

BAINBRIDGE ISLAND SCHOOL DISTRICT

**District Budget Advisory Committee**

Tuesday, December 15, 2009

5:30 – 7:30 p.m.

Bainbridge High School Library

**A G E N D A**

**INFORMATION:**

- Enrollment Update
- Monthly Financial Report
- State Forecast Update
- Budget Development

**Meeting Dates**

January 19

February 9

February 23

March 16

April 6

April 20

May 4

May 18

June 1

# District Enrollment by Building & Grade

Date: Dec 09

## Elementary

	Blakely		Wilkes		Ordway		Sakai		HomeSchool		Odyssey		Student Svcs		Total		Budget FTE
	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	
K-half	23	11.5	21	10.50	23	11.50			7	3.50			1	0.27	75	37.27	K
K-full	66	33	45	22.50	45	22.50									156	78.00	KF
1	68	68	88	88.00	90	90.00			10	8.80	12	12.00	0	0.00	268	266.80	1
2	72	72	76	76.00	98	97.20			11	10.19	12	12.00	2	0.08	271	267.47	2
3	88	88	90	90.00	66	66.00			2	1.95	13	13.00	1	0.03	260	258.98	3
4	90	90	68	68.00	94	94.00			15	13.97	12	12.00	0	0.00	280	278.97	4
Total K-4	407	362.50	388	355.00	416	381.20	1	1.00	45	38.41	49	49	4	0.38	1310	1187.49	1164

## Intermediate & Middle

	WMS		Sakai		HomeSchool		Odyssey		Student Svcs		Total		Budget FTE
	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	Head	FTE	
5			273	271.58	4	3.90	13	13.00	0	0.03	290	288.51	282
6	1	1.57	255	253.93	11	10.77	14	14.00	1	0.04	282	280.31	282
7	266	265.49			2	1.17	27	26.17	1	0.02	296	292.85	279
8	306	304.98			5	3.39	8	8.39	2	0.08	321	316.84	311
Total 5-8	573	572.04	0	0.00	22	19.23	62	61.56	4	0.17	1189	1178.51	1154

## High School

	BHS		Eagle Harbor		Student Svcs		Total		Budget FTE
	Head	FTE	Head	FTE	Head	FTE	Head	FTE	
9	343	346.28	23	18.52			366	364.80	365
10	373	387.92	36	20.17			410	408.13	401
11	313	306.04	19	10.89			335	319.81	334
11A		0.80							11
12	299	290.35	28	21.93			327	315.08	311
12A		2.80							12
Total 9-12	1328	1334.19	106	71.51	0	0.00	1438	1407.82	1411
Prgm Total									
Dist Total							3937	3773.82	3729

\*11A/12A reflect Running Start Advisory count  
Running Start college count not included in totals

**BOARD OF DIRECTORS**

Mary Curtis  
Mike Foley  
Dave Pollock  
Patty Fielding  
John Tawresey



**SUPERINTENDENT**

Faith A. Chapel

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8489 Madison Avenue NE \* Bainbridge Island, Washington 98110-2999 \* (206) 842-4714 \* Fax: (206) 842-2928

**MEMORANDUM**

To: Faith Chapel, Superintendent

Date: November 30, 2009

From: Peggy Paige, Director of Business Services

RE: Monthly Financial Reports – October

Attached are the financial reports for the month ending September 30, 2009. These comprise the following:

1. General Fund
  - a. Analysis
  - b. Cash Flow
2. Summary of Fund Balances
  - a. Budget Status Reports

**Analysis of General Fund**

Revenue

Total General Fund revenues to October 31 were \$7.4 million, which is 5.3% less than for the same period last year and just slightly below the average. Tax collections were down compared to the average. Since the Treasurer's office was closed on Friday, October 30<sup>th</sup>, taxpayers were allowed to pay taxes on Monday, November 2<sup>nd</sup>, without incurring a penalty. Tax collections should be up next month compared to last November and are expected to be near the average. Local revenues are well above the average with the donation from the Foundation. State revenues are consistent with state funding expectations and budgeted enrollment. Student Achievement funds that are being replaced with State Fiscal Stabilization Funds (Federal Stimulus \$) will be received via the federal grant payment process which is on a reimbursement basis. Federal revenues for October reflect the receipt of these grant funds.

## Expenditure

Expenditures for the year to October 31 total \$6.4 million, which is 1.4% lower than for the same period last year. Year-to-date expenditures are slightly above the average.

Total expense for Regular (Basic) Education decreased 1.9% over last year and is close to the average. The reduction in *Other* compared to last year reflects the decrease in staff (TOSA & Superintendent Emeritus).

Total special education costs are currently lower than last year but equal to the 3-year average.

Vocational expense is up from last year and above the average but this can be attributed to early purchases of supplies for photography.

Compensatory education is as expected per the annual budget. This category fluctuates throughout the year due to the fact that certain expense items (such as teacher certification bonus and school improvement costs) do not occur in a regular monthly pattern.

Student Achievement/SFSF reflect the reduction necessary to align with anticipated revenues. Typically, some of this expense is attributable to professional development activities at the start of the school year. This year these activities were reduced or will be paid for with Tech Levy funds.

Other Instruction reflects expenditures for grant funded staff development activities (Math/Science).

Total Support Services is above last year at this time and above the average. Transportation/Motor Pool expenditures are lower than last October but are above the average. Operation, Buildings has a similar pattern this month. Both of these areas will be reviewed in the next month to confirm that expenditures are expected to stay within budget estimates. Utilities reflect payment of COBI Stormwater Fees. Some portion of this fee should be reimbursed in the next few months. Food Service expense is currently below last year and the average due in part to the repair and replacement of some equipment in October 08. Maintenance/Grounds expenditures for supplies and purchased services are lower than in previous years. Central Office expenditures are less than last year and equal to the average – indicating that we are in line with budget estimates. Information Services reflects some expense that is related to Tech Levy and will be reimbursed in the next few months.

## Cash Flow

Net cash inflow during October was \$1,379,795. As of October 31, 2009, the closing cash balance in the general account was \$2,165,443. Projected cash balance is \$1.3 million at fiscal year end.

GENERAL FUND  
Summary of Revenues & Expenses  
October 31, 2009

	Oct-09 Actual YTD \$	% Incr/Decr prior year	Oct-08 Actual YTD \$	Annual Budget Budget	% YTD	Avg %
Revenues - By Revenue Source						
Local Taxes	2,128,991	-11.7%	2,410,936	7,549,562	28.2%	31.7%
Local Nontax	890,780	50.0%	593,918	3,047,865	29.2%	21.9%
State, General Purpose						
Basic Education	3,486,946	-2.3%	3,646,814	19,376,223	18.0%	18.9%
Special Education	76,373	-10.7%	85,500	424,296	18.0%	
State, Special Purpose						
Special Education	457,524	-3.1%	472,273	2,541,797	18.0%	16.9%
Student Achievement	0	-100.0%	324,968	0	0.0%	19.5%
Transportation	164,700	7.1%	153,710	915,000	18.0%	18.8%
Other	92,295	8.6%	84,982	204,871	45.1%	16.8%
Federal, Special Purpose	142,805	70.2%	83,903	2,445,500	5.8%	2.7%
<b>TOTAL</b>	<b>7,440,414</b>	<b>-5.3%</b>	<b>7,857,004</b>	<b>36,505,114</b>	<b>20.4%</b>	<b>20.6%</b>

	Actual YTD \$	% Incr/Decr prior year	Actual YTD \$	Budget	% YTD	Avg %
Expenses - By program code						
Regular Instruction						
Teaching	2,730,820	-0.3%	2,739,826	15,756,367	17.3%	17.6%
Principal	345,398	-2.1%	352,839	2,284,390	15.1%	16.7%
Guidance/Counseling	174,009	-5.5%	184,181	1,153,648	15.1%	15.2%
Learning Resources	108,900	3.7%	105,020	609,916	17.9%	15.5%
Extracurricular	118,611	-7.3%	127,988	609,447	19.5%	16.0%
Other	158,988	-18.7%	195,551	872,710	18.2%	19.0%
<b>Total Regular (Basic) Ed.</b>	<b>3,636,727</b>	<b>-1.9%</b>	<b>3,705,405</b>	<b>21,286,478</b>	<b>17.1%</b>	<b>17.3%</b>
Special Education						
Teaching	563,166	-0.8%	567,978	3,526,063	16.0%	16.1%
Other	246,195	-1.3%	249,357	1,424,214	17.3%	16.7%
<b>Total Special Ed.</b>	<b>809,361</b>	<b>-1.0%</b>	<b>817,334</b>	<b>4,950,277</b>	<b>16.3%</b>	<b>16.3%</b>
Vocational Education	134,145	16.5%	115,186	705,151	19.0%	16.6%
Compensatory Education	120,362	50.1%	80,200	563,976	21.3%	18.5%
Student Achievement/SFSF	83,939	-76.8%	362,450	513,195	16.4%	21.5%
Other Instruction	10,705	68.4%	6,357	143,070	7.5%	7.0%
Support Services						
Transportation/Motor Pool	249,459	-2.3%	255,359	1,382,129	18.0%	17.3%
Operation Buildings	240,568	-1.4%	243,971	1,359,824	17.7%	16.9%
Utilities	222,988	92.2%	116,047	1,323,000	16.9%	9.2%
Food Services	150,327	-6.5%	160,754	977,306	15.4%	16.9%
Maint/Grounds	173,848	-7.2%	187,396	812,415	21.4%	23.3%
Information Services	147,274	13.1%	130,220	640,256	23.0%	21.3%
Central Office	200,526	-10.3%	223,569	1,304,288	15.4%	15.4%
Other	266,866	99.2%	133,976	305,247	87.4%	54.7%
<b>Total Support Services</b>	<b>1,651,856</b>	<b>13.8%</b>	<b>1,451,292</b>	<b>8,104,465</b>	<b>20.4%</b>	<b>18.1%</b>
<b>TOTAL</b>	<b>6,447,096</b>	<b>-1.4%</b>	<b>6,538,223</b>	<b>36,266,612</b>	<b>17.8%</b>	<b>17.5%</b>

