



DRAFT 2011-13 State Budget Impacts on Cities

This summary describes some of the impacts to cities in the 2011-2013 budgets as passed by the Legislature (6-15-11) as well as the House (2-29-12), and Senate (3-3-12) proposed supplemental budgets . For more information visit the LEAP website: <http://leap.leg.wa.gov/leap/budget/detail/2012/ho2012p.asp>

Issue	As Passed the Legislature 6-15-11 (2ESHB 1087)	2012 Supplemental as passed the House 2-29-12 (ESHB 2127)	2012 Supplemental as passed the Senate 3-3-12 (ESB 5967)
State-shared revenues			
Liquor Revolving Account	\$69.3 M appropriated; city distributions go from 40% to 38.6% (a 3.4% reduction - transferred to state general fund).	\$90.6 M is appropriated. This includes \$48.8 M to cities and counties (\$38.8M comparable period + \$10M - per I-1183). \$41.8M is transferred to state general fund. The diversion of excess funds to the state general fund is permanent .	\$86.9 M is appropriated. Of this, \$41.8 M is transferred to the state general fund. SB 6615 makes the taking of any excess revenue (beyond what is set forth in I-1183) permanent .
Liquor Excise Tax Account	\$52.2 M appropriated; amount to state goes from 65% to 66.19% (a 3.4% reduction - transferred to state general fund).	\$39.7 M is appropriated for this biennia. \$14 M transferred to the state general fund. Note: This permanent elimination of this revenue stream will begin January 2013.	\$25.6 M is appropriated for this biennia. Beginning July 1, 2012, liquor excess taxes are transferred to the state general fund. SB 6615 makes this elimination permanent .
Streamlined Sales Tax Mitigation	\$49.6 M appropriated (a 3.4 % reduction - transferred to state general fund).	\$49.3 M is appropriated.	Same as House proposal.
Municipal Criminal Justice Assistance Account	\$26.9 M appropriated (a 3.4% reduction - transferred to state general fund).	\$19.9 M is appropriated. \$7.3M is transferred to the general fund. NOTE: Beginning January 2013 the Municipal Criminal Justice Assistance Account is permanently eliminated.	\$26.8 is appropriated.
City-County Assistance Account	\$16.6 M appropriated; however, percentage of state REET dedicated goes from \$1.6% to 1.546% (a 3.4% reduction - transferred to state general fund).	\$12.2 M is appropriated. Difference is due to fewer REET collections.	Same as House proposal.
Annexation Sales Tax Credit	Left intact.	Left intact	Left intact.

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Programs			
Pensions	<u>Eliminate Automatic PERS 1 COLA</u> : Saves local governments \$353 M and saves the state \$362 M.	No additional changes to pension contributions.	Align LEOFF Plan 2 contributions with other state pension plans - Reduces state, local government and employee contribution rates to the LEOFF Plan 2 pension system to align with the method used by other state pension plans. The following rates, which do not include the Department of Retirement Systems' administrative fee, are effective beginning July 1, 2012: member, 6.53% of pay; employer, 3.92% of pay; and state, 2.61% of pay (this is approx. 80% of pension rates adopted by the LEOFF 2 Board. These contribution rates will be in effect through June 30, 2013. This will result in an approximate savings of \$25 M to cities and counties. Also, the state intends to skip the PERS, TERS, and SERS Plan 1 unfunded liability payment for 2013 FY (per SB 6378). This will be a \$118.7 M to local governments (cities and counties are approx. 85%).
Basic Health Plan (BHP)	Reduction of \$129 M. Enrollment in the BHP will be limited to people who are eligible for services under the Medicaid waiver for the BHP beginning March 1, 2011 (per ESHB 1086). New admissions to the BHP will continue to be frozen throughout the 2011-13 biennium. An average of approximately 37,000 persons per month are expected to be covered by the program during FY 2012, and an average of 33,000 per month during FY 2013.	No changes to enacted budget.	No changes to enacted budget.
Disability Lifeline	The Disability Lifeline - Unemployable (DL-U) Program is terminated effective October 31, 2011. Funding previously used for cash grants to individuals in the DL-U is transferred to the Dept. of Commerce to provide grants to counties and non-profit providers for housing and essential needs for individuals in the program, within available resources. Assistance may not be provided in the form of cash grants. The amount transferred for the 2011-13 biennium is \$64.1 M.	No changes to enacted budget.	Eliminates Disability Lifeline Medical (\$41 M savings to state)

