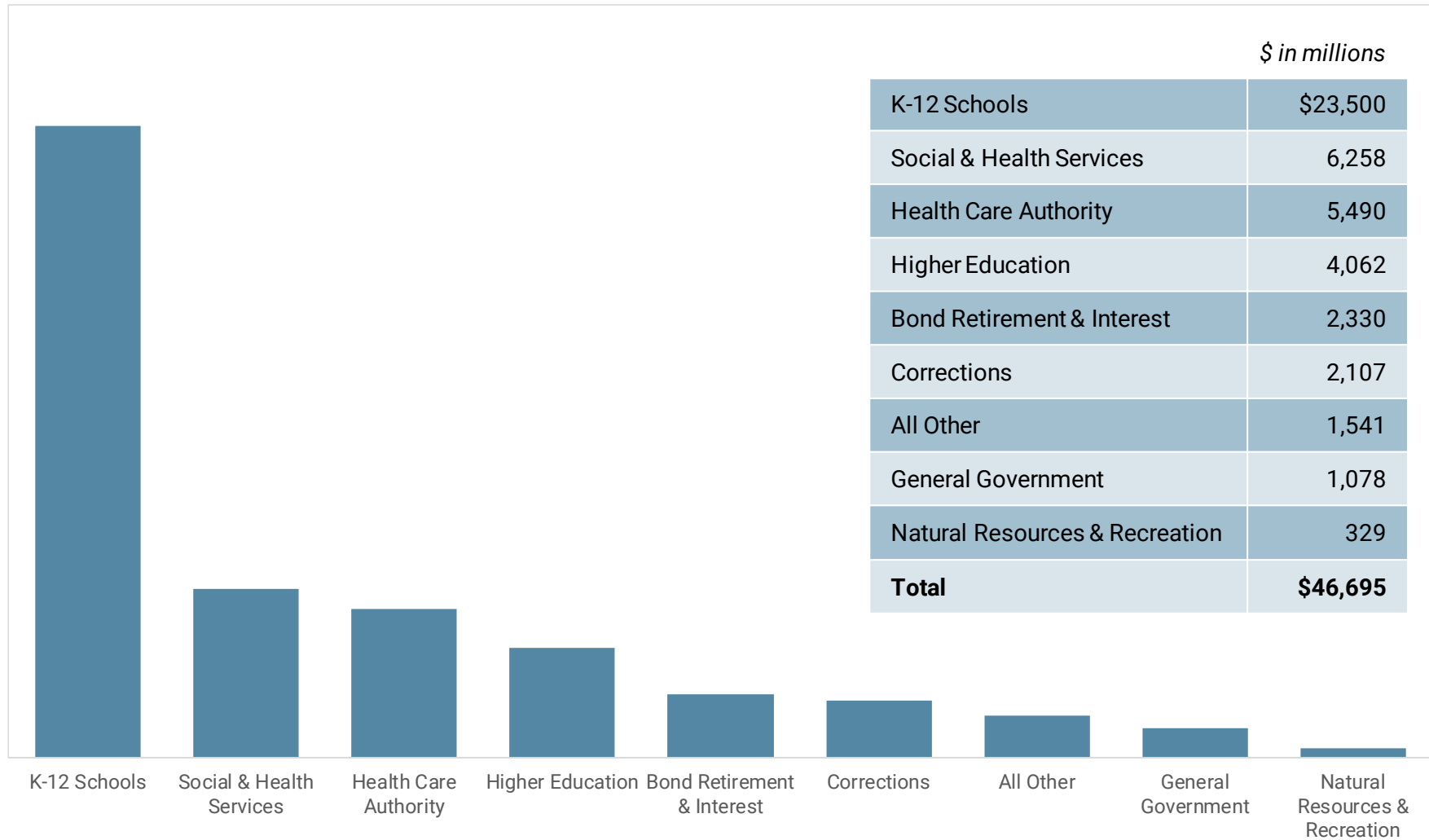
PRIVATE SECTOR PAYROLL EMPLOYMENT IN WASHINGTON

Monthly change, seasonally adjusted



GOVERNOR'S PROPOSED 2017-19 BIENNIAL BUDGET

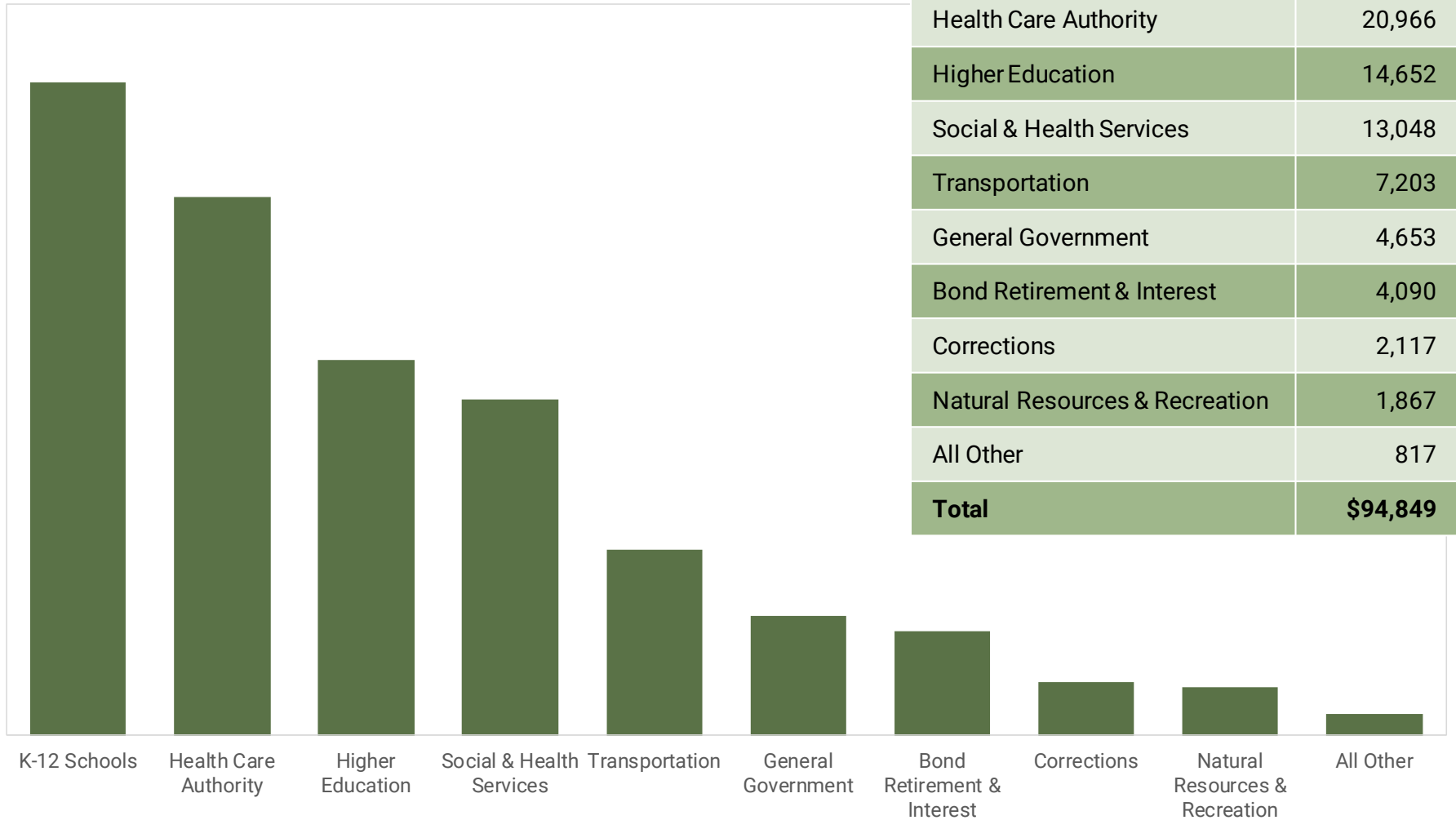
Near General Fund-State and Opportunity Pathways Accounts



GOVERNOR'S PROPOSED 2017-19 BIENNIAL BUDGET

All Funds – Operating Plus
Transportation Capital

\$ in millions



GOVERNOR'S PROPOSED 2017 SUPPLEMENTAL AND 2017-19 BUDGET BALANCE SHEET

General Fund-State, Education Legacy Trust Account, Opportunity Pathways Account & Budget Stabilization Account
Dollars in millions

	2015-17	2017-19
Resources		
Beginning fund balance	\$1,011	\$646
November 2016 revenue forecast	38,704	41,284
Transfer to Budget Stabilization Account (1% of GSR)	(380)	(405)
Transfer to Budget Stabilization Account (EORG)	(680)	
Transfer from BSA (EORG)	75	
Enacted fund transfers/budget-driven revenue	207	114
Actual/assumed prior period adjustments & CAFR adjustment	69	41
Governor's Proposed Revenue Changes		
Restore transfer to BSA (1% of GSR)		407
Additional 1% BSA transfer		(2)
Fund transfers		118
Revenue package		4,391
Repayments from Public Works Assistance Account		253
Other revenue legislation		(20)
Budget-driven revenue		(2)
Total Resources (including beginning fund balance)	\$39,007	\$46,825

	2015-17	2017-19
Expenditures		
2015-17 Biennium		
Enacted budget	\$38,454	
Governor's proposed 2017 supplemental	133	
Governor's Proposed 2017-19 Budget		
Carry forward-level base		41,934
Policy changes		4,762
Actual/assumed reversions	(227)	(255)
Total Expenditures	\$38,360	\$46,440

Reserves		
Projected ending balance (GF-S + ELTA + OPA)	\$646	\$385
Budget Stabilization Account		
Budget Stabilization Account beginning balance	513	1,340
Plus transfers from General Fund and interest earnings	1,067	423
Less FY 2016 actual expenditures from BSA: fires	(152)	
Less FY 2017 appropriation for fire response	(13)	
Less transfers out to GF-S (extraordinary revenue)	(75)	
Less transfers out to GF-S		(407)
Projected Budget Stabilization Account Ending Balance	\$1,340	\$1,356
Total Reserves (Near General Fund plus Budget Stabilization)	\$1,987	\$1,741

BALANCE SHEET DETAIL

Fund Transfers, Revenue Legislation and Budget-Driven Revenues, Governor Proposed 2017 Session Dollars in millions

	2017–19 Biennium			2017–19 Biennium	
	GF-S	ELTA		GF-S	ELTA
Fund Transfers to/from GF-S (Excluding Transfers to/from BSA)					
Flood Control Account		\$2.0			
Performance Audit of Government Account		6.5			
Financial Services Regulation Account		5.0			
Safe Drinking Water Account		1.0			
Treasurer’s Service Account		12.0			
Carbon Pollution Reduction Account		91.9			
	Subtotal	\$118.4			
Other Revenue Legislation					
Commercial fish privilege tax to Wildlife Account		(4.4)			
Raise cigarette age to 21		(15.9)			
	Subtotal	\$(20.3)			
Revenue					
Local Distributions/Fees/Other					
Increase interest rate on assessment/reduce interest rate on refunds		\$16.5			
Expand trust fund accountability		10.3			
Extend economic nexus to retailing B&O activities		12.1			
Loophole Closures					
Limited trade-in exclusion to \$10,000		90.8			
Refund nonresident sales tax exemption		49.2			
Repeal bottled water sales tax exemption		57.1			
Repeal extracted fuel (except hog fuel)		51.8			
Limit REET foreclosure exemption		59.4			
Revenue (cont.)					
Carbon Tax (Net Revenue), Education Legacy Trust Account					
\$25/ton plus inflation plus 3.5%				1,069.1	
B&O Tax on Services, Education Legacy Trust Account					
Increase rate to 2.5% (all services)				2,276.0	
Capital Gains Tax, Education Legacy Trust Account					
7.9% (\$25,000/\$50,000 threshold, exempt all residential property)				821.0	
School Investment Account					
High technology R&D tax incentives			(30.2)		
Small business B&O credit and tax filing threshold			(91.9)		
	Subtotal		\$225.1	\$4,166.1	
Budget Driven & Other					
LQB Account BDR			(0.6)		
Cannibus revenue distribution change BDR			(1.7)		
	Subtotal		\$(2.3)		
Public Works Assistance Account					
Loan repayments				252.6	
All Revenue Changes				\$320.9	\$4,418.7

REVENUE

80-year-old tax and revenue system hampers state's ability to meet vital needs

Washington's overall economy is one of the strongest and most diverse in the nation. Yet over the years, our state and local governments have become increasingly hamstrung by an inability to meet the rising demands placed on services by a growing population.