Excess (Deficiency) of			
Revenues over Expenditures	993,318	1,318,781	238,502

## GENERAL FUND CASH FLOW FORECAST 2009-10

October 2009

	Actual August	Actual September	Actual October	Projected November	Projected December	Projected January	Projected February
<b>OPENING CASH BALANCE</b>							
Imprest	6,800.00	6,800.00	6,800.00	6,800.00			
Cash on hand	430.55	61,887.54	60,720.16	62,899.31			
Cash on deposit	3,169,748.39	1,479,617.72	1,297,721.83	3,003,942.96			
Warrants outstanding	(2,739,061.79)	(980,856.80)	(1,140,422.21)	(1,269,680.57)			
Investments	958,038.25	959,441.91	560,827.86	361,481.06			
<i>Total opening cash balance</i>	<i>1,395,955.40</i>	<i>1,526,890.37</i>	<i>785,647.64</i>	<i>2,165,442.76</i>	<i>1,888,351.38</i>	<i>1,394,792.04</i>	<i>854,021.45</i>
<b>Cash Inflows</b>							
Local taxes	25,895.17	101,194.85	2,027,795.73	1,060,131.16	44,446.52	43,487.98	129,171.13
Local Support nontax	34,340.11	376,506.27	514,273.39	260,214.87	178,929.57	228,733.26	309,783.43
State, general purpose	2,055,478.26	1,781,659.67	1,781,659.67	1,122,812.06	1,836,872.75	1,729,133.32	1,811,930.84
State, special purpose	410,980.94	318,071.11	396,448.08	196,023.45	326,182.55	303,419.38	337,754.85
Federal, general purpose		1,565.05					
Federal, special purpose	107,516.67	(10,831.66)	152,071.46	103,086.90	78,115.58	88,211.42	387,130.70
Other Financing Sources	11,310.20						
Incr/(Decr) from accruals	124,313.78	(101,444.58)					
<i>Total cash inflows</i>	<i>2,769,835.13</i>	<i>2,466,720.71</i>	<i>4,872,248.33</i>	<i>2,742,268.45</i>	<i>2,464,546.98</i>	<i>2,392,985.36</i>	<i>2,975,770.95</i>
<b>Cash Outflows</b>							
Regular Instruction	(1,702,152.70)	(1,973,958.06)	(1,821,859.94)	(1,831,575.04)	(1,736,151.32)	(1,897,652.77)	(1,789,487.53)
Special Education Instruction	(396,735.90)	(352,141.49)	(381,659.50)	(409,414.21)	(418,931.34)	(404,745.19)	(423,603.24)
Vocational Education Instruction	(49,500.75)	(60,908.35)	(73,236.85)	(62,972.29)	(55,780.32)	(50,749.10)	(61,217.09)
Compensatory Education Instruction	(52,281.72)	(31,573.84)	(89,196.05)	(45,661.96)	(38,374.87)	(36,518.64)	(40,533.23)
Other Instructional Programs	(9,263.00)	(7,773.37)	(2,932.12)	(17,501.64)	(12,862.12)	(8,680.82)	(1,370.56)
Support services	(428,966.09)	(542,264.86)	(1,109,591.18)	(652,234.69)	(696,006.35)	(535,409.43)	(615,078.92)
Incr/(Decr) from accruals		(239,343.47)	(13,977.57)				
<i>Total cash outflows</i>	<i>(2,638,900.16)</i>	<i>(3,207,963.44)</i>	<i>(3,492,453.21)</i>	<i>(3,019,359.83)</i>	<i>(2,958,106.32)</i>	<i>(2,933,755.95)</i>	<i>(2,931,290.58)</i>
<b>Net change in cash balance</b>	<b>130,934.97</b>	<b>(741,242.73)</b>	<b>1,379,795.12</b>	<b>(277,091.38)</b>	<b>(493,559.34)</b>	<b>(540,770.59)</b>	<b>44,480.37</b>
<b>CLOSING CASH BALANCE</b>	<b>1,526,890.37</b>	<b>785,647.64</b>	<b>2,165,442.76</b>	<b>1,888,351.38</b>	<b>1,394,792.04</b>	<b>854,021.45</b>	<b>898,501.81</b>
<b>Composition of closing cash balance</b>							
Imprest	6,800.00	6,800.00	6,800.00				
Cash on hand	61,887.54	60,720.16	62,899.31				
Cash on deposit	1,479,617.72	1,297,721.83	3,003,942.96				
Warrants outstanding	(980,856.80)	(1,140,422.21)	(1,269,680.57)				
Investments	959,441.91	560,827.86	361,481.06				
<i>Total closing cash balance</i>	<i>1,526,890.37</i>	<i>785,647.64</i>	<i>2,165,442.76</i>				

# GENERAL FUND CASH FLOW FORECAST 2009-10

## October 2009

	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Budget 2009-10
<b>OPENING CASH BALANCE</b>							
Imprest							
Cash on hand							
Cash on deposit							
Warrants outstanding							
Investments							
<i>Total opening cash balance</i>	898,501.81	579,618.67	2,544,632.61	2,542,192.70	1,396,203.98	1,382,727.39	
<b>Cash Inflows</b>							
Local taxes							
Local Support nontax	253,741.56	2,393,801.87	1,204,182.97	47,370.30	27,922.71	40,323.75	7,549,562.00
State, general purpose	352,251.15	237,971.91	311,527.87	166,682.39	274,297.02	50,083.12	3,047,865.00
State, special purpose	1,799,674.02	1,805,088.40	950,764.02	1,037,079.12	2,015,550.72	2,006,996.07	19,800,519.00
Federal, general purpose	341,386.34	334,345.23	204,506.12	251,130.97	366,356.84	341,289.65	3,661,668.00
Federal, special purpose							
Other Financing Sources	263,158.15	181,190.62	399,731.12	423,307.98	288,834.67	176,046.29	2,445,500.00
Incr/(Decr) from accruals							
<i>Total cash inflows</i>	3,010,211.22	4,952,398.02	3,070,712.10	1,925,570.75	2,972,961.95	100,000.00	36,505,114.00
<b>Cash Outflows</b>							
Regular Instruction	(1,863,897.88)	(1,817,088.01)	(1,808,043.62)	(1,936,515.57)	(1,869,923.65)	(1,724,826.15)	21,843,076.00
Special Education Instruction	(448,708.87)	(396,800.73)	(423,752.33)	(426,142.64)	(373,359.32)	(366,789.67)	4,906,874.00
Vocational Education Instruction	(59,945.31)	(57,846.57)	(53,944.14)	(60,163.93)	(68,774.59)	(51,579.19)	705,151.00
Compensatory Education Instruction	(41,340.74)	(53,706.04)	(44,244.29)	(45,127.23)	(23,964.24)	(5,493.81)	563,976.00
Other Instructional Programs	(13,459.17)	(11,569.16)	(13,132.56)	(15,821.18)	(25,363.61)	(19,368.78)	143,070.00
Support services	(901,742.39)	(650,373.58)	(730,035.07)	(587,788.91)	(625,053.14)	(627,713.61)	8,104,465.00
Incr/(Decr) from accruals							
<i>Total cash outflows</i>	(3,329,094.36)	(2,987,384.09)	(3,073,152.01)	(3,071,559.47)	(2,986,438.55)	(2,795,771.21)	36,266,612.00
<b>Net change in cash balance</b>	(318,883.14)	1,965,013.93	(2,439.91)	(1,145,988.72)	(13,476.59)	(81,032.33)	238,502.00
<b>CLOSING CASH BALANCE</b>	579,618.67	2,544,632.61	2,542,192.70	1,396,203.98	1,382,727.39	1,301,695.06	
<b>Composition of closing cash balance</b>							
Imprest							
Cash on hand							
Cash on deposit							
Warrants outstanding							
Investments							
<i>Total closing cash balance</i>							