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Funding for Critical Access Hospitals	\$224 million (36% of the state general fund reductions are due to reduced provider payments. The largest components are a \$110 million reduction in state Medicaid payment rates for non-rural, non-governmental hospitals (8% for inpatient services and 7% for outpatient services), and a \$42 million (approximately 11%) reduction in payment rates for low income community clinics. Other state general fund reductions in this category include an anticipated \$27 million savings in fiscal year 2013 as a result of emphasizing price in the selection of managed care contractors; \$25 million from eliminating state grant support for low-income community clinics and community coverage collaboratives; and \$14 million from a 40% reduction in grants to hospitals that serve disproportionately large numbers of low-income patients.	Rural hospitals that are designated as Critical Access Hospitals (CAHs) are currently reimbursed for their allowable costs. The Health Care Authority (HCA) will reimburse CAHs that are less than 20 miles from another acute care hospital that is not designated as a CAH under the methodologies that the HCA uses to reimburse larger private urban hospitals starting June 1, 2012. The HCA will also reduce inpatient expenditures for the remaining CAHs by 10%.	No change from enacted budget.
Training for Law Enforcement	Funding is reduced to reflect a 25% partial reimbursement of the BLEA costs by law enforcement agencies that send cadets for training. In addition, agencies will reimburse the CJTC for the costs of ammunition, based on the average cost of ammunition per cadet, for cadets they enroll in the BLEA.	Funding from the Muni Criminal Justice Account is eliminated effective 12/31/12. Agencies sending cadets will directly pay for training costs beginning 7/1/12. Funding from this account is used to reimburse city law enforcement agencies with 10 or fewer full-time commissioned patrol officers for each officer enrolled in BLEA. In fiscal year 2012, jurisdictions shall reimburse to the criminal justice training commission the costs of ammunition, based on the average cost of ammunition per cadet, for cadets that they enroll in BLEA. The CJTC may not run a BLEA class of fewer than 30 students.	Same as enacted budget.
Statewide Information and Jail Booking/Reporting Systems	Funding is reduced for programs administered by the WASPC. Programs administered by WASPC include the Uniform Crime Reporting, retention of sex offender records, Missing Persons, Victim Information System, Jail Booking and Reporting System and Statewide Automated Victim Identification System, Sex Offender Address Verification, Offender Watch System, and National Incident Based Reporting. Funding from the Washington Auto Theft Prevention Authority Account is provided to partially offset the reduction.	Same as enacted budget.	Same as enacted budget.
Sex Offender Address Registration	See above.	\$5,000,000 for FY 2012 and \$5,000,000 for FY 2013, are provided to WASPC solely to verify the address and residency of registered sex offenders and kidnapping offenders under RCW 16 9A.44.130.	Same as House proposal.
Impaired Driver Safety Account	\$1.6 M is provided for quarterly distributions to qualifying cities for the costs of implementing criminal justice legislation including DUI penalties, license suspension, etc.	Same as enacted budget.	Same as enacted budget.