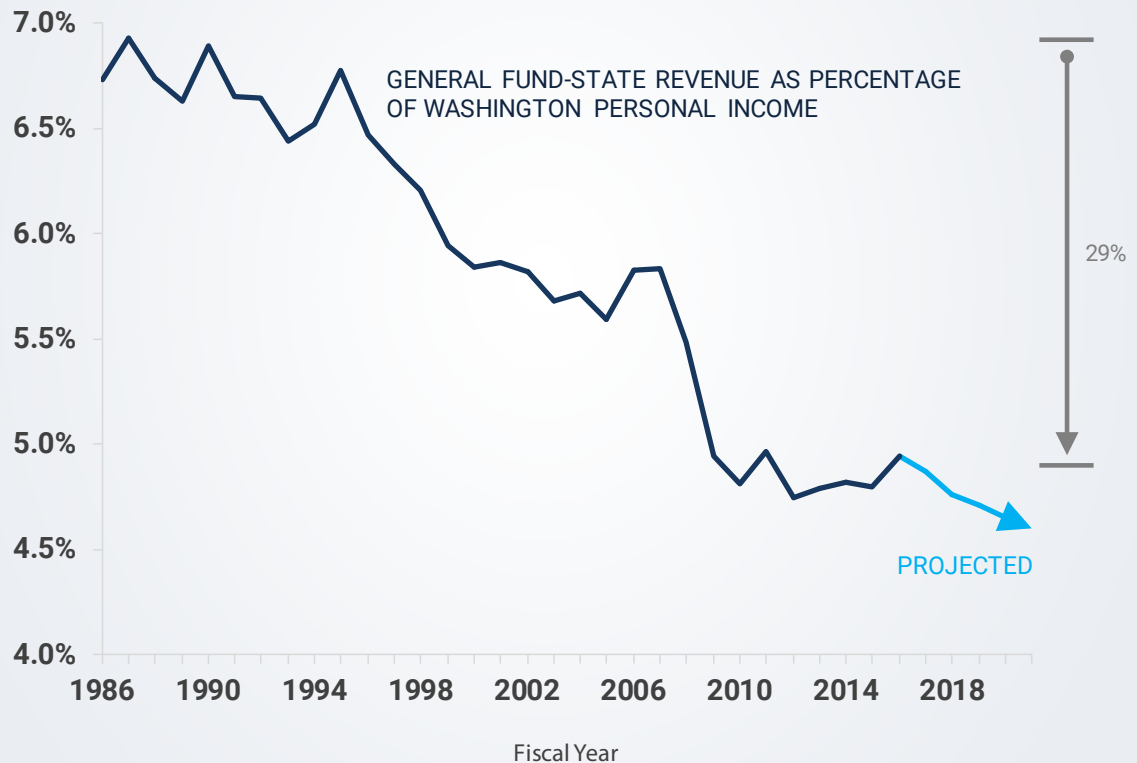
Our tax system — put in place in the 1930s, when rotary phones and manual typewriters were the norm — does not reflect the state's modern, service-based economy. That is partly why our state and local tax systems no longer keep pace with the growth of our economy.

Each year, as our tax revenues fall further behind, we face a growing structural imbalance in our state budget.

Consider this: In the early 1990s, State General Fund revenue collections equaled nearly 7 percent of the overall economy (as measured by total personal income). But today, revenue collections as a share of the economy have declined steadily, to less than 5 percent.

Washington is falling behind other states as well. During the mid-1990s, Washington ranked 11th nationwide in state and local taxes as a share of the economy. By 2013, the state's ranking had fallen to 35th — well below the average for all states.

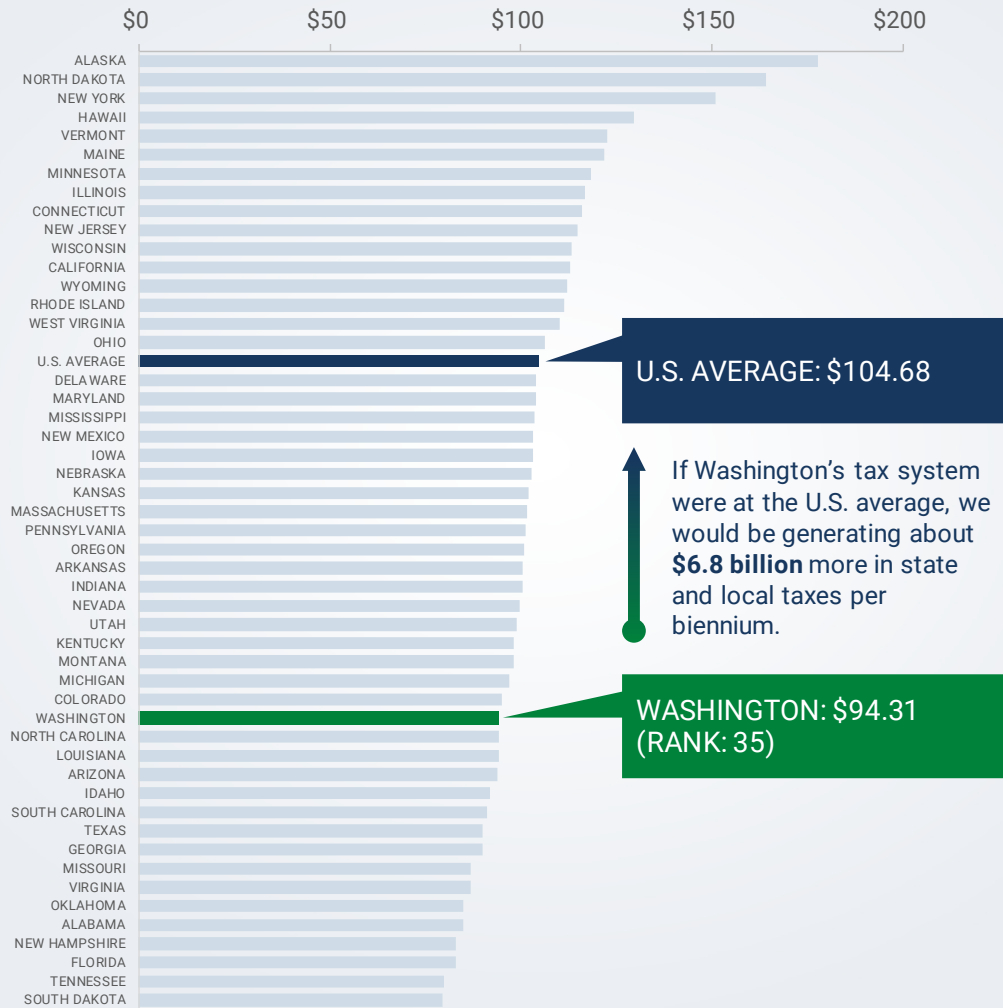
Over the past 30 years, state revenue collections as a share of the economy have fallen by nearly 30%



Source: Washington State Economic and Revenue Forecast Council, Nov. 2016

Washington has fallen behind other states in revenue as a share of the economy

STATE AND LOCAL TAX COLLECTIONS PER \$1,000 PERSONAL INCOME (2013)



Source: Bureau of Economic Analysis and Census Bureau, U.S. Dept. of Commerce, Dec. 2016

In the mid-1990s, Washington ranked 11th nationwide.
In the most recent ranking, our state has fallen to 35th.

REVENUE

How significant is that? If Washington's tax system were at the U.S. average, we would be generating about \$6.8 billion more in state and local taxes per biennium.

As economy shifts to services, Washington's tax system falls further behind

A multitude of factors have been stripping the gears of the state's tax and revenue system, the bulk of which was put in place 80 years ago, when the state economy looked much different than it does today.

Washington gets nearly half its revenue through retail sales taxes, primarily on goods. Besides making the state's tax system the most regressive in the nation, our heavy reliance on a goods-based sales tax also helps explain why we continue falling behind in revenue collections.

Unlike some states, Washington does not impose a sales tax on most services. While Washington assesses a modest business and occupation tax on some services, in general we do not tax services to the extent we tax goods. Yet people today are spending a smaller share of their disposable income on goods and a greater share on services such as those provided by accountants, architects, attorneys, consultants and real estate agents. In fact, over the past 40 years, services have more than doubled as a share of the total economy.

Since the mid-1930s, Washington has adopted more than 650 state and local tax exemptions, worth billions of dollars. Nearly a third of those were put in place during the past 15 years. While many tax exemptions are well-targeted at providing needed tax relief or creating jobs, many others are outdated or no longer serve their original purpose.

What's more, consumers today are doing more of their shopping online instead of in local stores. But because many out-of-state businesses do not collect sales taxes, Washington loses hundreds of millions of dollars each year in potential

REVENUE

revenue, and our brick-and-mortar businesses are placed at a competitive disadvantage.

Saddled with a flawed and inefficient tax and revenue system, the state in recent years has too often relied on “one time” money — such as through fund shifts or tapping reserves — to solve budget shortfalls. As a result, budget shortfalls reappear at the start of each biennium.

While it will be necessary to once again tap reserves, given the enormity of the challenges the state faces in the next biennium and beyond, Gov. Inslee understands the state cannot rely too heavily on one-time solutions or temporary revenue sources.

Proposed revenue changes will fully fund education, provide local property tax relief

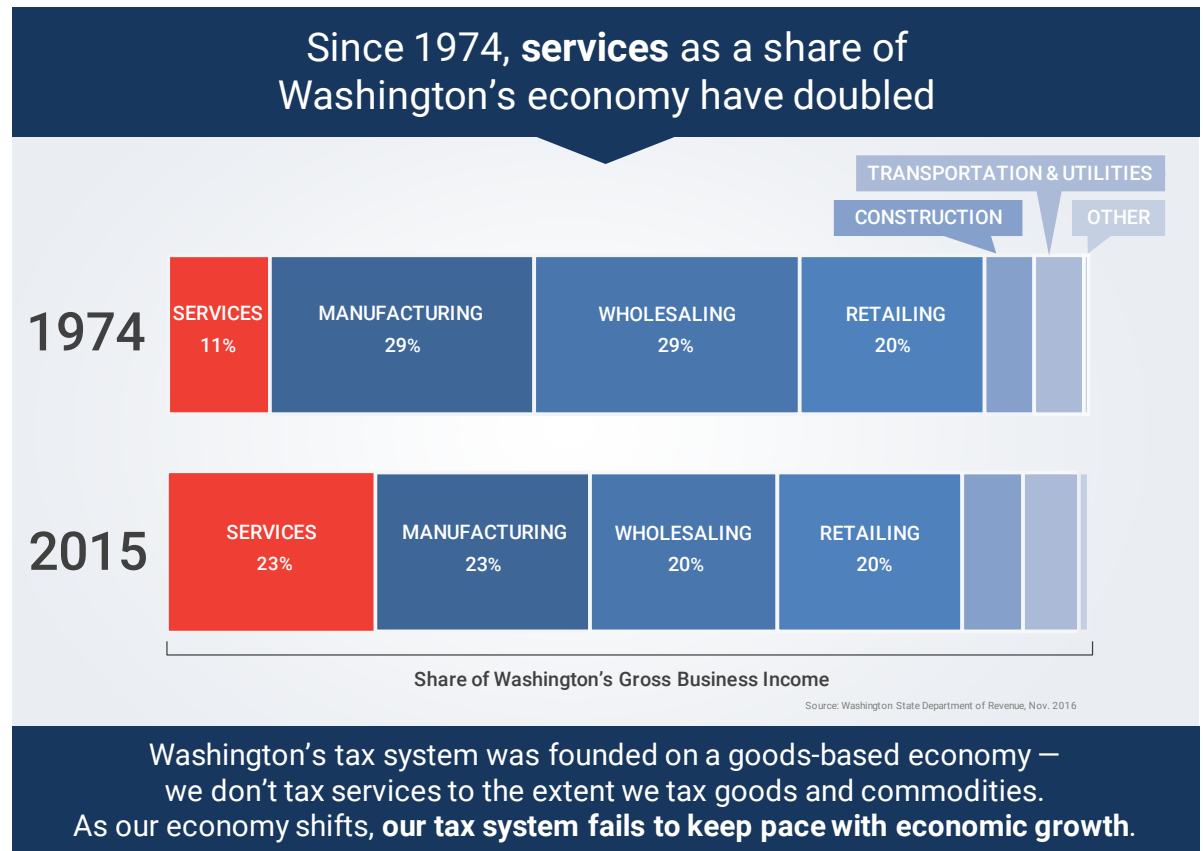
The governor’s proposed 2017–19 operating budget calls for a balanced mix of revenue changes that will address the state’s immediate needs and create a sustainable revenue system better designed to keep pace with needs as our economy grows. His revenue plan is rooted in fairness for working families.

Overall, the governor is proposing nearly \$4.4 billion in net new revenue for the 2017–19 operating budget. The vast majority of that will go toward ensuring sustainable full funding for education, significantly expanding community services for mental and behavioral health services, and supporting investments in homelessness, public health and other key priorities. The governor is proposing about \$800 million in

additional new revenue to fund projects in his capital budget.

Importantly, the governor’s revenue package would reduce local property taxes. School districts now fund a significant portion of the state’s basic education obligations through local property taxes — a practice the state Supreme Court has ordered the Legislature to fix.