**SUMMARY OF FUND BALANCES**

October 31, 2009

	Oct-09 YTD Actual	2009-10 Annual Budget
<b>General Fund</b>		
Opening fund balance		
Reserved	210,000.00	210,000.00
Unreserved	1,056,565.16	1,100,000.00
Total opening fund balance	1,266,565.16	1,310,000.00
Revenue	7,440,413.62	36,505,114.00
Expenditure	(6,447,095.61)	(36,266,612.00)
Excess (Deficiency) of Revenues over Expenditures	993,318.01	238,502.00
Reserved	210,000.00	65,000.00
Unreserved (1)	2,049,883.17	1,483,502.00
Total closing fund balance	2,259,883.17	1,548,502.00
(1) Unreserved balance comprises:		
- Schools carryover (estimated)	100,000.00	100,000.00
- Unallocated	1,949,883.17	1,383,502.00
<b>Capital Projects Fund</b>		
Opening fund balance	5,917,867.10	5,270,000.00
Revenue	744,845.84	1,965,000.00
Expenditure	(215,294.12)	(5,811,079.00)
Reserved for bond proceeds	6,447,418.82	1,423,921.00
Reserved for arbitrage	-	-
Closing fund balance	6,447,418.82	1,423,921.00
<b>Debt Service Fund</b>		
Opening fund balance	2,564,969.50	2,645,000.00
Revenue	2,219,657.81	7,316,137.00
Expenditure		
Principal	-	(4,930,000.00)
Interest	-	(2,955,402.00)
Other	-	(5,000.00)
Closing fund balance	4,784,627.31	2,070,735.00
<b>ASB Fund</b>		
Opening fund balance	380,730.16	418,000.00
Revenue	252,386.47	676,700.00
Expenditure	(89,875.02)	(878,551.00)
Closing fund balance	543,241.61	216,149.00
<b>Transportation Vehicle Fund</b>		
Opening fund balance	87,097.57	125,000.00
Revenue		
Depreciation	192,945.58	170,000.00
Investment Earnings	365.72	6,000.00
Grant (EPA) Revenue	37,000.00	-
Sale of Equipment	-	-
Expenditure	-	(110,236.00)
Closing fund balance	317,408.87	190,764.00

Fund ID 1 General Fund		Month/Year 10/2009		Agency Accounts	
Fiscal Year 2009 September 1, 2009 - August 31, 2010		Budget Balance Type		Budget Work Area Current	
	Annual Budget	Actual For Month	Actual For Year	Encumbrances	Balance Percent
=====					
Revenues/Other Fin. Sources					
0000 LOCAL TAXES	7,549,562	2,027,795.73	2,128,990.56		
0000 LOCAL SUPPORT NONTAX	3,047,865	514,273.39	890,779.66	5,420,571.42	28.20
0000 STATE, GENERAL PURPOSE	19,800,519	1,781,659.67	3,563,319.34	2,157,085.34	29.23
0000 State, Special Purpose	3,661,668	396,448.08	714,519.19	16,237,199.66	18.00
0000 FEDERAL, GENERAL PURPOSE	0	.00	1,565.05	2,947,148.81	19.51
0000 FEDERAL, SPECIAL PURPOSE	2,445,500	152,071.46	141,239.80	1,565.05-	0.00
0000 REVENUES FR OTH SCH DIST	0	.00	.00	2,304,260.20	5.78
0000 REV FR OTH AGENCY * ASSOC	0	.00	.00	.00	0.00
0000 OTHER FINANCING SOURCES	0	.00	.00	.00	0.00
				.00	0.00
Total Revenues/Other Fin. Sources	36,505,114	4,872,248.33	7,440,413.62	29,064,700.38	20.38
Expenditures					
Regular Instruction	21,286,478	1,740,641.65	3,636,727.04	15,412,464.46	2,237,286.50 89.49
Federal Stimulus	1,009,480	81,218.29	159,090.96	798,314.68	52,074.36 94.84
Special Ed Instruction	4,453,992	381,659.50	733,800.99	3,486,692.48	233,498.53 94.76
Voc. Ed Instruction	705,151	73,236.85	134,145.20	474,177.74	96,828.06 86.27
Skills Center Instruction	0	.00	.00	.00	.00 0.00
60 Compensatory Ed Instruct.	563,976	89,196.05	120,769.89	230,587.12	212,618.99 62.30
Other Instructional Pgms	143,070	2,932.12	10,705.49	28,897.28	103,467.23 27.68
Community Services	30,000	.00	.00	.00	30,000.00 0.00
Support Services	8,074,465	1,109,591.18	1,651,856.04	5,519,048.37	903,560.59 88.81
Total Expenditures	36,266,612	3,478,475.64	6,447,095.61	25,950,182.13	3,869,334.26 89.33
Other Financing Uses Trans.Out (GF 536)	0	.00	.00		
Other Financing Uses (GL 535)	0	.00	.00		
Excess Revenues/Other Fin. Sources					
Over (Under) Exp./Oth Fin. Uses (A-B-C-D)	238,502	1,393,772.69	993,318.01	754,816.01	316.480
Total Beginning Fund Balance	1,310,000		1,266,565.16		
GL 898 Prior Year Adjustments	XXXXXXXXXX		.00		
(+ OR -)					
Total Ending Fund Balance	1,548,502		2,259,883.17		
(E + F + OR - G)					
Ending Fund Balance Accounts					
L 810 Reserved For Other Items	275,000		.00		
L 815 Resr Unequalized Dedu Rev	0		.00		
L 830 Reserved For Debt Service	0		.00		
L 835 Rsrvd Arb Rebate	0		.00		
L 840 Reserved For Inventory	210,000		210,000.00		
L 850 Rsrvd Uninsured Risks	0		.00		
L 870 Unrsrvd, Dsgntd-Oth Itms	0		.00		
L 875 Unrsrvd Dsgntd-Conting	0		.00		
L 890 Unrsrvd Undsgntd Fnd Bal	1,063,502		2,049,883.17		
	1,548,502		2,259,883.17		

Fund ID 2 Capital Projects  
Fiscal Year 2009 September 1, 2009 - August 31, 2010

Month/Year 10/2009 Agency Accounts  
Budget Balance Type Budget Work Area Current

	Annual Budget	Actual For Month	Actual For Year	Encumbrances	Balance	Percent
=====						
A. Revenues/Other Fin. Sources						
0000 Local Taxes	1,525,000	411,972.12	432,559.51		1,092,440.49	28.36
0000 Local Support Nontax	295,000	8,914.33	18,769.96		276,230.04	6.36
0000 State, General Purpose	0	.00	.00		.00	0.00
0000 State, Special Purpose	0	208,224.43	293,516.37		293,516.37-	0.00
0000 Federal, General Purpose	0	.00	.00		.00	0.00
0000 Federal, Special Purpose	145,000	.00	.00		145,000.00	0.00
0000 Revenues Fr Oth Sch Dist	0	.00	.00		.00	0.00
0000 Other Agencies & Assoc.	0	.00	.00		.00	0.00
0000 Other Financing Sources	0	.00	.00		.00	0.00
Total Revenues/Other Fin. Sources	1,965,000	629,110.88	744,845.84		1,220,154.16	37.93
B. Expenditures						
0000 Sites	233,323	5,493.34-	5,479.25-	735,491.18	496,688.93-	312.88
0000 Buildings	4,701,206	157,053.51	163,381.19	662,220.66	3,875,604.15	17.56
0000 Equipment	876,550	54,923.58	57,392.18	21,173.86	797,983.96	8.96
0000 Energy	0	.00	.00	.00	.00	0.00
0000 Sales & Lease Expenditure	0	.00	.00	.00	.00	0.00
0000 Bond Issuance Expenditure	0	.00	.00	.00	.00	0.00
0000 Debt	0	.00	.00	.00	.00	0.00
Expenditures	5,811,079	206,483.75	215,294.12	1,418,885.70	4,176,899.18	28.12
Other Fin. Uses Trans. Out (GL 536)	0	.00	.00			
Other Financing Uses (GL 535)	0	.00	.00			
Excess of Revenues/Other Fin. Srcs Over (Under) Expenditures And Other Fin. Uses (A-E-C-D)	3,846,079-	422,627.13	529,551.72		4,375,630.72	113.770-
Total Beginning Fund Balance	5,270,000		5,917,867.10			
GL 898 Prior Year Adjustments(+OR-)	XXXXXXXXXX		.00			
Total Ending Fund Balance (E + F + OR - G)	1,423,921		6,447,418.82			
Ending Fund Balance Accounts						
GL 810 Reserved For Other Items	0		.00			
GL 830 Reserved For Debt Service	0		.00			
GL 835 Rsrvd Arb Rebate	0		.00			
GL 850 Rsrvd Uninsured Risks	0		.00			
GL 861 Reserve Of Bond Proceeds	0		1,225,157.99			
GL 862 Reserve Of Levy Proceeds	135,713		142,654.52			
GL 863 Reserve Of State Proceeds	0		.00			
GL 864 Rsrv Of Fed Proceeds	0		.00			
GL 865 Reserve Of Other Proceeds	0		.00			
GL 869 Rsrvd UnDistib Proceeds	0		.00			
GL 870 Unrsrvd Dsgntd-Oth Itms	0		.00			
GL 890 Unrsrvd Undsgntd Fnd Bal	1,288,208		5,079,606.31			
Total	1,423,921		6,447,418.82			