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Drug Task Force	Funding for State Drug Task Forces is reduced by 50%.	Commerce contracts with 19 multi-jurisdictional drug task forces which provide drug and gang investigation and enforcement services in 26 counties. Funding for state drug task forces is reduced by 36 percent effective May 1, 2012.	Same as enacted budget.
Auto Theft Prevention Authority	Funding of \$5.9 M is provided for the Washington Auto Theft Prevention Authority and Auto Theft Prevention Task Forces.	\$8.6 M is provided to the CJTC.	Same as House proposal.
Public Health	\$48 M is appropriated for county public health assistance. Specific amounts to public health districts are prescribed.	Same as enacted budget.	Same as enacted budget.
Transitional Housing	The Transitional Housing Operating and Rents program is funded at \$7.5 M.	Homeless and transitional housing programs provided by Commerce are funded with GF revenues from document recording fees. ESHB 2048 increased document recording fees for low income housing and homeless services and is expected to increase by \$4.4 M in FY 2013. FF funding for homeless programs is reduced by 36% effective 5/1/12).	Same as enacted budget.
Public Defense Grants	Office of Public Defense is funded at \$52.5 M.	Office of Public Defense is funded at \$48.4 M (approximately 10% reduction). Public defense grants to cities and counties are eliminated (approx. \$600,000/year).	No change from enacted budget.
Next Generation 911 Transition	\$8.4 M is provided from the E911 account to continue upgrades to current 911 telephone system to accommodate Next Gen 911.	\$2.1 M is provided. The FCC has encouraged local governments to accelerate Next Generation 911 system adoption. Expenditure authority is provided so that the Military Dept. may reimburse local gov'ts for the purchase of NG911 equipment.	Same as House proposal.
Transfer of MLS from DOL to DOR	\$16.2 M provided pursuant to HB 2017. DOR to simplify processes and focus on tech improvements and increasing MLS participation at city and local gov't level.	Same as enacted budget.	Same as enacted budget.
Protecting WA Shorelines	\$3 M from Local Toxics Control Account and \$0.6 M from State Toxics Control Account to support DOE to speed up completion of shoreline master program updates during 2011-13 biennium.	Same as enacted budget.	Same as enacted budget.
Water Resources Program	Funding and FTEs are reduced from DOE's Water Resources Program. Proviso language directs \$2.15 M of the state general fund appropriation to process the backlog of pending water right permit applications.	Same as enacted budget.	Same as enacted budget.

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Hydraulic Project Approval Program	Funding is reduced by \$1 M.	\$750,000 appropriated	\$450,000 is appropriated. \$415,000 of the hydraulic project approval appropriation is provided solely for the implementation of 2SSB 6406
Growth Management Activities	Funding is reduced for the following growth management activities: \$200,000 in grants to the cities of Seattle and Tacoma for coordinating planning with their respective port authorities are discontinued; a grant to the Walla Walla Community College Water Center is reduced by \$260,000 (36%); and growth management grants to local governments are reduced by \$326,000 (15%).	Same as enacted budget.	
Economic Development Competitive Grants	\$6 M is provided solely for the Associate Development Organizations.	Associate Development Organizations (ADOs) provide a variety of economic development services in the 39 counties. Funding for grants to ADOs is reduced by 36 percent effective May 1, 2012. This is a reduction of \$1.2 M.	Same as enacted budget.
Transfer of Development Rights Program	Up to \$700,000 for pass-through grants to cities in central Puget Sound to plan for transfer of development rights receiving areas under the central Puget Sound regional transfer of development rights program.	No change	No change
LEOFF 1 & 2 Merger Study	\$75,000 is provided for the State Actuary to study the merger of the LEOFF Retirement Plans 1 and 2. The study shall be reported to the Ways & Means Committees of the Legislature by December 15, 2011.	Study complete	Study complete
Local Gov't Fiscal Note Program	Fully funded from the City & County Research Services Account.	Funding for the LGFN program is changed from the City and Town Research Services Account and the County Research Services Account to the State General Fund. Fully funded.	Eliminates the LGFN Program beginning July 1, 2012.
Municipal Research and Services Center	Funded at \$6.2 M.	MRSC remains fully funded; however, changes fund source. Funding for the Municipal Research and Services Center is changed from the City and Town Research Services Account and the County Research Services Account to the Liquor Revolving Account.	Fully funded. Shifts funding solely to the Liquor revolving fund after FY 2012.