Under the governor’s plan, every school district would receive more money from the state. The infusion of state funding would reduce local school district property tax levies. Initial estimates indicate that local school taxes during the next biennium would be reduced by at least \$250 million per year and that more than three-fourths of households and businesses statewide would get a property tax cut.



REVENUE

The governor also proposes increasing the state business and occupation tax on services and other activities from 1.5 percent to 2.5 percent, which would generate nearly \$2.3 billion in the next biennium. The tax is applied to a broad range of personal and professional services, such as those provided by accountants, architects, attorneys, consultants and real estate agents.

To make sure very small businesses aren't impacted, the governor's plan more than doubles the B&O tax filing threshold to \$100,000 and increases the small-business tax credit to \$125 per month for all businesses. These changes would mean 38,000 more small businesses statewide would receive relief.

The governor is also calling for a new capital gains tax on the sale of stocks, bonds and other assets. Exemptions are provided for retirement accounts, homes, farms and forestry. Earned income from salaries and wages are not capital gains and would not be taxed at all.

The proposal is similar to one he put forward two years ago to increase the share of state taxes paid by Washington's wealthiest taxpayers. The state would apply a 7.9 percent tax to capital gains earnings above \$25,000 for individuals and \$50,000 for joint filers, starting in the second year of the biennium. At those earnings thresholds, only a tiny fraction of the state's wealthiest taxpayers would be affected.

Washington is one of just nine states that do not tax capital gains. A 7.9 percent tax would put the

state's rate well below Oregon's (9.9 percent) and California's (13.3 percent).

The tax would raise an estimated \$821 million in fiscal year 2019. To address concerns about the volatility of a capital gains tax, the governor proposes creating a school investment reserve fund. Any year in which the state collects more than \$900 million in capital gains taxes, the excess amount would be directed to the reserve fund. The tax is projected to generate more than \$900 million by the second year it is in place.

The governor is also proposing a new tax on carbon pollution associated with the production

and consumption of fossil fuels. The carbon tax would take effect in fiscal year 2018, generating about \$1.9 billion in the next biennium. About half the revenue generated by the carbon tax would be directed to the state's education needs. The rest would be reinvested in clean energy and transportation projects to lower consumer fuel bills and reduce greenhouse gas emissions. Revenue will also support major projects to build water infrastructure and improve forest health. Some funds will offset taxes to businesses and low-income households especially vulnerable to increased energy costs.

Major Components of Operating Budget Revenue Plan	2017-19 Total
Increases	<i>\$ in millions</i>
B&O tax on services – Increase rate to 2.5% (all services)	\$2,276
Carbon tax (net revenue) – \$25/ton plus inflation plus 3.5%	\$1,069
Capital gains tax – 7.9% (\$25,000/\$50,000 threshold, exempt all residential property)	\$821
Limit trade-in exclusion to \$10,000	\$91
Limit REET foreclosure exemption	\$59
Repeal bottled water sales tax exemption	\$57
Repeal extracted fuel (except hog fuel)	\$52
Refund nonresident sales tax exemption	\$49
Extend economic nexus to retailing B&O activities	\$12
Decreases	
Cigarette smoking to age 21	\$(16)
High-technology R&D tax incentives	\$(30)
Increase small business B&O tax credit and tax filing threshold	\$(92)

REVENUE

Finally, the governor's budget calls for closing five outdated tax exemptions, which would generate more than \$300 million in revenue during the next biennium. Here are the exemptions the governor proposes closing and the revenue each would generate in the next biennium:

Repeal sales tax exemption on bottled water – \$57 million

This proposal repeals the sales tax exemption for bottled water. Refunds are provided for those with a medical prescription for bottled water or for those who do not have access to potable water.

Sales of bottled water were subject to tax before 2004. But the tax was removed when Washington joined the nationwide Streamlined Sales and Use Tax Agreement. The agreement no longer requires Washington to exempt bottled water from sales tax. Bottled water is a discretionary purchase, and the vast majority of states collect tax on these sales.

Refund state portion of sales tax to nonresidents – \$49 million

This proposal converts the current nonresident sales tax exemption to a refund program for the 6.5 percent state portion of the sales tax. The exemption was created in the 1960s and provides a tax advantage to out-of-state residents over Washington residents.

Repeal use tax exemption for extracted fuel – \$52 million

This proposal limits the use tax exemption for fuel produced by an extractor or manufacturer when the fuel is directly used in the same process. Only

wood byproducts, referred to as “hog fuel,” would continue to be eligible for the exemption.

The biggest beneficiaries of this exemption are oil refineries that did not exist when this exemption was created. Other industries pay tax when they use materials they manufacture themselves.

Repeal sales tax exemption for trade-ins valued over \$10,000 – \$91 million

This proposal would limit the exclusion of trade-in value from retail sales and use tax to \$10,000 for motor vehicles, recreational vehicles, boats and other items. The current unlimited deduction primarily benefits high-income earners, who have the state's lowest tax burdens.

Limit REET exemption on foreclosure sales by lenders – \$59 million

This proposal requires banks and other lenders to pay real estate excise tax, or REET, if one of the following is met:

- » A lender or creditor receives property through a foreclosure proceeding or by enforcing a judgment.
- » Property is sold at a foreclosure or sheriff's auction.
- » Property is transferred by order of the court in a foreclosure or a judgment enforcement proceeding.

This is a matter of fairness. The average homeowner pays REET when selling or in some cases when refinancing a mortgage. A bank should pay the same when selling the property.



K-12 EDUCATION

Gov. Inslee’s 2017–19 budget puts forward a bold vision for Washington’s future. The centerpiece of that budget is his plan for fully funding K-12 education, which includes the final steps of addressing teacher compensation and ending the decades-long overreliance on local levies. His proposal would improve state teacher pay to competitive levels statewide. And it would provide more resources to give students and teachers the support they need to succeed in the classroom while protecting essential human services that many at-risk students depend on outside the classroom.

Recruit, retain and continually train great educators – \$2.96 billion total

Research and common sense tell us the most important school-based factor in academic achievement is teacher quality. Better starting salaries for teachers will attract a smart, creative, diverse workforce. Too many starting teachers leave the profession within a few years, and mentoring is a proven strategy to support them and keep them in the profession. Time for training and collaboration will equip teachers with tools to narrow the opportunity gap, increase cultural competency and address students’ social and emotional needs. The governor’s budget also ensures competitive wages for all school employees.

Competitive wages and benefits for teachers and school staff – \$2.74 billion Education Legacy Trust Account; \$7.8 million Opportunity Pathways Account

Teachers are currently compensated based on a system that rewards years of experience and degrees earned. But research shows that degrees are less an indicator of skill than other kinds of professional development. The governor’s budget creates a new salary allocation model, or SAM, that better aligns educator pay with professional development milestones.

Successful schools build in staff training and time for collaboration. The new SAM provides certificated staff salaries for 10 months, plus an additional 30 hours in the 2017–18 school year and 80 hours in the 2018–19 school year for professional learning and collaboration.

Teachers at the School for the Blind and the Washington State Center for Childhood Deafness and Hearing Loss will also receive these increases.

	2016–17	2017–18	2018–19
	CURRENT SALARY	PROPOSED SALARY	
	Funded based on 180-day school year	Funded based on 10 months plus hours of training and collaboration	
		30 hours	80 hours
Teachers and educational staff associates			
Beginning experience	\$35,700	\$44,976	\$54,587
Average experience	\$54,865	\$59,709	\$72,466
16 or more years of experience	\$67,288	\$69,938	\$84,883
	Funded based on 11 months	Funded based on full calendar year	
Administration	\$62,847	\$78,395	\$114,612
	Funded based on full calendar year		
Classified	\$33,898	\$39,457	\$52,908

K-12 EDUCATION

Health benefits

The state-funded health benefit rate for state-funded certificated instructional staff and administrative staff is increased from \$780.00 to \$835.96 per month in the 2017–18 school year and to \$848.91 per month in the 2018–19 school year. The rate for state-funded classified staff is increased from \$898.56 to \$963.03 per month in the 2017–18 school year and to \$977.94 per month in the 2018–19 school year. (\$138.7 million General Fund-State; \$407,000 Opportunity Pathways Account)

Teacher mentoring and career advancement

Beginning teachers are more successful in the classroom and more likely to stay in the profession when they're supported during their first few years on the job by experienced colleagues.

Mentoring is vital work and deserves additional pay. The governor's budget expands the Beginning Educator Support Team program in the Office of Superintendent of Public Instruction, putting it on track to provide mentors for all new teachers, beginning in the 2020–21 school year. Investments in BEST include a salary of nearly \$93,000 for full-time mentors, prorated for those mentoring part time. (\$50.0 million GF-S)

Alternate routes for teacher preparation

A diverse, multilingual workforce with school-based experience leads to better academic and social outcomes, especially for children from cultural and linguistic minority populations. Alternate routes are partnerships between school districts and universities that give paraeducators, and those looking to change careers, a way to

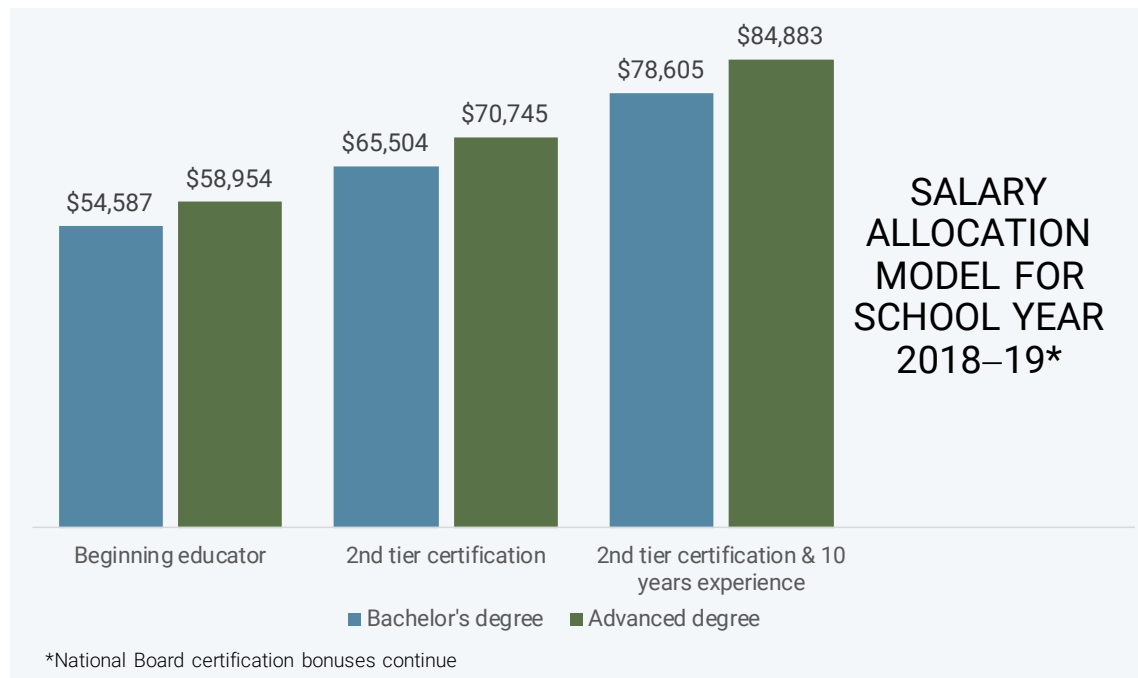
earn their teaching credential while gaining valuable experience in the classroom. Alternate routes appeal to people who want to stay in their communities, making it a particularly effective strategy for recruiting and retaining teachers who represent the students they serve. The governor's budget expands this program by 360 candidates, with priority given to the preparation of bilingual educators. (\$11.0 million Education Legacy Trust Account)

Principal support and mentoring

Just as new teachers are more effective and more likely to stay in the profession if they receive mentoring and guidance during their first few years in the classroom, principals are better, more stable leaders when they are supported during their early years on the job. The governor's budget supports school leaders with internships for principals in training, workshops for principals during their first year and a new principal mentoring program in BEST. (\$7.5 million GF-S)

Paraeducator training

Paraeducators provide integral instructional support that directly contributes to closing the opportunity gap. Effective professional development and time to collaborate with teachers better prepare paraeducators to help students succeed. The governor's budget enhances paraeducator salaries to include 20 hours in the 2017–18 school year and 40 hours in the 2018–19 school year for professional learning, directed by school districts. (\$4.7 million Education Legacy Trust Account; \$12,000 Opportunity Pathways Account)



K-12 EDUCATION

Close the opportunity gap – \$866.8 million total

Washington families, educators and policymakers continue to be concerned by disparity in access to great schools and the resources needed for all children to be academically successful. We know what it will take to level the playing field for students. Gov. Inslee's budget makes investments to cut class sizes and add school professionals to help all students achieve their potential.