Fund ID	3	Debt Service Fund			Month/Year 10/2009	Agency Accounts	
Fiscal Year	2009	September 1, 2009 - August 31, 2010			Budget Balance Type	Budget Work Area	Current
			Annual Budget	Actual For Month	Actual For Year	Encumbrances	Balance Percent
=====							
. Revenues And Other Fin. Sources							
000	Local Taxes		7,170,311	2,107,066.03	2,212,322.50		4,957,988.50 30.85
000	Local Support Nontax		45,500	3,702.87	7,335.31		38,164.69 16.12
000	State, General Purpose		0	.00	.00		.00 0.00
000	Federal, General Purpose		0	.00	.00		.00 0.00
000	Other Financing Sources		100,326	.00	.00		1,00,326.00 0.00
Total Revenues/Other Fin. Sources			7,316,137	2,110,768.90	2,219,657.81		5,096,479.19 30.34
. Expenditures							
	Matured Bond Expenditures		4,930,000	.00	.00	.00	4,930,000.00 0.00
	Interest On Bonds		2,955,402	.00	.00	.00	2,955,402.00 0.00
	Interfund Loan Interest		0	.00	.00	.00	.00 0.00
	Bond Transfer Fees		5,000	.00	.00	.00	5,000.00 0.00
	Arbitrage Rebate		0	.00	.00	.00	.00 0.00
	Underwriter's Fees		0	.00	.00	.00	.00 0.00
Total Expenditures			7,890,402	.00	.00	.00	7,890,402.00 0.00
Other Fin. Uses Trans. Out (GL 536)			0	.00	.00		
Other Financing Uses (GL 535)			0	.00	.00		
Excess Revenues/Other Fin. Sources							
Over (Under) Expenditures (A-B-C-D)			574,265-	2,110,768.90	2,219,657.81		2,793,922.81 486.520-
Total Beginning Fund Balance			2,645,000		2,564,969.50		
GL 898 Prior Year Adjustments (+OR-)			XXXXXXXXXX		.00		
Total Ending Fund Balance (E + F + OR - G)			2,070,735		4,784,627.31		
Ending Fund Balance Accounts							
GL 810 Reserved For Other Items			0		.00		
GL 835 Rsrvd Arb Rebate			0		.00		
GL 890 UnRsrvd Undsgntd Fnd Bal			2,070,735		4,784,627.31		
TOTAL			2,070,735		4,784,627.31		

Fund ID	4	Associated Student Body Fund	Month/Year 10/2009	Agency Accounts	Budget Balance Type	Budget Work Area Current		
Fiscal Year	2009	September 1, 2009 - August 31, 2010						
			Annual Budget	Actual For Month	Actual For Year	Encumbrances	Balance	Percent
=====								
A. Revenues								
1000	General Student Body		179,600	1,166.89	80,396.23		99,203.77	44.76
2000	Athletics		93,000	5,982.99	34,422.85		58,577.15	37.01
3000	Classes		33,700	.00	2,293.00		31,407.00	6.80
4000	Clubs		294,400	48,979.01	121,369.31		173,030.69	41.23
5000	Private Moneys		76,000	.00	13,905.08		62,094.92	18.30
Total Revenues			676,700	56,128.89	252,386.47		424,313.53	37.30
B. Expenditures								
000	General Student Body		206,200	2,516.77	11,868.50	8,200.00	186,131.50	9.73
000	Athletics		136,600	9,327.11	23,124.60	1,068.65	112,406.75	17.71
000	Classes		54,200	.00	107.95	.00	54,092.05	0.20
000	Clubs		348,950	45,461.83	49,966.47	158,233.38	140,750.15	59.66
000	Private Moneys		132,601	1,807.50	4,807.50	.00	127,793.50	3.63
Total Expenditures			878,551	59,113.21	89,875.02	167,502.03	621,173.95	29.30
C. Excess Of Revenues								
Over (Under) Expenditures (A-B)			201,851-	2,984.32-	162,511.45		364,362.45	180.510-
Total Beginning Fund Balance			418,000		380,730.16			
GL 898 Prior Year Adjustments (+ OR -)		XXXXXXXXXX			.00			
Total Ending Fund Balance (C + D + OR - E)			216,149		543,241.61			
Ending Fund Balance Accounts								
GL 810 Reserved For Other Items			0		.00			
GL 840 Reserved For Inventory			0		.00			
GL 850 Rsrvd Uninsured Risks			0		.00			
GL 870 Unrsrvd Dsgntd-Oth Itms			0		.00			
GL 890 Unrsrvd Undsgntd Fnd Bal			216,149		543,241.61			
TOTAL			216,149		543,241.61			

Fund ID9Transportation Vehicle Fund

Month/Year 10/2009Agency Accounts

Fiscal Year 2009September 1, 2009 - August 31, 2010

Budget Balance TypeBudget Work Area Current

	Annual Budget	Actual For Month	Actual For Year	Encumbrances	Balance	Percent
=====						
A. Revenues And Other Fin. Sources						
1000 Local Taxes	0	.00	.00		.00	0.00
2000 Local Nontax	6,000	236.71	365.72		5,634.28	6.10
3000 State, General Purpose	0	.00	.00		.00	0.00
4000 State, Special Purpose	170,000	.00	192,945.58		22,945.58-	113.50
5000 Federal, General Purpose	0	.00	.00		.00	0.00
8000 Other Agencies & Assoc	0	.00	37,000.00		37,000.00-	0.00
9000 Other Financing Sources	0	.00	.00		.00	0.00
Total Rev./Other Fin. Srces. (Less Trans.	176,000	236.71	230,311.30		54,311.30-	130.86
B. 9900 Transfers In From GF	0	.00	.00		.00	0.00
C. Total Rev./Other Fin. Sources	176,000	236.71	230,311.30		54,311.30-	130.86
D. Expenditures						
Program 97 District-Wide Support						
Act 82 Warrant Interest	0	.00	.00	.00	.00	0.00
Act 83 Other Interest	0	.00	.00	.00	.00	0.00
Act 84 Debt	0	.00	.00	.00	.00	0.00
Act 85 Debt Related Expenditures	0	.00	.00	.00	.00	0.00
am 99 PUPIL TRANSPORTATION				.00	.00	0.00
57 Cash Purch/Rebuild Buses	10,000	.00	.00	.00	10,000.00	0.00
Act 58 Contract Purchase/Rebuild	0	.00	.00	.00	.00	0.00
Total Expenditures	10,000	.00	.00	.00	10,000.00	0.00
Other Fin. Uses Trans. Out (GL 536)	100,326	.00	.00			
Other Financing Uses (GL 535)	0	.00	.00			
Excess Revenues/Other Fin. Sources						
Over (Under) Expenditures						
And Other Fin. Uses (C-D-E-F)	65,674	236.71	230,311.30		164,637.30	250.690
Total Beginning Fund Balance	125,000		87,097.57			
GL 898 Prior Year Adjust (+OR-)	XXXXXXXXXX		.00			
Total Ending Fund Balance	190,674		317,408.87			
(G + H + OR - I)						
Ending Fund Balance Accounts						
GL 810 Reserved For Other Items	0		.00			
GL 830 Reserved For Debt Service	0		.00			
GL 835 Rsrvd Arb Rebate	0		.00			
GL 850 Rsrvd Uninsured Risks	0		.00			
GL 890 UnRsrvd Undsgntd Fnd Bal	190,674		317,408.87			
..	190,674		317,408.87			

# Gov. Gregoire proposes supplemental budget to close \$2.6 billion shortfall

**For Immediate Release: December 9, 2009**

OLYMPIA – Gov. Chris Gregoire today proposed her 2010 supplemental state budget, which would fill a \$2.6 billion hole in the budget for 2009–11 through service eliminations, reductions or suspensions. As required by law, she submitted a budget based on currently available revenue.

Among the programs targeted for elimination are the state Basic Health Plan, which provides health care coverage to nearly 65,000 individuals (\$160 million); Apple Health for children, which provides health care coverage to 16,000 low-income children (\$11 million); and the General Assistance Unemployable program, which provides cash grants for 23,000 adults and medical services to nearly 17,000 adults (\$188 million).

In education, funding would be eliminated for 1,500 3-year-olds participating in the Early Childhood Education and Assistance Program; the kindergarten-through-4th grade staffing enhancement that reduces class size in the early grades; and levy equalization, which provides extra support to districts with a lower than average property tax base.

Slated for reduction are the State Need Grant program, where 12,300 students would lose grants, and grants would be smaller (\$146 million); and funding for the state's community and technical colleges as well as the baccalaureate institutions (\$89 million).

Gregoire explained that as difficult as it was to recommend an all-cuts budget, "We were thoughtful in making these decisions. They represent, I believe, the most responsible decisions we could make with the constraints we faced."

Months after balancing the biennial budget in the spring, another budget gap developed as state revenues again plummeted due to weak consumer spending, and state costs that rose from higher demand for unemployment benefits, health care and public education.

The governor recently announced several reforms to make government services more efficient through consolidations and eliminations of a number of boards and commissions. She is closing all or part of nine state institutions. She will be proposing measures to allow local governments more spending flexibility and school districts the authority to access voter-approved levies. And she has directed the Department of Corrections to move ahead immediately on actions to consolidate inefficient facilities.

"As we made the hard decisions necessary to produce this budget, I understood the impact of these cuts on real people," Gregoire said. "I realize the future this budget will create. It does not reflect my values nor do I believe it reflects the values of my fellow citizens."

