NO. 82577-7

SUPREME COURT OF THE STATE OF WASHINGTON

SEIU LOCAL 925,

Petitioner,

v.

GOVERNOR CHRISTINE GREGOIRE,

Respondent.

APPENDICES TO AGREED STATEMENT OF FACTS

Robert H. Lavitt, WSBA No. 27758
Schwerin Campbell Barnard,
Iglitzin & Lavitt, LLP
18 W. Mercer Street, Suite 400
Seattle, WA 98119
(206) 285-2828
Lavitt@workerlaw.com

Attorneys for Petitioner

ROBERT M. MCKENNA,
Washington Attorney General

Stewart Johnston, WSBA No. 8774
Senior Counsel
PO Box 40145
Olympia, WA 98504-0145
(360) 664-4167
StewartJ@ATG.WA.Gov

Attorneys for Respondent

EXHIBIT NO. 1

STATE OF WASHINGTON
PUBLIC EMPLOYMENT RELATIONS COMMISSION
CATHLEEN CALLAHAN, EXECUTIVE DIRECTOR
112 Henry Street NE Suite 300 • Post Office Box 40919 • Olympia Washington 98504-0919
(360) 570-7300 • Fax: (360) 570-7334 • E-mail filings: filing@perc.wa.gov • Website: www.perc.wa.gov

July 28, 2008

Jackie Marks
State - Financial Management
210 11th Avenue SW, Suite 331
Olympia, Washington 98504-3113

Kim Cook
SEIU Local 925
3647 Stone Way North
Seattle, Washington 98103

Re: INTEREST ARBITRATION
State - Financial Management
Case 21885-I-08-0513
Filed July 23, 2008
and
Case 21800-M-08-6824
Filed June 25, 2008

Dear Parties:

Starr Knutson of the Commission staff met with the parties in mediation, and has recommended that certain issues be submitted to interest arbitration as provided in RCW 41.56.450. As listed by the parties and confirmed by the mediator, the issues at impasse following mediation are:

Article 7.4	Licensing Issues
Article 11.2	Infant Pay Differential and Age
Article 11.3	Non-Standard Hours and Overtime Payment
Article 12.1	Subsidy Rate Increases
Article 13.3	Health Care Contributions
Article 13.4	Health Care Eligibility
Article 16.3 (NEW)	Sick Days

I have reviewed the matter, and concur with the mediator's recommendation. An interest arbitration case has been docketed under the case number indicated above, and the issues listed above are hereby certified for interest arbitration.

The parties should proceed with the appointment of partisan arbitrators and with the selection of a neutral chairperson, as provided in WAC 391-55-200 to -265. The attention of the parties is particularly directed to:

- WAC 391-55-205 - Parties are entitled to appoint partisan arbitrators within 7 days following this letter. If they fail to do so within 14 days, the use of partisan arbitrators is deemed waived.

- WAC 391-55-210 - Parties have several options for selecting a neutral chairperson. Please note:

  - The state appropriations act makes no provision for the Commission to pay the fees and expenses of "outside" arbitrators. Accordingly, the parties should advise their partisan arbitrators that any arbitrator appointed by the Commission under WAC 391-55-210(2) will necessarily be a member of the agency staff (other than the mediator who has worked with the parties on this dispute).

  - WAC 391-55-110 imposes an additional experience requirement for Dispute Resolution Panel members to be referred for interest arbitration cases. To demonstrate their experience, panel members must submit five decisions/awards issued in grievance arbitration, fact finding or interest arbitration cases. Those decisions/awards are kept on file in our Olympia office, and copies will be provided upon request and payment of copying charges.

  - WAC391-55-120 consolidates various agency procedures, such as random selection of panel members for referral, the number of names supplied to parties, second lists, method of selection from a list, and payment of fees and expenses.

  - If parties fail to utilize those voluntary procedures and notify PERC of their selection within 28 days of this letter, PERC will issue a list of arbitrators from its Dispute Resolution Panel.

- WAC 391-55-220 - The deadline for parties to exchange written proposals on all issues the party intends to submit to interest arbitration is 14 days before the date of the hearing.

The interest arbitration rules can be obtained from our Olympia office, or from the PERC web site: www.perc.wa.gov. Those rules require the parties to notify the Executive Director of the identities of the arbitrators appointed or selected, and also require the filing of a copy of any interest arbitration award. All future correspondence should refer to the "I" case number indicated above.

The services of the mediator will be available until a neutral chairperson is appointed.

Very truly yours,

PUBLIC EMPLOYMENT RELATIONS COMMISSION

Cathleen Callahan

CATHLEEN CALLAHAN, Executive Director

CC:dlt

cc: Diane Leigh

EXHIBIT NO. 2

Timeline for SEIU 925 Bargaining

Bargaining dates:
January 22, 2008 (Ground Rules)
March 29, 2008
April 18, 2008
May 10, 2008
May 30, 2008
June 21, 2008
July 12, 2008
July 17, 2008
July 18, 2008 (Mediation)

Tentative Agreements:

Preamble:		April 18, 2008
Article 1	Union Recognition:	April 18, 2008
Article 2	Non-Discrimination:	April 18, 2008
Article 3	Consumer Rights:	April 18, 2008
Article 4	Union Rights:	June 21, 2008
Article 5	Union Membership and Union Security:	May 10, 2008
Article 6	Dues Deductions:	June 21, 2008
Article 7	Grievance Procedure:	July 28, 2008
Article 8	Labor Management Committee Meetings:	April 18, 2008
Article 9	General Provisions:	June 21, 2008
Article 10	Payment:	July 18, 2008
Article 11	Fees and Differentials (not including 11.2):	July 28, 2008 (no formal TA signed)
Article 12	Subsidy Rates (not including 12.1):	July 18, 2008 (no formal TA signed)
Article 13	Health Care:	July 28, 2008
Article 14	Training and Incentives:	July 18, 2008
Article 15	Food Program:	July 12, 2008
Article 16	Holidays and Absent Days:	July 28, 2008
Article 17	State (Employer) Rights:	April 18, 2008
Article 18	Term of the Agreement:	April 18, 2008
Article 19	Complete Agreement:	May 10, 2008

Issues to Interest Arbitration:
11.2 Infant Pay Differential and Age
12.1 Subsidy Rate Increases

Interest Arbitration Dates:
August 4-8, 2008

Interest Arbitration Award Date:
August 28, 2008

EXHIBIT NO. 3

IN ARBITRATION
BEFORE MICHAEL E. CAVANAUGH, J.D., ARBITRATOR

SEIU LOCAL 925,	)
	)
	)
Union,	)
	)
and	) Volume I
	)
STATE OF WASHINGTON, OFFICE OF	)
FINANCIAL MANAGEMENT,	)
	) PERC No.
	) 21885-I-08-0513
Employer.	)
	)
	)
In Re: Family Childcare Providers	)
2009 to 2011 Contract	)

August 4, 2008

9:20 a.m.

1019 Pacific Avenue, Suite 404

Tacoma, Washington

REPORTED BY:
KAYLA LYNN RAUSCHER, CCR NO. 3078

WOLFGANG OPITZ,

having been first duly sworn by the arbitrator, deposed and testified on oath as follows:

THE WITNESS: Yes, I do.

THE ARBITRATOR: State your name and spell it for the record.

THE WITNESS: Wolfgang Opitz, first name is spelled W-o-l-f-g-a-n-g, last name is spelled O-p-i-t-z.

DIRECT EXAMINATION

BY MS. WULF:

Q. Can you tell us what position you currently hold?

A. I'm deputy director of Washington State's Office of Financial Management.

Q. And how long have you been there?

A. I've been in this role in the Office of Financial Management for a little over eight years.

Q. And where have you worked prior to your current position?

A. Two years prior to that as senior budget assistant to the governor for education. Before that, for a little over four years, in the Department of Social and Health Services as the budget director and comptroller.

Q. And in your experience, what's the role of the Office of Financial Management in state government?

A. We are the central finance and management agency for Washington State government, in which we write, propose, and then implement budgets, whether they're capital, operating, or transportation budgets. We evaluate legislation on behalf of the governor. We conduct risk management for the State, statewide financial systems, contract oversight, facility oversight, forecasting, house various and sundry other components of the governor's office. We conduct statewide accounting, and we do small agency client services in doing a full suite of financial management services for small agencies.

Q. What are your specific current duties as the deputy director of OFM?

A. I'm effectively the chief operating officer for the agency, doing the day-to-day operations, as well as maintaining involvement in each of those areas mentioned, as needed.

Q. Could I have you look in the State's exhibit notebook under Tab 9, please.

A. Certainly.

Q. And could you tell us what this document is?

A. This document is a fairly standard description of our biennial budget process that lays out the time line, roles, and responsibilities within the budget process, provides highlights of the key participants, whether it's our office, the governor, the legislature, the State's Economic and Revenue Forecast Council, the Caseload Forecast Council, and the State Expenditure Limit Committee. Does also elaborate on the budget and accounting structure, the budget development path and process that we adopt. Highlights the sources and nature of State revenue. Provides some guidance as to how, in any given case, a budget will be developed. Some details as to the background for the budget development for the State.

Q. Specifically, in the back of this, I notice that on Pages 9 and 10 there's a glossary of different terms?

A. Yes. That's our attempt to provide the specific definitions to those terms of art, if you will, that are commonly used within the budget process within the state of Washington.

Q. So we might actually hear you use some of these terms in your testimony today; is that possible?

A. Quite possible.

MS. WULF: I move to admit State's Exhibit No. 9.

MR. LAVITT: One question: Do you know if this is available on the State's OFM Web site?

THE WITNESS: I believe so.

MS. WULF: I believe that's where I obtained it, so I believe that would be there.

MR. LAVITT: No objection.

THE ARBITRATOR: State 9 is admitted.

(Employer Exhibit No. 9 admitted into evidence.)

Q. (By Ms. Wulf) Could you now look at State's Exhibit No. 10 and could you tell us what this is?

A. This is the press release issued by our office June 19th, 2008, speaking to the $167 million reduction in the State general fund revenue forecast that had just been issued for both this biennium and the next two-year budget period by the Economic and Revenue Forecast Council.

Q. So this was the announcement, I guess, of what's going to be happening with the budget in the next couple of years?

A. This is an announcement related to the revenue forecast as provided by the Economic and Forecast Council, which is one component by which you would judge what's likely to happen to the budget in the next coming years. Of course, a necessary other component is how much we would expect to spend, so if we lay those next to each other, this being a revenue forecast and some estimate projection of spending, gives you some sense of whether you have additional resources or a shortfall.

Q. And can you tell us, actually, what the role of the Economic Forecast Council is in putting out this press release?

A. The role of the Economic and Revenue Forecast Council in this press release is relatively narrow. We speak to the content that they provide. The Economic and Revenue Forecast Council is a separate entity, a separate agency of state government. It has its own executive director; it is a council made up of six members, four legislators, two executive branch representatives. Director Victor Moore is one of those --

Q. Who?

A. Director Victor Moore, the Office of Financial Management, is one of those representatives of the executive branch on the council. The other is Cindi Holmstrom, who is the director of the Department of Revenue.

MS. WULF: I'd move to admit State's Exhibit No. 10.

MR. LAVITT: I just wasn't clear if this

came out of Mr. Opitz's office or not.
A. Yes, it was a product of the Office of Financial Management, that's correct.
MR. LAVITT: No objection.
THE ARBITRATOR: 10 is admitted.
(Employer Exhibit No. 10 admitted into evidence.)
Q. (By Ms. Wulf) Now, Mr. Opitz, can I have you look at State's Exhibit No. 11. And you just spoke a little but about the Economic Forecast Council. Can you tell us what this document is?
A. This is the June 2008 product of the Economic and Revenue Forecast Council that they would refer to as their summary, executive summary, that provides both highlights of the economic forecast for the nation and for the State and leads up to the last couple of -- well, three paragraphs on Page 4 in which they highlight the revenue forecast just issued within the June 2008 revenue forecast cycle.
(Pause in the proceedings.)
Q. (By Ms. Wulf) So does OFM use the information contained in this report to make recommendations about budget decisions?
A. We absolutely use the information, both to make recommendations about budget decisions, but also to

gauge the revenue available. And in November, the November revenue forecast, we use that forecast by law as the revenue available against which the governor balances the budget that she must submit to the legislature by December 20th. So both as guidance-along-the-way information and, ultimately, in the November quarterly revenue forecast, we're bound by law to balance a budget against it.

Q. So what does the information in this report indicate about the Washington State budget forecast?

A. Well, in this case, it speaks to the revenue forecast. It indicates that the revenue available is going to be lower than what was expected in the February update cycle and is also likely to grow more slowly in the next period, the next three years, than average. It indicates that we would expect somewhat close to recessionary conditions, not quite in a recession but significantly slowed economic growth.

MS. WULF: I would move to admit the State's Exhibit No. 11.

MR. LAVITT: No objection.

THE ARBITRATOR: 11 is admitted.

(Employer Exhibit No. 11 admitted into evidence.)

Q. (By Ms. Wulf) Can I have you look at State's

Exhibit No. 12, please. Could you identify what this is?

A. This is a product laid out by the Senate Ways and Means staff at the request of their members that provides a six-year outlook for general fund and, by implication, year general fund revenue and spending, and indicates going forward with reasonable assumptions and projections, taking the revenue forecast that we just spoke to in the previous exhibit and a reasonable projection of expected spending and indicates that we'll have some shortfall in the 2009 biennium, and it left unaddressed, would grow significantly deeper in 2011, '13.

Q. So what specifically does the six-year forecast that's put out by the Senate Ways and Means Committee indicate about what could happen?

A. Well, in this instance, for the 2000-'11 biennium -- it's that middle column on the chart -- we would see unrestricted general fund State ending balance of about minus $2.684 billion. It would make note that there's a budget stabilization account, also referred to as a rainy day fund, that if that were applied to closing that $2.684 billion gap, the total reserves then would be a negative $1.956 billion shortfall, indicating that there is much significant work to do beyond the simple use of the rainy day fund to help solve the shortfall.

Q. And can the State -- you talked about resolving the State budget. I mean, can we have this kind of a shortfall?

A. No. The State must -- and first the governor must propose a balanced budget in which there is no minus sign in this column at the bottom. Her budget has to be balanced going forward to the legislature, so by December 2008 on the way to the 2009 legislative session, we have to propose a budget that does not have this minus sign.

MS. WULF: Move to admit State's Exhibit No. 12.

MR. LAVITT: A voir dire question or two, if I may.

THE ARBITRATOR: Yes.

VOIR DIRE EXAMINATION

BY MR. LAVITT:

Q. Mr. Opitz, you had no role in preparing this document, Exhibit 12, did you?

A. No, I did not, in this instance, have a direct role in this.

Q. Okay. And was this prepared -- this wasn't prepared at your request, was it?

A. No.

Q. Is this a document that's prepared annual -- or every cycle by the Senate Ways and Means staff, do you know?

A. I believe this was prepared at the request of members of the committee. I'm not certain as to which members asked for this work done, but I would note that it's a nonpartisan staff that does analytical work of significant competence and does engage with us and speaks with us about particular assumptions or what do we know about certain spending history or patterns. While not having a direct role in preparing the document, there would have been some conversation back and forth as to what might be here and we might see in future expectant costs.

Q. Do you have knowledge of what assumptions these projections are based on?

A. They've attached some set of assumptions in the final page in which they lay out the percentage increases which are expected in each of the following areas and they've made note of some other specific assumptions about underlying revenue growth and made some notes about how they have treated pension rates, where they might see the supplemental budget for 2008 playing a role and what adjustments they may make.

Q. I understand, but my question, sir, is just do you have any other independent knowledge about the assumptions that are in these calculations, other than the notes I see in the source here?

A. Other than whatever staff -- staff conversations would have occurred with our staff as they may have sought out information about the accounts we keep, the records that we keep of spending to date, the treatment of specific items in the 2008 supplemental budget, what if some are deemed to be any ongoing or one-time costs, there have been any number of conversations with staff as they perfected their view of the numbers.

Q. And when you say "staff," you're excluding yourself, I take it?

A. Yeah, I was not in the conversation.

Q. That was my question.

A. I was not personally, our office was engaged, yes. Our office was engaged in these discussions with the Senate Ways and Means staff.

MR. LAVITT: I have no further questions or any objection.

THE ARBITRATOR: 12 is admitted.

(Employer Exhibit No. 12 admitted into evidence.)

DIRECT EXAMINATION (Continuing)

BY MS. WULF:

Q. So since this information came out in June of 2008, has any new information come out with regard to what the forecast is?

A. No new forecast has come out. But each month a collection report is issued by the Revenue Department of the Economic and Revenue Forecast Council. The collections that are reported in July, which we'll call the July 10th collection report, are the collections that were made in June relating to business that took place in May.

So keep in mind that when we speak about collection reports, they lag by a couple of months. We have had one collection report since the revenue forecast was updated, or downdated, as the case may be, since there was a reduction in June, that indicated with one month under our belt we're down an additional $61 million from what was expected in June collections by the forecasters.

We do watch daily collection reports as we go along, and the August 10th collection report is expected to be down, although we do not have a number yet, so we would have a couple of months since this forecast was issued that would indicate pretty substantial reductions below what was forecast in June.

Q. So what does that tell you about the forecast?

A. Well, what that tells -- several things: That the forecast itself in June did not have it in the degree of increases in fuel prices and the echo of those fuel prices through the rest of the economy that is appearing to be happening, and that is significant because we're seeing changes in consumer behavior shift the dollar from discretionary spending that we do tax.

We tax purchases of clothing, household goods. We do not tax food. We do not gasoline on an ad valorem basis; we do tax gasoline on a per gallon basis for other purposes not related to these numbers at all. So as people have had to spend more money on gasoline and their food costs have gone up, it appears that their ability to purchase within the economy that we do tax has been reduced, and that is a -- that is apparent in the economic numbers that we're seeing march along in parallel to the collections. And as we look forward to a September revenue forecast update, which will take place middle of the month in September, two significantly low collections relative to June out of the three months for which we'll have data available, and the underlying condition changes of the economy do not portend well for the revenue forecast update. It will likely be down further to not only recognize those new collections, but recognize other conditions in the economy as reflected by the Forecast Council. I do not have a way to speculate at this point as to by how much. It is the duties of the Revenue Forecast Council to do that.

Q. So are you familiar with how childcare subsidies are funded?

A. Yes, insofar as there's a component from our Temporary Assistance for Needy Families block grants, as well as a component from Childcare Development Fund, and to whatever extent general fund plays a role, it would play last within those three in the effort to pay for childcare costs, mainly subsidies.

Q. Did you testify at the last childcare interest arbitration in 2006?

A. Yes.

Q. And are you at all familiar with the award that was given by the arbitrator in that case?

A. Yes, I am.

Q. Was that award a one-time cost?

A. No.

Q. And why is that?

A. Those subsidies went up and entered the marketplace and are now the base from which we're building forward, so whatever increases were granted, unless specifically declared as one-time costs, those subsidies would carry forward and be in the underlying cost structure of the budget.

Q. Was the State able to get additional federal dollars to cover any of those additional costs?

A. I believe not. We have a block grant for both the Temporary Assistance for Needy Family and the Childcare Development Fund, which come to us in lump sum from the federal government, and which are not adjusted or modified. In contrast, there is a Medicaid program, for example, which is federally matched. This program is not. So what happens in this case is, is what you have from the feds, you have from the feds. There is no additional federal drawn down as a result of the State general fund spending, there's no match.

Q. Now, to your knowledge, when one group of licensed providers has gotten an increase in the subsidy rate, have other providers who also participate in the subsidy program perceived similar increases?

A. Yes, we've attempted to maintain parity within the marketplace so that the ability for people to purchase childcare or make themselves able to obtain childcare is not impeded, and so the cost of the childcare is recognized throughout the -- throughout the system.

Q. And so what is the point for doing that exactly?

A. Well, we're interested in, from a public policy point of view, of maintaining the ability for people to have access to childcare and to have the resource available to them and not differentiate too sharply within the marketplace.

Q. Now, this morning there was testimony from one of the Union's witness that if the State were to increase the amount of money it spends on subsidies and, therefore, provide it to the folks that are receiving the subsidies, that it might overall help the State's economy. Do you have an opinion as to whether or not that would be true?

A. Well, I can first describe what I think happens, and what I perceive and know to happen is that childcare plays a significant role in both the economy and in people's lives, in their working lives, and the lives of their child. There is no debate, in my view, that there is a significant role to be played. Access to childcare for a working parent is essential. The experience the child has within that setting is of significant import to the child's development from an early learning perspective.

Yes, childcare subsidies spent within the marketplace get respent within the economy. But in this instance, we would be seeing money moving from one part of the State's economy to another part of the State's economy, cycling rather than adding any new dollars by increasing the subsidy. It would be especially poignant in this case with a couple of billion dollar shortfall to cure in which we would be taking from someplace else while increasing subsidies, without necessarily making any gains for the economy overall.

Q. In your opinion, is the state of Washington able to fund a large increase in child subsidy rates for the 2009-2011 contract?

MR. LAVITT: I'll object. I think that's part of what the arbitrator's ultimate question is to assess as to what the rate should be set at.

THE ARBITRATOR: And I'll answer the question, but it doesn't hurt, from my perspective, to hear what other people think.

A. And, in my opinion, we have both a multibillion dollar shortfall to solve for 2000-'11, and we have pressure building significantly on that subsidy, that subsidy structure, that payment structure within the Temporary Assistance for Needy Families block grant, and the Childcare Development Fund block grant, insofar as that as the economy has slowed done, the caseloads are starting to pick up, we're starting to see an increase in the caseloads for public assistance, and that's reflected both in our medical assistance roles related to family cases and in our direct grant roles for public assistance cases, which is eating away at the block grant for other purposes. And as we get squeezed from both sides, I would argue that it would be a difficult time to increase the subsidy at this point, given the circumstances, whether looking at the general fund or looking at the block grant itself from the federal government.