Class size reduction

Research shows that smaller classes in the early grades help teachers succeed with low-achieving students. The state has made steady progress on the HB 2776 goal of reducing class sizes to 17 students in kindergarten through third grade by 2018. Gov. Inslee's budget finishes the job by funding more than 3,400 new teachers for the 2017–18 school year. (\$484.6 million GF-S; \$507,000 Opportunity Pathways Account)

Social and emotional health

School counselors, nurses, psychologists, social workers and family engagement coordinators help students address social and emotional barriers to learning. Gov. Inslee's budget increases the number of student support staff and provides time for collaboration and training to maximize their effectiveness. The additions will be phased in for half the state's schools with the highest

concentration of poverty in the 2017–18 school year, when 1.0 FTE will be added to each prototypical school. In the 2018–19 school year, this increase will be phased in to all schools in the state. (\$324.2 million Education Legacy Trust Account; \$1.0 million Opportunity Pathways Account)

Learning assistance

Closing the opportunity gap requires heightened attention on students who are underperforming and on schools that struggle to serve them well. The Learning Assistance Program offers research-based supplemental services for low-income students scoring below grade-level in English language arts and math. The governor's budget increases LAP funding to improve services for students who need extra support. (\$49.5 million Education Legacy Trust Account; \$148,000 Opportunity Pathways Account)

School and district improvement

Each year, the federal government requires states to identify the 5 percent of schools most in need of support to improve students' academic outcomes. The federal Every Student Succeeds Act of 2016 provides some funding to states, but not enough to support all the schools identified. Gov. Inslee's budget provides assistance to low-performing schools and districts that do not receive federal funds. (\$3.8 million GF-S)

Education services for foster care youth

The state bears a special responsibility for improving academic outcomes of children in foster care. Through a partnership with community-based organizations, foster youth receive individualized educational support and guidance, including help transitioning to college and careers after they graduate from high school. The governor's budget expands this demonstration project to serve another 120 students. (\$1.4 million GF-S)

Truancy reduction

School districts are required to offer community truancy boards and other interventions to reduce student truancy and address the causes of chronic absenteeism. School attendance is essential to each student's academic performance and development of social and emotional skills. One-time funding was provided in fiscal year 2016 for training of staff members to serve on community truancy boards. The governor's budget restores and increases grant funding to support community truancy boards. (\$1.3 million GF-S)

SCHOOL FINANCIAL SYSTEM REDESIGN

Current school district financial systems often lack the capability to report detailed expenditures timely and accurately. Detailed expenditure information promotes accountability by enabling school districts, state agencies and the Legislature to assess the financial health of school districts and the implementation of state and local policy. The governor's budget provides funding for OSPI and school districts to align accounting and reporting systems with the prototypical school model, align expenditures with revenues and provide building-level accounting. (\$9.9 million GF-S)

K-12 EDUCATION

Mentors for struggling students

Mentoring works by connecting qualified adults with students who are struggling to overcome social or emotional challenges that put them at risk of dropping out of school. Funding will expand the Check & Connect program, an intervention strategy used with students who show warning signs of disengagement from school and who are at risk of leaving before graduation. This investment will also support students from military families as they navigate transitions and pilot a project with three corporate partners to mentor students in the workplace. (This program is funded in the budget of the Department of Social and Health Services.) (\$400,000 GF-S)

Engage students – \$26.1 million total

Our schools serve students from every walk of life. They come to us with varied interests and abilities, and it's our responsibility to make sure their time and effort at school are relevant and enriching. Additional funding for career-connected learning, computer science education and highly capable students will help deliver the continuum of college and career preparation our schools are called upon to offer. And because of their own interest in helping educate the next generation of workers, private sector employers are stepping up to match funding for many of these programs.

Career-connected learning

Career-connected learning offers work-based experiences and industry-approved apprenticeships for students who want to enter the workforce or prepare for job training after high school graduation. Funding supports grants for middle and high schools to integrate academic

and occupational curricula and train teachers. Schools will partner with colleges and universities, businesses and labor groups to develop industry design challenges, worksite visits, mentorships, internships and apprenticeships for students, beginning in elementary school. The governor's budget triples the state's current investment in this program; funds are matched by the private sector. (This program is funded in the budget of the Office of Financial Management.) (\$6.0 million Education Legacy Trust Account)

Computer science for everyone

The gulf between those who have ready access to computers and the internet, and those who do not — dubbed the digital divide — continues to affect students' ability to gain essential skills needed to do well in school and to use technology productively. The governor's budget funds grants for curriculum development, teacher training, technology purchases and digital access for historically underserved groups, including girls and students from low-income, rural and ethnic minority communities. The governor's budget triples the state's current investment and will be matched by the private sector. (This program is funded in the budget of the Office of Financial Management.) (\$4.0 million Education Legacy Trust Account)

Materials and supplies for career and technical education

Recognizing the higher-than-normal costs for materials and supplies in career and technical education courses, the MSOC funding formula is modified in the governor's budget.

The per-student formulas for career and technical education and skills centers are set as enhancements to the general education funding rate. Both are increased to be 20 percent higher than the general education rate in the 2017–18 school year and 30 percent higher in the 2018–19 school year. (\$12.3 million Education Legacy Trust Account)

Highly capable education

There are many highly capable students in our schools and not enough of them get the services they need to keep them engaged in learning. The governor's budget provides program support, combined with higher salary allocations, to allow more students to participate. (\$3.8 million Education Legacy Trust Account)



EARLY LEARNING

Department of Early Learning

Early Childhood Education and Assistance Program expansion

Expand ECEAP slots by 1,133 in 2018 and 1,575 in 2019, for a total of 2,708 new slots. Of this number, 20 percent are funded for three hours a day, 70 percent are funded for six hours a day and 10 percent are funded for 10 hours a day. (\$27.8 million General Fund-State)

Early Childhood Education and Assistance Program slot rate increase

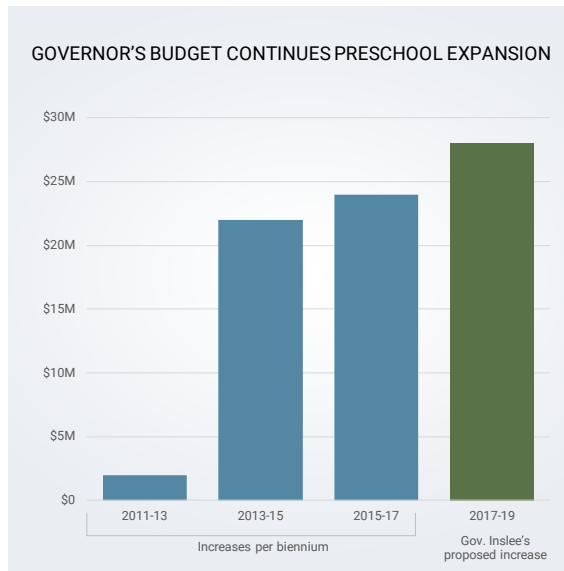
Increase the rates paid for ECEAP slots by more than 6 percent. Rates are increased by \$477 per child for three-hour slots, by \$610 per child for six-hour slots and by \$953 per child for 10-hour slots. (\$13.8 million GF-S)

Safeguard vulnerable children

Replace federal funds no longer available for Early Child Intervention Services. Use of federal Medicaid funds for this program was prohibited in 2014, which provides important services and treatment in a child care setting for more than 350 children ages birth through 5 with significant developmental, behavioral or mental health challenges. (\$2.1 million GF-S)

Early Childhood Education and Assistance Program summer school pilot

Create an ECEAP summer school pilot for 320 children who will receive three hours of class a



day over the summer before starting kindergarten in the 2017–18 school year. Another 320 children will receive six hours of class a day over the summer before starting kindergarten in the 2018–19 school year. Results of the pilot will determine at what rate ECEAP summer classes increase WaKids scores. WaKids is an inventory to measure children's readiness for kindergarten. (\$2.0 million GF-S)

Home visiting expansion

Expand the home visiting program for 180 more families beginning in 2019. Home visiting programs have positive impacts on children's

cognitive development and behavior, and will help achieve the Department of Early Learning's goal that 90 percent of children in Washington are kindergarten-ready by 2020. (\$1.3 million GF-S)

Reach Out and Read

Maintain the Reach Out and Read contract. More than 1,700 medical professionals will give free books to children and advise parents about the importance of reading while modeling age-appropriate child-adult interactions that promote literacy. (\$600,000 GF-S)

School for the Blind

Add staff

Fund a second staff member so Western and Eastern Washington are each covered and more children, ages birth to 3, are assessed for services that are offered in the community. (\$219,000 GF-S)

Reductions

Department of Early Learning

Early Achievers

Reduce funding for the Early Achievers Quality Rating and Improvement System. The reduction may be applied to one or more areas of the system such as support services, technical assistance, coaching, educational scholarships, professional tools and curriculum, training and professional development for child care providers. (save \$4.6 million GF-S)



HIGHER EDUCATION

Higher education

Increase higher education access and affordability for students and families: \$205.8 million

Tuition freeze

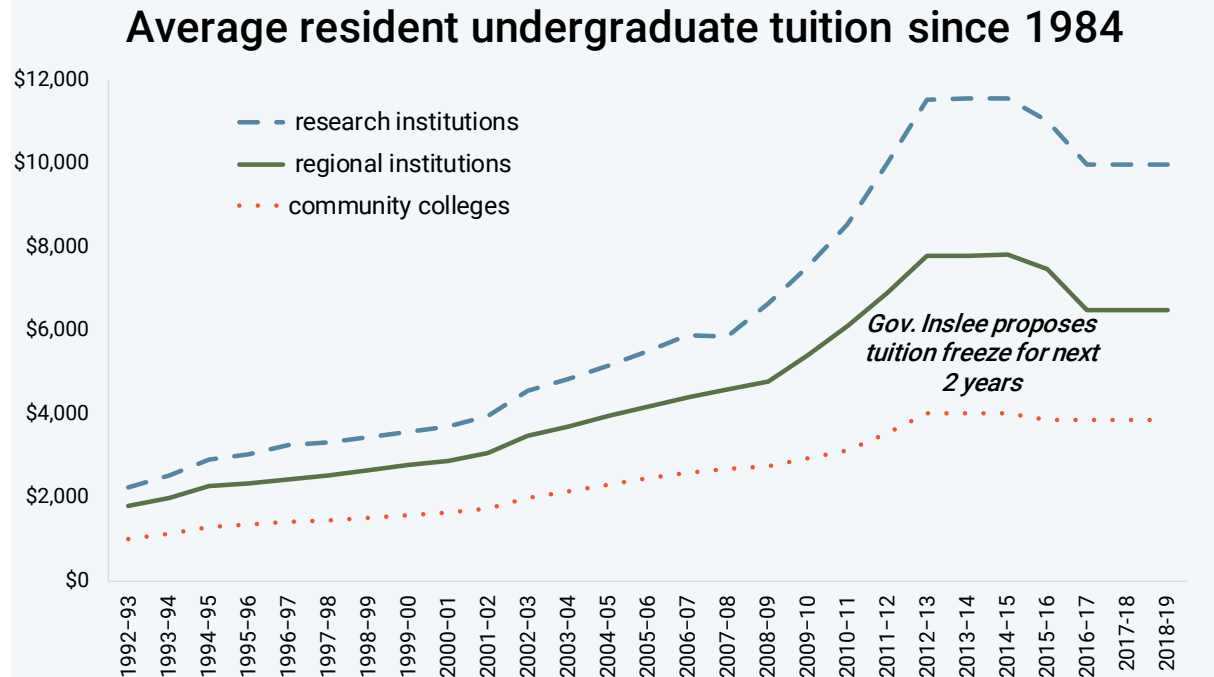
Freeze resident undergraduate tuition for both years of the biennium for public baccalaureate colleges and the community and technical colleges. The budget offsets a 2.2 percent and 2.0 percent resident undergraduate operating fee increase in each year, respectively, of the biennium. Future operating fee increases are assumed to be capped by the average annual percentage growth in the Washington median hourly wage for the previous 14 years. (\$56.4 million General Fund-State)

State Need Grant backfill and increase

Backfill the State Need Grant, a need-based financial aid program, for 2,100 students. The 2016 supplemental budget provided \$18.0 million for approximately 2,100 students on a one-time basis. Without additional funding, service levels for the State Need Grant would drop from 70,000 students now served to 67,900 in fiscal year 2018. The budget backfills to maintain service levels for these students and increases funding due to a projected increase in College Bound students who are eligible for a State Need Grant. (\$30.1 million GF-S)

State Need Grant expansion

Expand the State Need Grant for 14,000 eligible students each year, increasing the total number



After rising sharply from 2008 to 2012, tuition has been reduced by 14 percent at Washington's research institutions, 17 percent at our regional institutions and 4 percent at our community colleges. Gov. Inslee proposes freezing tuition in the next biennium.

of grant recipients from 70,000 students to 84,000 annually. In 2017, an estimated 24,000 students were eligible for the State Need Grant, but unable to receive it due to lack of funding. This investment decreases the number of unserved, eligible students by 60 percent, from 24,000 to 9,000 students annually. The State Need Grant increases college affordability and

improves college completion rates for low-income, nontraditional and returning college students. (\$116.3 million GF-S)