"Let me be very clear: I do not support this budget. As required by law, it is balanced. For me, it is unjust."

The governor plans on introducing in a second budget in January, which will restore several of the most critical programs that would be eliminated by the all-cuts budget, including:

- Basic Health and Apple Health plans;
- General Assistance program for the most needy;
- Levy equalization funds for public schools;
- State financial aid to allow more students to attend higher education;
- Early childhood education money;
- Adult medical, dental, vision and hospice programs; and
- Developmental disability and long-term care provider funds.

“Today’s document does not reflect our values as a state,” Gregoire said. “It does not reflect the Washington I know and love or the Washington I want for our future and the future of our children and grandchildren. I am convinced it is not the plan for the future that Washingtonians would choose, either.”

Her second budget will be accompanied by a revenue package that would eliminate tax exemptions, close loopholes and raise revenues.

The governor expressed concern about new tax burdens for families and businesses.

“I will do my best to avoid any new taxes that slow our economic recovery. I will balance, as best I can, my interest in keeping new taxes down, while still protecting programs that I believe the vast majority of us agree are just too important to eliminate,” Gregoire said. “We need a combination of reduced funding for services and raising revenue.”

After tapping into the state’s Rainy Day Fund, Gregoire’s proposed budget leaves an ending fund balance of \$310.5 million.

Contact: Governor's Communications Office, 360-902-4136

To My Fellow Washingtonians:

Together we are living through the hardest times for our state in the past 80 years. Your resilience and optimism have carried your families, your neighbors, your communities and this entire state through these difficult days. I am confident in saying the worst is over, but that is not to say good times are here. We will continue to struggle as our nation's economy slowly works toward recovery. Folks will remain out of jobs and in need of your help and that of your governments — local, state and federal.

Today I submit to you and the Legislature a state financial plan for the remainder of our two-year budget period. I am legally required to submit a budget that is balanced to current revenues, and that is what I have done. But I do so with the greatest reluctance. This document is not true to the values I believe in and which have guided me through a 30 year career in public service. It is not a budget I can live with nor is it one I believe Washingtonians can live with.

A budget is more than a collection of numbers. It is the embodiment of our values as a state, and more than any other action I may take, signing it into law affects people and communities and businesses in thousands of untold ways. Today's document does not reflect our values as a state. It does not reflect the Washington I know and love or the Washington I want for our future and the future of our children and grandchildren. I am convinced it is not the plan for the future that Washingtonians would choose, either.

Washingtonians are committed to increasing the achievement levels of our students in all our public schools. We are dedicated to expanding the economic vitality of business and individuals throughout the state and promoting better job prospects for all Washingtonians. Enhancing the value to all from our higher education system, continually improving the health of each and every one of us, especially our most vulnerable children and adults, and assuring public safety are key to all people in our state.

Government at its core is about protecting the most vulnerable among us, keeping people and property safe, and building our future. Yet with a \$2.6 billion shortfall, this financial plan eliminates or reduces many vital services, some to the bone. In other cases, programs are suspended that are crucial to many of our citizens and our quality of life.

The decisions that produced this budget were very troubling to me. They do not represent sound public policy for our state, nor do they serve our citizens well. We cannot ride out this recession and come out ready to rebuild our economy on top of this budget.

Therefore, I take this opportunity to let you know that I will submit another budget that I believe will reflect those real Washington values and principles. It will be a combination of budget reductions and new revenue. My second budget will more adequately fund our public schools, pay for the basic safety net for our most needy, help more of our

students achieve the higher education they need, and set the stage for a more prosperous future.

I plan to restore funding for essential things like:

- The state's Basic Health and Apple Health plans;
- Our general assistance program for the most needy;
- Levy equalization funds for our public schools;
- State financial aid to allow more students to attend higher education;
- Early childhood education and kindergarten;
- Adult medical, dental, vision and hospice programs; and
- Developmental disability and long term care services.

These important and integral services do not come free. No one likes to pay more taxes. And no one likes to raise more taxes, no matter the state of the economy, but to accomplish these vital functions we will need to increase revenues. To be clear, even this second budget will not avoid many very harmful reductions to and even eliminations of some vital services. It will have more cuts than revenue to address our \$2.6 billion problem.

I anticipate the Legislature may receive good news from the federal government concerning reimbursements for some of our safety net programs. As the legislative session progresses, I pledge to work with the Legislature to secure the additional needed revenues to restore, or "buy back" several of the most important programs that a no-new-revenue budget could not accommodate.

As we proceed to produce a more fair and equitable budget for our great state, we should follow some very basic criteria. We must avoid actions that could hurt our inevitable economic recovery. We have got to keep an eye on our future financial situation as we fix our current problems. With regard to revenue, we should first look at eliminating unfair and unproductive exemptions and loopholes. We are required to explore every possible option in our work and we will experience shared pain from this work. While it is evident we cannot cut our way out of this budget dilemma, it is just as certain we cannot tax our way out of it.

The Washington we know and love is a Washington of compassion. I am convinced that Washingtonians from Aberdeen to Zillah will join with their legislators and me to extend a helping hand to those most in need in these troubling times, to preserve our safety and to build momentum for recovery.

Sincerely,

Christine O. Gregoire

Proposed 2010  
**Budget & Policy  
Highlights**

GOVERNOR CHRIS GREGOIRE

*Rebuilding our Economic Future*

DECEMBER 2009

OFFICE OF THE GOVERNOR

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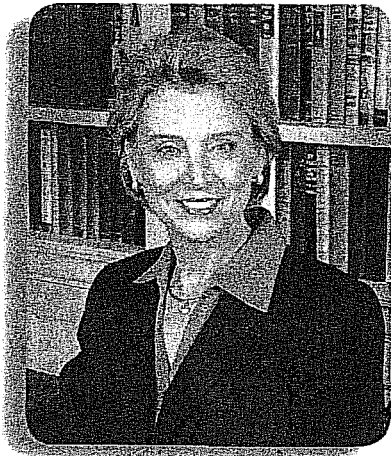
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# REBUILDING OUR ECONOMIC FUTURE



State law requires that I submit a balanced budget and that is what I have done. But let me be clear this is not a budget that I like. A budget is more than numbers and dollars and a description of services. It is an expression of the values we hold as a state. It represents people — your neighbors and mine, employers and employees, and the vulnerable — the elderly, the sick, the young and the disabled. It embodies the purpose of state government: to protect people and property, to lend a helping hand to those most in need, to educate and to build a robust economy. And this budget falls short.

Washington state has experienced a year unprecedented since the Great Depression. The recession that had been sweeping the nation finally engulfed our state. By the time I signed the budget into law in May, we had solved a shortfall that had grown to \$9 billion, or almost 33 percent of the budget. Fully two-thirds of that amount was due to lower revenue collections, largely because consumers were buying less, and so sales tax receipts dropped precipitously. State government costs increased because when times get tough, our citizens turn to state services for help — for unemployment insurance, for health care, for public schools when they cannot afford private schools. Two-thirds of our current budget challenge is due to these rising, and unavoidable, costs.

Yet we balanced our budget. Recognizing that the economy was in a tailspin, we ordered state agencies to curtail hiring, travel, personal service contracts and other services where immediate savings were possible. We then crafted a three-part solution of cuts to services, use of one-time federal American Recovery and Reinvestment Act money, and fund transfers, including the Rainy Day Fund, to fill the gap. We looked critically at the services we provide, and decided which we could cut — or eliminate — and still keep true to the values that we hold as Washingtonians: protecting the most vulnerable among us, keeping families and communities safe, and building for our future. And we accomplished this without revenue increases, just one of 19 states to manage this feat in trying times.

But just months after balancing the budget, and following those hard decisions about what programs we should cut, we face another shortfall. It is cold comfort that Washington is among the 48 states facing revenue shortfalls. With our state's \$2.6 billion gap for the rest of the budget period, we are running out of solutions. By June 2011, we will have removed 40,000 individuals from the state's Basic Health Plan, which has 75,000 individuals now on the wait list. State agencies have laid off hundreds of employees and held open hundreds of vacancies. Classrooms have gotten larger, making it tougher for our children to get the attention they need to learn well. Yet to balance this budget, we have to cut even more deeply.

Our work is made more formidable because we are unable to tap into the 71 percent of our budget that is protected under constitutional or federal requirements. This leaves less than 30 percent

available for further reductions, or slightly more than \$9 billion. Nearly 25 percent of this amount already has been spent. It's a daunting challenge that we must meet to balance the budget for the 2009–11 biennium.

As Washingtonians, we have never shirked our responsibilities, nor shied away from making hard choices. My supplemental budget proposal reflects a series of difficult, and far too often, gut-wrenching decisions. I recommend eliminating programs where there is insufficient infrastructure left to administer them. In other cases, I recommend scaling back programs so that only our very neediest citizens are served. I have looked at virtually every program offered by state government and asked the question, "If we fund this program, what other program will we need to cut — and who will be affected?"