One other factor to work into this is the manner in which the federal government is conducting itself in relation to that block grant and the expectations for more participation that are levied against states by the federal government. And the penalty structure that we have to anticipate as we see that we, like other states, will not likely meet the rather onerous expectations of the federal government. So all those things coming together are putting significant pressure on our ability to have a resource which with to address this.

Q. So what are those requirements exactly in terms of the federal expectations, that parents have to work in order to --

A. Yeah, the expectation is that there are a set of qualifying activities that the parents must engage in within what we call the workforce program. And among those qualifying activities, we've been broader and more inclusive in what counts as participation than the federal government will accept. And we can speculate as to why the federal government might be tightening this requirement, but in large part because those tightening of rules happened within budget bills, it has more to do with their managing their finances as it has anything else. And they've tightened the requirements such that many of the things we count as participation in the program are beginning not to count.

So the intensity of this program we have to deliver has risen, the costs of delivering that intense program are higher. The onus on parents -- the onus on the requirements on parents to participate are steeper, and the consequences of not participating for both the State in not achieving our participation rates and on parents for not achieving a level of engagement that's expected are significant, so it could be felt both ways.

MS. WULF: Okay. Thank you. I don't have any other questions right now.

THE ARBITRATOR: Before we turn to Mr. Lavitt -- when you're talking about participation for the parents, are you talking about work --

A. Yes.

THE ARBITRATOR: -- going to school, doing the kinds of things that presumably help people get prepared to take on --

A. Yes.

THE ARBITRATOR: -- and get a job that doesn't require subsidy?

A. Correct. And what the feds have done is narrow the list of what counts. And we would -- we would have been more inclusive as to what counts within countable participation, but in the program, and the feds are saying, No, we're much narrower. And the consequence financially for the State, you would think, Gee, well, isn't that good news in that there would be fewer cases participating in the program and people would be off -- off the caseload. Well, instead, what this does is drive a low-income person to State-only funds rather than federal funds because the feds will not allow us to use their money, and, further, will not allow us to count as maintenance of effort the dollars we spend on nonqualifying activities, and also invoke a penalty if we don't reach the level of participation, the rate that the feds have set as a target.

THE ARBITRATOR: Thank you.

MS. WULF: May I just ask one other question? That prompts me to ask one other question.

THE ARBITRATOR: Sure.

Q. (By Ms. Wulf) Did anything happen today with regard to the State economic situation that's significant for the arbitrator to know about?

A. Well, largely in view of the June collection report and our daily tracking and expectations for the July collections and -- pardon me, the July collection report and our expectations for the August collections, and looking forward to what will most likely be a further reduction in the revenue forecast in September, the governor did issue a directive to all State agencies to freeze hiring of nonessential positions, freeze equipment purchases, nonessential travel, nonessential out-of-state travel is frozen, and also do everything we can to reduce fuel consumption by an additional 5 percent from last year in recognition of the financial conditions. That, all taken together, would save about $90 million and get us some ways towards closing a little bit of this gap. But it's significant, I think, that even as of today, the latest action is the tightening down of an earlier directive that we had out there after the June revenue forecast began doing these kinds of things. Now it's an instruction, not direction, to the agencies to do so.

MS. WULF: Thank you.

THE ARBITRATOR: Mr. Lavitt.

MR. LAVITT: Could I have a quick minute to caucus?

THE ARBITRATOR: Absolutely.

(Recess.)

THE ARBITRATOR: Go ahead, Mr. Lavitt.

CROSS-EXAMINATION

BY MR. LAVITT:

Q. Mr. Opitz, good afternoon. I'm Rob Lavitt. You probably remember me from two years ago when we had a similar hearing for this group.

A. Yes, I do.

Q. Okay. I want to ask you a couple of questions about your testimony. First, I think I heard you say in your opening remarks about access to childcare and the importance of quality childcare; do you recall that testimony?

A. Yes.

Q. Okay. And is it fair to say that that's -- that would be a priority of the administration, is to try and do what it can to preserve quality and access for childcare; is that a fair statement?

A. Yes, it's been that priority and it's been significant in our state to act upon that priority.

Q. Under Governor Gregoire?

A. Yes.

Q. Okay. In fact, she's been quite -- drawn a lot of attention to early learning issues, wouldn't you agree?

A. Absolutely.

Q. And is it accurate to say that nothing in the exhibits you've discussed here today reflects a proposed budget of any kind?

A. I do not see a proposed budget, but I do see a projection of costs, if costs were projected going forward.

Q. Right. But I'm --

A. And not a proposed budget.

Q. My question, in terms of a -- there's a document somewhere that lays out actually a rough daft of a budget for the '09-2011 biennium, is there not?

A. At this point, no.

Q. Okay.

A. There's no proposed budget for 2000-'11 that's being built now through December.

Q. So it's under construction right now?

A. It's under construction, that's correct.

Q. And so nothing in here contains anything that would be a budget, per se?

A. No.

Q. Okay. Thank you.

The -- I think you were answering questions about stimulation and I think I heard you say there's -- do you recall that testimony about how economic stimulation in response to some other testimony that was here today, you were asked about the concept of economic stimulation from government program dollars?

A. The multiplier effect, if you will.

Q. Precisely, the economic multiplier effect; do you recall that testimony?

A. Yes.

Q. And I heard you say that there's no new dollars involved when you have that kind of expenditure, it's being, I think you said, circulated from one place to another, I'm paraphrasing; do you recall that testimony?

A. Yes, I do. And what I said in this instance that this is not bringing new money into the state from outside the state, this is moving money from one place to another within the state.

Q. But you would agree that those -- you would agree that the multiplier effect still occurs insofar as there are real expenditures and real exchange of dollars

taking place at the local level within the state economy?
A. Oh, well -- well down within the local level within the state economy to a certain extent.
Q. Okay.
A. There's a multiplier related to that individual's experience as they may get more -- more money.
Q. And if we aggregate that throughout the state, we'd have some kind of measurable experience for a multiplier effect statewide, would we not?
A. Not necessarily.
Q. You --
A. Because we would have to aggregate the negatives, as well as the positives associated with those dollars, because the money would come from somewhere within the state to somewhere else within the state to be respent, and you would have to discount that for the degree to which someone may either save or pay down debt with those dollars, thereby taking the money essentially out of the state economy and placing it in either the national or international economy.
Q. And you're not offering an opinion about the likely savings rate of people in this quartile for providers in terms of their income bracket; is that correct?

A. Not at all.

Q. Okay. And you're not offering an opinion about the kind of marginable expenditure, and by that I mean every dollar that a low-income person receives to what extent it goes out the door as an expenditure, you're not offering an opinion about that, are you?

A. No.

Q. Do you -- I didn't hear you actually testify, and let me ask if you haven't, if you would, please, do you know the amount of federal dollars that come in to support the Working Connections Childcare Program?

A. I do not know the number off the top of my head.

Q. Do you have a ballpark sense of what the range would me?

A. As I recall, several hundred million dollars.

Q. And do you have a rough sense of what the State's contribution to that program would be, and I think that this would be on top of the federal figure?

A. Yeah, the federal government requires through a concept called "maintenance of effort" a degree of State participation that's scaled to the time period in which the block grant was initiated. That's true for the Childcare Development Fund, as well as for the Temporary Assistance to Needy Families Fund, and I do not recall off the top of my head the size of the maintenance-of-effort contribution that's required by the State.

Q. Does maintenance of effort essentially mean that the State's contribution is not supposed to go backwards, it's not supposed to retreat in amount?

A. That is correct.

Q. And you testified about, I think you said parity in the marketplace; do you recall that exchange, generally?

A. Yes.

Q. Are you aware that -- are you -- are you aware of the specific rates that childcare centers receive as compared with the licensed family homes for the various regions and age groups; do you have any familiarity with those as a comparison?

A. I do not know those numbers and cannot speak to them directly, number by number, rate by rate.

Q. Okay. So if I said that centers are receiving higher subsidy rates for the same region and same group as licensed family homes, you don't have an opinion about that one way or the other?

A. I do not know what those numbers are.

Q. Okay. You talked about -- you talked about some of the -- I guess, I think you said the tightening of the rules or the rules change, that the federal rules changed, and as I understand it, your point was that some of the activities that parents might be participating in, the State would view those as qualifying for the program, but you voiced the concern that the feds might not view those activities as qualifying?

A. That's correct.

Q. Is that a fair summary?

A. Yes.

Q. Have you received -- has there been any data on -- let me back up.

Has there been a directive or instruction from the federal government -- and I'm assuming you're referring to HHS or the Administration for Children and Families?

A. I'm referring to both congress and the implementation of congressional choices within their budget acts through HHS and their administrative apparatus by which they do business with states.

Q. And have you received a definitive directive or instruction to that effect?

A. I believe we have, yes.

Q. Has anybody costed out what the impact of that anticipated or the rule changes that you're describing, the impact of that for the State?

A. We have projections, depending on the behavior of individuals and the degree to which we can be more or less successful in achieving the participation rates now required by the federal government and the nature of penalties, the size of the penalties the federal government would invoke were we fail to achieve certain levels of participation.

Q. And is it fair to say that some of those policy decisions and implementation decisions that you were describing, those are choices that the current federal secretary or administration has made; is that a fair statement?

A. Between congress and the current administration together have made those assumptions and have embedded them in both the budgets, their financial scheme and their actions as administrative agencies.

Q. And would you agree with me that if there were a different administration, that the federal agency would have discretion to make different choices around childcare funding and eligibility rules that you were testifying about?

A. Not necessarily on its own and not necessarily immediately.

Q. So the -- as I understood, you were saying the implementation of congress's budget decisions came from the federal agency; is that correct?

A. To a degree, the rules and the requirements were specified by congress, and as is true here, as is also true with the federal government, the administering agencies then have to implement the directives given them by the legislative body.

Q. And isn't it also true that federal agencies administering those rules, those statutes, have some latitude or interpretation for kind of where the rubber hits the road?

A. In a number of instances, that would be true.

Q. Okay. And is it fair to say that if there's a change of administration, we could see very different policy choices coming out of the federal agency that oversees these programs?

A. Certainly true that I would speculate that, depending on the nature of the change of that administration, it could get worse or could get better, but not necessarily directly, because if we would think we have a math problem with our budgets, theirs is worse. And, again, it would depend on the nature of the federal government's choices about how it treats budget decisions to whether or not congress, together with the administration, could change things as quickly as we might surmise they would. Depending on their own choices about what they call "pay go" in congress, which is a concept they're applying to themselves that they have to pay for any new spending by finding savings elsewhere, everything that's a new spending item under those provisions has to find a savings someplace else to pay for it.

Q. Well, let me ask you a simpler question. You're not testifying today that if there's a change in party, if there's an Obama administration, that childcare policy would look unchanged under an Obama administration from what it does today?

A. No. I'm simply saying it would not necessarily be a rapid change, given the circumstances as it relates to the choices the federal government has made about these particular provisions. There may well be any number of other changes and any number of any other conditions that do change, but their financial situation is such that they would be hard pressed to make rapid changes insofar as it might relate to this next biennial budget.

Q. Let me ask a more pointed example. The kinds of tightening of the rules that you described for eligibility of parents, isn't that something that a federal administration policy change could immediately address in terms of who's eligible and who's not?

A. It depends on how congress wrote the rules and wrote the expectation of the rules.

Q. And have you reviewed what the congressional statute is?

A. I'm not entirely sophisticated in the exact nature of the way congress stated those rules, so I can't speculate as to how easily those rules would be modified or reinterpreted by a new administration. But I would quickly add that of the three things squeezing on these budgets, the large general fund picture that we've talked about and the increase in caseloads and costs within the block grants as they now stand, those two are much bigger and more significant pressures than the potential of penalties as it relates to participation rates in the public assistance what we call welfare box.

Q. So when you were describing being -- the pinch in the changing rules, we should actually understand that that's not a significant amount of financial pressure on the State?

A. It's a significant pressure, but it's smaller than the other two.

Q. Okay. So it's a smaller amount.

You talked about the governor's directive to the State to freeze hiring and equipment purchases and some other things -- you talked about the directive from the governor today, I don't know if it was issued today, but you described it as a hiring freeze, a freeze of equipment purchases, and a reduction of fuel consumption; do you recall that testimony?

A. Yes.

Q. Did I hear you correctly that that has already produced a $90 million savings or is that forecast to yield a $90 million savings?

A. For this fiscal year, if it is to be successful as we marked it up, could generate $90 million in savings. It hat not yet generated that savings.

Q. And so that would be for a single fiscal year?

A. Correct.

Q. Would that be the fiscal year that we're currently in, that ends June 30th of '09?

A. Yes, that is correct.

Q. Okay. And would there be an ongoing savings of that into the fiscal year that begins July 1 of '09?

A. That would be a choice left to both the budget process for the governor, as well as for the legislature in the 2009 session as to whether or not to make these savings ongoing or to treat them as one time or some of -- some of each, as we might make those choices.

Q. Is that an accounting question or are you saying it's a question of whether to keep this freeze in place?

A. It is neither. It's a choice among those who write budgets as to whether or not a freeze and the cuts implied by the freeze and the capabilities of agencies to deliver on their missions is sustainable at the level that we would achieve within this fiscal period, so it's budget choice as it relates to the operations of state government and the delivery of services and programs.

Q. Maybe it's because I'm slow and it's late in the afternoon, I guess what I'm trying to understand is if these freezes remain in place, does that not hold a potential for a continued $90-million-per-year savings, potentially? I understand it's not your decision to make how it goes, but, conceptually, is that a possible outcome?

A. Only if you assume that whatever savings you were able to generate from the freeze were sustainable going forward and that the vacancies that would occur through attrition and freezing hiring new, both occurred in places and in ways that could be sustained going forward.

Q. And your point is that you run the risk -- the agency needs to be concerned about continuing to operate and fulfill its mission if there's an ongoing freeze for a long period of time; is that part of your point?

A. No. Our agency at the Office of Financial Management, the governor and the legislature will be concerned about the continuing operation of state government overall and whether such things as the hiring, equipment, travel freeze, assumed fuel cost savings can and should be sustained in the manner going forward. It's an open choice as to whether or not all or some such saving would be sustainable.

Q. Okay. I think that was my question, but you said it more clearly. Have you looked at any of the costs of the Union's proposals that are before this ARBITRATOR?

A. I have not looked at any briefing documents that speak to those.

Q. So you don't know the amounts in play?

A. No, I don't.

Q. Okay. You made a -- I think, one of your comments dealt with concern over increased use of Medicaid, or I don't know if you said Medicaid, but other public subsidy programs because there was an economic downturn; do you recall the testimony, generally?

A. Yes, as I was speaking to one of the three pressures on the block grants.

Q. Yes. Isn't it -- well, if you know, isn't it also correct that by -- if a subsidy rate -- if an

increased subsidy rate enables family childcare providers to stay off of public subsidy or public benefit programs, that there's actually a reduction of that kind of pressure that you were just describing, one of those three pressures on the block grant funding? Do you understand my question?
A. Well, to the extent that family childcare providers would be on the margins standing next to the caseload and by -- for other reasons or whatever life circumstances become part of that public assistance caseload, that would be true.
Q. Let's look at Employer Exhibit 12, if you would, if you have it opened.
A. That's that book, my 12?
Q. Yes, your book. Employer Exhibit 12.
A. Got it.
Q. I see there's a number, if I'm looking at this correctly, where when the forecast for expenditures is done, there's a -- fair to say a certain amount of growth built into the economic assumptions?
A. Within the baseline expenditures, yes.
Q. So I'm not an economist, Mr. Opitz, so what I think of it is you know that certain populations of school children are going to increase, you know that there's other costs of living, costs -- inflationary

costs for running a hospital or a prison, and as a budget person or an economist, you can factor some measure of anticipated growth along these existing ongoing expenditures; is that --

A. That's correct.

Q. -- a reasonable layperson's description?

A. That is correct. And to the extent that they provided them at the Ways and Means staff level, those details about those assumptions are laid out, attached documents behind this chart.

Q. And isn't it also correct that there's built in an assumption of increase in expenditure on employee wages and salaries?

A. There's a use of the implicit price deflator, which is one general indicator of inflation to build in growth in costs for wages. There's a separate line for health benefits to the extent that those are provided to State employees. Hiring faculty and staff. Pension costs are also reflected within these projections going forward.

Q. So there's -- when these cost assumptions are generated or calculated, if I'm hearing you right, there's recognition that employee wages and salaries are included as something that will grow over the course of the biennium, there's anticipated growth in that area;

is that a fair statement?

A. Yes.

Q. Do you know what the assumption is for salary and wage increase for State employees?

A. As I recall, and I don't see it highlighted here, but I believe the projected salary increase is at the 1.6 percent or 1.7 percent per year implicit price deflator rate, which, again, is one general indicator of cost-of-living changes across the economy.

Q. When you say "cost-of-living changes across the economy," you're not suggesting that that is supposed to capture the CPI 2008 data that we've seen recently for the Puget Sound region?

A. Well, I'm suggesting that economists have a variety of ways to measure how the economy is changing and a variety of ways to measure cost-of-living changes across that economy, and one way is the implicit price deflator. Another way is, as you've mentioned, the Consumer Price Index, both general measures of inflation, general measures of cost of living, but the distinction is that the implicit price deflator accounts for changes in how people spend money. It accounts for shifting to lower-cost purchases from higher-cost purchases, from discretionary to less discretionary spending and back again. It accounts for movement in consumer behavior. Consumer Price Index takes a fixed market basket of goods and recosts them over a period of time.

Q. And is it fair to say that the Consumer Price Index approach attempts to capture essentials, capture things like fuel and housing and food expenditures?

A. They both do. Both -- both the CPI, Consumer Price Index and the implicit price deflator capture both, but the Consumer Price Index assumes that none of the shifting that we're seeing going on now away from clothing and household goods toward fuel and food is happening within the economy. It does not account for that shift within the economy, it only accounts for growth in the cost of a fixed market basket of goods without accounting for consuming behavior change.

Q. Let me direct kind of your attention to the testimony you offered around forecasting. As I understood it, you were actually observing or testifying about forecasts that the Council -- I forget what it's called, the Forecast Council --

A. Yes, the Economic and Revenue Forecast Council.

Q. You were testifying about forecasts that that council had generated; is that correct?

A. That is correct.

Q. Has your office also produced a forecast that we

saw in the record today?
A. I believe not.
Q. Okay. Are you familiar with the process of forecasting?
A. Yes.
Q. And have you participated in it, yourself, in the course of your career?
A. Yes.
Q. And is it fair to say that it's somewhat unpredictable endeavor? You don't know, it's a forecast, you can't predict with any degree of certainty as to what is going to happen five years down the record; is that a fair statement?
A. Well, I think it's a fair statement that it's a forecast and that it's, as with all forecasts, it's as likely not to be true as it is to be exactly true. But forecasts are those choices and assumptions made that are most reasonable within a variety and a range of projections that might be generated of both costs and revenue that look forward in time and are informed as you move forward in time by actual experience and adjusted accordingly.
Q. But is it fair to say it's a somewhat risky endeavor, you -- you're attempting to predict what's going to happen in the future?

A. Well, certainly, you're forecasting what the future economic conditions and revenue conditions for the State may be.

Q. Okay. And do you recall in October 2006 what the forecasts were for the '09 to 2011 biennium?

A. In October 2006 there was not one for the 2000-'11 biennium issued by the Economic Revenue and Forecast Council. The first issuance of that period was February 2008 for the official economic and revenue forecast for that biennium.

Q. Let me be more broad in my question, and I appreciate your focusing on the Economic Forecast and Revenue Council. And let me ask you more broadly speaking, do you recall your testimony with respect to the six-year economic outlook in October 2006, when there was a similar proceeding as we have here today?

A. Yes.

Q. You recall that testimony?

A. Yes, I do.

Q. Do you recall what your testimony was with respect to the six-year economic outlook regarding budget deficit or surpluses or whatnot?

A. As best as I can recall from two years ago, we were speaking about what we would do in reverting to what amounts to average economic growth or average revenue growth for periods going forward for which there is not an official forecast from the Economic and Revenue Forecast Council. So a six-year outlook of similar nature two years ago that would have looked forward to the 2000-'11 biennium would have used average economic growth, average revenue growth going forward.

I will note that the Economic and Revenue Forecast Council, in light of current events and economic conditions is not forecasting average revenue growth for that period. In fact, it's coming in somewhat below that. Where average would be about 5.5 percent a year, they're at about 4.9, 4.7 percent a year.

Q. Mr. Opitz, I'm looking at the six-year outlook from June 2006, so a little over two years ago, and I'm happy to provide this to you if you would like to refresh and take a look at it. But tell me if this is consistent with your recollection, and we can make copies of this, but that for 2009, the testimony from the State was that there was -- there would be an ending balance in the general fund, State general fund of $647 million, and for 2010 a $318 million surplus for the general fund, State. Do you recall generally this testimony at all or is this --

A. Yes.

Q. Okay. So you would agree with me it's difficult to predict down the road sometimes with accuracy what the economic future holds?

A. Well, I would not agree with that insofar as that these are fundamentally different numbers and fundamentally different products, and in that case you'd be comparing essentially apples and oranges from the 2006 testimony. That outlook is a reasonable long-term projection based on average growth, not intended as a forecast, where the product we're looking at today is an economic and revenue forecast for a fiscal period that is two years closer in time than we were two years ago when that was done. Would that that were still true, and would that, you know, $2-a-gallon gasoline was still true. $4-a-gallon gasoline and its consequences, as well as other consequences of the credit crunch and the housing problems are now resonating in the economy and have been picked up by the official economic and revenue forecast for the '09-'11 period.

Q. Mr. Opitz, I guess, I look at these numbers and it seems they simply are quite wrong. They've missed the mark, and I hear what you're saying, is, well, we're closer now and this is a different kind of product, so it's not the same thing as the testimony offered two years ago.

A. Well, for the -- for the same period of time, they're fundamentally different products. To compare apples to apples, you'd be more accurate in comparing the accuracy of our projections for 2007-'09 from that chart with the accuracy of the projections for 2000-'11 of this chart, rather than comparing them within the same fiscal period, '09-'11 to '09-'11.