Opportunity Scholarship to professional and technical students

Expand the Opportunity Scholarship to students enrolled in professional-technical certificate or

HIGHER EDUCATION

degree programs, including pre-apprenticeships, apprenticeships, two-year degrees and certificates. State funds will leverage a 50 percent private match. This program is a partnership that provides scholarships to low- and middle-income students who have received their high school diploma or GED certificate in Washington and are pursuing a degree or certificate in approved fields, such as STEM or health care. To date, the state has provided \$71.5 million to match private contributions. (\$3.0 million GF-S)

Improve student success, retention and graduation rates: \$20.0 million

Student success initiatives

Target funding to campus initiatives related to academic advising, tutoring and other education supports at Eastern Washington University, Central Washington University, The Evergreen State College and Western Washington University. (\$10.0 million GF-S)

Guided Pathways

Hire 66 full-time equivalent staff to assist community and technical colleges with curriculum redesign, focused student advising and student supports using the Guided Pathways model. This evidence-based program improves student advising and boosts student completion rates. Each college will be able to hire one to four academic advisers to begin implementing Guided Pathways. (\$8.5 million GF-S)

MESA

Expand the Mathematics Engineering Science Achievement program by 750 slots at six

new sites. MESA provides advising, academic excellence workshops and other supports to students in traditionally underrepresented STEM fields. It has demonstrated better student outcomes and STEM degree attainment. New sites will be determined by the State Board for Community and Technical Colleges. (\$1.5 million GF-S)

Other

University of Washington medical school expansion

Continue support for 20 medical students in their third and fourth year of school and add 10 students for the first year of medical school in fall 2017 at the UW's Washington, Wyoming, Alaska, Montana, Idaho, medical education program — dubbed WWAMI — in Spokane and Eastern Washington, in partnership with Gonzaga University. The 2015–17 budget provided support for 40 students and one-time funding for 20 students. With the addition of a 10-student cohort, the total cohort is increased to 70. (\$10.0 million GF-S)

Washington State University medical school support

Enroll first class of medical students at WSU. Funding supports 60 students at the Elson S. Floyd College of Medicine starting fall 2017. (\$10.0 million GF-S)

Special Olympics

Support the 2018 Special Olympics USA games. The UW will host 3,500 athletes at the games in July 2018. (\$2.0 million GF-S)

Labor and workforce research

Expand South Seattle College's Washington State Labor Education and Research Center by three FTE staff. The center provides workforce education, conducts trainings, produces the Washington State Workplace Rights manual and teaches continuing education classes. New staff will extend its research capacity, increase classes and worker trainings, and develop an online associate degree in workforce and labor studies. (\$778,000 GF-S)

Advance the study of human rights

Expand efforts at the UW's Washington Center for Human Rights. The center coordinates with the schools of law, business, economics, public policy and international studies to advance work on global issues of international trade, immigration, labor and trade agreements to improve Washington's engagement in the international economy. (\$250,000 GF-S)

Honeybee research

Support honeybee and pollinator research at WSU. Declines in honeybees and other insect pollinators threaten the global food supply. (\$75,000 GF-S)



HEALTH & HUMAN SERVICES

Mental Health/Integration Package

Last year, Gov. Inslee set out to accomplish two tasks: make immediate changes at the state mental hospitals and in the mental health system to improve patient care and staff safety. The following are the investments he proposes to better serve individuals with mental illness in their communities and in state hospital settings. His budget also funds services and programs to integrate mental and behavioral health care.

Department of Social and Health Services – staff, services, facilities

Hospital compliance

Hire 137 staff to address federal compliance issues at the state psychiatric hospitals. This will result in increased safety and security, enhanced care settings, better infection control and improvements in quality assessment and performance. (\$52.7 million General Fund-State)

Mobile crisis teams

Add three mobile crisis teams to deliver more timely and effective responses to individuals in crisis for whom relocation to a facility will likely hinder successful intervention. Mobile crisis teams provide access to behavioral health professionals who can address the needs of individuals in crisis and diffuse a crisis before it escalates to a point at which an individual may need to be hospitalized or jailed. (\$3.7 million GF-S; \$1.2 million General Fund-Federal)

Step-down beds

Create 60 new step-down beds in the community that employ 24-hour staffing and offer both nursing and rehabilitative therapy. Community step-down beds are essential for individuals ready for discharge from the state psychiatric hospitals but still need assistance transitioning to life outside this setting. Beds will free up capacity at the state psychiatric hospitals. (\$4.6 million GF-S)

Housing and step-down services

Increase the Housing and Recovery through Peer Services program by two teams. These teams provide guidance by peers who assist in securing housing, provide strategies to maintain housing and give referrals for other services. HARPS will help prevent readmission to the state psychiatric hospitals and reduce the length of stay by helping individuals ready for discharge to find housing in the community. (\$2.8 million GF-S)

State community behavioral health hospitals

Establish nine new 16-bed community behavioral health hospitals to provide acute psychiatric inpatient care for civil commitments by 2023. These new facilities will enable more regional, specialized care for patients while keeping them closer to their home communities during inpatient treatment. Additional federal Medicaid funding will be available. (\$2.7 million GF-S; \$1.1 million GF-F)

Crisis walk-in centers

Create two new community crisis walk-in centers that allow individuals in mental health crisis to stay up to 23 hours under observation. Services include crisis stabilization and intervention, individual counseling, peer support, medication management, education and referral assistance. Crisis walk-in centers will reduce admission and re-admission to the state psychiatric hospitals and divert individuals from jail. (\$2.3 million GF-S; \$1.3 million GF-F)

Substance use disorder treatment and peer support

Integrate substance use disorder treatment and mental health treatment at the state psychiatric hospitals. National data indicates that approximately 24 percent of individuals diagnosed with serious mental illness experience co-occurring substance use disorders; that percentage may be higher for those admitted to a state psychiatric hospital. Integrated substance use disorder treatment, in combination with peer support specialties, will improve psychiatric symptoms and functioning, decrease hospitalization, increase housing stability and enhance the quality of life for clients served. (\$3.5 million GF-S)

Tribal behavioral health evaluation and treatment plan

Fund the development of a plan for a tribal behavioral health evaluation treatment facility.

HEALTH & HUMAN SERVICES

The plan will provide a recommendation for locating the facility that ensures access to culturally appropriate and timely behavioral health services for American Indian and Alaska Native individuals. (\$300,000 GF-S)

Department of Social and Health Services – long-term care and developmental disabilities services, support

Enhanced discharge placements

Create 356 new community alternative placement beds that prioritize the transition of clients ready for discharge from the state psychiatric hospitals, but who have additional long-term care or developmental disability needs. Creation of community placement capacity will reduce the length of stay of hard-to-place clients with complex needs. This will free up bed space and capacity at the state psychiatric hospitals. (\$63.1 million GF-S; \$36.6 million GF-F)

Discharge case managers

Hire 12.9 discharge case managers at the state psychiatrist hospitals. Discharge case managers transition clients ready for hospital discharge to alternative community placements. The quick transition of these clients will free up bed capacity at the state psychiatric hospitals. (\$1.5 million GF-S; \$1.3 million GF-F)

Financial service specialists

Hire 8.4 financial service specialists at the state psychiatric hospitals. Financial service specialists will transition clients ready for hospital discharge to alternative community placements. The quick transition of clients ready for discharge will free up bed capacity at the state psychiatric hospitals. (\$783,000 GF-S; \$778,000 GF-F)

Department of Social and Health Services – administrative support

Western State Hospital leave and attendance system

Replace manual scheduling processes with an automated staff scheduling system at Western State Hospital. An automated system will integrate and standardize staff scheduling so more staff time can be spent on direct care. (\$5.7 million GF-S; \$1.2 million GF-F)

Department of Social and Health Services – other

Opioid overdose death prevention

Award a demonstration grant from the federal Substance Abuse and Mental Health Services Administration to prevent prescription drug and opioid overdose-related deaths. (\$2.3 million GF-F)

Health Care Authority

Inpatient psychiatric payment rate

Fund a cost-based increase in the inpatient psychiatric payment rate paid to hospitals to increase capacity for community mental health services. This will cover 100 percent of inpatient psychiatric costs. (\$9.8 million GF-S; \$18.6 million GF-F)

Opioid response: medication-assisted treatment nurse case managers

Hire 10 nurse case managers to coordinate this program for Medicaid clients with opioid use disorder and to expedite the use of health homes for clients. (\$900,000 GF-S; \$1.0 million GF-F)

Pain management call center

Operate a telephone consultation line so primary care physicians can consult with medical professionals in pain management and medication-assisted treatment at the University of Washington. (\$676,000 GF-S; \$678,000 GF-F)

Department of Social and Health Services – other investments

Cash grant and income limits

Increase the cash grant and the income limit standard by 7.5 percent for the Temporary Assistance for Needy Families, the Family Assistance and the Refugee Cash Assistance programs. The average grant amount for a family of four will increase from \$613 to \$659 per month. The cash grant is also increased for the Aged, Blind and Disabled program from \$197 to \$400 per month. Effective state fiscal year 2019. (\$222,000 GF-F; \$43.4 million Carbon Pollution Reduction Account)

Residential rate increase

Increase the hourly rate paid to supported living providers by \$1.00. Supported living providers deliver valuable in-home care services to keep citizens living in community settings. Services include coordinating care and teaching client independence skills. (\$22.6 million GF-S; \$22.6 million GF-F)

HEALTH & HUMAN SERVICES

Asset limits for cash assistance

Eliminate the resource limit for the TANF, SFA and ABD programs. Currently, the resource limit for applicants is \$1,000 of liquid assets and no more than a \$5,000 vehicle exclusion. Effective state fiscal year 2019. (\$9.8 million Carbon Pollution Reduction Account)

Temporary Assistance for Needy Families work rate

Continue the Washington's Working Family Support program, which provides a monthly \$10.00 payment to eligible working clients who are not receiving TANF benefits. (\$9.5 million GF-S)

High school transition services

Provide employment services and programs for 819 graduating high school clients of the Developmental Disabilities Administration. This will boost success in career choices. (\$3.7 million GF-S; \$3.7 million GF-F)

Social workers to support kids

Hire 56 social workers to reduce caseload ratios to 18 families per social worker. This investment will improve the quality of case management, expedite positive outcomes for children and families, and enhance social worker recruitment and retention. (\$6.7 million GF-S; \$138,000 GF-F)

Means testing for kinship care

Eliminate means testing for kinship care TANF cases. Kinship caregivers provide child rearing when parents are unavailable or unable to look after the child. The caregiver's income will no longer be considered in the eligibility

determination for child-only TANF. Effective state fiscal year 2019. (\$2.5 million Carbon Pollution Reduction Account)

Health Care Authority

Federal Medicaid transformation waiver

Adjust Medicaid transformation waiver funds expected to be approved by the federal Centers for Medicare & Medicaid Services. The waiver funds three initiatives: 1) incentive-based payments for transformation projects to achieve sustainable goals of better care, better health and lower costs; 2) new services and supports for family caregivers who help people stay at home and avoid the need for more intensive services; and 3) supportive housing and supported employment services for those who are most vulnerable and have complex care needs. (\$240.1 million GF-F; \$207.6 million General Fund-Local)

Hepatitis C

Expand treatment for hepatitis C to approximately 6,000 Medicaid clients with less severe disease whose coverage has been mandated by court order. (\$41.1 million GF-S; \$131.8 million GF-F)

Healthier Washington savings restoration

Restore savings assumed in the 2017–19 budget. Under the Healthier Washington initiative, HCA and DSHS have established integrated clinical models of physical and behavioral health care. This improves the effectiveness of health care purchasing and delivery. Due to delays in integrating the clinical models, savings will not be fully realized. (\$61.0 million GF-S; \$75.8 million GF-F)

Department of Health

Foundational public health systems modernization and local health jurisdictions funding

Make investments to help stabilize local public health systems and improve the public health system's ability to respond to communicable diseases. (\$23.9 million GF-S)

Lead directive – school exposure

Test water fixtures over a three-year period in schools across the state, starting with older schools, as directed by the governor. (\$3.5 million GF-S)

Lead directive – community lead exposure

Identify and track children who are at the highest risk of lead exposure and have elevated levels of lead in their blood, as directed by the governor. (\$2.4 million GF-S)

Department of Corrections

Enterprise records staffing

Hire 25 records staff to ensure that offenders are confined and released as ordered by the court and screened for appropriate community supervision after release. (\$3.6 million GF-S)

Work release vendor rate increase

Increase rates by 15 percent for vendors who operate work release facilities for the department. (\$2.9 million GF-S)

Security specialists backfill

Continue funding for two regional staff counselors and 18 security specialists located at 12 prisons. These positions were previously funded

HEALTH & HUMAN SERVICES

with Auto Theft Prevention Account funds, but shortfalls in the fund require the use of the State General Fund. (\$2.9 million GF-S)