I am also guided in these decisions by looking farther ahead at what we can expect in the next few biennia. And I am not heartened. While we are now ensnared in one of the toughest budget periods ever, the prospect for full recovery still lies years away. Decisions represented in my supplemental budget proposal will have implications beyond the 2009–11 biennium. In addition, the \$3 billion we received under the federal Recovery Act will not be available after next year. I fully recognize that what I recommend cutting today may not be restored for many years, if ever. Starting today, state government will be re-based.

Today, too, I invite a robust discussion about how we balance the budget. While I am required to submit a budget with no new revenues, my work is not done. The reductions I propose are too hurtful and damaging, and do not represent my values or the values I know most of our citizens hold. I have done as much as I can for now with reforming how we do business and with cutting or eliminating services, so I am analyzing other sources of revenue so we can continue to deliver these critically important services for our most vulnerable citizens and children. I am reviewing tax exemptions now in place that work against us, not for us, at loopholes that we can no longer ignore, at tapping readily available sources of revenue that will make an immediate difference and at other options that will not put economic recovery in jeopardy.

A year ago, we were confronted with tremendous economic uncertainty. Today, we see signs of hope: The gross domestic product is growing, we are shedding jobs at a slower rate and temporary employment numbers are inching up. But until the overall employment rate stabilizes and consumers are confident about spending, we will lag in the recovery. It could be several years before we regain solid footing. Accordingly, I recognize that the biennial budget I will propose next year for the 2011–13 biennium will be at least as challenging as this year's supplemental budget.

I have written this budget with two views: How do we continue to offer services to our most vulnerable citizens to keep faith with our commitment to serve the less fortunate among us, and how do we ensure that we have the framework to emerge from this recession stronger than ever.

We will survive these tough times. I have seen, over and over again, the resilient spirit of Washingtonians tested as they handle floods and wildfires and other adversities with determination

and grit. I have seen communities come together to rebuild businesses and neighborhoods. I have seen families cope with unbearable personal tragedies with grace and quiet strength. I have been witness to these and hundreds of other acts of faith and hope.

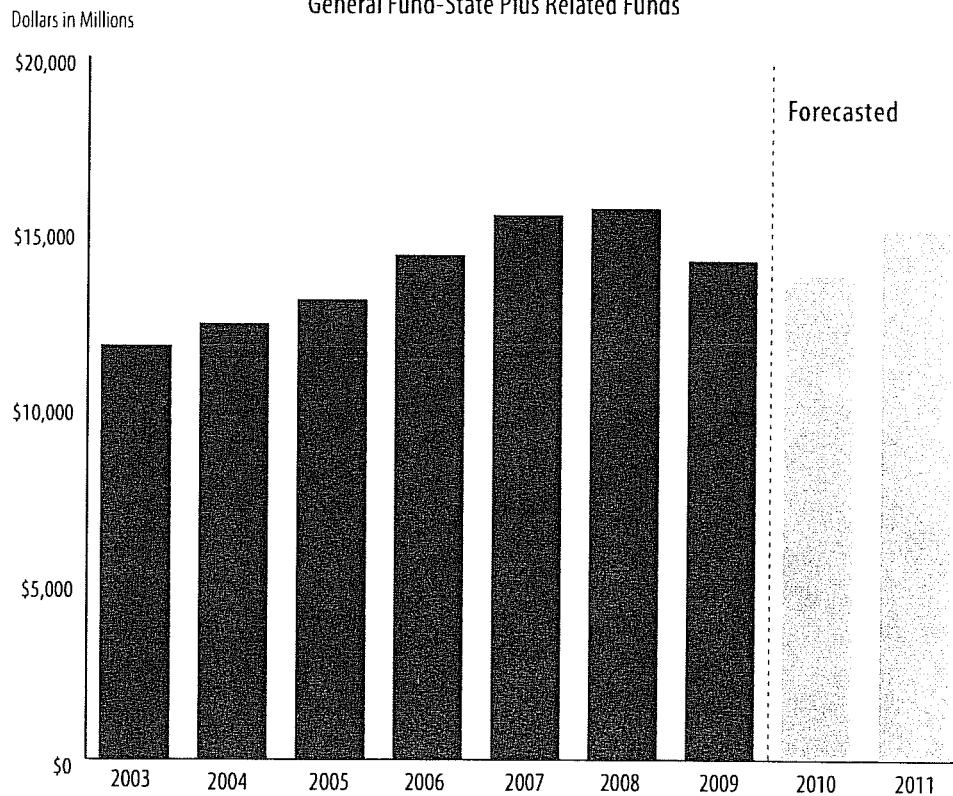
We have survived a year unlike any other in our state's history. Our citizens have lost jobs, homes and savings. But we have never lost hope. Together, as one Washington, we will embrace our challenges and shape a future of opportunity and prosperity for us all.

*Chris*

Governor Chris Gregoire

### Less Revenue in 2009-11 than in 2007-09

General Fund-State Plus Related Funds



Source: Washington State Economic and Revenue Forecast Council

# BALANCING THE BUDGET

## Putting the public first

Since her first inauguration, Governor Gregoire has worked hard to make government more responsive to the public, more efficient and more cost effective. The Governor recognizes that before recommending changes to programs, she must ensure that we squeeze every possible value of the services now offered through state government.

Several of the task forces she has charged with looking critically at how state services are delivered have made recommendations to her. She is moving ahead to cut bureaucracy through actions that:

- » Reform the juvenile rehabilitation and adult corrections systems to close underused facilities and consolidate others to deliver more efficient services without compromising public safety.
- » Reform the delivery of services for individuals with developmental disabilities by moving people from large state institutions into integrated community-based settings.
- » Eliminated 168 boards and commissions in the past two years to save money and streamline operations.
- » Consolidate nearly one-third of the 64 small Cabinet agencies or boards through mergers or realignments. This will reduce overlap and focus efforts on the state's most important missions.
- » Deliver 21st century customer service through a centralized accounting approach that will be used by all state agencies with fewer than 176 employees.
- » Consolidate state agency fleets under the Department of General Administration, which will produce cost savings and a greener fleet.
- » Consolidate leasing offices and facilities under the Department of General Administration, which will create standard practices and promote management improvements.
- » Share information technology across state government through the Department of Information Services, which will cut costs, combine the computing power of multiple servers and unify communications systems.
- » Reform the delivery of environmental services by creating a 'one front door' approach to improve access to permits, technical information and other services scattered across multiple agencies.

## Staying the course on pension contributions

Contributions to the state's pension systems are continued at the level included in the 2009–11 budget.

## State employee salaries remain the same

Funding for state employee salaries is unchanged from the biennial budget, which did not fund general cost-of-living or other pay increases. Collective bargaining agreements now in force preclude the Governor's authority to reduce the salaries of represented employees, who compose more than two-thirds of the state work force.

The biennial budget included a salary freeze to February 2010. The Governor will propose legislation to extend the salary freeze through June 30, 2010.

### **The shrinking state work force**

Governor Gregoire ordered state agencies last year to hold the line on hiring new employees and urged agencies to fill only the most critically important vacancies. The state work force has been steadily shrinking despite spikes in the numbers of citizens seeking medical assistance and unemployment insurance. Full-time equivalent (FTE) levels are running about 2 percent below the original 2009–11 budgeted level. State employment levels in the 2009–11 budget already reflect a reduction of 3.2 percent from Fiscal Year 2009. By the end of the biennium, we will have shed another 1,527 jobs.

State employee reductions are occurring at all employment levels, including Washington Management Services, a decentralized system that allows state agencies to recruit and compensate qualified managers. Since 2005, WMS employees have dropped from 8.5 percent of the state's general government work force to 6.9 percent.

### **Use of reductions in force**

Agencies have cut their budgets in different ways. Yet each has been charged with prioritizing the work central to its mission, and minimizing the effects of cuts on their services to customers. Temporary layoffs — or mandatory leave without pay — are one tool to reduce budgets.

In the first five months of this fiscal year, nearly 16,000 hours of unpaid leave have been required in agencies ranging from the Department of Social and Health Service to the Military Department. An additional 269 state employees were laid off in this period, along with hundreds of others who accepted demotions or other actions as part of reductions in force. (Higher education institutions are not included in these figures.) Numbers are expected to rise in the next year as state agencies will lay off staff members while eliminating, reducing or suspending programs, as outlined later in this document.