Q. You would agree that the '09-'11 numbers that are in this chart are no longer very accurate?

A. That in the 2006 situation, we had a projection going forward for average economic and revenue growth that is not being attained now that we know more and are two years closer to the time period. This one matters. And I'll come back to the notion that in the November revenue forecast is not phrased to us in the form of a question or an option. It's the revenue forecast that we are guided to by law to balance a budget against.

That average growth level, while may be interesting, is not of any consequence now and it won't matter whether the revenue forecast going into December might have some inaccuracy or some up or down in it going forward. The November forecast issued by the economic and revenue forecast is the law that we're required to balance.

Q. My question, sir, is simply, as we now sit here closer to 2009-2011, you would agree that the forecast that was done by the -- that the evidence provided the State and by your own testimony in 2006 turned out to not be accurate in gauging the 2009-2011 budget climate; isn't that correct?

A. I would say that with passage of two years of time, we know more about the economic and revenue conditions and would that that were still true. It's not. We know more now, being two years farther down the road, and have a revenue forecast in front of us that's an official issuance of the Economic and Revenue Forecast Council that will be updated in September and November, and as I've testified, likely to get worse, not better going into the actions required by the governor to balance the budget.

MR. LAVITT: I'd like to move to strike the part of the testimony that was not responsive to a pretty direct question.

THE ARBITRATOR: Well, I'll have to go back and figure it out. You know, it is what it is. I understand what's going on, I think. I think I understand your point, let's put it that way.

MR. LAVITT: I have nothing further for this witness.

THE ARBITRATOR: Any redirect?

MS. WULF: No, thank you.

THE ARBITRATOR: Thank you, Mr. Opitz.

THE WITNESS: Thank you.

THE ARBITRATOR: Off the record.

(Arbitration adjourned at 3:56 p.m.)

EXHIBIT NO. 4

IN INTEREST ARBITRATION

BEFORE TIMOTHY WILLIAMS, ARBITRATOR

SEIU HEALTHCARE 775NW, Union, and STATE OF WASHINGTON, OFFICE OF FINANCIAL MANAGEMENT, Employer. In Re: Individual Provider/Homecare 2009-2011 Contract	Volume IV PERC NO. 21907-01-08-0516

Tuesday, August 26, 2008

9:19 a.m.

7141 Cleanwater Drive SW

Tumwater, Washington

REPORTED BY:

AMY PATRICIA ROSTAD, CCR NO. 1901

A. Not really. I mean, if an arbitration award is issued that's higher, it goes to the top of the line, it goes to the top of the stack. So the policy choice is going to be made in this room to place a legal mandate in front of the Governor and Legislature to pay for something that then crowds out something else, and the rest of the policy choices are about what's crowded out.

Q. It's not your testimony that the Legislature's mandated on --

A. The Legislature gets an up or down.

Q. -- what the arbitrator's award?

A. The Legislature gets an up or down vote on bargained results. And an arbitration award through us to the Legislature would be offered to them in the same manner as an up or down on the -- on the financials of the award. I don't know exactly, I'm not the lawyer in the room, but I don't know exactly whether or not the Legislature is bound to fund the arbitration award in the same manner as they get an up or down vote over collectively bargained agreement that's offered to them as part of the budget.

Q. So when you --

A. I know we are. That in balancing our budget in December, we incorporate what the award is, and it goes to the top of the -- top of the list. It -- it -- it's

funded as if it were a contractual obligation within our budget deliberations and crowds out something else.

Q. Okay. So would you agree that exemptions from the tax code are a kind of expenditure?

A. Well, I would agree that the Legislature has made choices to exempt any manner of things from the tax code and offer tax credits, as well. The term of art "tax expenditure" has been used in the past as it relates to credits and exemptions, but I would quickly note that those exemptions, say, in the sales tax as it applies to the -- to the business activities includes an exemption for food, that within the property tax portfolio churches are exempt from paying property taxes. So there are any other number of exemptions and credits that are structured within the tax code. And there's some debate as to whether you would call that an expenditure or would you -- you would call that a tax exemption or credit. And then some of them would, perhaps, be more accurately deemed a tax expenditure if they were aimed at a specific purpose to accomplish a specific policy goal.

MS. KREBS: I have a few exhibits. I'm wondering if we should just distribute them all at once?

THE ARBITRATOR: Sure.

MS. KREBS: One speaking to this issue and

EXHIBIT NO. 5

OFFICE OF FINANCIAL MANAGEMENT

STATE OF WASHINGTON

WASHINGTON STATE BUDGET PROCESS

BUDGET DIVISION

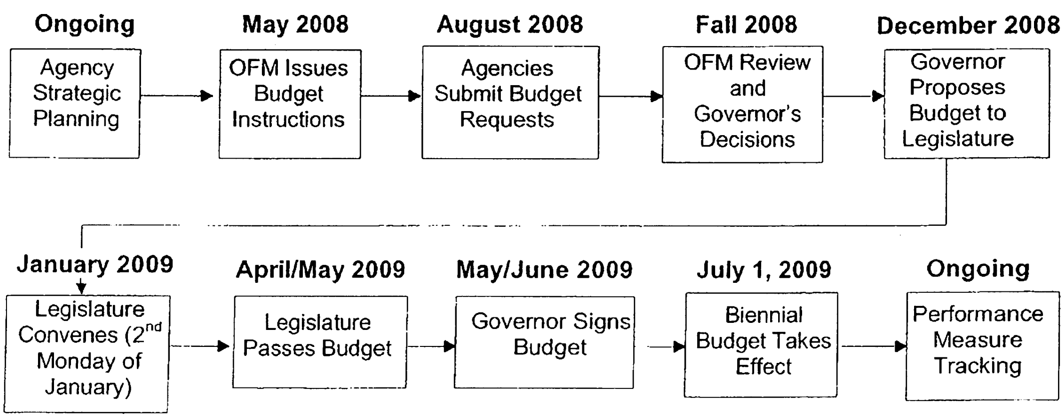
JUNE 2008

A DESCRIPTION OF

Washington State's Budget Process

The Biennial Budget Cycle

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. The budget approved for the 2007-09 Biennium remains in effect from July 1, 2007 through June 30, 2009. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.



Roles and Responsibilities in the Budget Process

State agencies are responsible for developing budget estimates and submitting budget proposals to the Governor. Once the budget is enacted by the Legislature, agencies implement approved policies and programs within the budgetary limits imposed by legislation. Under Washington's budget and accounting statutes, individual agency directors are accountable for carrying out the legal intent of appropriations.

The **Governor** recommends a budget to the Legislature consistent with executive policy priorities. Appropriation bills, like other legislation, are subject to gubernatorial veto authority and may be rejected in part or in their entirety within a defined number of days after legislative passage. After a budget is enacted, the Governor's general administrative duties include monitoring agency expenditures and helping to achieve legislative policy directives.

The **Office of Financial Management** (OFM) coordinates the submittal of agency budget requests and prepares the Governor's budget recommendation to the Legislature. Budget staff from OFM work closely with state agencies to explain and justify planned expenditures. Analysts evaluate all budget requests for consistency with executive policy priorities and to ensure that proposed expenditures match fiscal constraints. OFM is also responsible for maintaining the state's central accounting system and developing certain population and demographic forecasts.

Through appropriations bills, the **Washington State Legislature** mandates the amount of money each state agency can spend and, in varying degrees of detail, directs agencies where and how to spend it. Washington's bicameral legislature consists of 49 senators in the Senate and 98 representatives in the House. Specific fiscal committees have primary responsibility for preparation of the legislative budget. These include the Appropriations, Capital, Finance, and Transportation committees in the House; the Ways and Means, and Highways and Transportation committees in the Senate; and the Legislative Transportation Committee.

The House and Senate employ staff analysts to help review and evaluate the state budget, and to prepare appropriation bills. As with other legislation, if the two houses cannot agree on a budget or revenue proposal to implement the budget, a conference committee of legislative representatives may be convened to reconcile the differences.

The **Economic and Revenue Forecast Council** is composed of representatives from both the legislative and executive branches. Each fiscal quarter, the Council adopts an official forecast of General Fund-State (GF-S) revenues for the current and (at some point) the ensuing biennia. These forecasts, together with any reserves left over from previous biennia, determine the financial resources available to support estimated expenditures.

The **Caseload Forecast Council** was created by the 1997 Legislature and began operations in the 1997-99 Biennium. The Council consists of two members appointed by the Governor and four appointed by the legislative political caucuses. The Council prepares official caseload forecasts for state entitlement programs, including public schools, long-term care, medical assistance, foster care, adoption support, adult and juvenile offender institutions, and others.

The **State Expenditure Limit Committee**, consisting of legislators and representatives of the Governor and Attorney General, was established in 2000 to determine the state General Fund expenditure limit created by Initiative 601.

Budget Development Approach

In general, Washington State's budget process cannot be characterized by any single budget decision model. Elements of program, target, and the traditional line item budgeting associated with objects of expenditure (e.g., salaries, equipment) are all used with performance budgeting in budget decision-making.

For the 2003-05 Biennium budget proposal, Washington adopted a statewide results-based approach called "Priorities of

Government" that complements the traditional focus on incremental changes. This process starts by identifying the key results that citizens expect from government and the most effective strategies for achieving those results. Agency activities were reviewed in this statewide context and prioritized in terms of their contribution to achieving these statewide results.

More information on the Priorities of Government is available on our Web site at http://www.ofm.wa.gov/budget/pog/default.htm.

Budget and Accounting Structure

State government is organized into 124 agencies, boards, and commissions representing a wide range of services. While many state agencies report directly to the Governor, others are managed by statewide elected officials or independent boards appointed by the Governor. Most agencies receive their expenditure authority from legislative appropriations that impose a legal limit on operating and capital expenditures. Appropriations are authorized for a single account, although individual agencies frequently receive appropriations from more than one account.

A few agencies are "nonappropriated," meaning that they operate from an account that is legally exempt from appropriation. Expenditures by these agencies are usually monitored through a biennial allotment plan. There is no dollar limit as long as expenditures remain within available revenues and are consistent with the statutory purpose of the agency.

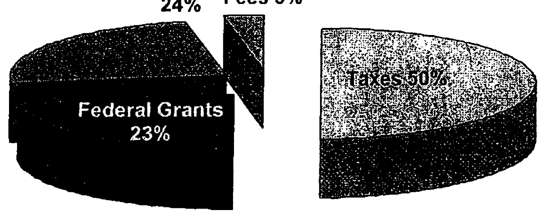
The state's budget and accounting system includes more than 400 discrete accounts, which operate much like individual bank accounts with specific sources of revenue. The largest single account is the state General Fund. State collections of retail sales, business, property, and other taxes are deposited into this account. Expenditures from the state General Fund can be made for any authorized state activity subject to legislative appropriation limits.

Other accounts are less flexible. Certain revenues (for example, the motor vehicle fuel tax or hunting license fees) are deposited into accounts that can only be spent for the purpose established in state law. In budget terms, these are referred to as "dedicated accounts."

Sources of State Revenues

Washington receives most of its revenue from taxes, licenses, permits and fees, and federal grants. Each individual revenue source is designated by law for deposit into specific accounts used to support state operating or capital expenditures.

Sources of State Revenues – All Governmental Funds
2007-09 Biennium Estimates (including 2008 Supplemental Budget)



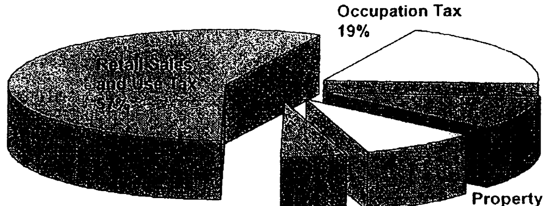
Category	Dollars in Millions
Taxes	$ 33,827
Federal Grants	16,042
Licenses, Permits, Fees	1,843
Charges and Miscellaneous Revenues	16,586
TOTAL	**$ 68,298**

Source: 2007-09 Office of Financial Management Budget Database.

OFFICE OF FINANCIAL MANAGEMENT MAY 2008

The chart below displays the major revenue sources for General Fund-State expenditures in the current biennium. The Department of Revenue collects most of these revenues.

Sources of General Fund-State Revenues
2007-09 Biennium Estimate



Category	Dollars in Millions
Retail Sales and Use Tax	$ 16,730
Business & Occupation Tax	5,544
Property Tax	2,995
Real Estate Excise Tax	1,383
Other**	2,811
TOTAL	**$ 29,463**

Source: February 2008, Revenue Forecast Council, GF-S Cash Basis.

* *"Other" includes revenue from liquor sales, tobacco taxes, lottery proceeds, insurance premiums, etc.*

Note: This chart reflects forecasted revenues only. Additional resources, such as prior biennium balances or transfers from other funds, may be included in the budget balance sheet.

OFFICE OF FINANCIAL MANAGEMENT MAY 2008

No. 82577-7
JSF925 0059

Size and Distribution of the State Budget

The state's current operating budget for the 2007-09 Biennium (from all fund sources) is $59.5 billion, as amended by the 2008 Supplemental Budget. A separate capital budget finances major building, renovation, and land acquisition projects. The 2007-09 (non-transportation) capital budget for new projects is $4.4 billion. An additional $2.3 billion is available in reappropriated funds to allow the completion of capital construction projects authorized in previous biennia. Roads, bridges, and other transportation capital projects are budgeted at $4.8 billion. (Total Operating/Capital Budget = $71.5 billion).

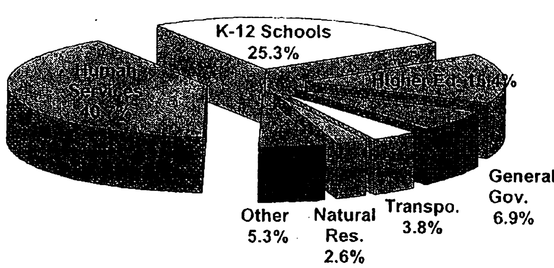
Operating expenditures are supported by general state tax revenues, federal funds, dedicated tax and fee revenues, and other miscellaneous sources, such as earned interest and lottery receipts. The capital budget is primarily funded through general obligation bonds ($2.1 billion in 2007-09) and cash revenues from dedicated accounts. The debt service on non-transportation general obligation bonds is paid by General Fund-State resources in the operating budget.

State operating expenditures can be grouped into seven broad categories of services:

- **Human Services**, such as mental health and other institutions, public assistance, health care, and correctional facilities.
- **Public Schools**, which represents state support for Kindergarten-Grade 12 (K-12) education.
- **Higher Education** in public universities, community colleges, and technical schools.
- **Natural Resources** expenditures for environmental protection and recreation.
- **Transportation**, which includes highway maintenance, state ferry operations, and the Washington State Patrol.
- **General Government**, including the administrative, judicial, and legislative agencies.
- **Other** (miscellaneous) expenses, such as the payment of debt service and pension contributions for local law enforcement, firefighters, and judges.

The following chart shows the distribution of operating expenditures from all funds for the 2007-09 Biennium.

Distribution of 2007-09 State Operating Expenditures – All Funds



Category	Dollars in Millions
Human Services	$ 24,411
K-12 Schools	15,168
Higher Education	9,213
General Government	4,132
Transportation	2,279
Natural Resources	1,560
Other*	3,188
TOTAL	**$ 59,951**

Source: 2007-09 Operating Budget database.

** Other includes debt service, pension contributions to Law Enforcement Officers and Fire Fighters (LEOFF) and Judges, other education agencies, and special appropriations.*

OFFICE OF FINANCIAL MANAGEMENT MAY 2008

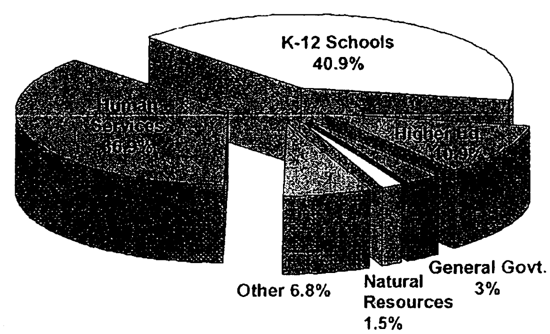
No. 82577-7
JSF925 0060

The General Fund-State Operating Budget

Approximately $29.8 billion of the state operating budget for 2007-09 is supported by General Fund-State (GF-S) tax revenues and reserves. Because the Governor and Legislature have the greatest discretion over how these state revenues are spent, programs supported by GF-S receive substantial attention during budget deliberations.

The following chart shows the distribution of estimated General Fund-State expenditures for the 2007-09 operating budget. The majority of the state General Fund is spent on education, which includes the state share of funding for public schools (K-12), four-year colleges and universities, and two-year community and technical colleges.

Distribution of 2007-09 State Operating Expenditures – State General Fund



Category	Dollars in Millions
K-12 Schools	$ 12,196
Human Services	11,008
Higher Education	3,254
General Government	886
Natural Resources	454
Other**	2,040
TOTAL	**$ 29,838**

Source: 2007-09 Operating Budget database.

* *Other includes debt service, pension contributions to Law Enforcement Officers and Fire Fighters (LEOFF) and Judges, other education agencies, transportation, and special appropriations.*

OFFICE OF FINANCIAL MANAGEMENT MAY 2008

General Fund-State Expenditure Trends 1989-91 to 2007-09

Biennium	Dollars in Millions	Change in Millions
1989-91	12,822.3	2,481.9
1991-93	15,179.9	2,357.6
1993-95	16,315.1	1,135.2
1995-97	17,732.4	1,417.3
1997-99	19,157.8	1,425.4
1999-01	21,046.4	1,888.6
2001-03	22,548.8	1,502.4
2003-05	23,671.7	1,122.9
2005-07	27,766.1	4,094.4
2007-09*	29,838.2	2,072.1

** The 2007-09 biennial figure is based on appropriations as of March 2008. Previous biennia represent actual expenditures. Dollars have not been adjusted for inflation.*

No. 82577-7
JSF925 0061

State Staffing Levels

The current state budget assumes approximately 112,880 FTEs (Fiscal Year 2009) on an annual basis, with the largest number of people employed in higher education institutions, correctional facilities, state social service and health agencies, and transportation agencies. For budget purposes, the number of state employees is measured in Full Time Equivalent (FTE) staff years; i.e., one person working 40 hours a week for a full year is counted as one FTE staff year. Two people working half time also count as one FTE. Although the state provides funding for compensation for local school teachers, this support is in the form of grants. Therefore, K-12 teachers are not considered state employees in statewide FTE statistics.

Budget Drivers

In addition to new policies adopted by the Governor, Legislature, or federal government, the state budget can also be significantly influenced by demographic and economic factors. Differences in these "budget drivers" affect the cost of services or the number of persons requiring services. An example of the demographic connection appears in K-12 education, where expenditures for the state's constitutionally mandated responsibilities for basic education are closely tied to the number of school-age children in the state. Higher-than-average inflationary costs – such as those for medical expenses – also affect expenditures in the state budget.

Spending Limits in the State Budget

Major Provisions of Initiative 601 (initially enacted in 1993, statute modified in 2005):

Fiscal Growth Factors and General Fund-State Expenditure Limit

- Establishes a "fiscal growth factor" based on a ten-year average growth in personal income.
- Mandates an annual expenditure limit on the aggregate of the General Fund-State and six related accounts (Public Safety and Education Account, Equal Justice Account, Water Quality Account, Violence Reduction and Drug Enforcement Account, Student Achievement Account, and Health Services Account) to be calculated by the State Expenditure Limit Committee each November, based on the fiscal growth factors applied to previous year's limit.
- Requires the Governor's budget to be consistent with the expenditure limit, and restricts annual expenditures from General Fund-State and related accounts to the limit.
- Allows temporary expenditures above the limit after declaration of an emergency and a 2/3 vote of the Legislature for a law signed by the Governor.
- The Emergency Reserve Account, created by Initiative 601, is repealed as of July 1, 2008, and replaced by the

Budget Stabilization Account. Any fund balance remaining in the Emergency Reserve Fund is transferred to the Budget Stabilization Account.

Taxes and Fees

- Requires a majority vote of the Legislature to raise state revenues or make a revenue-neutral tax shift. (2005 legislation)
- Additionally requires voter approval if the state revenue measure results in expenditures above the expenditure limit.
- Limits state fee increases to the fiscal growth factor unless legislative approval is received.

The Debt Limit

There are two debt limits imposed on the state's ability to borrow funds to finance government programs in the capital budget: the constitutional limit of 9 percent of general state revenues; and a more restrictive statutory limit of 7 percent of general state revenues. The state cannot sell general obligation bonds if the debt service from that sale will cause total debt service to exceed 7 percent of the average of general state revenues for the preceding three fiscal years.

The size of bonded capital programs affordable under the debt limit can change depending on:

- The amount of new projects in the capital budget,
- Changes in revenue forecasts that increase or decrease state revenues,
- Changes in the structure of borrowing (e.g., length of term on bonds), and/or
- Changes in the interest rates at which bonds are sold.

The Budget Stabilization Account

ESSJR 8206, "Rainy Day Fund," passed by the voters in November 2007, established the Budget Stabilization Account (BSA), also known as the Rainy Day Fund.

- 1% of general state revenues must be transferred annually to the BSA.
- 3/5 vote required to appropriate from BSA.
- Exceptions (constitutional majority vote):
  - Employment growth < 1%
  - State of emergency due to catastrophic event.
- Takes effect July 1, 2008 (FY 09).

GLOSSARY OF BUDGET-RELATED TERMS

Account—An independent budget and accounting entity with a self-balancing set of accounts representing all related resources, obligations, and reserves. Most accounts are set up in state law to isolate specific activities.

Allotment—An agency's plan of estimated expenditures and revenues for each month of the biennium.

Appropriation—The legislative authorization to make expenditures and incur obligations from a particular account. Appropriations typically limit expenditures to a specific amount and purpose within a fiscal year or biennial timeframe.

Biennium—A two-year fiscal period. The Washington State biennium runs from July 1 of an odd-numbered year to June 30 of the next odd-numbered year.