Bellingham work release

Expand the Bellingham work release facility which serves as a bridge between life in prison and life in the community. A benefit-cost analysis by the Washington State Institute of Public Policy identifies a positive net return on investment of \$5,757 for each work release participant. (\$1.2 million GF-S)

Sentencing Guidelines Commission

Adult sentencing guidelines

Evaluate adult sentencing guidelines. The commission will review sentencing practices across the state and make recommendations on reforms that improve public safety, reduce sentencing complexity, increase consistency and fairness, and reduce recidivism. (\$400,000 GF-S)

Veterans Affairs Administration

Veterans Conservation Corps intern

Expand the Veterans Conservation Corps Internship Program by 25 slots. Veterans enrolled in the program gain knowledge, skills and abilities that support their educational and employment goals. (\$374,000 GF-S)

Reductions

Health Care Authority

Hospital-based clinic rate

Eliminate facility fee payments for standard office visit services performed at a hospital-based clinic. Services performed at hospital-based clinics will be reimbursed identically to services provided in

individual provider facilities and outpatient clinics that are not hospital-based. (save \$20.8 million GF-S; \$21.4 million GF-F)

Department of Social and Health Services

Close Naselle Youth Camp

Close the Naselle Youth Camp for 76 youth, who will be relocated to Echo Glen Children's Center and Green Hill School. (save \$7.4 million GF-S)

Department of Health

Neurodevelopmental centers

Reduce funding by an average of \$40,000 per year for infrastructure support for 16 neurodevelopmental centers located across the state. (save \$1.3 million GF-S)

Department of Corrections

Allow earned time enhancements

Allow earned time credits to be prospectively applied to confinement pursuant to a weapons enhancement. Currently, if an offender has a weapon enhancement on one or more counts, the enhancement(s) are served consecutively to one another and consecutive to the underlying sentence. Current law does not allow incarcerated individuals to receive any earned time for the weapons enhancement portion of their sentence, but does allow earned time on the underlying sentence. This change allows earned time on an incarcerated individual's entire sentence, not just a portion of the sentence. The policy is based on research that finds recidivism rates are not higher for prisoners whose release is accelerated and that good time credits improve institutional safety and reentry outcomes. (save \$6.3 million GF-S)

Concurrent supervision

Require terms of supervision to be served concurrently unless the court expressly orders the terms to be served consecutively. This change simplifies supervision and will allow the department to more accurately track adherence with conditions and ensure treatment for the offender is delivered at the most appropriate time. (save \$5.9 million GF-S)



NATURAL RESOURCES

See the Capital Budget section for other natural resources appropriations.

Department of Agriculture

Asian gypsy moths

Continue programs to eradicate and monitor nonnative Asian gypsy moths, which threaten forests and the timber, nursery and Christmas tree industries. (\$180,000 General Fund-State; \$543,000 General Fund-Federal)

Department of Ecology

Clean Air Rule

Implement the agency's Clean Air Rule to reduce greenhouse gas emissions. This will reduce public health impacts; economic damage to industry, agriculture, forestry and infrastructure; and ecological damage to forests, fish and oceans. (\$4.6 million GF-S)

Washington Conservation Corps and Ecology Youth Corps minimum wage increase

Provide funding to cover the cost of Initiative 1433, which increased the state minimum wage. This will allow the agency to maintain 315 placements in the Washington Conservation Corps and 282 placements in the Ecology Youth Corps litter pickup program. (\$1.7 million State Toxics Control Account; \$114,000 other funds)

Oil spill prevention

Increase the tax on oil transported by rail and vessel to maintain oil spill prevention programs to protect water and lands. (Generates revenue of \$3.6 million per biennium)

Department of Fish and Wildlife

Enhance fishing opportunities

Maintain and increase recreational and commercial fisheries, associated jobs and economic benefits through investments in hatchery production, hatchery maintenance and fisheries management. Supported largely through increasing recreational and commercial licensing fees. (\$2.3 million GF-S; \$20.4 million State Wildlife Account)

Aquatic invasive species

Design prevention, enforcement and response activities to protect Washington waters from aquatic invasive species such as zebra and quagga mussels and green crabs. Impose new fees on seaplanes, nonresident-owned small watercraft and commercial vessels. Set new ship ballast water inspection fee. Expansion of these programs will benefit citizens, shellfish, fisheries and

Salmon and Habitat: A Commitment to Progress

For the past 18 years, the state has worked with tribal co-managers, regional salmon recovery organizations and local watershed groups to restore salmon. Despite improvements in habitat, hatchery practices and fisheries management, 13 of the 15 listed salmon and steelhead populations are still not meeting goals set in federally approved recovery plans.

The governor's budget makes significant investments in programs to protect and restore salmon and steelhead. It provides \$2.2 million to increase hydraulic project approval compliance and technical assistance to improve habitat protection and cut compliance costs. It invests another \$907,000 in the Puget Sound Partnership to maintain capacity – affected by shrinking federal funding – to manage the recovery of Puget Sound and \$780,000 to continue efforts at the Department of Fish and Wildlife to develop solutions to halt the decline of Puget Sound steelhead.

Salmon habitat and the removal of fish passage barriers are addressed with \$268.0 million in the capital budget through Floodplains by Design, Salmon Recovery Funding Board grants, Puget Sound Acquisition and Restoration projects, the Puget Sound Estuary and Salmon Restoration Program and the Coastal Restoration Initiative.

Primarily through increases for commercial and recreational fishing licenses, the governor's budget provides nearly \$25.0 million to stabilize hatchery programs and boost production in selected fisheries. Fisheries monitoring and enforcement is also increased to meet federal Endangered Species Act permit requirements. In addition, the capital budget includes \$70.2 million for improvements to the state hatchery system, including the Clarks Creek facility in Puyallup.

For other important work, the Yakima River Basin Integrated Plan is appropriated \$35.2 million for various projects, including the Cle Elum Dam and Clear Lake Dam fish passage. And \$31.8 million is directed to implementation of the Columbia River Basin Water Supply Development program to ease the burden on aquifers, among other projects.

NATURAL RESOURCES

outdoor recreation industry by reducing damage to native fish and wildlife. It will also protect the agricultural and energy sectors from disruption caused by mussels fouling turbines and irrigation intakes. (\$125,000 GF-S; \$1.9 million Aquatic Invasive Species Management Account; \$1.6 million other funds)

Hydraulic permit application outcomes

Improve customer assistance to applicants to ensure that HPAs are complete and projects are designed properly. Additional staff will improve compliance with the state hydraulic code by offering more public education, technical assistance and compliance visits. This will improve the permitting process for applicants while increasing protections for fish and their habitats. (\$1.0 million GF-S; \$1.3 million Hydraulic Project Approval Account)

Wolf management

Continue cooperative agreements for livestock damage prevention with ranchers and farmers. The agreements support nonlethal methods to minimize losses from wolves and other carnivores. They also support facilitation of the Wolf Advisory Group, composed of livestock producers, hunters and others, to minimize conflicts that may occur during wolf recovery. (\$1.5 million GF-S)

Global wildlife trafficking

Enhance implementation of Initiative 1401 passed by voters in November 2015, which places prohibitions against trafficking nonnative endangered species, parts and products. (\$898,000 GF-S)

Teanaway Community Forest

Increase dedicated staff and supplies to manage the 50,241-acre Teanaway Community Forest. Staff will implement the newly adopted forest management plan and its goals for stewardship, including boosting watershed protection, restoring forest health, retaining working lands, maintaining recreation access and fostering community partnerships. (\$756,000 GF-S; \$1.5 million bonds)

State Parks and Recreation Commission

Park services

Continue using litter tax revenues to support state parks operations. This will enable State Parks to maintain its current level of customer service, programs and maintenance to accommodate 30 million visits a year at 125 developed parks. (\$10.0 million Parks Renewal and Stewardship Account)

Parks maintenance

Increase preventive maintenance and preservation to campgrounds and historic structures. Funds will cover installation of 38 new and replacement of 32 automated pay stations for Discover Passes, boat launch permits, Sno-park permits and other agency use permits. This will offer state park visitors better service while cutting agency costs. (\$3.0 million GF-S; \$700,000 Parks Renewal and Stewardship Account; \$61.7 million bonds)

Engage youth and underserved communities

Award grants to local governments and nonprofits through the No Child Left Inside program for outdoor recreation and environmental education opportunities for an estimated 15,000 children. A strategy will be developed to increase participation

of at-risk youth and minority communities. (\$260,000 GF-S; \$2.0 million Outdoor Recreation and Education Account)

Department of Fish and Wildlife, Department of Natural Resources

Ocean acidification

Implement recommendations of the Marine Resource Advisory Council to combat ocean acidification. Funds will support research and propagation of native shellfish and seaweed populations at the National Oceanic and Atmospheric Administration's Manchester research hatchery. Support is continued for the council. (\$448,000 GF-S; \$150,000 Aquatic Lands Enhancement Account)

Puget Sound Partnership, Department of Fish and Wildlife, Department of Ecology

Puget Sound and salmon recovery

Backfill declining federal funding for the management and oversight of Puget Sound recovery efforts and the Puget Sound Action Agenda. Funds will be used to coordinate a Puget Sound monitoring program to ensure recovery efforts are guided by the most credible and useful data. Continues efforts to combat the decline in Puget Sound steelhead. Also continues investigation of impacts from urban stormwater on salmon survival to identify causes of pre-spawn mortality. (\$1.7 million GF-S; \$500,000 State Toxics Control Account)

NATURAL RESOURCES

Reductions/shifts

Department of Ecology

Staff level reduction

Extend the reduced staffing levels at numerous programs at the Department of Ecology to help manage shortfalls in the Model Toxics Control Act accounts. (save \$4.0 million State Toxics Control Account; \$1.0 million Environmental Legacy Stewardship Account)

Stormwater and shoreline grants

Reduce grants to local government. This will shrink local government capacity to update shoreline master programs and to meet stormwater management needs and stormwater permit requirements. (save \$2.9 million Environmental Legacy Stewardship Account)

Flood management

Cut flood planning grants and technical assistance to local governments for flood damage reduction projects and flood hazard management plans. (save \$2.0 million Flood Control Assistance Account)

Department of Fish and Wildlife

Payment in lieu of taxes

Continue reductions in the PILT program to counties to compensate for lost tax revenues for agency-owned lands. Payments are increased by 15 percent to provide compensation for additional land purchases. (save \$3.2 million GF-S)

State Parks

Parks operation fund shift

Shift a portion of base funding for park operations from the State General Fund to the Parks Renewal and Stewardship Account due to higher-than-expected revenue growth. (\$2.1 million from GF-S to Parks Renewal and Stewardship Account)



GENERAL GOVERNMENT

Department of Archaeology and Historic Preservation

Assistant state physical anthropologist

Maintain the assistant state physical anthropologist position and continue funding to the Skeletal Human Remains Assistance Account. This will ensure timely recovery of human remains and repatriation to affected tribes. It will also continue grant assistance for removal of human remains to avoid lengthy construction project delays. (\$206,000 General Fund-State; \$140,000 Skeletal Human Remains Assistance Account-State)

Office of the Attorney General

Child permanency

Increase staff in Seattle, Tacoma, Olympia, Vancouver and Spokane to address an increase in child welfare-related litigation proceedings. Additional attorneys and legal support staff in these locations will help the Department of Social and Health Services to protect children from abuse and neglect and to achieve timely permanency for children. (\$4.5 million Legal Services Revolving Fund-State).

Ratepayer advocacy

Add legal staff and funding for expert witness analysis to represent ratepayers in regulatory proceedings before the Utilities and Transportation Commission. Ratepayers will benefit from advocacy and expert testimony in utility rate increases, service delivery,

environmental initiatives and other regulatory issues. (\$1.4 million Public Service Revolving Account-State).