### **Health benefit costs rising**

Spending trends are projected to increase from 7 percent to 10 percent above budgeted levels for the state employee benefit package, which includes health, dental and life insurance. To meet rising costs:

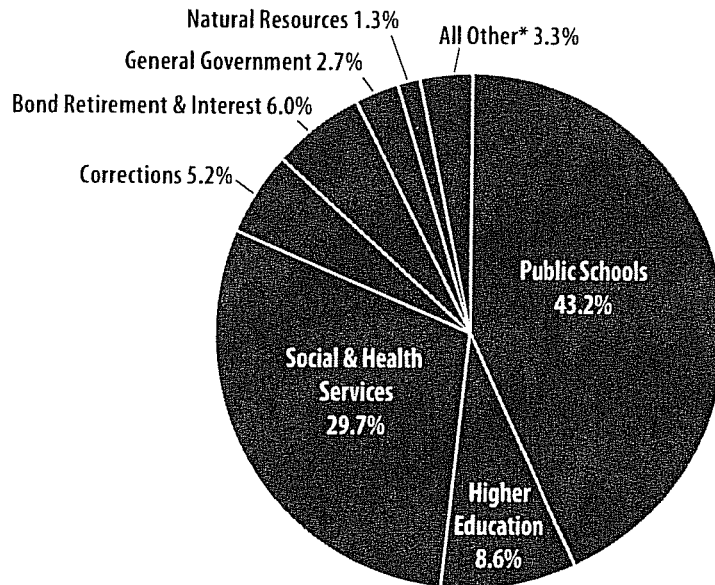
- » Out-of-pocket expenses costs for employees, such as co-payments and co-insurance, will increase beginning January 2010. For most employees, out-of-pocket costs for 2010 will be increased from \$730 to \$1,068 per year, depending on the employee's plan and utilization.
- » Annual deductibles for more than 90 percent of enrollees will be increased an average of \$125 a year. About 35 percent will begin paying \$250 annual deductibles, when in 2009 they weren't paying any deductible. Another 65 percent will face 25 percent increases in their deductibles, from \$200 in 2009 to \$250 in 2010.

Even with these changes, additional cost-sharing measures will be necessary by Calendar Year 2011.

# PROPOSED BUDGET EXPENDITURES

## General Fund-State: Operating

Distribution of General Fund-State Expenditures After the 2010 Supplemental Budget

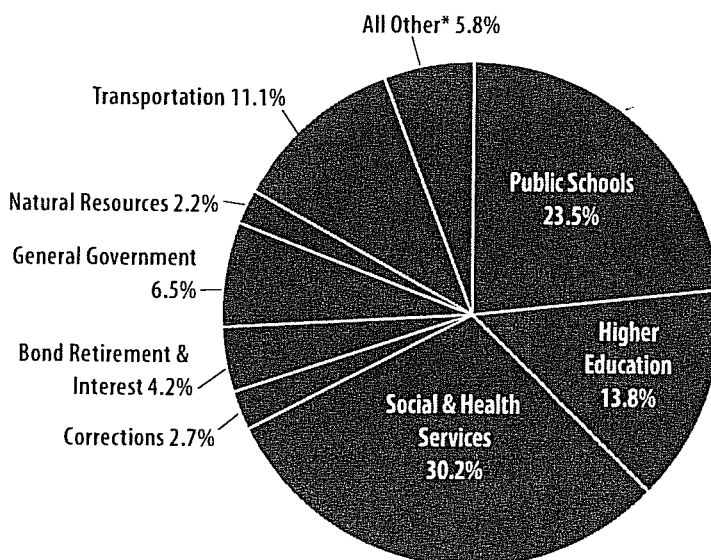


Category	Dollars in Millions
Public Schools	\$13,009
Higher Education	2,588
Social & Health Services	8,946
Corrections	1,570
Bond Retirement & Interest	1,796
General Government	825
Natural Resources	375
All Other*	977
<b>Total</b>	<b>\$30,086</b>

*\*All Other includes Other Education, Transportation, Contributions to Retirement, Other Special Appropriations.*

## All Funds: Operating Plus Transportation Capital

Distribution of All Funds Expenditures After the 2010 Supplemental Budget



Category	Dollars in Millions
Public Schools	\$15,590
Higher Education	9,179
Social & Health Services	20,105
Corrections	1,768
Bond Retirement & Interest	2,793
General Government	4,333
Natural Resources	1,486
Transportation	7,398
All Other*	3,831
<b>Total</b>	<b>\$66,484</b>

*\*All Other includes Other Education, Contributions to Retirement, Other Special Appropriations.*

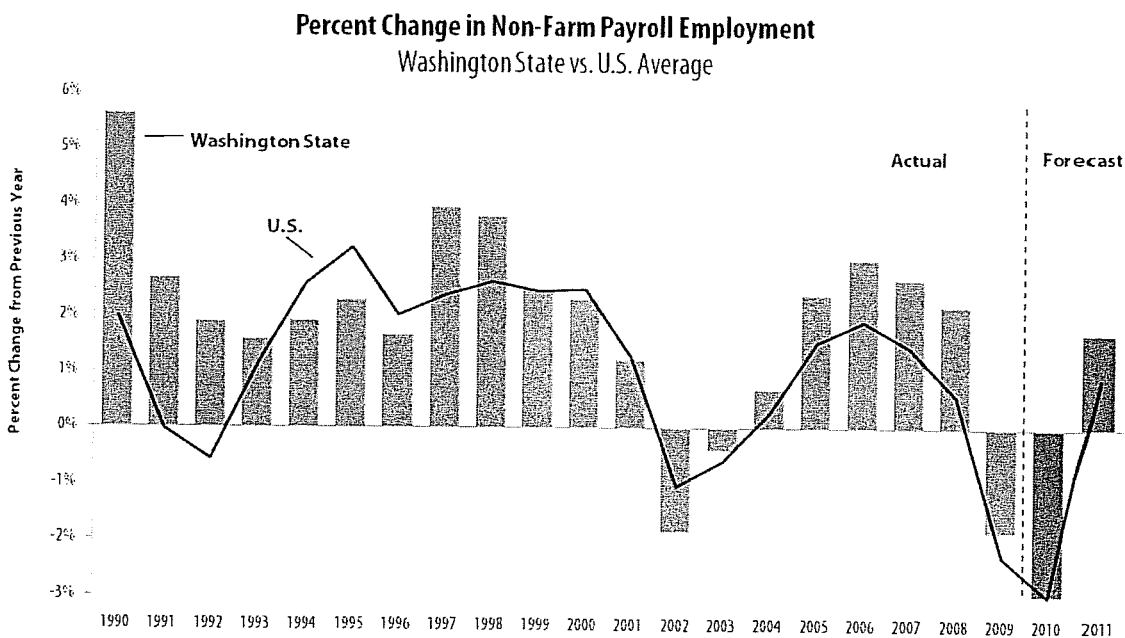
# WASHINGTON'S ECONOMIC OUTLOOK

## THE PRESENT

Washington's economy continued to slow in Fiscal Year 2009 as the fallout from bursting bubbles in the real estate, financial and commodities sectors reached economies at all levels — local, national and international. The state's strong growth through 2007 had been aided by significant expansion in the aerospace industry, robust growth in the housing sector and an increase in disposable household income from home mortgage refinancing. These housing-related factors, however, proved unsustainable for Washington and the rest of the nation.

Several factors should bolster Washington's recovery. These include the state's vital export base; thriving, knowledge-based businesses in the technological, professional, health and financial sectors; and a high quality of life that will continue to attract new residents. As a result, and with the strengthening of Asian economies this year, Washington appears to be positioned to lead the nation out of the recession.

For now, Washington labor markets are struggling. Personal income grew at a rate of just 0.5 percent in 2009. Non-farm employment grew at a rate of 2.2 percent in 2008 and declined by 1.8 percent in 2009. Though these were poor performances, they still were better than national trends. The aerospace industry stalled in 2009, with employment remaining level compared to 2008. Employment in all other manufacturing sectors fell by 7.7 percent. Our unemployment rate rose to 7.3 percent in 2009 — reaching 9.3 percent in October — as the economic downturn dampened labor market activity.



Source: Office of Financial Management

## THE FUTURE

Washington's economy is expected to experience some retrenchment during the next two years as the forecast shows the state continuing to battle recessionary forces. The November 2009 forecast by the state Economic and Revenue Forecast Council projected that growth in non-farm employment will likely decrease by 3 percent in 2010, but rebound by 1.7 percent in 2011. While this is similar to the likely national growth rate for non-farm employment of -3 percent in 2010, it would surpass the nation's 0.9 percent growth projected in 2011.

A few Washington industries will continue to experience slow employment growth or decline through the next two fiscal years. These include the financial activities industry, reflecting the shakeout from the credit crisis, puncture of the housing market bubble and continuing consumer frugality. Construction employment also will be fragile as the residential and commercial markets adjust to excess inventory and credit market restructuring. Payrolls will likely decline by 16 percent in 2010 and 1.8 percent in 2011.

As the economy restructures and begins to recover, our citizens' personal income will grow at a modest pace of 0.7 percent in 2010 and recover to a more historic pace of 5.3 percent in 2011. Stable employment in high-wage industries, including aerospace and information technologies, will help Washington's personal income regain footing. Growth rates for personal income should exceed the national rate for the next two fiscal years.