Bow Wave—Any additional cost (or savings) that occurs in the future because a budget item in the current biennium is not fully implemented. Example: A program started in the last six months of this biennium might cost $100,000. If that program operates for a full 24 months next biennium, costing $400,000, then the current biennium budget decision is said to have a *bow wave* of $300,000.

Budget Drivers—Economic or demographic factors that have a significant effect on the state budget. Examples: inflation rate changes, state population in certain age groups.

Budget Notes—A legislative fiscal staff publication that summarizes the budget passed by the state Legislature. This publication is usually distributed a few months after the end of the legislative session. Budget notes provide guidance but do not have the same legal implications as appropriation bill language.

Capital Budget and Ten-Year Capital Plan—The long-term financing and expenditure plan for acquisition, construction, or improvement of fixed assets such as land and buildings.

Debt Limit—Washington State's legal restriction (RCW 39.42.060) on the amount that can be paid for debt service on bonds, notes, or other borrowed money. The statute mandates that payments of principal and interest in any fiscal year cannot exceed 7 percent of the arithmetic mean of general state revenues for the three preceding fiscal years. The State Constitution (Article 8, Section 1(b)) contains a similar, but higher, debt limit of 9 percent of revenues.

Dedicated Accounts—Accounts set up by law to receive revenue from a specific source and to be spent for a specific purpose.

Entitlement—A service or grant that, under state or federal law, must be provided to all eligible applicants.

Fiscal Note—A statement of the estimated fiscal impact of proposed legislation. This cost estimate is usually developed by the state agencies affected by the bill, and then approved and communicated to the Legislature by the Office of Financial Management.

Fiscal Year—A one-year fiscal period. The state fiscal year extends from July 1 through the next June 30. The federal fiscal year runs October 1 through September 30.

Full-Time Equivalent (FTE)—*As a unit of measure of state employees:* refers to the equivalent of one person working full time for one year (approximately 2,088 hours of paid staff time). Two persons working half time also count as one FTE. *As a unit of measure of students in K-12 or higher education facilities:* refers to the equivalent of one student attending class full time for one school year (based on fixed hours of attendance, depending on grade).

General Obligation Bonds—Bonds whose repayment is guaranteed by the "full faith and credit" of the state.
General Fund-State—The *general fund* represents all financial resources and transactions not required by law to be accounted for in other accounts. *General Fund-State* (GF-S) refers to the basic account that receives revenue from

Washington's sales, property, business and occupation, and other general taxes, and is spent for operations such as public schools, social services, and corrections.

GMAP—Government Management, Accountability, and Performance is a management initiative focused on improving the results of state government. Agency directors report in regular meetings with the Governor on the most important management and policy challenges. GMAP reports focus on performance in measurable terms.

Incremental Budgeting—Any budget development approach that focuses on incremental changes to a previous spending level or other defined expenditure base.

Initiative 601—A law on state budget restrictions passed in the November 1993 general election. Its primary requirements are: an *expenditure limit* based on inflation and population growth (applicable to state General Fund expenditures only); an *emergency reserve account* for any GF-S revenues above the expenditure limit; a percentage limit on how much state fees can be raised without legislative approval; and a two-thirds legislative vote requirement on certain state tax increases.

Maintenance Level—A projected expenditure level representing the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated using current appropriations, the bow wave of legislative intentions assumed in existing appropriations (costs or savings), and adjustments for trends in entitlement caseload/enrollment and other mandatory expenses. This number establishes a theoretical base from which changes are made to create a new budget.

Nonappropriated Funds—Moneys that can be expended without legislative appropriation. Only funds in accounts specifically established in state law as being exempt from appropriation fall into this category.

Operating Budget—A biennial plan for the revenues and expenditures necessary to support the administrative and service functions of state government.

Performance Measure—A quantitative indicator of how programs or services are directly contributing to the achievement of an agency's objectives. These indicators may include measures of inputs, outputs, outcomes, productivity, and/or quality.

Priorities of Government (POG)—Washington's adaptation of the "Price of Government" budget approach first developed by Peter Hutchinson and David Osborne. This form of budgeting focuses on statewide results and strategies as the criteria for purchasing decisions.

Proviso—Language in budget bills that places a condition on the use of appropriations. Example: "Up to $500,000 of the General Fund-State appropriation is provided solely for five additional inspectors in the food safety program."

Reappropriation—Capital budget appropriation that reauthorizes the unexpended portion of previously appropriated funds. Capital projects often overlap fiscal periods and it is necessary to reauthorize some expenditure authority to ensure project completion.

Reserve or Fund Balance—In budget terminology, the difference between budgeted resources and expenditures.

Reversion—Unused appropriation authority. If an agency does not spend all its appropriation in the timeframe specified by the budget, the authorization to spend that dollar amount expires.

Supplemental Budget—Any legislative change to the original budget appropriations.

EXHIBIT NO. 6

ESTIMATED SIX YEAR GF-S OUTLOOK (June 26, 2008 Update)
(Dollars in Millions)

	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium
Revenue			
Beginning Fund Balance GF-S	$781	$359	($2,684)
Feb. 2008 Forecast	29,463	31,918	35,127
June 2008 Forecast Update	(50)	(117)	(6)
Transfer to Budget Stabilization Account	(133)	(286)	(317)
Legislatively Enacted Fund Transfers	147	-	-
2008 Supplemental Changes (Revenue & Budget Driven Revenue)	(11)	(46)	(59)
Total Revenue	**$30,197**	**$31,828**	**$32,062**
Expenditures			
Baseline Expenditures	$29,623	$32,286	$35,020
Additional Pension Costs	-	132	180
2008 Supplemental Budget	209	609	661
Family Medical Leave	6	72	89
Near General Funds & Account Backfill	-	1,413	1,620
Total Expenditures	**$29,838**	**$34,512**	**$37,569**
Unrestricted GF-S Ending Balance	**$359**	**($2,684)**	**($5,507)**
Budget Stabilization Account	***$442***	***$728***	***$1,045***
Total Reserves	***$801***	**($1,956)**	**($4,462)**

Assumptions

1) GF-S revenues based on June 2008 forecast for FY 2008-2011 and an assumption of 5 percent per year growth after FY 2011. A change in overall economic conditions could significantly impact this estimate.

2) Growth rates for functional areas of the budget (public schools, health care, employee health benefits, debt service, etc) utilize historical trends and, if available, current caseload and inflation forecasts. This results in an aggregate assumption that overall GF-S spending will increase by the approximate historical growth rate.

3) Pensions are adjusted to reflect the State Actuary estimate produced on 12/24/2007.

4) 2008 supplemental budget is based on the enacted budget including Governor's vetoes.

5) Near general fund account & backfill information based on current projections updated through June 2008.

Background to General Fund Outlook Methodology

Attached is the June 2008 Six Year General Fund Outlook.

The information generally reflects the assumption that future revenue and spending corresponds to historical trends. However, due to the complexity and potential volatility surrounding the state's economy and factors impacting state expenditures, this estimate should be seen as a baseline estimate of the current budget outlook and aid in longer term fiscal planning.

As they have done in past, it is anticipated that the Governor and the Legislature will use available reserves and implement spending reductions and/or revenue changes to balance the 2009-11 budget.

Prepared by the staff of the Senate Ways & Means Committee, Senate Committee Services

Detailed Assumptions & Caveats

1) GF-S revenues based on June 2008 forecast for FY 2008-2011 and an assumption of 5 percent per year growth after FY 2011. A change in overall economic conditions could significantly impact this estimate.

2) The assumption is that functional areas of the budget will increase at the rates displayed below. These estimated growth rates utilize historical trends and, if available, current caseload and inflation forecasts. The aggregate result is an assumption that GF-S baseline spending will increase by slightly over 4 percent per year growth during the forecasted time period. This will change based on caseload, inflation, and other budget factors.

Functional Area Growth Assumptions	2009-11	2011-13
Medical Assistance	6.0%	6.0%
Other Health Care	5.5%	5.5%
State Employee Health Benefits	6.0%	6.0%
K-12 Employee Health Benefits	5.5%	5.5%
Other Human Services (without health care)	5.0%	5.0%
Public Schools (without health care)	3.6%	2.8%
Debt Service	6.0%	6.0%
All Other	2.5%	2.5%

* *Public school growth reflects variation in CPI projected inflation during the forecasted time periods.*

3) The 2008 supplemental budget is based on the enacted budget including Governor's vetoes and projected bow-wave adjusting for one-time factors.

4) Pensions are adjusted to reflect the State Actuary rates and estimate produced on 12/24/2007. Revised rates and estimates will be available in Summer 2008.

5) The near general fund account and backfill information is based on current projections updated through June 2008. Future revenue and spending updates will likely change this projection.

EXHIBIT NO. 7

Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

June 2008
Volume XXXI, No.2

Executive Summary

U.S. Economic Forecast

The June 2008 economic and revenue forecast incorporated the preliminary GDP estimate for the first quarter of 2008. According to the preliminary estimate, real GDP growth inched up to 0.9 percent in the first quarter of 2008 from 0.6 percent in the fourth quarter of 2007. The apparent improvement was more than accounted for by inventories, however. Growth of final sales of domestic product fell to 0.7 percent from 2.4 percent. Consumer spending grew at only a 1.0 percent rate in the first quarter, which was the weakest gain in 13 years. Consumer purchases of durable goods fell at a 6.2 percent rate due mainly to a 13.5 percent decline in motor vehicles and parts. Once again the weakest sector was fixed investment which fell at a 7.8 percent rate in the quarter due to a 25.5 percent plunge in residential fixed investment. The decline in residential fixed investment subtracted 1.2 percentage points from GDP growth in the first quarter. The foreign sector partially offset the housing decline by contributing 0.8 percentage points to GDP growth in the first quarter. Exports rose at a 2.8 percent rate while imports declined at a 2.6 percent rate. Government consumption and investment spending rose at a 2.0 percent rate in the first quarter, led by a 5.6 percent increase in defense spending.

Payroll employment declined at a 0.3 percent rate in the first quarter compared to a 0.8 percent increase in the fourth quarter while the unemployment rate edged up to 4.93 percent from 4.83 percent. The Consumer Price Index rose 4.3 percent in the first quarter following a 5.0 percent rise in the fourth quarter. The high headline inflation rate was due to energy costs which rose at a 29.3 percent rate in the fourth quarter and an 18.5 percent rate in the first quarter. Core CPI inflation, which excludes food and energy, held steady at 2.5 percent. Housing starts plummeted at a 33.0 percent rate in the first quarter to 1.042 million units from 1.151 million units in the fourth quarter. The mortgage rate declined to 5.87 percent in the first quarter from 6.23 percent in the fourth quarter. The Federal Reserve cut its target for the federal funds rate by 75 basis points and 25 basis points in March and April resulting in a rate of 2.00 percent by April 30.

The fiscal stimulus package is worth $152 billion in the second and third quarters of 2008 (1.1 percent of GDP), of which $107 billion is for households and $45 billion is for businesses. The rebates give some help to consumer spending in the second quarter, but their biggest impact is on the third quarter. Oil prices have moved above $130 per barrel. While the decline of the dollar and "speculation" have had some impact on oil prices, we believe the main explanation for higher prices is underlying supply/demand. We assume that West Texas Intermediate averages $129 per barrel over the second half of the year and remains above $100 per barrel through the end of the decade. We assume that the Fed will keep the federal funds rate at 2.00 percent through mid-2009. It then begins a tightening cycle, returning the federal funds rate to 3.50 percent by the end of 2009 and 4.75 percent by the end of 2010. The Fed is becoming more concerned about the currency's weakness, but a meaningful rebound would require the Fed to start hiking interest rates, which we do not anticipate this year. We project GDP growth in the United States' major-currency trading partners at 1.6 percent in 2008, down from 2.7 percent in 2007. Growth for other trading partners should ease from 6.1 percent in 2007 to 5.2 percent in 2008. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled at the end of 2010, but we expect some increase in the income-tax burden, whether through the impact of the Alternative Minimum Tax (AMT) or through some kind of tax reform that raises a similar amount of revenues. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 4.8 percent in calendar 2008, up from 2.8 percent growth in calendar 2007. Overall federal purchases will rise 3.7 percent in 2008, up from 1.7 percent growth in 2007.

Annual GDP growth slowed to 2.2 percent in 2007 from 2.9 percent in 2006. The forecast expects GDP growth to slow down to 1.4 percent this year and 1.3 percent next year before recovering to 3.3 percent per year in 2010 and 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Employment is expected to grow just 0.1 percent this year and 0.0 percent next year. Employment growth is expected to improve to 1.2 percent in 2010 and 1.7 percent in 2011 as the economy recovers. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.22 percent in 2008 and 5.86 percent in 2009, recovering to 5.70 percent in 2010 and 5.22 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.5 percent in 2007 from 2.8 percent in 2006. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.1 percent in 2007. Energy costs will add to inflation in 2008 but will decline through the remainder of the forecast period, helping to restrain inflation in 2009-2011. The overall implicit price deflator is expected to rise 3.8 percent in 2008, 2.4 percent in 2009, and 1.6 percent in 2010, and 1.7 percent in 2011.

Washington State Economic Forecast

Washington payroll employment rose at a 1.6 percent annual rate in the first quarter of 2008 following a 2.4 percent increase in the fourth quarter of 2007. Manufacturing employment rose at a 1.2 percent rate in the first quarter due to a 6.4 percent increase in aerospace employment. Manufacturing employment other than aerospace declined at a 0.8 percent rate. Construction employment declined at a 0.5 percent rate in the first quarter following a 0.4 percent increase in the fourth quarter. Residential building and related special trades employment fell at a 5.0 percent rate but this was largely offset by a 3.8 percent increase in other construction employment. Natural resources (logging) and mining employment, while small, fell at a 1.5 percent rate in the first quarter as a 6.3 percent decline in logging employment more than offset a 6.6 percent increase in mining employment. Among the private services-producing sectors, information employment remained strong with a 5.1 percent growth rate. Software employment increased at a 4.6 percent rate and all other information employment rose at a 5.6 percent rate. Also strong in the first quarter were leisure and hospitality (4.0 percent), professional and business services (3.3 percent), education and health services (2.9 percent), and "other" services (2.0 percent). Employment in trade, transportation, and utilities was flat in the first quarter while financial activities employment fell at a 0.8 percent rate, the fourth consecutive decline. In the public sector, state and local government employment rose at a 1.8 percent rate in the first quarter but federal government employment fell at a 2.9 percent rate.

Washington's personal income in the fourth quarter of 2007 was $0.438 billion (0.2 percent) higher than the estimate made in February but this was more than accounted for by a revision in the seasonal treatment of software wages (the personal income estimates for Washington now reflect seasonally adjusted software wages, previously, software wages were unadjusted). Excluding this impact, the revision was a reduction of $0.412 billion (0.2 percent). Total wages were $0.786 billion (0.5 percent) higher than expected in February, again due to the revised seasonal treatment of software wages. Otherwise total wages would have been $0.064 billion (0.0 percent) less than expected in February. After adjusting for the revision due to the seasonal adjustment of software wages, the current software wage estimate is $0.056 billion (0.7 percent) less than expected in February. Fourth quarter wages in sectors other than software wages were $0.008 billion (0.0 percent) lower than expected in the February forecast. Nonwage personal income in the fourth quarter was $0.348 billion (0.3 percent) below the February forecast. The forecast assumes that personal income growth fell to 2.5 percent in the first quarter of 2008 from 6.4 percent in the fourth quarter of 2007. Fourth quarter 2007 income had been temporarily boosted by unusually large bonuses in the software sector. Personal income, excluding software wages, is assumed to have grown at a healthy 5.6 percent rate in the first quarter of 2008. The forecast assumes that wage and salary disbursements grew at only a 0.6 percent rate in the first quarter, again due mainly to software wages. Wages outside of the software sector rose at a 6.1 percent rate. The forecast assumes that income from sources other than wages grew at a healthy 5.0 percent rate in the first quarter.

The forecast also reflects Seattle consumer price data through April 2008. After trailing the national average during 2002, 2003, and 2004, December-December Seattle inflation moved ahead of the national average in 2005, 2006, and 2007. However, Seattle core inflation during the first four months of this year was only 1.2 percent compared to 1.8 percent for the U.S. city average and headline inflation here was only 0.5 percent compared to 3.0 percent for the nation. The benign performance so far this year is due to outright declines in both the core and all items Seattle CPIs between February and April. We do not believe this is a trend. The stronger inflation in Seattle compared to the U.S. city average during the last few years is mostly due to shelter costs, in particular, rent and owners' equivalent rent which is typical of periods when the local economy is outperforming the nation

The number of housing units authorized by building permit fell 6,800 in the first quarter of 2008 to 31,600 from 38,400 in the fourth quarter. Single-family permits fell 4,000 to 19,000 and multi-family permits fell 2,900 to 12,600. The number of single family permits taken out in the first quarter of 2008 was the lowest since the third quarter of 1986 and the overall number of units authorized was the lowest since the fourth quarter of 1991.

The decline in Washington housing permits during the first quarter of 2008 was more severe than expected in February. The current forecast assumes that housing permits will be significantly lower in 2008 than assumed in February but will recover to about the same rate in 2009. The forecast assumes construction employment will decline about 6,600 from the fourth quarter of 2007 to the fourth quarter of 2008, the same decline as expected in the February forecast. The forecast assumes little change in the overall level of construction employment during 2009, 2010, and 2011. The software employment forecast is similar to the February assumption. Software employment is expected to rise 4,600 from the fourth quarter of 2007 to the fourth quarter of 2009 and 5,200 in 2010 and 2011. The software wage forecast has been reduced an average of $0.522 billion per year as a result of a decline in Microsoft's stock price which will reduce income from stock options and stock awards. The Washington aerospace employment is expected to continue to rise through the end of 2008, reaching 86,600 in December which is 2,400 higher than assumed in February. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. Growth in these key industries is expected to slow, though, and the state will also be adversely affected by the slow growth expected for the U.S. economy. The forecast calls for employment growth rates of 1.3 percent and 1.0

percent in 2008 and 2009. Employment growth is expected to improve to 1.8 percent per year in 2010 and 2011 as the national economy recovers. Washington personal income growth slowed from 8.4 percent in 2006 to a still strong 7.4 percent in 2007. Income growth is expected to slow to 5.4 percent in 2008 and 4.7 percent in 2009 before recovering to 6.1 percent and 6.3 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 2,600 in 2007 to 47,400. Tighter lending standards and plunging consumer confidence are expected to depress the single-family market despite lower mortgage interest rates but continued strong net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 32,900 in 2008 before bouncing back to 44,600 in 2009, 49,200 in 2010, and 49,800 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will add to inflation again in 2008 raising headline inflation to 4.7 percent compared to core inflation of 2.9 percent. Declining energy costs in 2009, 2010, and 2011 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, Seattle inflation should decline to 2.9 percent in 2009 and 2.0 percent per year in 2010 and 2011.

Washington State Revenue Forecast

Excluding legislation enacted in the 2008 session, the General Fund-State revenue forecast has been reduced by $166.8 million for the combined 2007-09 and 2009-11 biennia. The new U.S. economic forecast exhibits weaker growth of GDP, employment and income than did the forecast adopted in February. The forecast assumes that the economy slumps once again to a near-recessionary state in the fourth quarter of this year and first half of next year as the impact of the tax rebates wears off. The new forecast also expects higher inflation in 2008 and 2009 than assumed in February. The weaker national outlook is the main reason for the reduction in the state's economic and revenue forecasts.

The June 2008 forecast for the 2007-09 biennium is $29,402.4 million, which is $60.5 million lower than expected in the February forecast. Of the $60.5 million reduction, $11.0 million is due to legislation and $49.6 million is due to the weaker economic forecast. The forecast for the 2009-11 biennium is $31,754.5 million, which is $163.4 million lower than expected in the February forecast. Of the $163.4 million reduction, $46.1 million is due to legislation and $117.2 million is due to the weaker economic forecast.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted $643 million (2.2 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was $530 million (1.8 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded $162 million (0.6 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

Note: The economic data discussed in this chapter were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.

EXHIBIT NO. 8

Washington quarterly revenue projection down $167 million

FOR IMMEDIATE RELEASE—June 19, 2008

OLYMPIA— The June revenue forecast for Washington state government shows projected General Fund revenue down a combined $167 million for the remainder o this biennium and the next two-year budget period.

The change in the forecast is less than one-half percent of total General Fund revenue for the two biennia.

"We continue to be in better shape economically than most other states," Gov. Chri Gregoire said. "When the rest of the nation has economic problems, we are affected, too. The Bush administration needs to take swift action to turn around the nation's economy through initiatives that will put people to work and lower gas prices.

"At the state level, I have taken significant steps to improve the economic security for Washington families by providing assistance to those who own a home but are i danger of foreclosure, by helping create 25,000 green collar jobs, and creating training opportunities in high-tech fields for thousands of workers."

Dr. Steve Lerch, the state's interim chief revenue forecaster, said that while the U.S. outlook is a little weaker since February, state business tax collections have been on target. However, real estate excise tax collections continue to be sluggish, reflecting a weak housing market.

"Washington state has a resilient economy — ranked among the best in the nation — in large part due to the wise investments we made in education, health care and public safety that give us a future that is the envy of most states," Gregoire said. "Through these investments and the establishment of a Rainy Day Fund, we'll keep our state moving forward."

Overall, the U.S. economy is performing close to what was predicted in February, with the exception of oil prices, which reached a record high across the nation. The Federal Reserve appears to be devoting equal emphasis now to maintaining economic growth and containing inflation.

"Since 2005, our state has added more than 220,000 jobs. Although unemploymen is up, Washington's annual job growth is 1.3 percent, compared with 0.2 percent nationally, and Washington's delinquent home loan rates are among the lowest in the country," said Victor Moore, director of the state budget office.

Revenue for the current budget period, 2007-09, is projected to decrease $49.6 million, resulting in total projected revenue for the biennium of $29.4 billion. Revenue for the next budget period, 2009-11, is projected to decrease $117.3, resulting in projected total revenue of $31.8 billion.