Public Disclosure Commission

Legal services

Increase legal support. Growth in complex campaign finance litigation and citizen action complaints has led to higher legal costs, which are expected to continue into the 2017–19 biennium. Additional funding ensures the commission has the resources to enforce campaign finance and disclosure laws. (\$45,000 GF-S)

Secretary of State

Voter registration and elections information

Upgrade the voter registration database and elections information system. The database is used to manage voter registration and ensure accuracy of voter rolls. The elections information system provides online services for voters and candidates, including electronic voter registration, voter guides, candidate filing and election results reporting. These 10-year-old systems are reliable, but need to be upgraded to ensure long-term stability and to take advantage of new technologies to efficiently implement changes in law and best practices. (\$5.9 million GF-S)

Census and redistricting

Participate in the U.S. Census Bureau's Redistricting Data Program and prepare for

redistricting. Participation in the program improves the accuracy of the census and lays the foundation for the work the Washington State Redistricting Commission will conduct in 2021. (\$204,000 GF-S)

Department of Commerce

Low-Income Home Energy Assistance Program

Provide more low-income households with energy payment assistance. LIHEAP assists households at or below 125 percent of the federal poverty level, or at or below 60 percent of the area median income, with utility payments. LIHEAP provides an energy assistance grant directly to the energy provider on behalf of the eligible household. The program may also help repair or replace unsafe, dysfunctional or inoperative heating systems. LIHEAP is currently funded with federal dollars and served more than 75,000 households in fiscal year 2016. Additional state funding will provide assistance to about 29,500 more eligible households each fiscal year. (\$25.0 million Carbon Pollution Reduction Account-State)

Reduce homelessness

Expand temporary rent assistance for homeless families with children, expand permanent housing with wraparound services for harder-to-serve chronically homeless families and individuals, and increase the number of youth who exit a state system, such as juvenile detention, to safe, stable housing. The state has made progress in

GENERAL GOVERNMENT

reducing the number of people who experience homelessness. However, a lack of affordable housing stock, chronic mental illness and chemical dependency continue to be barriers to people staying stably housed. These new investments will reduce the incidence of homelessness throughout the state. (\$20.0 million GF-S)

Economic development

Maintain a sector-based approach to economic development and expand economic “gardening” grants. Sector-based economic development increases the output of industry sectors vital to Washington’s economy: aerospace, clean energy, forest products, information and communications technology, life sciences, maritime and the military. Economic gardening grants, an entrepreneur-based approach to economic development, help small companies advance to the next stage of business development, remain in their community and hire local workers. (\$1.9 million GF-S)

Lead-based paint abatement

Protect Washingtonians against poisoning from lead-based paint. Lead-based paint has been safely removed from many of the estimated 1.5 million residential properties in the state built before the paint was banned. Higher fees for lead-based paint abatement certifications will fund more technical assistance services and compliance staff. (\$376,000 Lead Paint Account)

Consolidated Technology Services Infrastructure for cloud services

Invest in core technologies to ensure the state network is ready for more cloud services usage. These investments include identity management (to ensure users are able to access the right services and data, and to ensure access is terminated when no longer necessary), network capacity (to establish a connection with sufficient bandwidth to a cloud aggregation vendor that will provide direct access to cloud service providers) and information security (to mitigate the risk of storing state data outside the state network). (\$5.7 million Consolidated Technology Services Revolving Account Nonappropriated)

IT master contracts

Provide technology expertise to the Department of Enterprise Services. The Office of the Chief Information Officer will help DES to establish IT master contracts that keep up with changing technology and reflect current technology and security policy. (\$550,000 Consolidated Technology Services Revolving Account-State)

Office of Financial Management One Washington

Continue development of One Washington, the comprehensive business transformation program to modernize and improve aging administrative systems and related business processes that are common across state government. Funding will be

used to design the long-term program blueprint that will detail the readiness, planning and implementation activities of the next four biennia. (\$4.5 million Statewide Information Technology System Development Revolving Account-State)

Military Department

Access and functional needs coordinator

Work with state agencies, political subdivisions, school districts and nonprofit organizations to get vital emergency information to populations that are otherwise difficult to reach. This could include ensuring evacuation orders are provided in appropriate languages for populations with limited English proficiency and developing evacuation and response plans that account for residents with disabilities or who need special assistance. (\$234,000 GF-S)

Commission on Asian Pacific American Affairs Needs assessment

Assess Washington’s Asian American and Pacific Islander communities about education, health and human services and economic development to inform the public, state agencies and policymakers about needs. Funding will also allow the commission to hold some of its meetings in Eastern Washington and fund additional translation and interpretation services. (\$50,000 GF-S)

GENERAL GOVERNMENT

Reductions

Department of Commerce

Walla Walla Community College Environmental Center

Terminate Commerce's management of a grant to the community college for the operation of its water and environmental center. The grant assists the center with program and curriculum development, outreach and strategic planning for the school. (save \$750,000 GF-S)

Retired Senior Volunteer Program

Terminate the state match for RSVP, which contracts annually with 17 nonprofit organizations to recruit about 7,900 volunteers who provide a variety of community services in 32 counties. (save \$612,000 GF-S)

Northwest Agriculture Business Center

Terminate Commerce's contract with the Northwest Agriculture Business Center. This terminates business assistance for farms, value-added agriculture businesses and farm-based businesses in Island, San Juan, Skagit, Snohomish and Whatcom counties. The center will continue to offer assistance to agricultural-based businesses in these counties with funding from other sources, including the U.S. Department of Agriculture. (save \$600,000 GF-S)

Washington State Arts Commission

Arts in Education grants

Reduce grant investments to local arts organizations and K-12 schools. Fewer grants will be awarded for Arts in Education partnerships, and to professional arts organizations and local governments that sponsor activities for the public. (save \$350,000 GF-S)



STATE EMPLOYEES

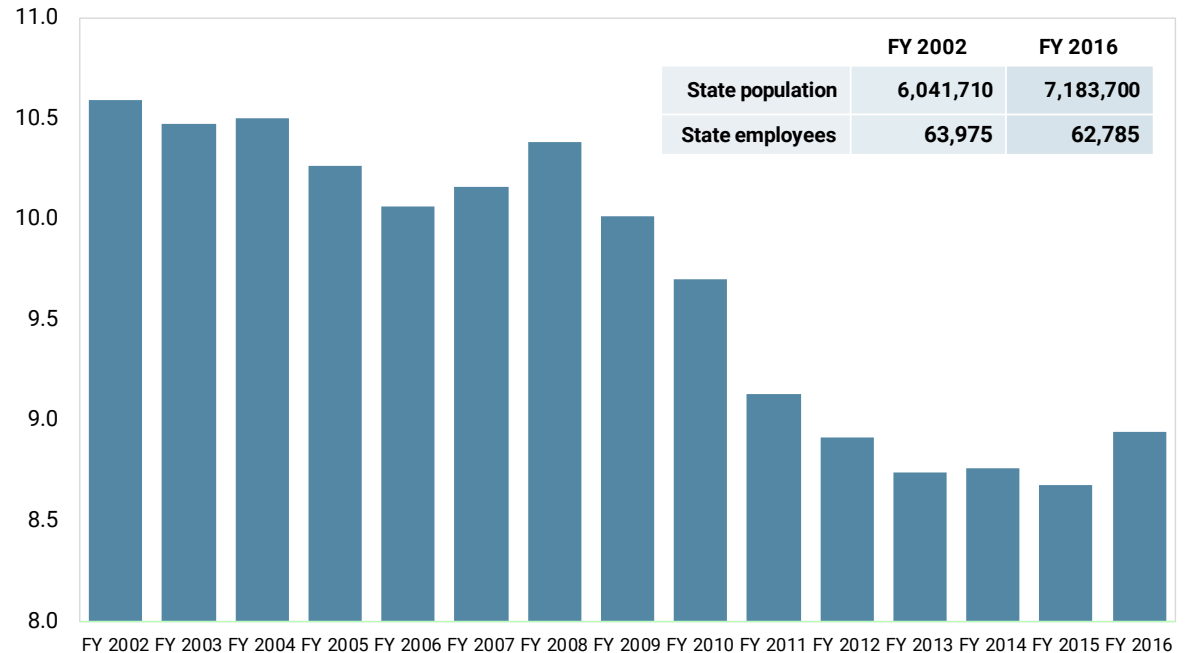
Gov. Inslee is committed to building an effective and efficient state government, and he believes it all starts on the frontlines. That's why his Results Washington initiative is engaging frontline workers across the state in an ever-expanding quest to improve how state government serves its citizens and wisely uses taxpayer dollars.

The governor also understands how important it is to give agencies the resources and tools they need to attract and retain the strongest possible workforce. But that has been a challenge, especially in certain areas, such as our state psychiatric hospitals and the Washington State Patrol.

Prior to 2015, state employees had gone six years without a general wage increase — the longest stretch since the early 1960s that they had not seen such a raise. In fact, at the height of the Great Recession, employees agreed to take a two-year, 3 percent pay cut to help the state weather the storm. Meanwhile, state employees are having to pay a larger share of their benefit costs. The average employee contribution to medical costs is now \$161 per month, compared to less than \$28 per month in 2001.

All told, as a share of the General Fund budget, state employee salaries and benefits have fallen from 21 percent in 2008 to less than 17 percent in the current fiscal year.

AS POPULATION HAS CONTINUED TO GROW, THE STATE WORKFORCE HAS SHRUNK



*Based on actual state employee head count. Does not include higher education.

In 2001, there were nearly 6 million people in Washington and about 64,000 state general government employees. Today, Washington's population is more than 7 million and general government employees total fewer than 63,000. Put another way: We have 1.5 million more people being served by 1,200 fewer state employees.

The governor's proposed 2017–19 budget includes funding for a modest general wage increase for most general government and community college employees, and larger, targeted raises to address recruitment and retention issues in certain job classes. The increases are the result of new

collective bargaining agreements and interest arbitration awards the state recently reached with 38 unions representing about 50,000 state employees and 47,000 publicly funding nonstate employees.

STATE EMPLOYEES

For most general government and community college employees, the agreements include:

- » A general wage increase phased in over the biennium (2 percent effective July 1, 2017; 2 percent effective July 1, 2018; and 2 percent effective Jan. 1, 2019)
- » A starting wage of at least \$12 per hour
- » Class-specific increases to address issues such as recruitment and retention or higher-level duties and responsibilities. While the types of classifications vary, there was particular investment in stabilizing the workforce in areas of public safety (Washington State Patrol commissioned officers) and health and human services (staff at state hospitals and social workers).

The agreements for nonstate employees, such as home care workers, include a variety of increases in hourly wages or daily rates as well as other provisions related to health and safety issues.

General wage increases awarded by interest arbitration for four agreements covering a small number of Washington State Ferries employees range from 6 percent to 13 percent over the biennium. An arbitrator awarded many Department of Corrections employees a 10.5 percent increase while, in another arbitration, employees were awarded targeted increases along with the phased-in general wage increase.

The state and its employees also reached agreement on health care benefits that calls for continuing the current premium split under which the state pays an average of 85 percent and the employee pays an average of 15 percent.

Altogether, the new collective bargaining agreements are projected to cost \$500 million General Fund-State over two years, including about \$142 million for publicly funded nonstate employees. Extending the similar pay adjustments, including the general wage increases, to nonrepresented employees — largely in higher education — will cost about \$232 million GF-S.



TRANSPORTATION

Department of Transportation

Connecting Washington investment package

Continue delivery of 132 projects that improve the movement of goods and people throughout the state, as authorized by the Legislature in the 2015 Connecting Washington package. (\$16.0 billion, multi-year)

Traffic relief

Fund the following highway improvement projects to reduce traffic:

- » I-405 northbound shoulder lane – \$11.5 million
- » Begin addressing I-405/SR 522 interchange to I-5 bottleneck – \$5.0 million for future project planning
- » Add capacity on I-5 from Seneca Street to Olive Way – \$17.5 million
- » Add capacity on SR 167 from Puyallup to the SR 18 interchange – \$20.0 million

Fish passage barrier removal

Add funding to meet court-ordered removal of fish passage barriers to improve fish access to habitat. This represents a \$145.3 million increase over current funding levels and provides an average biennial spending level of about \$90.0 million over the next 16 years. (\$97.5 million 2017–19; \$724.0 million over 16 years)

New tolling customer service vendor

Start replacement of the tolling customer service collection system. Funding will be used to acquire

both a vendor-provided software system to process toll collections and a customer service operations vendor. Full implementation will occur by the end of 2019. (\$28.0 million 2017–19)

Ferry vessel maintenance

Use available federal funding for parts, materials and contract support costs for nonroutine maintenance on ferry vessels to reduce out-of-service time. State funding will be used to add two apprentices at the Eagle Harbor Maintenance Facility to meet the demands of routine and emergency electrical work on vessels and terminals. (\$8.7 million 2017–19)

Electric vehicle infrastructure

Provide financial assistance for installing publicly accessible electric vehicle charging stations. Funding comes from the state and a portion of the recent Volkswagen national settlement. (\$4.0 million 2017–19)

Standby ferry vessel

Maintain the 87-car MV Klahowya as the standby vessel to minimize service and capacity reductions when a ferry vessel breaks down or is taken out of service for planned maintenance. (\$1.2 million 2017–19)

High-speed rail study

Initiate a feasibility study of creating an ultra-high-speed rail corridor in Washington. Ultra-high-speed (defined as 250 mph or more) would offer a new travel option. The study will analyze the economic and environmental feasibility as well as financing options for a potential new system. (\$1.0 million 2017–19)

Department of Licensing

Federal compliance issues for driver's licenses

Reduce the fee for a six-year enhanced driver's license and enhanced identicard from \$108 to \$90. Bring Washington's standard driver's license into compliance with federal requirements.

Expand capacity at the Department of Licensing offices to process enhanced driver's licenses and enhanced identicards. Hire up to 25 new licensing service representatives to keep short wait times and quickly process transactions. (\$10.2 million 2017–19)

Washington State Patrol

Additional state trooper cadet class

Fill vacancies in the Washington State Patrol by adding a third cadet class. The additional class will fill vacancies faster than the current two classes operated each biennium. (\$1.9 million 2017–19)



Photo courtesy of Sellen Construction Co.