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Capital Budget	ESHB 1497 and ESHB 2020	<i>The 2012 House Capital Budget Chair proposal includes three separate pieces of legislation including a traditional supplemental capital budget bill (PSHB 2168), a special tax obligation/Aquatic Lands Enhancement Account (ALEA) bond bill (HB 2793), and a lottery revenue bond bill (HB 2792). New spending from all fund sources (including debt service from the Hazardous Substance Tax, the Solid Waste Utility Tax, and the Public Utility Tax,) lottery revenue, and the Aquatic Lands Enhancement Account) totals approximately \$1.3 billion.</i>	
Public Works Trust Fund	\$325 M - Fully funds the Public Works Board adopted list. Also, provisio states: By November 1, 2011, the public works board must prepare and submit to the appropriate committees of the legislature an implementation plan for creating a reformed state system for providing local infrastructure assistance. In developing the plan, the board must consult with state agencies that provide infrastructure funding and technical assistance including, but not limited to, the departments of commerce, health, and ecology. The board must also work in cooperation with local governments or entities that benefit from infrastructure funding and technical assistance.	58 local infrastructure projects on the Public Works Assistance Account FY 2013 Loan List are financed with an investment of \$152M from the Account and a comparable amount of federal, state and local funding. These projects construct, rehabilitate, and improve sanitary sewer, domestic water, storm water management, and solid waste/recycling facilities and systems. \$70M is provided for an additional infrastructure funding round under the Public Works Board. While applicants and projects must meet the requirements of the existing statute, for this round only, the Public Works Board, rather than the Legislature, will determine the projects selected and amounts awarded.	Redirects solid water tax from the PWAA to the state general fund (\$71M). Also see SB 6616
Stormwater Grants	\$30 M from Local Toxics Control Account to fund grants to local governments to construct new or retrofit inadequate stormwater infrastructure. Requires 25% match.	\$39.5M for statewide storm water grants and storm water retrofit and LID competitive grants. This includes \$24.8 M in statewide grants and \$14.7 for retrofit and LID grants.	\$46.6 M is diverted from the Local Toxics Control Account to state toxics account.
Remedial Action Grants	\$63.8 M for clean-up of contaminated industrial sites statewide that the DOE has ranked in priority order on a "worst first" basis".	15 projects totaling \$33.2 M	
Coordinated Prevention Grants	\$28.6 M for local government for cleanup of toxic sites in Puget Sound, remediation of soils at schools in central WA, and cleanup of contaminated sites in eastern WA.	Same as enacted budget.	
Drinking Water Assistance Account	\$97.9 M (\$48 M to PWAA and \$49.9 M federal to DOH) to make loans to local governments and public and private water systems for projects to protect the state's drinking water facilities and resources.	\$60 M to Drinking Water Revolving State Fund loan program. In addition, over \$28M is provided as grants to 14 communities statewide for high priority, ready-to-proceed drinking water projects that will benefit public health. Projects include water system consolidations, arsenic treatment, and facility repairs and upgrades.	
Community Economic Revitalization Board	Provides \$5.0 M in economic development infrastructure projects.	\$15M is provided for Community Economic Revitalization Board loans and grants to finance public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth.	
Puget Sound Restoration and Salmon Recovery Grants	\$15 M to Puget Sound Restoration and \$70 M to Salmon Recovery Funding Board Programs.	\$10.5M to puget sound restoration through Forest to Shores bonds.	

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Washington Wildlife & Recreation Program (WWRP)	\$42 M in WWRP grants.	Same as enacted budget.	
Washington Heritage Grants	\$1.0 M is provided.	Same as enacted budget.	
Housing Trust Fund	\$50 M to Housing Assistance, Weatherization, Affordable Housing Trust Fund.	\$98M is provided under the HTF program to construct, rehabilitate, and improve housing for people who are low income and have chronic physical and mental illnesses, have developmental disabilities, are homeless with children, and are military veterans, seniors, or farmworkers. Historically, one dollar of HTF investment has generated five additional dollars from federal, private, and local sources.	
Economic Development Strategic Reserve	\$4.2 M transfer from account to General Fund, but the program is not discontinued – \$1.5 M appropriation to the Office of the Governor.	\$1.5M is provided for the Center of Aerospace Technology Innovation, a joint venture of the University of Washington and Washington State University. The center will focus on research on new technologies and innovations in aviation, aerospace, and defense.	