The revised forecast leaves $359 million in unobligated General Fund revenue for 2007-09. In addition to the budget surplus, the Rainy Day Account proposed by

Gregoire and passed by the voters last fall will contain $442 million in constitutionally protected reserves, placing Washington in a much better position than most states to weather the downturn. Nearly 30 states are already experiencing deficits for the current budget period.

# # #

Contact: Glenn Kuper, Office of Financial Management, 360-902-7607

EXHIBIT NO. 9

IN INTEREST ARBITRATION BEFORE
MICHAEL E. CAVANAUGH, J.D.,
ARBITRATOR

SEIU, LOCAL 925, (collective bargaining representative of Family Child Care Providers),	INTEREST ARBITRATOR'S DECISION AND AWARD
and	PERC NO. 21885-I08-0513
STATE OF WASHINGTON, OFFICE OF FINANCIAL MANAGEMENT (on behalf of the Governor of the State of Washington).	

FAMILY CHILD CARE PROVIDERS INTEREST ARBITRATION
2009-2011 COLLECTIVE BARGAINING AGREEMENT

For the Employer:

Laura Wulf
Alicia Ozinich
Attorney General's Office
Labor and Employment Section
7141 Cleanwater Drive SW
PO Box 40145
Olympia, WA 98504-0145

For the Union:

Robert H. Lavitt
Schwerin Campbell Barnard
18 West Mercer Street, Suite 400
Seattle, WA 98119-3971

I. INTRODUCTION

This is an interest arbitration proceeding concerning the terms and conditions of employment of independent child care providers serving families whose child care expenses are subsidized by the State. It arises under RCW 41.56.028, a section that adopts (with some modifications) the interest arbitration provisions applicable to uniformed employees in Washington such as law enforcement personnel and fire fighters. The child care bargaining statute, first enacted in 2006 and amended in 2007, establishes a state-wide bargaining unit[1] and designates the Governor as the "employer" of child care providers, solely for the purposes of collective bargaining with respect to authorized subjects of bargaining.[2] The Union was certified as the bargaining representative of the providers in 2006 pursuant to an election, and the parties bargained an initial collective bargaining agreement that year covering the period July 1, 2007 through June 30, 2009, a period coextensive with the State's 2007-2009 biennium.[3]

In negotiations during the first half of 2008 for a successor Agreement to cover July 1, 2009 through June 30, 2011, the parties were able to resolve many of the issues between them without outside assistance. *See*, Exh. E-3 (collection of Articles and an

---

[1] The bargaining unit includes Licensed Family Homes and License-Exempt providers. The former are independent home businesses regulated and licensed by the State, while the latter, comprised of family, friends, and neighbors caring for subsidized children, are not required to be licensed (although they must meet some minimal qualifications).

[2] The authorized subjects are economic compensation, health and welfare benefits, professional development/training, labor-management committees, grievance procedures, and other economic matters. RCW 41.56.028(1)(c).

[3] Some compensation issues in the initial contract, however, were resolved in interest arbitration before Arbiter Timothy D. W. Williams. *See*, Exh. E-1, Interest Arbitration Award of Arbiter Williams dated November 10, 2006.

Appendix "TA'd" by the parties in April and July of 2008). They could not agree on some matters, however, and as the statute requires, the parties engaged in mediation with a PERC staff member. At the conclusion of that mediation process, seven Articles still remained unresolved. *See*, Exh. E-4, also in the record as Exh. U-1 (July 28, 2008 letter from PERC Executive Director Cathleen Callahan certifying seven issues for interest arbitration). The parties continued to discuss the issues following the formal mediation sessions, however, and reached agreement on five of the seven Articles that remained in dispute, including Article 13 which substantially increases the State's contributions to the SEIU 775 Multi-Employer Health Benefits Trust on behalf of covered employees within the bargaining unit. Exh. E-5.

Thus, this proceeding involves only the two Articles on which the parties have been unable to agree, comprising three distinct disputed contract issues. Specifically, the parties differ over the appropriate size of an across-the-board increase in subsidy rates for both the Licensed Family Home and License-Exempt providers,[4] as well as over the Union's proposal to increase the differential between the subsidy rates for "infants" (comprised of children from birth through 11 months) to 119% of the rate for "toddlers" (children 12 through 29 months). In addition, the Union has proposed that the subsidy rate for toddlers in months 12 through 17 be paid at the same rate applicable to infants.[5]

---

[4] The State proposes to increase subsidy rates by 1.6% in FY-2010 and by 1.7% in FY-2011. As of June 2008, the State forecasts a revenue shortfall of approximately $2.7 Billion in the 2009-11 biennium, and not surprisingly, the State limits its proposed subsidy increases to the forecast of inflation in 2010 and 2011 as measured by the implicit price deflator (IPD). See, Exh. E-11 at 2. The Union, on the other hand, proposes across-the-board increases of 7.8% in each contract year, although the testimony made clear that the Union had additional room to move had the State raised its offer.

[5] During the course of the hearing, this proposal was occasionally described as "altering" the definition of "infant" within the child care subsidy structure. Testimony, however, as well as an extensive discussion during closing argument and during a subsequent telephone conference with counsel for both parties, made

At a hearing held August 4 through August 8, 2008 in Tacoma and Seattle, Washington (August 4, 6, and 7 in Tacoma and August 5 and 8 in Seattle), the parties had full opportunity to present evidence and argument, including the opportunity to examine each other's witnesses. The proceedings were marked by a high level of civility and cooperation, an approach not always found in disputed proceedings, and I commend all the participants, witnesses as well as counsel, for their constructive approach to creating a record designed to provide the Arbitrator with all of the information necessary to faithfully apply the statutory criteria. At the close of the formal evidentiary process on August 8, counsel argued the issues orally, clarifying their proposals and arguments, and they also agreed to provide specific pieces of additional information requested by the Arbitrator.[6]

Although the statute provides a deadline of October 1, 2008 for submitting the financial aspects of the Award to the Director of the Office of Financial Management for inclusion in budget requests for the 2009-11 biennium, RCW 41.56.028(6)(a), the parties requested an early decision in order to present the Arbitrator's findings to the Union membership and to State officials in advance of the statutory deadline. I have been able to meet the parties' timetable due in no small part to the efforts of the court reporters to turn

---

clear that the Union is simply suggesting an increased rate for "toddlers," applicable during the first six months of the "toddler" age range, equivalent to the rate for "infants." The State has argued against this proposal, both because of the projected cost and because of potential "confusion" of consumers.

[6] While some of the information I requested could be provided with little difficulty, at least one issue ultimately required significant research and the preparation of additional spreadsheets with supporting declarations. I appreciate the parties' efforts in responding to my requests.

around the transcripts,[7] as well as the parties' prompt responses to my requests for additional information.[8]

Having carefully considered all the evidence in light of the parties' arguments and the statutory criteria, I am now prepared to issue the following Decision and Award.

II. BACKGROUND

In 2006, the Legislature created the Department of Early Learning ("DEL") in recognition of a body of research demonstrating that "the early years of a child's life are critical to the child's healthy brain development and that the quality of caregiving during the early years can significantly impact the child's intellectual, social, and emotional development." *See*, RCW 43.215.005(2). Governor Christine Gregoire enthusiastically supported the implementation of a more cohesive and integrated system of early learning and has made it one of the cornerstones of her administration. The proposal also had strong bipartisan support. One aspect of that integrated system was the creation of a state-wide bargaining unit of Licensed and Exempt providers. Any Licensed Home or Exempt provider caring for at least one subsidized child during the course of a year is included in the bargaining unit, RCW 41.56.030(12), with the Governor acting as the putative "employer" for bargaining purposes.[9] The designation of the Governor as the statutory

---

[7] I prepared my initial draft of the Award utilizing uncertified rough drafts of the transcripts, but where I have cited to the record in the Award, I have also reviewed the certified electronic transcripts I received via e-mail beginning on August 17, 2008.

[8] On the other hand, the compressed time frame has made it impossible for me to discuss all the evidence and argument in complete detail. While I have carefully considered everything that the parties presented during the hearing (and in subsequent responses to my requests for additional information), in this Interest Arbitration Decision and Award, I expressly set forth only the most important considerations that have influenced my decision.

[9] In addition to Licensed Family Homes and Exempt Homes, child care services in Washington are provided by Licensed Child Care Centers ("Centers") which are not part of the bargaining unit. The

"employer" reflects an economic reality, i.e. although subsidized families are entitled to choose the care setting in which to enroll their children, the bulk of the compensation for that care comes from the State, not the parents.

Interest arbitration is an integral component of the bargaining relationship created by RCW 41.56.028, as it is for other strike-prohibited units. Initially, the statute simply referred to the interest arbitration provisions covering uniformed personnel. RCW 41.56.030(7). Those provisions enumerate mandatory considerations for an interest arbitrator (the employer's statutory and constitutional authority, stipulations of the parties, the cost of living, and a catch-all "such other factors . . . that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment"). RCW 41.56.465(1)(a) through (e). The uniformed personnel statute then goes on to set forth the universe of "comparable jurisdictions" an arbitrator must consider in evaluating compensation for law enforcement and fire fighters, a universe not well suited to nontraditional bargaining units such as the Independent Home Care or Child Care Provider units. In 2007, the Legislature amended the statute to provide more specific guidance on the selection of comparables in the child care unit, a matter I will discuss in detail later in this Decision and Award. For now, it suffices to note that the 2007 amendments, in addition to providing additional guidance on the selection of appropriate comparables, also set forth specific policy judgments that an arbitrator *may* take into account in determining terms and conditions of employment for child care

---

Centers, which provide roughly half of the total child care capacity in the State, *see* Exh. U-9, are operated in commercial, nonresidential facilities, with employees who may be entitled to organize and select an appropriate representative to bargain with their employer. The Licensed and Exempt Homes, by contrast, are operated by independent small business owners who, in the absence of the statutes involved here, would not be entitled to bargain collectively with the State.

providers. Those legislative judgments include recognition of the public's interest in reducing turnover and increasing retention in the industry, the State's interest in promoting a stable child care workforce providing high quality services, and the State's interest in reducing reliance upon public benefits. *See*, RCW. 41.56.465(4).

As to the last policy judgment, it is important to provide a bit of history. A central tenet of welfare reform, as enacted at the federal level in 1996, was the establishment of a policy goal that those receiving public assistance should be encouraged to enter the workforce and eventually become self-sufficient. Reaching the goal of sustained employment, however, requires that low income parents have access to affordable child care, otherwise they would find it difficult, if not impossible, to remain in the workforce. Consequently, the federal government provides funds to individual states for use in meeting low income families' child care needs, including grants under the Temporary Assistance to Needy Families Program (TANF) and under the Child Care Development Fund (CCDF). The states are required to provide additional dollars from their general funds at the level they were being provided prior to the creation of these federal programs. The State offers subsidies for child care through the Working Connections Child Care program, a program that provides benefits to low-wage working families; through the WorkFirst program, for families on public assistance; through a program for seasonal workers (largely agricultural); and, at least until recently, to children under the protection of Child Protective Services. Unlike the Medicaid program, however, the federal government does not match increased funds a state may choose to allocate beyond the State's required participation amount.

III. STATUTORY CRITERIA

The current statute succinctly sets forth the standards I am required to apply in resolving this contractual impasse. First, I must consider the general provisions of RCW 41.56.456(1)(a) through (e):

> (a) The constitutional and statutory authority of the employer;
>
> (b) Stipulations of the parties;
>
> (c) The average consumer prices for goods and services, commonly known as the cost of living;
>
> (d) Changes in any of the circumstances under (a) through (c) of this subsection during the pendency of the proceedings; and
>
> (e) Such other factors, not confined to the factors under (a) through (d) of this subsection, that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment.

RCW 41.56.465(1). In addition, following the 2007 amendments, the statute provides the following additional guidance to arbitrators:

> 4) For employees listed in RCW 41.56.028 [independent child care providers]:
>
> (a) The panel shall also consider:
>
> (i) A comparison of child care provider subsidy rates and reimbursement programs by public entities, including counties and municipalities, along the west coast of the United States; and
>
> (ii) The financial ability of the state to pay for the compensation and benefit provisions of a collective bargaining agreement; and
>
> (b) The panel may consider:
>
> (i) The public's interest in reducing turnover and increasing retention of child care providers;
>
> (ii) The state's interest in promoting, through education and training, a stable child care workforce to provide quality and reliable child care from all providers throughout the state; and
>
> (iii) In addition, for employees exempt from licensing under chapter 74.15 RCW, the state's fiscal interest in reducing reliance upon public benefit programs

> including but not limited to medical coupons, food stamps, subsidized housing, and emergency medical services.

RCW. 41.56.465(4). These additional specific considerations, particularly the "may consider" list in subsection (b), augment the stated purposes of the child care bargaining statute set forth in RCW 41.56.028, and thus, in deciding the issues before me, I believe they are important considerations, despite the fact that the statute does not make it mandatory that I utilize them in reaching my decision.

V. ISSUES

As noted previously, only two Articles are still in dispute. In Article 11.2, the Union proposes as follows:

> **11.2 Infant Pay Differential and Age**
>
> Infants shall be at least ~~fifteen~~ nineteen percent (1~~5~~9%) above the Toddler/~~Preschool~~ rate; no rate shall be lowered as a result of this agreement.
>
> For Licensed Family Child Care Providers the infant rate shall be paid through age 18 months to move closer to aligning the rates with the state's infant and toddler licensing ratios ~~age required for the infant subsidy shall be birth to 18 months~~.

The Union's proposal includes two separate components. First, that the differential for infants—a differential supported by the fact that infants require more hands-on care from the provider—should be raised from 15% above the toddler rate to a 19% differential.[10] Second, the Union proposes that an enhanced rate, equal to the infant rate, continue for

[10] The fifteen percent differential became part of the subsidy structure as a result of bargaining in 2006. One group of providers, in Spokane, retained its prior 16% differential because of the "no rate shall be lowered" language of the CBA.

the first six months of the toddler rate, i.e. months 12 through 17.[11] The State proposes no change in either respect.

Second, each party proposes an across-the-board subsidy rate increase in Article 12.1 for both Licensed and Exempt Providers. The State proposes that each category of provider receive an increase in rates of 1.6% effective July 1, 2009 and 1.7% effective July 1, 2010. Exh. E-7, also in the record as Exh. U-5. The Union proposes increases of 7.8% for each category in each year of the contract. Exh. U-3, also in the record as part of Exh. E-7.

V. SUMMARY OF ARGUMENTS OF THE PARTIES

A. Summary of the Union's Arguments

The Union notes that the State has expressly recognized the critical importance of reliable and stable child care in promoting early childhood development, especially for low-income working families. Consequently, the Governor and the Legislature have made support for early childhood development a priority for the State. In 2007, approximately 30,000 children were cared for in Licensed Homes or License-Exempt Homes, operated overwhelmingly by females and with median gross revenue (before expenses) for Licensed providers of approximately $30,000. Thus, argues the Union, this is a low-wage, largely female workforce, many of whom are people of color. In addition, Family Homes operated by these minority providers serve larger percentages of the

[11] The Union's formal proposal, set forth in the text, actually would result in an increased toddler rate for the first *seven* months, i.e. months 12 *through* 18. The testimony at the hearing, however, as well as discussion during closing argument and in a post-hearing telephone conference with counsel, confirms that the Union intended to propose an enhanced toddler rate for only six months.

subsidized children.[12] Thus, the statutory goal of increasing stability and retention in the child care industry is of particular importance to those who serve disadvantaged communities, many of whom may choose providers, at least in part, based on cultural and/or linguistic considerations.

In addition, notes the Union, this home-based child care industry has historically been under-compensated, and in fact, a Union expert witness testified that a provider with the median gross revenue of $30,000 per year, adjusted to account for expenses, would likely qualify for at least some public assistance programs, e.g. help with health care and telephone service expenses.[13] Tr. Vol. I at 75 (Watkins Test.). Even with increases in recent years, e.g. 10% for Licensed and 7% for Exempt in the 2007-09 Agreement, providers remain underpaid, particularly given the spike in inflation caused by fuel and food prices. Recent CPI-U data for Seattle show that the local rise in the cost of living far exceeds the national average. *See*, Exh. U-20. One reason the Legislature made child care workers eligible for interest arbitration, according to the Union, is to help address these longstanding deficits in compensation that interfere with retention and stability in the Licensed and Exempt child care market.[14]

---

[12] The State's bi-annual Market Rate Survey published in 2006, for example, showed that Caucasian Licensed providers (approximately two-thirds of the total Licensed Homes) had 24% subsidized kids in their care, whereas Hispanic providers (75%), Native American (52%), Asian (53%), and African American providers (73%) each served much higher percentages. *See*, Exh. U-13, Table 34.

[13] The State offered census-based data that suggested a higher level of income for self-employed, home-based child care providers, but because the data reflects *household* income, it is difficult for me to determine how much of the income derives from child care as compared to other sources. Moreover, the data is not necessarily limited to members of the bargaining unit here, i.e. some of the households in the State's data may not take subsidized children.

[14] In fact, the Union points to a precipitous decline in the number of providers between 1996 and 2004 (33%), with a 16% decline from 2004 to 2006. Exh. U-42. The Union attributes a more recent slowing of the attrition rate to improved compensation as a result of collective bargaining with the State and the interest arbitration process inherent in that statutory scheme.

In addition, one of the key concepts of the federal program is "equal access" to child care for subsidized families. Prior to 1996, federal regulations defined "equal access" as subsidy rates at the 75th percentile of the private market, i.e. three-quarters of the providers charge that rate or less for private pay clients. Following 1996, the 75th percentile standard became "aspirational" or a "guideline" rather than mandatory, but still it represents, according to the Union, a "best practices" standard.[15] Nevertheless, recent subsidy increases in Washington have been percentage increases across-the-board, i.e. flat percentages applied to the different rates for categories of children (e.g. infant, toddler, etc.) and in the six different regions of the State, each of which has its own rate structure dating from the days when rates were set according to the 75th percentile in each region. As a result, in the State of Washington, percentile subsidy rates have dipped into the 20's,[16] and even with recent substantial increases, are estimated by a Union expert witness to be currently at approximately the 35th percentile.[17] Moreover, the State has a policy of providing any subsidy increases granted to the Licensed and Exempt Homes to the Licensed Child Care Centers as well. The Centers, to reiterate, are not part of the bargaining unit, and they have always had higher subsidy rates than Licensed and Exempt

[15] On the other hand, testimony on behalf of the State established that "equal access" can be demonstrated in other ways, e.g. by examining the percentage of providers who serve subsidized families and/or who are willing to do so.

[16] *See*, e.g. Exh. U-25 from the 2006 Market Rate Survey calculating the overall access rate for subsidized families at the 28th percentile.

[17] *See*, Exh. U-30, calculations by Union expert Hannah Lidman of the Economic Opportunity Institute. The State has critiqued Lidman's methodology, but the important point—a point that I do not believe is in dispute—is that Washington subsidy rates (unlike the rates in Oregon and California) are substantially below the former 75th percentile standard. At the same time, it is true that Washington covers families at 200% of the federal poverty level (Oregon and California cut off eligibility at 185%) and that Washington (unlike California) serves all eligible families without a waiting list for benefits. I discuss these issues in more detail later.

Homes. The effect of applying flat rate increases both inside and outside the bargaining unit, given the preexisting rate differential between Homes and Centers, is to widen the gap between bargaining unit providers and the Centers.[18] The Union argues that the gap should be closed somewhat by larger increases in compensation for Licensed and Exempt Homes. These increases are supported, contends the Union, by comparison to the statutory comparables, i.e. a comparison of the subsidy rates provided by public agencies, including counties and municipalities, along the west coast of the Unites Sates.[19]

B. Summary of the State's Arguments

The State agrees with the Union's assessment of the importance of quality child care to the Governor and to the State as a whole. On the other hand, the current forecasts of State revenue in the FY 09-11 biennium are for a shortfall of roughly $2.7 Billion, which, if the Legislature and Governor choose to make a withdrawal from the "Rainy Day Fund," could be reduced to just under $2 Billion Exh. E-12. Thus, argues the State, there is an extremely limited "ability to pay" which is a mandatory criterion the Arbitrator must apply. Under the circumstances, the State argues that its proposed subsidy increase of 1.6%/1.7% is evidence of the importance the State attaches to quality child care.

The State also notes that, during the very week the parties were presenting evidence in this matter, the Governor instituted a hiring freeze and limits on purchases of

[18] That is so because an increase of the same percentage for Homes and Centers, while it maintains the percentage relationship between the two, results in a widening dollar amount difference given that the Centers' percentage increase is applied to a higher pre-existing rate, resulting in a greater absolute increase.

[19] *See*, RCW 41.56.465(4)(a)(i). I will discuss the application of the comparables analysis, as well as the other statutory factors, in conjunction with my evaluation of the parties' specific proposals.

equipment and on out-of-state travel.[20] The projected problem is serious and stems from the nature of the State's tax structure, i.e. the sales tax applies mostly to purchases of discretionary goods (it does not apply to food purchases, for example). On the other hand, the current inflationary pressure arises mostly from increases in food and fuel prices. The former is not taxed, even though we might surmise that a higher percentage of income might be directed toward purchases of food because of the rising prices, and the latter is taxed by the gallon, not as a percentage of the price. Thus, a decrease in purchases of motor fuel because of higher prices results in reduced revenue.[21] Similarly, declining business transactions as a result of a slowing economy reduce Business & Occupation Tax receipts which are calculated on the basis of gross revenue.[22]

Moreover, as a policy matter, the State grants any subsidy increases throughout the entire subsidy program, i.e. to Centers as well as to Licensed and Exempt Homes. Thus, the State argues, when considering the cost of any increases granted in this proceeding, I should include the cost of extending those increases to the Centers.[23] The State regards the subsidy program as a unified whole, and as a policy matter, does not

[20] According to news reports, the Governor believes these restrictions might result in savings of $90 Million dollars in the current fiscal year. Thus, even if it is true, as the Union argues, that these annual savings could be continued into the next biennium, the savings would make only a minor dent in the projected revenue deficit of $2.7 Billion.