CAPITAL

Mental health

**Department of Social and Health Services,
Department of Commerce**

Mental health community capacity

Expand community placement for individuals in crisis and those needing long-term mental health treatment. Creates three 16-bed psychiatric hospitals, two crisis walk-in centers, two drug and alcohol detox facilities, six enhanced service facilities and other placements for hard-to-serve patients. (\$56.3 million bonds)

**Department of Social and Health Services
Improvements at Western State Hospital**

Consolidate and make improvements to the Western State Hospital campus to better treat forensic and civil commitment patients. Preserves facilities, adds treatment and recovery space, and enhances campus safety and security. (\$16.2 million bonds)

**Department of Social and Health Services
Child Study and Treatment Center: Children's Long-term Inpatient Program capacity**

Expand the Child Study and Treatment Center for children 5- to 18-years-old who are severely mentally ill. Current capacity is 47 beds, and this funds 18 more beds. (\$12.1 million bonds)

**Department of Social and Health Services
Improvements at Eastern State Hospital**

Repair and remodel facilities for patient safety and other essential needs. (\$10.9 million bonds)

Housing and homelessness

**Department of Commerce
Housing stock**

Provide loans and grants for 1) affordable housing projects to produce a minimum of 1,700 homes and 100 beds; 2) assistance to affordable housing developers to overcome barriers to development and infill; 3) cleaning up brownfields sites for affordable housing development; and 4) preserving approximately 284 homes through major building improvements and system replacements necessary for the Housing Trust Fund portfolio to maintain long-term viability. These investments will serve a broad spectrum of vulnerable populations, including homeless people with chronic mental illness and individuals who are no longer receiving active treatment at a state psychiatric hospital, homeless families and individuals, farmworkers, seniors and individuals with special needs. (\$101.8 million bonds; \$10.0 million Public Facility Construction Loan Revolving Account; \$3.2 million Washington Housing Trust Account)

Energy

**Department of Commerce
Clean Energy Fund**

Award grants that develop, demonstrate and deploy technologies that save energy and reduce energy costs, cut harmful air emissions or increase energy independence for the state. Grants can also be used to modernize the electricity grid through

projects that advance clean and renewable energy technologies. (\$60.0 million Carbon Pollution Reduction Account)

**Department of Commerce
Weatherization**

Assist low-income households in all 39 counties in improving home energy. The program allows the state to maximize utility partnerships that offer payment arrangements and funding. (\$28.0 million Carbon Pollution Reduction Account)

**Department of Commerce
Energy efficiency and solar grants**

Award grants to state agencies and local governments for projects that improve the energy efficiency of public facilities and street lighting, and install solar systems to reduce energy demand and costs. (\$20.0 million Carbon Pollution Reduction Account)

Infrastructure

**Department of Commerce, Department of Health, Department of Ecology
Water systems**

Provide assistance to local governments to repair, replace and expand wastewater and drinking water systems. (\$74.0 million bonds; \$387.0 million federal and other funds; \$1.6 million Carbon Pollution Reduction Account)

CAPITAL

Lead-based paint

Department of Health, Office of Superintendent of Public Instruction

Lead remediation

Remediate known lead paint hazards in approximately 100 homes, child care facilities, rental properties and private schools to prevent harmful effects of lead exposure on young children. Replace water fixtures in public schools where testing indicates lead in drinking water. (\$2.0 million bonds)

Public health

Department of Health

Public Health Laboratory

Add new wings to the State Public Health Laboratory in Shoreline to accommodate the requirement that it conduct 17 new health screening tests. As a regional resource, the lab screens for and combats new diseases in Washington, California, Hawaii, Oregon and Alaska. The lab also does diagnostic work on Zika, E. coli and drug-resistant diseases on a national level. (\$9.4 million bonds)

Fire Training Academy

Washington State Patrol

Fire Training Academy improvements

Advance training capabilities by replacing the structurally inadequate burn building with one that better withstands live-fire training exercises and promotes more efficient training. (\$7.5 million certificate of participation; \$3.0 million Fire Service Training Account)

Preservation of state assets

Department of Social and Health Services, Department of Enterprise Services, Department of Corrections

Various projects

Preserve state-owned facilities and protect the health and safety of staff, clients and visitors. (\$169.0 million bonds; \$38.4 million other funds)

Natural resources

Model Toxics Control Act

Impose a surcharge on the hazardous substance tax when annual HST revenue is less than \$160 million. When annual revenue exceeds this amount, the surcharge is no longer imposed. This will help achieve stable funding for MTCA projects and activities, which will give local governments sufficient planning opportunity and continue the funding of longstanding environmental and public health protection work statewide.

Department of Ecology, Washington Pollution Liability Insurance Agency

Clean up and prevent hazardous waste

Award grants to local governments to clean up toxics sites and underground storage tanks to protect public and environmental health. The grants create jobs and promote economic activity by redeveloping contaminated sites. A total of \$5.3 million restores the 2016 supplemental budget reduction and keeps these important toxics cleanup projects moving forward. (\$12.8 million bonds; \$47.1 million other funds, including the Hazardous Substance Tax; \$20.0 million PLIA Underground Storage Tank Revolving Account)

Department of Ecology

Hazardous waste reduction/coordinated prevention grants

Award grants to local government for solid and hazardous waste plans for waste reduction and recycling programs, household hazardous waste collection and regulatory oversight. (\$10.0 million Hazardous Substance Tax)

Department of Ecology

Water supply, stormwater and flood protection

Award grants to tribes, local governments, state agencies and nongovernmental organizations for projects that restore natural conditions in floodplains, construct flood protection and stormwater systems and increase water supply to basins. A total of \$30.1 million restores the 2016 supplemental reduction and continues these important stormwater projects. (\$132.9 million Carbon Pollution Reduction Account)

- » Catastrophic flood relief – \$50.0 million
- » Columbia River water supply development program – \$31.8 million
- » Floodplains by design – \$20.3 million
- » Othello water supply and storage – \$1.5 million
- » Stormwater financial assistance program – \$70.0 million
- » Yakima River Basin water supply – \$31.1 million

Washington Wildlife and Recreation Program, Recreation and Conservation Funding Board
Recreation and habitat

Support habitat conservation, outdoor recreation, riparian protection, farmland preservation and trails, including grants to local governments and other nonprofit organizations to construct or renovate outdoor facilities. (\$100.0 million bonds)

CAPITAL

State Parks and Recreation Commission

Preserve park assets

Build or improve cabins, restrooms and other part amenities to enhance the experience of visitors to state parks. (\$61.7 million bonds; \$7.3 million other funds)

Fish

Recreation and Conservation Funding Board

Salmon recovery

Protect and restore salmon habitat by replanting stream banks and dikes; removing levees; and acquiring pristine habitat in the Puget Sound basin and throughout the state. (\$102.5 million bonds; \$50.0 million federal)

Department of Fish and Wildlife, Recreation and Conservation Funding Board

Fish passage barrier removal

Ensure compliance with federal regulations and state priorities by constructing hatchery water intakes and fish screening and related hatchery infrastructures. Provides \$19.7 million in grants to local, tribal and private entities and small forest landowners for fish barrier removal and coordinating a statewide strategy. Also provides \$12.5 million for coastal restoration grants for watersheds; creek, prairies and wetlands conservation and restoration; barrier removal; and culvert corrections projects. (\$64.8 million bonds)

Department of Fish and Wildlife

Hatcheries production

Construct and renovate hatcheries and related infrastructures to meet new fish culture rearing standards and provide better fish and water inventories as well as to ensure recreational fish

opportunities in rivers and lakes throughout the state. (\$25.0 million bonds)

- » Eells Spring hatchery renovation – \$8.8 million
- » Hoodspout hatchery pond renovation – \$4.8 million
- » Kalama Falls hatchery raceways and pollution abatement design and permit – \$1.0 million
- » Marblemount hatchery design and permit – \$500,000
- » Clarks Creek (Puyallup) rebuild – \$10.1 million

Forest fires

Department of Natural Resources, Department of Fish and Wildlife

Hazard reduction

Reduce forest fire hazards on state trust lands and high-risk private noncommercial timber lands. Of the total, \$15.0 million is for forest health thinning on 10,000 acres of Department of Fish and Wildlife lands. The work includes prescribed burning of up to 7,000 acres per year. (\$45.0 million Carbon Pollution Reduction Account)

Youth programs

Department of Commerce, Recreation and Conservation Funding Board

Youth recreation programs

Build and renovate indoor and outdoor recreational facilities for youth. (\$11.0 million bonds)

Early learning

Department of Commerce

Early learning facility grants

Award facility construction and renovation grants to current and potential providers in the Early Childhood Education Assistance Program and the

Early Achievers program. This funding will help provide up to 7,400 slots needed for ECEAP, as required by law by the 2020–21 school year. (\$26.3 million bonds)

K-12 education

Office of Superintendent of Public Instruction Kindergarten-through-sixth-grade classroom space increase and K-12 construction

Increase state-funded classroom space in public school facilities for K-6. This will reduce financial strain on school districts and help the state achieve lower class sizes for all elementary school grades. Also replace, modernize and build new schools. (\$752.0 million bonds; \$227.0 million Common School Construction Account)

Office of Superintendent of Public Instruction Kindergarten-through-third-grade class size reduction grants

Award state grants to school districts for the construction and acquisition of K-3 classrooms. These grants will help school districts add classrooms outside the state's primary school construction program and lessen the local burden for dealing with immediate K-3 classroom shortages. (\$270.0 million bonds)

Office of Superintendent of Public Instruction Skills centers

Fund construction of new facilities at the Tri-Tech Skills Center in Kennewick and Cascadia Technical Academy in Vancouver, and preconstruction for modernization of the West Sound Technical Skills Center campus in Bremerton. Provide additional

CAPITAL

funds for minor repairs throughout the skills center system. (\$23.1 million bonds; \$4.6 million School Construction and Skill Centers Building Account)

Office of Superintendent of Public Instruction Science, technology, engineering and math classroom grants

Help school districts develop STEM laboratories and classrooms to aid students graduating in 2019 to meet new graduation requirements. Grants will supplement school district funds for project design, construction and renovation for STEM-related equipment and for IT systems. (\$15.0 million bonds)

Higher education – four-year institutions

Eastern Washington University Interdisciplinary science center

Construct an interdisciplinary science center to house teaching labs and support space for the biology, chemistry/biochemistry, geology and physics departments. The current science building, built in 1962, has serious deficiencies and is unable to meet program needs and accommodate expected STEM enrollment growth. (\$67.0 million bonds)

Washington State University Plant sciences building

Build a new plant sciences building on the Pullman campus. The building will house faculty and associated students and feature research programs in plant biochemistry, plant pathology, horticulture and crop sciences. This project will complete construction of the complex of facilities that supports collaboration among the university's plant scientists. (\$58.9 million bonds)

University of Washington Burke Museum

Complete construction of the new, larger Burke Museum on the Seattle campus. The new facility is scheduled to be completed during the 2017–19 biennium and will ensure that museum assets are protected and publicly accessible. (\$24.2 million bonds)

University of Washington Center for Advanced Materials and Clean Energy Technology

Complete design and begin construction of a research building to house CAMCET and clean energy test beds. CAMCET will be an interdisciplinary center with faculty from various science and engineering programs. It will house learning labs, research labs, meeting rooms and multidisciplinary space. (\$20.0 million bonds)

University of Washington Population health sciences building

Construct a facility to advance efforts to improve the health and well-being of people around the world. The Gates Foundation is contributing \$210.0 million to the facility, which will serve as a research hub for faculty and others working on an ambitious new population health initiative to address challenges such as poverty, health care access, equity and climate change. The building will support 1,500 students, 30 of whom will be Institute of Health Metrics students. (\$20.0 million bonds)

Higher education – community and technical colleges

Edmonds Community College Science, engineering and technology building

Build a science, engineering and technology facility to meet growth needs of programs in allied health, engineering, materials science, mathematics and natural sciences, construction management, occupational safety and health technician, and construction trades. The building will also provide space for the IT department, multiuse classrooms and faculty offices. (\$37.8 million bonds)

Big Bend Community College Professional technical education center

Replace five 1950s-era military facilities with a centralized professional technical education center. The new facility will encompass 76,000 square feet and provide flexible industry lab space that can be adapted to meet changing program and community needs. New technological infrastructure will be featured in the facility to allow for more rural outreach and innovative education delivery strategies. (\$35.0 million bonds)

Whatcom Community College Learning commons

Construct a learning commons building to help the college meet growing student enrollments and provide access to student services. The learning commons will be a three-story, 65,000-square foot facility with space for academic support services such as tutoring, math and writing centers, and for library resources. It will also provide the space needed to serve 816 new students. (\$34.0 million bonds)