# 2010 SUPPLEMENTAL BUDGET

## BALANCE SHEET GENERAL FUND-STATE

DOLLARS IN MILLIONS

2009–11

### Resources

Beginning fund balance	\$192.9
November 2009 revenue forecast	28,842.9
Fund transfers/other adjustments (enacted)	873.9
Required transfer to Rainy Day Fund	(252.2)
Transfer of related fund balances	89.4
<b>Governor's 2010 supplemental changes</b>	
Transfers from other funds to General Fund	421.2
Use of Rainy Day Fund	228.6
Budget-driven revenue	(0.6)
<b>Total Resources (including beginning fund balance)</b>	<b>30,396.2</b>

### Expenditures

2007–09 and 2009–11 enacted budgets	30,918.1
<b>Governor's 2010 supplemental changes</b>	
Maintenance level changes	760.1
Reductions and other changes	(1,592.5)
<b>Total Expenditures</b>	<b>\$30,085.7</b>

### Reserves

Projected General Fund ending balance	\$310.5
Projected Rainy Day Fund ending balance	0.0

# 2010 SUPPLEMENTAL BUDGET

## BALANCE SHEET DETAIL

DOLLARS IN MILLIONS

### Transfer from other funds to General Fund (net)

Education Savings Account	\$100.767
Education Legacy Trust Account	64.860
Local Toxics Control Account	45.200
State Toxics Account	36.600
Public Works Assistance Account	24.000
Job Development Account	20.930
Public Works Assistance Account	17.239
Performance Audits of Government Account	15.000
Education Construction Account	14.416
State Lottery Account	14.000
State Treasurer's Service Account	12.000
Public Service Revolving Account	11.000
Savings Incentive Account	10.117
Streamlined Sales and Use Tax Mitigation Account	10.000
Shared Game Lottery Account	6.000
Thurston County Capital Facilities Account	5.754
Financial Services Regulation Account	4.000
Aquatic Lands Enhancement Account	2.470
Waste Reduction, Recycling and Litter Control Account	2.000
Fair Account	2.000
GET Ready for Math and Science Scholarship Account	1.650
Energy Freedom Account	1.060
Department of Retirement Systems Expense Account	1.000
Water Quality Capital Residual Balance	0.278
Veterans Innovations Program Account	0.250
Skeletal Human Remains Assistance Account	0.050
Outdoor Education and Recreation Program Account	0.012
Charitable, Educational, Penal, Reformatory and Institutions Account	(1.468)
	<hr/>
	\$421.185

### Budget Driven Revenue

(.570)

This small loss in revenue to the General Fund is the result of an increase to the Liquor Control Board's budget. Its increased spending causes a revenue reduction.

# EDUCATION

## EARLY LEARNING

The earliest investments in our children pay the greatest dividends. That is why Governor Gregoire created the Cabinet-level Department of Early Learning three years ago. The Department of Early Learning focuses on children's earliest years of life and helps get them ready for school. It also offers information and resources to parents and caregivers.

Declining state revenue means that we cannot sustain recent additions in funding to early learning programs. The majority of the department's state funds are dedicated to the Early Childhood Education and Assistance Program. Federal funds pay for programs to improve child care quality, safety and availability. In addition, the Department oversees several pilot programs funded through various sources. Accordingly, the budget adjusts spending for early learning by first reducing state funds spent on pilot programs and services that do not directly serve children, then lastly, preschool slots for 3-year-olds in ECEAP. As childcare licensing is funded entirely through federal funds, this activity remains fully funded.

### Actions

Eliminate funding for 3-year-olds participating in the Early Childhood Education and Assistance Program. This would eliminate slots for more than 1,500 youngsters next school year. Funding is preserved for 4-year-olds, which makes sure that at-risk children have at least one year of preschool. *(\$10.5 million General Fund-State)*

Eliminate state funding for the Career and Wage Ladder, a pilot program that provides wage incentives for child care providers to advance their professional development. *(\$1.5 million GF-S)*

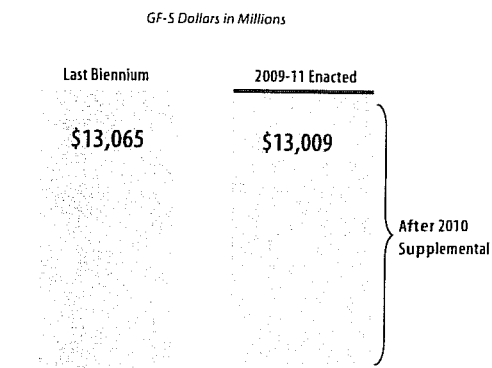
Eliminate state funding for the Child Care Resource and Referral Network, which will continue to receive federal funding to operate local referral hot lines and provide training. *(\$425,000 GF-S)*

## K-12 EDUCATION

Providing funds to educate the more than 1 million students in kindergarten through 12th grade is the state's paramount duty. From basic classroom instruction to pupil transportation, from extra help for struggling students to special education services, Governor Gregoire is committed to ensuring that all of Washington's youth receive a high-quality education that prepares them well for college or a career.

To balance this budget, cuts have been made throughout state government, and K-12 education is no exception.

Many non-basic education programs are scaled back or eliminated. This will affect students throughout the state by increasing class sizes and reducing supports for teachers. The elimination of



levy equalization and state-funded all-day kindergarten will affect students in our poorest districts. The suspension of state funding for gifted programs, career and technical education, and many other programs will reduce the breadth of offerings available to students.

## Actions

Eliminate the kindergarten through 4<sup>th</sup> grade staffing enhancement, a statewide program that reduces class size in the early grades. (*\$110.6 million GF-S*)

Suspend levy equalization assistance, a program that provides extra support to districts with a lower than average property tax base. (*\$142.9 million GF-S*)

Suspend the student achievement program, which provides smaller class sizes for students and professional development for teachers. (*\$78.5 million GF-S*)

Suspend all-day kindergarten, a program that serves students in schools with the highest poverty levels. (*\$33.6 million Education Legacy Trust-State*)

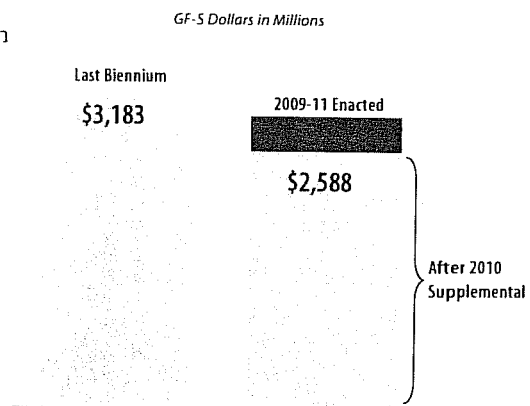
Suspend the state program for gifted education, which affects nearly 23,000 students. (*\$7.4 million GF-S*)

## HIGHER EDUCATION

Washington's postsecondary education and training system prepares students for the knowledge economy and provides a skilled work force for industries of all types. Governor Gregoire's Washington Learns commission called for increasing educational attainment to help bring family-wage jobs within reach and to attract businesses to the state. To support this goal, the budget includes funding for the worker retraining program at the community and technical colleges.

Lower state revenues mean we cannot fund our higher education system at pre-recession levels. While tuition revenues help to minimize reductions in access and quality, we must make cuts to each college and university, bringing state support for institutions down to Fiscal Year 2006 levels. These reductions, coupled with the reductions in the 2009–11 enacted budget, will result in larger classes, fewer courses and programs, fewer students graduating in four years and fewer student support activities. The cuts also mean that students will pay for a larger share of the cost of their instruction.

While the state must maintain funding for colleges and universities at Fiscal Year 2006 levels as a condition of receiving federal stimulus monies for education, no such maintenance of effort is required for financial aid programs. Because of the drop in state revenues, we must make deep cuts



in state financial aid and Work-Study programs. Reducing the State Need Grant program will result in almost 12,300 full-time equivalent students being dropped from the program and smaller grants for the remaining 44,000 student FTEs. In addition, other financial aid programs serving nearly 11,000 students will be suspended.

## **Actions**

Reduce the State Need Grant program. This program serving students with family incomes of up to \$55,000 will be changed to serve lower-income students, who will receive smaller grants. About 12,300 students will no longer be eligible for the program. *(\$146.4 million GF-S)*

Reduce funding for the two- and four-year colleges and universities. This will result in deeper administrative cuts as well as fewer course offerings, larger class sizes and fewer services such as student advising. It could result in the elimination of majors and academic programs. *(\$89.5 million GF-S)*

Suspend the Work-Study program and the smaller financial aid programs Washington Scholars, WAVE (Washington Award for Vocational Excellence) and Future Teachers Scholarship, which provide tuition assistance to nearly 11,000 students. *(\$29.9 million GF-S; \$4.8 million Education Legacy Trust)*

Shift capital funds for preventive maintenance costs. To save state operating funds, the bulk of the operations and maintenance program is shifted to the capital budget, where each institution's local building fund will cover costs. Projects that were to be paid for with local building funds will instead be paid for through general obligation bonds. *(\$103 million GF-S)*

## **Addition**

Increase funding for the worker retraining program at the community and technical colleges. Unemployment levels are surging, and adding capacity at the two-year colleges to retrain 2,500 more people for new careers will help boost economic recovery while giving individuals crucial skills to succeed in the marketplace. *(\$11.5 million GF-S)*

## **OTHER RELATED AGENCIES**

Transfer the School for the Blind and the Washington State Center for Childhood Deafness and Hearing Loss to the Superintendent of Public Instruction for oversight. Savings will be achieved through reductions to administrative staff, management travel and campus maintenance, but not through any reductions to educational programs or residential services for students. *(\$111,000 GF-S)*

Consolidate services of the Washington State Historical Society and the Eastern Washington State Historical Society to save costs related to museum operations and administration. *(\$400,000 GF-S)*

Reduce funding for the Washington State Arts Commission by cutting its operating budget by 15 percent, and by reducing the number and value of grants available to local communities, all in Fiscal Year 2011. *(\$556,000 GF-S)*