[21] Even then, of course, the gas tax revenues are set aside for transportation, and absent a change in the law, would not be available to fund wages and benefits under this collective bargaining agreement.

[22] Although there was little discussion concerning real estate excise taxes at the hearing, my understanding is that it represents a significant component of the State's General Fund revenues, but with the current problems in the housing market, receipts have no doubt slowed down. Exh. E-9 at 5.

[23] The Union, of course, vehemently opposes any consideration of the cost of extending subsidy increases beyond the bargaining unit in determining a fair increase for Licensed and Exempt Homes.

want to disrupt the market by an increase that favors one segment over another, fearing that approach might reduce access to child care for families outside the subsidy program.

With respect to the Union's argument about the 75th percentile guideline, the State contends that the benchmark is inappropriate as a hard and fast rule because states conduct their market rate surveys differently. Therefore, in the real world, the 75th percentile in one state may or may not provide the same level of child care access as in another state. The State also argues that consideration of comparable jurisdictions must take into account geographical variations in the cost of living, an issue I will consider in some detail later. Finally, the State notes the substantial subsidy increases granted two years ago when the economic outlook was brighter, but contends that the current outlook will require the State to make some very difficult choices among many worthy programs. Nevertheless, the State points out, it is offering an increase in subsidy rates and has also committed to increased health insurance contributions (on behalf of approximately 660 eligible providers) totaling $5.45 Million over the course of the contract. The cumulative incremental cost of the State's proposals, therefore, is projected at $13.752 Million over the biennium,[24] whereas the Union's proposals are projected to cost $47.376 Million.[25] The bottom line, argues the State, is that it cannot afford increases at this time at the level demanded by the Union, despite the important work that child care workers do and the

---

[24] If the State continues its policy of extending the same increases to Licensed Centers, the total incremental cost of the State's proposals rises to $23.737 Million and the Union's to $98.009 Million. Exh. E-34.

[25] In a supplemental declaration provided after the hearing, the State notes that neither party's costing data reflects any consideration of projected caseload changes. *See*, Declaration of Carole Holland, WorkFirst Coordinator for OFM, ¶ 4. Holland asserts that because neither party accounted for caseload changes, the costing models of the Union and the State underestimate the number of children to be served (and thus the cost to the State). While that may be true, there is nothing in the record to assist me in determining precisely how the cost of the parties' proposals would be affected. Consequently, I have no choice but to do the best I can with the costing data in the record.

priority the State has placed on improving the quality of child care and early childhood learning.

VI. ARBITRATOR'S ANALYSIS AND DECISION

A. General Comparables Analysis

During the hearing, the State offered evidence concerning the subsidy rates and other terms and conditions of employment of child care workers in Illinois and Arizona. The Union objected that the statute limits comparable jurisdictions to those "along the west coast of the United States," and I sustained the objection.[26] Although I gave a capsule explanation of my reasoning on the record, I supplement that explanation here, hopefully describing my rationale with greater coherence and precision.

The State acknowledges that the statute provides that the Arbitrator "shall" consider "subsidy rates and reimbursement programs by public entities, including counties and municipalities, along the west coast of the United States," RCW 41.56.465(4)(a)(i). The State contends, however, that while the statute *requires* the Arbitrator to consider West Coast jurisdictions, nothing in the statute prohibits the Arbitrator from considering *other* "comparable" jurisdictions elsewhere under the catch-all clause, i.e. "such other factors . . . that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment." RCW 41.56.465(1)(e).

At the outset, I note that the State offered the Arizona/Illinois evidence under a section that is mandatory—that is, the statute provides that if a factor is "normally or

[26] I did not preclude, however, receipt of evidence about practices in other states to the extent it might be offered for purposes other than the comparables analysis, e.g. to illuminate the policy considerations a state might take into account in setting subsidy rates.

traditionally taken into account," the Arbitrator *shall* consider it. Thus, it is not exactly accurate to say that I have "discretion" to consider Arizona and Illinois. Terms and conditions of child care workers in those states either represent "factors that are normally or traditionally taken into account" or they do not. As an aside, I doubt whether conditions of employment in Arizona or Illinois are "normally or traditionally taken into account" in setting wages and working conditions in Washington, at least with respect to workers who provide a local service in a local labor market. But be that as it may, it seems to me that the direction that the Arbitrator *shall* consider comparable jurisdictions "along the west coast of the United States" carries a negative implication that he or she *may not* consider other jurisdictions, i.e. that the statute defines the universe of jurisdictions that the Arbitrator may treat as "comparable."

I certainly read the statute that way before the 2007 Amendments, and apparently Arbiter Williams did as well. *See*, e.g. Exh. E-1, 2006 Williams Interest Arbitration Award at 34 ("Whether one restricts comparability to the west coast *as provided by statute*, or whether data from Arizona and Illinois are included, the sibling differential is absolutely unique, etc.") (emphasis supplied); *see also*, Award at 28 ("While the statute clearly limits the Arbitrator to looking at Oregon and California, etc."). Similarly, in my 2006 Award in the Independent Home Care Provider Interest Arbitration between the State and a sister local of the Union, addressing the parallel issue under the statute as it existed at that time, I held that the former statute limited my consideration to West Coast jurisdictions. *State of Washington OFM and SEIU, Local 775 (Independent Home Care Providers)* at 8 (Cavanaugh, 2006) ("The clear language of the statute, however, requires that comparables be located 'on the west coast of the United States'").

In sum, at least two interest arbitrators, hearing cases in 2006 under relatively new state-wide bargaining relationships featuring a "quasi-employment" status for independent providers compensated (at least in part) by the State, interpreted the former statute as precluding consideration of jurisdictions not on the West Coast. The question, then, is whether the 2007 amendments changed the analysis. I find that they did not. While the 2007 amendments added some clarity about whether counties and municipalities could be considered comparable under appropriate circumstances, they did not address the issue of whether *jurisdictions* beyond the West Coast, whether states or otherwise, could or should be considered. Had the Legislature intended that interest arbitrators should have the option of considering jurisdictions located in other parts of the country, I must assume they would have said so given that at least two of those arbitrators had just held that such considerations fell outside the terms of the statute. Thus, I find that my analysis of comparability is restricted to jurisdictions "along the west coast of the United States."

I turn, then, to the specific issues between the parties, dealing with the specific comparability data relevant to each proposal (as well as the State's ability to pay and the other statutory factors) in context.

B. Article 11.2 Issues

1. Increase in Infant Differential

The Union proposes that the infant differential be increased to 119% of the toddler rate in recognition of the increased workload involved in caring for infants. The State counters that the 15% differential only went into effect with the present contract, and that it is too soon for such a substantial additional increase, especially in lean times.

If the experts were predicting solid economic growth and growth in State revenues, the Union's proposal might be worth serious consideration. In light of the forecast of a $2.7 Billion revenue shortfall during FY 2009-11, however, and in light of the fact that the current differential has only been part of the compensation scheme for a little over a year, it seems prudent to me to delay further increases in the differential. For reasons that follow, I believe an investment in an increase of the subsidy rate during the first six months of the toddler category is a better use of the State's limited financial resources. If the choice is between one proposal or the other—and I believe that it is—I strongly prefer an increase in the toddler rate in months 12 through 17 for reasons that are set forth in the following section. Therefore, I decline to award the Union's proposal to increase the infant differential to 119% of the toddler rate.

2. Enhanced Toddler Rate for First Six Months

The Union argues for an increase in the subsidy during the first six months of the toddler category[27] and suggests that the rate should be equivalent to the rate applicable to infants. Such an increase, argues the Union, would provide a partial remedy for a "misalignment" between the subsidy rates and the allowable number of children less than two years of age in a Licensed Home. Specifically, the infant rate applies from birth through 11 months, but drops to a lower toddler rate on the child's first birthday. On the other hand, the regulations limit the number of children less than 24 months in a Licensed Home to two (but the number in some cases can increase to four with another caregiver

[27] I will call this increase during the first six months the "Enhanced Toddler Rate," but the parties are free to call it whatever makes sense to them if they agree on different nomenclature, e.g. Toddler I and Toddler II.

on staff).[28] As a result of this "misalignment," Licensed providers believe they suffer a loss of income because once an infant reaches 12 months, the provider cannot replace that lost income by adding another infant at the higher rate—at least, not without the increased expense of hiring an assistant—until the child already in care reaches the age of 24 months. Two providers testified at the hearing about the financial loss involved, and they provided anecdotal testimony about long waiting lists for infant slots, as well as their sense that a number of providers have decided not to take infants because of the loss of income from that slot between 12 and 30 months.[29] They believe that increasing the toddler rate for the first six months, i.e. for months 12 through 17, would provide additional incentive to take infants as well as assist providers in covering the expense of hiring an assistant should they find that it makes business sense to do so. Thus, the providers contend, infant slots could be preserved and probably even increased with a higher rate during the early part of the toddler range.[30]

I believe the Union's proposal to provide increased compensation to Licensed providers in the first six months of the toddler category has merit. Obviously, children develop individually, some faster than others, but common sense (as well as the

---

[28] *See*, WAC 170-296-1350(3).

[29] While the data from DEL does not appear to demonstrate a shortage of infant slots available system wide, *see* Exh. E-30 at 15, it is certainly possible that in particular local market areas, the demand for high quality and conveniently accessible infant care exceeds the available infant slots meeting those criteria.

[30] Although the providers testified that this is "a 12 month problem," i.e. the reduced income caused by the licensing ratio lasts for an entire year, they testified that it would help if the State "met them halfway." In addition, there are apparently discussions underway in the "negotiated rulemaking" context (a "meet and confer" process in which the Union and Licensed Centers discuss the content of regulations with the State) about changing the staff-to-child-ratios to provide a maximum of two children under the age of *18 months* without an assistant. Tr. Vol. I at 44; Vol. II at 261-62. If that rule were adopted by the State, the Union's current proposal would align precisely with the ratio regulations.

testimony of the providers Ms. Hall and Ms. Smiley), tells us that a child 365 days old is not 15% easier to care for than a child 364 days old.[31] It thus makes sense to me that there should be an additional rate between infant and pre-school to account for the continuing difficulties of providing hands-on care for children between the ages of 12 months and 18 months, especially given the fact that the ratios prevent providers from caring for more than two children under 24 months in a Licensed Home. On the other hand, as the providers testified, additional compensation in the first six months of the toddler category would assist in covering the cost of an assistant (which consists not only of wages, but also payroll taxes, etc.). Moreover, if a provider found that it made economic sense to hire an assistant, two additional slots for children under two years old could be created (if justified by the provider's local market).[32] In difficult economic times for the State—and with scarce funds to achieve the State's childcare policy goals—it makes sense to carefully target areas in which the State's assets can produce a multiplier effect by addressing several problems at once—e.g., in this case, increased provider compensation that could improve retention, a potential to preserve or perhaps even add available slots for infants and early toddlers, additional employment opportunities for child care workers

---

[31] Although Oregon utilizes the same definition of "infant" as Washington for subsidy purposes, i.e. birth to 12 months, I note that California applies its initial rate from birth to 24 months. Thus, the concept that a child ceases to be an infant at 12 months is not universally accepted. In fact, experts in the field appear to agree that the concepts of "infant" and "toddler" are overlapping. *See,* "Caring for Our Children: National Health and Safety Performance Standards: Guidelines for Out-of-Home Child Care," Exh. U-37 ("infant" defined as a child between birth and ambulation, "usually" between the ages of birth to 18 months, whereas "toddler" is defined as between the age ambulation and toilet training, "usually" a child aged 13 to 35 months.

[32] I also agree that it is possible the additional compensation could prevent the *loss* of infant slots that already exist by addressing concerns that have caused some providers to stop providing infant care. Tr. Vol. II at 312-13. Thus, the Union's proposal addresses the issues of stability and retention in the child care provider network, as well as fostering parent choice—important components of both federal and State child care policy.

(to the extent providers decide to hire assistants), and added choices for parents in terms of high quality and convenient facilities to care for their young children.[33]

I will award a form of the Union's proposal, providing for an "Enhanced Toddler Rate" in months 12 through 17 computed as follows: the percentage across-the-board increase awarded below shall be applied to the old toddler rates in order to determine the new "Regular Toddler Rates." In months 12 through 17, however, an "Enhanced Toddler Rate," equal to 115% of the "Regular Toddler Rates," shall be applicable.[34] The State estimated the cost of the Union's proposal at $353,000 for the biennium plus an additional $619,000 for Licensed Center parity (i.e. the cost of extending the increased rate to Licensed Centers),[35] for a total of $972,000. Exh. E-34. On the other hand, the State calculated this cost assuming the Union's proposed 7.8%/7.8% subsidy increase as

[33] To the extent the State argues that the data shows no shortage of available infant slots, Exh. E-30 at 15, I note that the DEL data in the record is region-wide and does not necessarily establish that there are conveniently located vacancies close to any particular family. The data also does not factor in issues of quality, i.e. some of those vacancies could exist because families are reluctant to commit their children to those particular facilities. In any event, the cost of the Union's proposal is relatively modest, even in this lean budgetary climate, and the potential benefits of the change are worth the cost, even if there is no technical shortage of infant slots judged on a region-wide basis.

[34] While this "Enhanced Toddler Rate" happens to equal the current "Infant Rate," in my mind the two are independent. In other words, the rates appropriate for the infant category may or may not continue to be appropriate for early toddlers, and therefore I believe that it promotes clarity for the parties to de-link the two rates. In other words, in future negotiations, the parties should be free to adjust the rates as experience demonstrates. It is possible, for example, that the parties might wish to raise the infant differential in the future without necessarily increasing the Enhanced Toddler Rate. Keeping the rates independent of each other provides maximum flexibility for the parties to respond to evolving conditions. It also avoids adding to the families' confusion in a regulatory scheme that is already complex enough.

[35] As previously noted, the Union argues that the State's policy of extending Licensed Home subsidy rate increases to Licensed Centers as well—even though the Centers are not part of the bargaining unit—should not be considered by the Arbitrator in determining the incremental cost to the State of the Union's proposals. I cannot say that the State's parity policy is irrational, however, and thus while the cost of Center parity may not be controlling, I find that it fits logically within the criterion of "ability to pay" and thus should be given some appropriate weight.

well as the increase in the infant differential to 119% of the toddler rate.[36] Because I have not awarded the Union's proposed increase in the infant differential, however, and because (for reasons that follow) I have determined that the State cannot afford an across-the-board subsidy rate increase of 15.6% in the next biennium, the actual cost of this proposal will be far less than if it were added on top of these other substantial increases. In addition, the State's cost estimate is based on the maximum rates, but as set forth more fully below in connection with the subsidy rate increase proposals, historically the actual rate paid by the State has been less than the maximum. That fact also will likely reduce the cost below the State's estimate reflected in Exhs. E-34 and E-38. Therefore, I find that the State can afford the estimated cost of this "alignment" proposal, even under these difficult economic conditions, given the priority afforded early childhood education in State policies, and in light of the fact that the proposal advances several important statutory interests at once.[37]

B. Article 12.1 Issues – Increased Subsidy Rates

Each party suggests an across-the-board increase in subsidy rates, but they differ markedly on what the increase should be. In resolving these questions, I have carefully

[36] I do not believe that the basis of the State's calculation is necessarily clear from the testimony or from Exh. 38 itself, but it is apparent from the formulae in the State's electronic costing spreadsheet provided to me following the hearing at my request.

[37] In discussions between the parties and the Arbitrator following the formal hearing itself, the State argued that there would be an additional cost to implement this proposal, namely that the proposal would add another occasion on which a case worker would be required to manually approve the transfer from one category to another. The State estimates that process would take approximately fifteen minutes for each of the 10,000 or so children affected, or the equivalent of slightly more than one-half FTE per year during the course of the biennium (one-quarter hour times 10,000 children equals 2500 hours). During a time in which the Governor has instituted a hiring freeze, the State argues, the proposal would place a heavy burden on a reduced staff. While I am sympathetic to those concerns, I do not believe they alter the analysis sufficiently to justify denying the Union's proposal.

considered all the statutory factors, but I expressly discuss here only the most important in my analysis—the appropriate comparables suggested by the parties, the cost of living, and the State's ability to pay—each of which is a mandatory consideration—as well as the State's enacted policies with respect to the importance of early childhood development and support of low income families and their children. The latter is a very important consideration in my analysis, even though it is technically discretionary.

1. Analysis of the Parties' Proposed Comparables

For Licensed Homes, the Union has offered a chart of the leading and lowest subsidy rates broken out by each category of child (infant, toddler, etc.) for current Washington rates, as well as the rates that would apply under each party's subsidy increase proposal, and then comparing those rates to the current "leading" and "lowest" subsidy rates for Oregon, California, and City of Seattle. Exh. U-27. The chart, unadjusted for differences in the cost of living, shows that the State's proposed subsidy rates would generally put bargaining unit providers ahead of the group the Union considers their peers in Oregon (certified providers), but behind current California rates.[38] *Id.* Another set of charts provides more detailed California comparisons of potential comparables with a comparison of the rates applicable in the various Washington DSHS regions with those applicable in California counties of similar population (2003), median income (2005), and numbers of licensed providers (2006). Exh. U-28.[39] Again, the charts

[38] With respect to Exempt Homes, the Union has presented a similar chart, also unadjusted for cost of living, which shows Washington providers behind California by a substantial amount, while ahead of Oregon in "lowest rates," but lagging Oregon in "leading rates." Exh. U-33.

[39] While the data used to determine "comparability" is somewhat dated, Kurstan Holabird of the Union, who created the chart, explained that in each case the data was the most recent available.

show that providers in the Washington regions are generally behind their California counterparts in the counties selected, but the data is not adjusted for differences in the cost of living. The Union also notes that Oregon provides subsidies equal to the 75th percentile, as compared to Washington's estimated 35th percentile, and that California sets its subsidy rates even higher, at the 85th percentile. Exh. U-29.[40]

The State, by contrast, provided state-wide average data for Washington, comparing that data to rates for registered providers in Oregon, for certified providers in Oregon, and for providers in selected California counties that were utilized by the State in the 2006 interest arbitration—namely, Alameda, Fresno, Los Angeles, Sacramento, San Bernardino, and San Diego counties. The rates are adjusted for the cost of living using data from 2008 Runzheimer Reports, a private firm that collects cost of living data.[41] When adjusted for the cost of living, Washington's current average state-wide subsidy rates compare favorably with the average state-wide rates in Oregon (but not the average state-wide California rates). Washington rates compare more favorably to the cost-

[40] On the other hand, as the State points out, Oregon caps eligibility at not more than 185% of the federal poverty level as compared to Washington's eligibility cap of not more than 200% of the poverty level, i.e. Washington families with greater incomes are eligible to receive benefits. Similarly, California limits eligibility to families at or below 185% of the poverty level, and although subsidies are pegged at the 85th percentile (higher than Washington's estimated 35th percentile), at that level, California cannot provide benefits to all eligible families. The evidence establishes that as of September 2007, there were more than 135,000 eligible families with more than 204,000 children on waiting lists to receive benefits for which they have been authorized. Exh. E-24A. It appears that California, at least, has achieved higher percentile subsidies at the expense of providing benefits to all eligible families. I must keep this difference in philosophy in mind in evaluating the "comparability" of Washington and California subsidy rates.

[41] According to Dr. Irv Lefberg, the State's main witness on cost of living comparisons, the Department of Defense uses Runzheimer data in calculating "cost of living" payment differentials for personnel stationed in different parts of the country.

adjusted California county rates,[42] although they lag some of the California counties (e.g. Sacramento and Fresno) by relatively substantial margins in some categories. Exh. E-19. On the other hand, the State notes that it contributes toward health insurance premiums for Licensed providers, which California does not. In addition, Washington Licensed providers receive some paid time off (e.g. compensation for a limited number of days even if a child is absent, as well as paid training days and paid holidays if the Licensed Home is closed) that are unavailable to California providers. Oregon providers, while they are eligible to be paid for some absent days, do not receive paid training days or holiday pay. Exh. E-19.

As previously noted, in comparing these subsidy rates, I must also take into account the differing subsidy policies of the various states, e.g. both Oregon and California have lower income caps for eligibility than Washington, and California also has a substantial waiting list for benefits—at least in part, no doubt, as a result of providing subsidies at the 85th percentile. Oregon, on the other hand, does not have a waiting list despite providing subsidies at the 75th percentile. Nevertheless, the record establishes that Washington has chosen to provide benefits to a larger universe of families (in terms of income) than either Oregon or California, and that fact means that I must consider more than just the subsidy rates in determining the extent to which Oregon or California (or California counties) are truly "comparable."

In sorting through the information provided, I find the parties' comparability data less useful than I would have hoped. Because the Union omitted any comprehensive

[42] The Union notes that the rates for California providers may change in March 2009, and while that is no doubt true, I take arbitral notice of the current budget crisis in California which has been much in the news in recent weeks.

consideration of variations in the cost of living between jurisdictions, it is difficult to compare apples to apples with the various subsidy rates.[43] On the other hand, the State used what seemed to me to be questionable methodologies in calculating its cost of living data. For example, the State calculated the state-wide California cost of living quotient by using a weighted average of just six cities—Oakland, Fresno, Los Angeles, Sacramento, San Bernardino, and San Diego. There is no showing, however, that a weighted average of these cities[44] accurately reflects a weighted cost of living quotient for the entire state of California.[45] The same is true of the Oregon data which relies on a weighted average of Portland and two of its suburbs (Gresham and Beaverton), in addition to Salem and Eugene, to represent the cost of living in the entire state.

As a result, it is difficult for me to form reliable conclusions about the relative subsidy rates across categories for the various jurisdictions. The most I can say is that there may well be significant variances between the cost-adjusted average subsidy rates in California as a whole as compared to Washington (the State's own data would suggest

---

[43] I recognize, however, that detailed cost of living data may not be readily accessible to the Union.

[44] The record is also somewhat confusing about whether "cities" or "counties" are being offered as cost of living comparators. Dr. Lefberg described the data as applying to the "cities" listed, and testified that the "aggregate of CA Cities" data represented a weighted average of the "cities" contained on the list. *See*, Exh. E-13 *and* Tr., Vol. III at 453-54. I understood that the corresponding Oregon data was derived in the same fashion. On the other hand, Exh. E-19 lists the "counties" in which those California cities are located and uses those "counties" as comparators for Washington as a whole. In other words, Exh. E-19 treats the cost of living in the cities listed as proxies for the cost of living for each county in which those cities are located. That data could be accurate, of course, or at least close enough to be useful. The state of the record, however, does not enable me to determine the extent to which the cost of living data for these cities accurately reflects the cost of living for the county as a whole, just as the weighted average of the various cities may or may not accurately reflect the cost of living in California as a whole. These discrepancies leave me unsure of the precision of the data.

[45] Nor is it clear to me from the record why the individual California jurisdictions selected by the State are truly "comparable" to the State of Washington, although I understand the State used these same jurisdictions in the last round of bargaining and in interest arbitration in 2006.

that), but it is difficult to tell how great the variance is when adjusted for the relative cost of living.[46] In better economic times, accuracy in these data sets would be more important, and might even be critical. On the other hand, the current economic climate means that the State is facing a massive revenue shortfall in FY 2009-11, and thus the mandatory consideration of the State's ability to pay is more likely to shape the outcome here than computations of the precise cost-adjusted subsidy differentials.

2. State's Ability to Pay

Turning to ability to pay, then, I must take into account the projected financial condition of the State, the level of incremental cost already part of the biennial cost of the Agreement because of TA'd items (specifically, additional contributions toward health insurance of $5.45 Million for the 2009-11 biennium), and the cost of the increase in the subsidy rate for the first six months in the toddler category already awarded above. At the same time, I must also keep in mind the priority the State has placed on early childhood care and learning, while not forgetting that many other worthy programs and workers will be clamoring for their "fair share" of a pot of revenue that will very likely turn out to be much smaller than might have been anticipated a year or so ago.

I begin with the State's revenue forecast. It is true, as the Union notes, that economic forecasts, particularly forecasts of revenue several years into the future, can be far off the mark. On the other hand, it would be foolish of the State (and of an interest arbitrator) to award expensive contract improvements based on little more than a hope that actual future revenue will, in fact, turn out to be substantially greater than forecast.

[46] As noted above, however, I would have to consider other factors, such as paid time off and health care contributions, not just the bare subsidy rates, in comparing child care provider compensation.

Moreover, the Governor and the Legislature are required by law to present a budget in balance with a forecast of revenues that will be produced later in the year, and while it is possible that economic conditions will change sufficiently between now and then to reduce the current projection of a $2.7 Billion shortfall, Exh. E-12, the forecast in June 2008 was lower than the forecast in February 2008, Exh. E-11 at p. 4, and recent monthly collections of revenue seem to confirm a trend that is worsening, not yet getting better.[47]

Based on these considerations, the State offers increases for both Licensed and Exempt providers of 1.6% in FY-2009-10 and 1.7% in FY-2010-11. The cost of these subsidy increases for Licensed providers, as calculated by the State, would be approximately $5.68 Million for the biennium as compared to a cost of $27.68 Million associated with the Union's 7.8%/7.8% proposal. Exh. E-32. The Union costs its proposal for Licensed providers at $26.86 Million. Exh. U-36. The State projects that its proposal would cost $2.785 Million for the Exempt providers, whereas the Union's proposal would cost $12.78 Million. Exh. E-33. The Union calculates that its proposal for the Exempt group would cost the State $8.964 Million during the life of the Agreement. Exh. U-36.[48]

---

[47] Thus, even though it is true, as the Union has noted, that it is up to the Legislature to allocate scarce funds among the State programs, a projected severe shortfall in collected revenue severely limits the Legislature's options in that regard. Moreover, I am required—both by the law and by the ethics of my profession—to apply the statutory criteria to the best of my ability, and it would be improper for me to fail to do so simply because the Legislature and the Governor have the ultimate responsibility to craft a balanced budget for the next biennium.

[48] The State's estimate of costs includes the "employer costs" of making FICA, FUTA, and SUTA contributions on behalf of Exempt providers that are technically the responsibility of the families receiving services, but which the State pays on their behalf. It is not clear to me whether the Union's calculation includes those amounts or not, but it seems unlikely to me that the difference between the two estimates could be explained on that basis. In any event, with or without those added costs, it is clear to me that the State cannot afford the Union's proposed subsidy increases.

Facing a revenue shortfall approaching $3 Billion during the next biennium, the State simply cannot afford the increased subsidy rates proposed by the Union. I note, however, that when Arbiter Williams granted substantial increases in Year I of the current Agreement followed by smaller increases in Year II, he observed that the first year should be regarded as "catch-up" for past deficits in fair compensation, and that the second year should be viewed as maintaining the ground gained. Exh. E-1 at 28, Williams 2006 Award. Demonstrating the difficulty of projecting future revenue and expenses accurately, however, inflation has been and continues to be higher than originally anticipated for 2008. The State's economists are now predicting an inflation rate of 3.8% for the year,[49] as measured by the implicit price deflator (IPD), lowering to 2.4% in 2009. Exh. E-11 at 2. In other words, for the last half of 2008, during which the 3% raise will be in effect, inflation is likely to exceed the subsidy increase and to erode real income for the providers, contrary to Arbiter Williams' intentions. Some of that lost ground may be regained in the first half of 2009, when IPD inflation is forecast to be 2.4%, but it might be lost again in the second half of 2009 under the State's 1.6% offer which is pegged to predicted inflation in 2010.[50] As previously noted, CPI data, measured

[49] That projection is consistent with the running "annualized" inflation rate (as measured by the IPD) published in July 2008 on the website of the Municipal Research and Services Center of Washington ("MRSC"). During the first four months of 2008, the annualized rate of inflation exceeded 3%, and was as high as 3.509% in January. These figures, moreover, do not include May and June, two months of high energy prices. The CPI numbers are no doubt higher. *See*, e.g. Exh. U-20 (year-over-year inflation of 5.8% for June 2007 to June 2008 in the Seattle-Tacoma-Bremerton statistical area, with food, motor fuel, and housing costs rising at substantially higher rates).

[50] These forecasts of inflation appear to be based on calendar years, not State fiscal years. Consequently, the data do not exactly match with the time periods during which the increases in subsidy rates will be in effect. I have assumed a constant inflation rate in this discussion throughout the calendar years involved because that is the best I can do with the data I have, even though I recognize that it may result in less than completely accurate projections of the impact of inflation on the providers.

by a fixed "basket" of goods and services that does not take immediate account of changes in consumer purchasing patterns, may well be higher.[51] *See*, Exh. U-20.

In sum, although Arbiter Williams, using data then available, thought that a 3% increase in the second year of the current contract would enable providers to "maintain" their income levels, unexpectedly high overall inflation in the second half of 2008 threatens to erode subsidy rate gains achieved in the first year of the current Agreement. On the other hand, in addition to subsidy rate increases in both years, the State has agreed to increase health insurance contributions by $5.45 Million during the life of the new Agreement, an amount that is roughly equal to the cost of the State's offered subsidy rate increase for Licensed providers ($5.68 Million) as reflected in Exh. E-32.[52] Also, I have awarded above a form of the Union's "alignment" proposal that raises subsidy levels in the first six months of the toddler classification.

Taking all these factors into account, I find that the State's total package for 2009-11, including the additional health care contributions and the "Enhanced Toddler Rate" awarded above, may well keep pace with inflation (at least as measured by the IPD) at a time when projected budgetary shortfalls will no doubt create great pressure to cap increases at the cost of living. As I have previously noted, the State cannot afford the

---

[51] The Union argues that the statutory criteria—"the average cost of goods and services"—better fits the CPI measurement than the IPD. I agree with the State, however, that the statute does not prescribe one measure or the other, and both indices measure (albeit, in different ways) "the average cost of goods and services." Thus, I consider both measures.

[52] Apparently, the increase in State health insurance contributions will benefit only about 20% of Licensed providers, just 660 out of a total of roughly 3400. *See*, Exh. U-10. Nevertheless, the State's agreement to contribute toward health insurance constitutes a significant incremental cost to the State on a matter of great importance to the Union and to the members of the bargaining unit as a whole, because it potentially sets the stage for broader benefits and/or broader participation in the future. For both of these reasons, I cannot discount the importance of the changes to Article 13 (*see*, Exh. E-5) in calculating whether the bargaining unit, as a group, is "maintaining" compensation and benefit levels.

Union's proposed subsidy rate increase of 7.8% in each year for Licensed providers.[53] The Exempt providers, however, face the prospect of effectively giving back some of the subsidy increases awarded by Arbiter Williams because of greater than anticipated inflation, and they will not share directly in the improvements in health care contributions and in the Enhanced Toddler Rate that hopefully will enable the Licensed providers to keep pace with the cost of living. Moreover, I note that Arbiter Williams in the last interest arbitration granted higher increases to the Licensed provider group than to the Exempt Family Homes.[54] As a result, the Exempt group has less to "give back," especially without the benefit of the other major improvements in this contract. At the same time, I agree with the Union that the Exempt Homes provide an important child care resource, where children can be cared for by a trusted relative, neighbor or friend, and in a setting (often in the child's own home) that may be more sensitive to cultural and linguistic values important to parents.

Considering all these factors, including the stated policy of the State of Washington to preserve parental choice and to foster stability, quality, and retention in the child care industry, I find that the State's proposed subsidy increases are insufficient

---

[53] I recognize that the Union's proposal was designed to result, through bargaining, in a rate increase of something less than 7.8% in each year of the Agreement. Whatever rates the Union had in mind, however, given the current economic conditions and the other terms of the Agreement—both those agreed by the parties and those awarded by the Arbitrator—I find that subsidy rate increases above projected inflation are unwarranted, no matter how well deserved. That is, even taking into account the public policies expressed by the Governor and the Legislature, the focus in this year should be attempting to keep pace with inflation and to maintain prior increases during a projected budgetary crisis.

[54] It is also true that because of the low hourly rates applicable to the Exempt providers, i.e. a little over $2.00 per hour per child, even a 4%/3% raise, such as that awarded by Arbiter Williams, results in a very small absolute increase, smaller than an equivalent percentage applied to the Licensed Home full-day and half-day rates. Thus, in absolute dollars, the Exempt providers effectively fell even farther behind the Licensed group than a simple comparison of the percentage increases might suggest. It therefore seems all the more important to me that the Exempt providers keep pace with inflation if at all possible.

for the Exempt providers. I will award, instead, a 1.6% hourly rate increase effective July 1, 2009, as the State has proposed, but an additional increase of 2.0% effective July 1, 2010 instead of the State's proposed 1.7% increase.[55] While these increases are not a great amount in absolute terms, they are hopefully sufficient to allow the Exempt providers to maintain ground while the State weathers the current economic downturn. Moreover, by placing the larger increase in the second year of the biennium, even though higher inflation is expected in the first year, the overall cost to the State is significantly less.[56] In addition, the State's economic forecast predicts higher growth in 2010 and 2011, Exh. E-11 at 2, which should help the State absorb the modest increase in Exempt provider compensation during that time.

I will award the same 1.6%/2.0 % increases to the Licensed Homes. Although Arbiter Williams in the 2006 interest arbitration proceeding awarded different rate increases to the two groups, neither party has suggested here that I should continue that trend. In fact, the State's concerns about parity of subsidy rates for Licensed Centers and Licensed Homes, as well as a general reluctance to distort the market by favoring one group of providers over another, would seem to argue in favor of granting the same level of increases to Licensed providers as to the License-Exempt group. The cost of doing so is again relatively modest—$6.034 Million for Licensed as compared to $5.68 Million under the State's proposal—and even parity for the Centers is not beyond the State's ability to pay ($10.6 Million as compared to $9.985 Million under the State's proposal).

---

[55] Using the Excel spreadsheet produced by the State, it appears that the projected cost to the State of these increases will be approximately $3.32 Million, as compared to a cost of approximately $2.62 Million for the State's proposal.

[56] At the same time, the larger increase in Year II provides a base on which future increases will build.

Exh. E-34 at 2.[57] Even though these are small increases for the providers, I recognize that they will require the State to make some difficult choices regarding allocation of its scarce financial resources in a time of significant revenue shortages. Nevertheless, in light of the State's commitment to early childhood education and quality child care, as well as the fact that many, if not most, of these child care providers are at the low end of the income scale in our state, I believe that the effort to find additional funds for this group is necessary and justified. That is, if improved child care and early learning are truly priorities of the State, they must be priorities in difficult economic times as well as when the economy is booming.

3. Interest Arbitrator's Decision on Subsidy Rate Increases

To reiterate, I will award subsidy rate increases of. 1.6% effective July 1, 2009, and an additional 2.0% effective July 1, 2010 for both the Licensed and the Exempt providers.

---

[57] I have also taken account of the fact that these costs are calculated as if all subsidies are paid completely by the State at the maximum rate. Actual paid rates range from 6-13% less, however, *see* Exh. E-15A.Thus, while I agree that the State wisely calculates the cost of the contract proposals on a "worst case" basis, i.e. with an assumption that the maximum rates will be paid by the State, given past experience, the actual cost is likely to be somewhat less. In addition, families are responsible for co-pays that also reduce the amount payable by the State by some amount. Exactly how much is a matter of dispute. The Union, using data it received from DEL covering the period February through June of 2008, calculates the parent co-payments at approximately 8% of the total Working Connections and WorkFirst payments. See, Excel Spreadsheet provided by Union Counsel Robert Lavitt via e-mail on Friday, August 22, 2008 at 4:51 PM. The State contests the accuracy of the Union's calculations (noting, for example, that the 2% deduction for Union dues does not seem to be accounted for), and the State apparently has not been able to reconcile the data with official DEL data. Declaration of Carole Holland dated August 21, 2008 and provided via e-mail from Assistant Attorney General Laura Wulf at 4:45 PM on August 22. When I initially requested this kind of data, I assumed that the information would be readily available and that the parties could quickly agree, by looking at historical trends, on the percentage of the projected costs to the State, or at least a range of percentages, that would likely be borne by the families. Unfortunately, the task proved more difficult than I expected. While on this record I cannot resolve the parties' disputes about the data, it is clear that some portion of the amounts projected by the State in costing the subsidy proposals will actually be the responsibility of the families. Increases in the caseload, of course, conceivably could offset these "savings" to the State, but for reasons stated previously, I cannot determine the precise effect of future caseloads on the costing of these subsidy increases. Therefore, I have used the parties' data, which does not account for possible caseload changes in either direction, in applying the "ability to pay" criterion.

AWARD

Having carefully considered the evidence and argument, I hereby render the following AWARD:

1. With respect to the Unions' proposals concerning Article 11.2, I award no change in the language of the first paragraph;

2. With respect to the Union's proposed changes to the second paragraph of Article 11.2, I award the following changed language:

Infant Pay Differential and Age; Enhanced Toddler Rate

[no change in first paragraph]

For Licensed Family Child Care providers there shall be an Enhanced Toddler Rate, applicable in months twelve (12) through seventeen (17), equal to one hundred fifteen percent (115%) of the Regular Toddler Rate. The percentage increases in subsidy rates set forth in Article 12.1 shall first be applied to the previous Toddler Rates in order to determine the new Regular Toddler Rates. The Enhanced Toddler Rate shall then be fifteen percent (15%) more than the Regular Toddler Rate. The Regular Toddler Rate shall also be used to calculate the Infant Pay Differential set forth in the first paragraph. ~~age required for the infant subsidy shall be birth to 18 months.~~

3. With respect to the parties' respective proposals concerning Article 12.1, I award the following language:

Subsidy Rate Increases

Subsidy rates for Licensed Providers shall be increased across the board by one and six-tenths of one ~~seven~~ percent ~~(7%)~~ (1.6%) effective July 1, ~~2007~~ 2009 and ~~three~~ two percent (2%) ~~(3%)~~ effective July 1, ~~2008~~ 2010.

Subsidy rates for Exempt Providers shall be increased by one and six-tenths of one ~~seven~~ percent ~~(7%)~~ (1.6%) effective July 1, ~~2007~~ 2009 and ~~three~~ two percent (2%) ~~(3%)~~ effective July 1, ~~2008~~ 2010.

4. Consistent with the terms of the statute, the parties shall bear the fees and expenses of the Interest Arbitrator in equal proportion.

Dated this 25th day of August, 2008

Michael E. Cavanaugh, J.D.
Interest Arbitrator

EXHIBIT NO. 10

LOCAL 925

SEIU

Stronger Together

2009-2011

TENTATIVE
COLLECTIVE BARGAINING AGREEMENT
BY AND BETWEEN

THE STATE OF WASHINGTON

AND

SERVICE EMPLOYEES
INTERNATIONAL UNION 925

EFFECTIVE
JULY 1, 2009 THROUGH JUNE 30, 2011
PENDING LEGISLATIVE APPROVAL

THE SEAL OF THE STATE OF WASHINGTON 1889

No. 82577-7
JSF925 0271

PREAMBLE

This agreement has been made and entered into by and between the State of Washington, (hereinafter referred to as the "State") and the Service Employees International Union, Local 925, (hereinafter referred to as the "Union"). The Union and the State recognize the unique relationship created by the amendments to RCW 41.56 where the State is designated as the employer for family child care providers only for the purposes of collective bargaining. RCW 41.56 shall not be read as conferring any additional authority on the State to interfere with the relationship between the consumer and the child care provider.

The parties enter into this agreement acknowledging the following:

- The Union and the State share a common mission to ensure that every Washington family has access to quality child care.
- Access to quality child care is essential for families transitioning from welfare to work as well as for those low and moderate income families striving to achieve and maintain self-sufficiency.
- Family child care providers are an integral part of the Child Care System, offering the preferred setting of thousands of working parents for caring for children served through the child care subsidy programs outlined in Appendix B.
- Providers, the State and Washington families have a shared interest in making child care a quality job and a respected profession.
- The parties agree to work together as partners to serve the needs of working families and to meet the highest standards in such service.
- The State, the Union, and Providers will treat each other with dignity and respect.

Nothing in this agreement should be read as in any way diminishing the rights of the Consumer(s) to select, change or terminate their child care provider.

Nothing in this preamble shall be subject to the grievance process in this agreement.

ARTICLE 1
UNION RECOGNITION

1.1 Union Recognition

Service Employees International Union Local 925 is recognized as the sole and exclusive representative for all licensed family and license-exempt child care providers as defined in RCW 41.56.

1.2 Integrity of the Bargaining Unit

The State recognizes the integrity of the bargaining unit and will not take any action intended to erode it.

ARTICLE 2
NON-DISCRIMINATION

The State agrees not to discriminate against any provider on the basis of race, sex, sexual orientation, creed, religion, color, marital or parental status, age, national origin, political affiliation and/or beliefs, or disability.

This Article shall not be construed as otherwise limiting or impeding the right of consumers and prospective consumers to select, hire, supervise the work of, and terminate any child care provider giving services to them.

ARTICLE 3
CONSUMER RIGHTS

3.1 Definition of Consumer

For the purposes of this agreement and law, a consumer is one of the following individuals who has parental control of one (1) or more children, lives in the state of Washington, and is the child's:

A. Parent, either biological or adopted;
B. Stepparent;
C. Legal guardian verified by a legal or court document;
D. Adult sibling or step-sibling;
E. Nephew or niece;
F. Aunt;
G. Uncle;
H. Grandparent; or
I. Any of these relatives with the prefix great, such as great-aunt.

3.2 Consumer Rights

Nothing in this Agreement limits the subsidized Consumer's sole and undisputed right to select and to terminate without cause and without notice the services of any Provider.

3.3 Information Regarding Consumers

This Agreement shall not be interpreted as to require the State to release confidential personal information regarding any Consumer or any child under parental control of the consumer receiving subsidized child care services to the Union without the written permission of any such consumer. Personal information includes, but is not limited to: names, addresses, telephone numbers, email addresses, any identification numbers including social security numbers or any other personal information.

3.4 Consumer Confidentiality

Union representatives and child care providers shall maintain strict standards of confidentiality regarding consumer and any child under parental control of the consumer receiving subsidized child care and shall not disclose personal information pertaining to consumer and any child under parental control of the consumer obtained from any source unless the disclosure is with the express written consent of the consumer or compelled by legal processes or otherwise required by law.

3.5 Non-Waiver

The above enumerations of consumer rights are not inclusive and do not exclude other rights not specified, including those rights and authority provided under the law. The exercise or non-exercise of rights retained by the consumer shall not be construed to mean that any right of the consumer is waived.

3.6 Consumers Not Subject to Grievance Procedure

No action taken by the consumer with respect to this Article or any consumer rights shall be subject to the grievance and arbitration procedures provided for in this Agreement.

ARTICLE 4
UNION RIGHTS

4.1 Union Exclusivity

The State shall not meet, discuss, confer, subsidize or negotiate with any other employee organization or its representatives on matters pertaining to all terms and conditions of employment of bargaining unit members. However, the Union recognizes that the State in meeting its statutory obligations under RCW 43.215 may frequently interact with bargaining unit members or groups that include bargaining unit members without notifying or requiring the Union's presence at those interactions.

4.2 Union Activity

The State agrees that no Provider shall be discriminated against, intimidated, restrained or coerced in or on account of the exercise of any rights granted by statute or Agreement, on account of membership or non-membership in, or lawful activities on behalf of the Union.

4.3 Union Representatives

The Union shall notify the State of the names of its official representatives and stewards, and changes in such representatives, as changes occur.

4.4 Neutrality

The State shall remain neutral on the question of union membership and union representation for Providers. All questions addressed to the State concerning membership in or representation by the Union will be referred to the Union.

4.5 Lists

The State will provide the Union with a list of Providers electronically on a monthly basis by the fifteenth (15^{th}) of each month. This list will include:

A. Month in which the service was provided;
B. Name of all Providers who were paid a subsidy or subsidies in the previous calendar month as a product of their bargaining unit work;
C. Provider number;
D. Billing address;
E. Mailing address;
F. Telephone number;
G. Whether the provider is exempt or licensed;
H. Amount of subsidy payment;
I. Number of units billed; type of units billed (half-day, day or hour);
J. Number of children billed;
K. Amount of Union dues or Fair Share fees that were deducted from the Provider's payments; and
L. Provider's Email address, if available.

4.6 Union Orientation

The State shall notify the Union and shall grant access, not to exceed thirty (30) minutes, at the Exempt Provider's initial in-person subsidy training. If the training is provided on-line, the State will electronically send the Union the contact information for those providers who complete the on-line initial subsidy training. The contact information shall include the Provider's number, name, address, telephone number, best time to be reached, and if available email address.

The State shall notify the Union and shall grant access, not to exceed thirty (30) minutes, at the Licensed Provider's licensing orientation and/or pre-service training, if in existence. The State will notify the Union as soon as an orientation is cancelled or rescheduled. The Union presentation topics shall be limited to the following: the organization, Provider's representation status, union benefits and to distribute membership applications. The State shall remain neutral regarding the Union's presentation.

The Union may (at its discretion) provide the State with copies of a one (1) page brochure outlining the Provider's collective bargaining benefits to be distributed by the State with other orientation materials. This one (1) page document will be neutral in content and approved by the State prior to distribution.

4.7 Bulletin Boards

The Union shall be allowed to provide and maintain a bulletin board at the Department of Early Learning Offices (excluding the State Office) and Resource & Referral (R&R) offices, where space is available. The State shall inform R&R's of the rights of the Union to bulletin board space.

The Union will provide cork board bulletin boards (2' x 3') which may be hung portrait or landscape-style. The bulletin boards will be clearly marked as SEIU Local 925. Bulletin boards will be maintained by Union leaders and/or Union staff. The Union agrees that material posted on the bulletin board will be appropriate to the work place, politically non-partisan, in compliance with state ethics laws and clearly identified as union literature. SEIU communications may not be posted in any other location in the agency.

The parties agree that SEIU and the R&R will discuss the location in the facility for the SEIU bulletin board, and if they are unable to agree on a location, the State will attempt to remedy the situation, appropriate to their subcontracted agent.

The Union shall be solely responsible for the costs and maintenance of all bulletin boards.

4.8 Notices

The State will provide to the Union either an electronic or hard copy of any notice provided by the State to all Providers.

4.9 Production of Agreement

The State shall pay fifty percent (50%) of the costs of producing and printing this agreement up to a maximum of twenty-five thousand dollars ($25,000) in sufficient quantities for distribution to the members of the bargaining unit.

ARTICLE 5
UNION MEMBERSHIP AND UNION SECURITY

5.1 Union Security

Not later than thirty (30) calendar days following the first day of service provided, or the acceptance of subsidy payments for child care services provided, whichever is later, every family child care provider covered by this Agreement shall, as a condition of acceptance of subsidy payments for child care services provided and continued eligibility to receive payment for services provided, become and remain a member of the Union paying the periodic dues, or for nonmembers of the

Union, the fees uniformly required. The state as payor, but not as the employer, shall enforce this union security provision according to RCW 41.56.113 by deducting from the subsidy payments to bargaining unit members the dues required for Union membership, or, for nonmembers of the Union, a fee equivalent to the dues. Any provider who fails to satisfy this obligation shall, within thirty (30) calendar days of written request by the Union to the State, be provided written notice of their discontinued eligibility to receive payment for services until such a time as this obligation is satisfied.

5.2 Right of Non-Association

It is the intent of this Agreement that the provisions of this Article safeguard the right of providers to remain non-members based on *bona fide* religious tenets or teachings of a church or religious body of which such provider is a member. Such providers shall pay an amount of money equal to the periodic dues and fees uniformly required under Section 1 of this Article, to a nonreligious charity or to another charitable organization mutually agreed upon by the provider affected and the Union. On at least a quarterly basis, the provider shall furnish written proof to the Union that such payment has been made. Any provider who claims a right of non-association based on *bona fide* religious tenets or teachings of a church or religious body of which such employee is a member shall provide written notice of that claim to the Union, and shall, at the same time, provide the Union with the name(s) and address(es) of one (1) or more nonreligious charitable organizations to which the provider is prepared to make alternative payments in lieu of the payments required by this union security provision. Within sixty (60) calendar days after it receives written notice of a claimed right of non-association, the Union shall provide a written response to the worker, setting forth the position of the Union as to both:

A. The eligibility of the provider to make alternative payments; and

B. The acceptance or rejection by the Union of the charitable organization(s) suggested by the provider.

C. Any disputes regarding the eligibility of the provider to make alternative payments and/or if the Union and provider are unable to mutually agree to a nonreligious charitable organization, the matter shall be forwarded to Public Employment Relations Commission (PERC) for final disposition.

5.3 Indemnify and Hold Harmless

The Union and each provider authorizing the assignment of pay for the purpose of payment of union dues hereby agree to undertake to indemnify and hold harmless from all claims, demands, suits or other forms of liability that shall arise against the employer for or on account of any deduction made from the pay of such provider. This paragraph shall not be interpreted to limit the right of the Union to use the Dispute Resolution Process contained in this agreement to collect dues, fees, and contributions owed.

ARTICLE 6
DUES DEDUCTIONS, AGENCY FEES AND CONTRIBUTIONS

6.1 Deductions

The State will withhold Union dues, agency fees, voluntary Political Action Committee (PAC) contributions and possible health care premium payments from each Provider's subsidy payments in the amount determined by the Union and as agreed to by the Providers. The amount owed the Union each month will be sent no later than the 15th of the month. The Union will be responsible for reimbursing providers who pay more than the dues cap (which has been defined by the Union and implemented by the State) and for enforcing other legal requirements related to dues collection.

6.2 Documentation to Providers

Each monthly remittance advice will include an itemized list of deductions including dues, agency fees, PAC contributions, and provider health insurance contributions for that month's payment.

By January 31st of each year, the State will include on the Provider's IRS form 1099 and W-2 the amount of dues, agency fees, PAC contributions and provider health insurance contributions paid to the Union and/or the Trust by the State on behalf of the Provider as reportable income (gross income).

6.3 Implementation Costs

The cost of any SSPS programming changes required by this Article beyond the initial costs already paid by the Union shall be borne by the State. The ongoing regular cost of deducting dues, agency fees, PAC contributions and provider health insurance contributions shall be borne by the State.

ARTICLE 7
GRIEVANCE PROCEDURE

Dispute Resolution Philosophy

The State and the Union commit to address and resolve issues in a fair and responsible manner at the lowest possible level, and to use mediation and conflict resolution techniques when possible. Our relationship depends on mutual respect and trust based on our ability to recognize and resolve disagreements rather than avoiding them. Prior to filing a grievance, the Union and the State will attempt wherever possible to resolve problems informally and not to resort to the formal grievance procedure.

7.1 Definitions

A. Grievance Definition

A grievance shall mean a dispute regarding the meaning or implementation of the provisions of this Agreement brought by the Union or a Provider. Neither the Union nor the Provider can grieve issues outside the scope of this Agreement, including but not limited to selection or termination of Provider services by Consumer, and/or any action taken by the Consumer.

B. Computation of Time

The time limits in this Article must be strictly adhered to unless mutually modified in writing. Days are calendar days and will be counted by excluding the first day and including the last day of timelines. When the last day falls on a Saturday, Sunday or holiday, the last day will be the next day which is not a Saturday, Sunday or holiday. Transmittal of grievances, appeals and responses will be in writing and timelines will apply to the date of receipt, or the date of postmarking.

C. Failure to Meet Timelines

Failure by the Union to comply with the timelines will result in the automatic withdrawal of the grievance. Failure by the State to comply with the timelines will entitle the Union to move the grievance to the next step of the procedure.

D. Contents

The written grievance must include the following information:

1. A statement of the pertinent facts surrounding the nature of the grievance;
2. The date or time period in which the incident occurred;
3. The specific article and section of the Agreement violated;
4. The steps taken to informally resolve the grievance and the individuals involved in the attempted resolution;
5. The specific remedy requested;
6. The name of the grievant;
7. The grievant's provider number; and
8. The name and signature of the Union representative or the Provider filing the grievance.

E. Modifications

No newly alleged violations and/or remedies may be made after the initial written grievance is filed, except by written mutual agreement.

F. Resolution

If the State provides the requested remedy or a mutually agreed upon alternative, the grievance will be considered resolved and may not be moved to the next step.

G. Withdrawal

A grievance may be withdrawn at any time.

H. Resubmission

If resolved, withdrawn or a timeline missed, a grievance cannot be resubmitted.

7.2 Grievance Procedure

A. Verbal Grievance

Step 1: In an attempt to resolve any grievable issue, the Provider and/or Union representative must confer with the State's designated representative prior to filing a written grievance by calling 1-888-270-0613.

The State will have thirty (30) days to either resolve the problem or, if unresolved, provide a written response to the issue to the Provider and/or Union. The State's designated representative will provide a monthly report to the Union including the number of calls made to the grievance line as well as the number of calls resolved and unresolved.

B. Written Grievance

Step 2: If the grievance is not resolved at Step 1, the Provider and/or Union representative may submit the written grievance to the Collective Bargaining Agreement Administrator in the Department of Early Learning (DEL) within fifteen (15) days of receiving the State's Step 1 written response. If the Provider attempted to resolve a payment issue through the verbal grievance process, the Provider will have fifteen (15) days after he/she receives the supplemental payment and the payment issue still exists to file a grievance at Step 2. In the case of payment discrepancies, the timeline for claims is outlined in Article 10 Section 4.

In the case of non-payment disputes, grievances shall be filed within thirty (30) days of the occurrence of the alleged violation or when the Provider or the Union could reasonably have been aware of the incident giving rise to the grievance.

The written grievance may be submitted in person, by U.S. mail, by fax or by e-mail.

The State shall schedule and hold a conference call or in-person meeting with the grievant and his/her Union representative within fifteen (15) days of receipt of the written grievance in order to discuss and resolve the grievance. Subsequent to this meeting, if the grievance should remain unresolved, the State will provide a written response to the grievance within twenty (20) days from the date of the conference call.

C. OFM/Labor Relations Office

Step 3: If the grievance is not resolved at Step 2, within fourteen (14) days of the Step 2 denial or date the response was due, the provider and/or union representative may advance the grievance to the OFM Labor Relations Office (OFM/LRO). The LRO and the Union will decide whether to hold a meeting, conference call or mediation. The Labor Relations Office and a DEL representative shall schedule and hold a meeting or conference call with the grievant and union representative within thirty (30) days of receipt of the written grievance, in order to discuss and attempt to resolve the grievance. At that meeting or conference call, the State will give a verbal response to the grievance.

Both parties may agree to mutually extend the timelines and attempt mediation through the Public Employment Relations Commission (PERC) or other service. If the State and the Union mutually agree to mediation in lieu of a meeting or conference call, the Union may file a request for mediation with the PERC in accordance with WAC 391-55-020, with a copy to the OFM/LRO and the Collective Bargaining Agreement Administrator within fifteen (15) days of that agreement.

In the event the parties are unable to reach a resolution, the Union may request in writing within fifteen (15) days of the Step 3 meeting, conference call or mediation that the grievance be submitted to an independent arbitrator.

D. Arbitration

Step 4: If the grievance is not resolved at Step 3, the Union may file a request for arbitration. The demand to arbitrate and request for seven (7) arbitrators must be filed with the American Arbitration Association (AAA) within fifteen (15) days of the Step 3 meeting, conference call or mediation session.

The parties shall select an arbitrator by mutual agreement or by alternately striking names from the list of seven (7) arbitrators. A coin toss shall determine which party shall first strike.

The Arbitrator shall have no power to add to, subtract from, or change any of the terms or provisions of this Agreement. The Arbitrator shall be limited in his or her decision to the grievance issue(s) unless the parties agree to modify it or not make any award that provides any grievant with compensation greater than what would have resulted had there been no violation of this Agreement.

The award of the Arbitrator shall be final and binding upon both parties. The parties shall each pay one half (1/2) the costs of the Arbitration, including the fees of the Arbitrator and the proceeding itself. However, each party shall bear the cost of their own representation, advocacy and witnesses. If the arbitration hearing is postponed or canceled because of one party, that party will bear the cost of the postponement or cancellation. The costs of any mutually agreed upon postponements or cancellations will be shared equally by the parties.

7.3 Payment and Overpayment

Payment disputes (other than overpayment) shall be subject to the grievance process. Disputes regarding overpayments are only resolved through the Fair Hearing Process.

7.4 Licensing and Regulatory Issues

Issues involving licensing of providers (including but not limited to denial, compliance agreement, suspension, and revocation) are not subject to the grievance process.

Issues involving the State's ability to carry out the WACs associated with eligibility for license exempt providers (including but not limited to scope of care, provider affidavit, background checks and attendance records) are not subject to the grievance procedure.

ARTICLE 8
LABOR/MANAGEMENT COMMITTEE MEETINGS

8.1 Labor Management Committee

For the purpose of maintaining communications between labor and management in order to cooperatively discuss matters of mutual concern, the State's representatives shall meet, as may be reasonably necessary, but no less than semi-annually, with representatives of the Union. The parties shall exchange agendas one (1) week prior to the scheduled meeting. There shall be at least a two (2) week notice of these meetings.

ARTICLE 9
GENERAL PROVISIONS

9.1 Income Verification

Upon the request of a Provider or any third party with the written authorization of the Provider, the State shall provide written verification of past subsidy payments and bargaining unit work to the Provider.

9.2 No Strike/No Lockout

During the term of this Agreement, neither the Union, the child care Providers and/or their representatives shall directly or indirectly engage in, authorize, assist, encourage, sanction or support any strike, walkout, slowdown, sickout or other similar interference with services to children provided by the child care providers.

The Union, child care Provider and their agents shall not, for purposes of enforcing this Agreement, conduct picketing against any and all branches and departments of Washington State government, the State of Washington, its agents and/or its representatives. In the event that the State believes that any activity prohibited by this article is imminent or is occurring, the State's representative shall contact the President of the Union prior to taking any personnel or legal action in order to afford the Union the opportunity to inform its members of this contract provision and the law.

In recognition of the Consumer's right to select, hire, and terminate any child care Provider with or without cause, the parties agree that the State does not have the authority to lock out the Union or the child care providers.

9.3 Provider Documents

A child care Provider may examine his or her own documents in the possession or control of the State. Review of the documents will be in the presence of a State representative during business hours, unless otherwise arranged. Written authorization from the Provider is required before the Union will be granted access to the Provider's documents. The Provider and/or the Union may not remove any contents; however, a Provider may provide a written rebuttal to any information in the documents that he or she considers objectionable. A Provider may request a copy of the contents of their documents and will receive them within forty-five (45) calendar days of a written request, with the exception of pending referrals and unresolved complaints. The State may charge a reasonable fee for copying any documents requested by the Provider or the Union. If the Provider has questions about any of the information that has been provided, they can file a written appeal with DEL for a review, explanation and correction, if necessary.

9.4 Language Accessibility

The State shall continue its current practice of publishing documents in Spanish and English. The State shall also continue to use interpreters, as needed or requested, in communicating with child care Providers.

9.5 Providers' Rights

The State recognizes the rights of Providers to select the children to be placed in their care, to terminate the relationship with Consumers, and to enter into private agreements with Consumers that do not contradict federal law, state law, the policies of the Department of Early Learning and other federal or state subsidy programs.

ARTICLE 10
PAYMENT

10.1 Timely Payment

The State shall ensure that child care Providers receive timely, regular and accurate payments for care provided. If a Provider chooses Invoice Express, the payment will be processed for direct deposit or for payment by mail, the first business day of the month following the most recent month of service on the invoice, or after calling in an invoice, whichever is later. If an invoice is incorrect and an underpayment is present, the Provider may submit the entire invoice for payment first and then submit the corrections to the contact listed on the Social Service Notice. The incorrect items will be corrected on the next available Supplemental or Regular invoice, whichever is sooner.

10.2 Payment for Care Provided

Payment will be made as follows:

1. When a Consumer has been determined eligible and has been issued an award/change letter or when the Provider has been notified in writing; and

2. When an eligible Licensed Provider is selected to provide care; or

3. From the date an Exempt Provider meets all of the following:

   a. has completed Part 2 of the application;

   b. has been determined not to be disqualified by the background check;

   c. is selected to provide care; and

4. When the Provider actually provides care to the child, within the dates of eligibility contained in the award letter.

In the case of verbal confirmation from Working Connections, Providers may call the Working Connections Information Phone (WCIP) number 1-866-218-3244.

10.3 Termination Notice

The State shall notify child care Providers of the termination of subsidy benefits for the child or the Consumer at the same time that Consumers are notified. If the Provider receives notice after the termination date, they will be paid retroactive for all care provided. Working Connections consumers and Providers are given ten (10) calendar days notice prior to termination.

For Working Connections Child Care and Seasonal Child Care, end date reminders shall be mailed five (5) weeks prior to an authorization ending.

10.4 Payment Discrepancies

Providers must submit a claim for payment to the State for child care services no later than twelve (12) months after the date of service.

For the purposes of correcting errors on payments (where the claim for payment has been submitted on time), the time limit for either party to correct an error on a payment and seek reimbursement is:

1. Two (2) years if the error is on rates paid by age and/or region; and

2. Up to three (3) years if the error is on any other issue. The State and the Provider will take into consideration the amount owed and other issues in considering whether to pursue payment. The State will not pursue overpayments against the Provider for any length of time for payment errors solely caused by parent mistakes.

The two (2) year limit does not apply to federal audits, which could go back three (3) years.

Disputes regarding underpayments shall be grievable. Disputes regarding overpayments shall not be grievable but shall be subject to the fair hearings process.

10.5 Direct Deposit Payment Option

Providers shall be offered the option of having their payments directly deposited in their personal bank accounts.

10.6 Changes in Authorizations and Reapplications

Providers will be given written confirmation of award of care or care to be provided, through emails, copies of the award letter, or faxes prior to care being provided.

When a reapplication is required, the Consumer must submit a complete subsidy reapplication and required verification prior to the end date of the current authorization. If the care is reauthorized, the provider will be paid retroactively for care provided during any gap in authorization that may have occurred. If the care is not reauthorized, the State shall make no payment to the provider for care provided until the Consumer submits the necessary paperwork.

The Provider may obtain a release of information from the Consumer as a way to verify with the authorizing State employee the status of the reapplication.

10.7 Consumer's Travel Time

For the Provider to be paid for the Consumer's travel time associated with the authorized care, the Consumer must report or call in the need for care necessary during travel time. When the State authorizes the travel time needed by the Consumer, the Provider will be paid retroactively for care provided during the specified travel periods. If the travel time causes the licensed Provider to exceed ten (10) hours of care in a twenty-four (24) hour period, overtime provisions will apply.

ARTICLE 11
FEES AND DIFFERENTIALS

11.1 Registration Fee

The State shall provide an annual registration fee of up to fifty dollars ($50.00) per child for Licensed Providers. The State will pay this fee more than once per year if the child leaves care and returns more than sixty (60) days later.

All Providers shall ensure that the registration fee they charge the State is no greater than their private pay registration fees. If a Provider charges the State a higher amount than their private pay Consumers, the Provider admits that an overpayment has occurred and a reimbursement is owed to the State.

11.2 Infant Pay Differential and Age; Enhanced Toddler Rate

Infants shall be at least fifteen percent (15%) above the Toddler/Preschool rate; no rate shall be lowered as a result of this agreement.

For Licensed Family Child Care providers there shall be an Enhanced Toddler Rate, applicable in months twelve (12) through seventeen (17), equal to one hundred fifteen percent (115%) of the Regular Toddler Rate. The percentage increases in subsidy rates set forth in Article 12.1 shall first be applied to the previous Toddler Rates in order to determine the new Regular Toddler Rates. The Enhanced Toddler Rate shall then be fifteen percent (15%) more than the Regular Toddler Rate. The Regular Toddler Rate shall also be used to calculate the Infant Pay Differential set forth in the first paragraph.

11.3 Non-Standard Hours and Overtime Payment

For licensed providers, the current practice on overtime shall continue, specifically any hours over ten (10) in a day is paid at an additional half (1/2) day of pay, and the State pays an additional day of pay for care longer than fifteen (15) hours in a twenty-four (24) hour period.

The State will automatically authorize the non-standard hours payment when a child needs forty (40) hours or more of nonstandard care per month. Non-standard hours are defined as before 6:00 a.m., after 6:00 p.m. or any hours on Saturday, Sunday or holidays. Once a Licensed Provider has reached the forty (40) hour threshold, the State agrees to pay a non-standard hour bonus of fifty dollars ($50) per child per month. The total cost of the non-standard hours bonus will not exceed two million dollars ($2,000,000) per biennium, one million dollars ($1,000,000) in year one and one million dollars ($1,000,000) in year two of the Agreement. The State agrees to provide information to the Union on July 1, 2010 regarding the utilization of the non-standard hours bonus.

11.4 Field Trip Fee

The State will provide up to twenty dollars ($20) per child per month for admission fees and other enriching activities.

11.5 Special Needs

The State will accept an IFP, IEP, or IHP as long as all required information is included, as defined in WAC as verification of the need for special needs care/rate. Special needs authorization end dates shall correspond to the regular subsidy rate end dates.

Special needs or medical documentation will be maintained in the child's case records as required by law. New documentation will be requested when there is a reason to believe the special needs may have changed. The Provider must submit to the State the Request for Additional Special Needs Payment for the special needs care provided.

When special needs are authorized, the Provider will be paid retroactively from the date of the special needs request for care provided. If special needs are not authorized, the State will not pay any rate greater than the regular subsidy rate.

ARTICLE 12
SUBSIDY RATES

12.1 Subsidy Rate Increases

Subsidy rates for Licensed Providers shall be increased across the board by one and sixth tenths of one percent (1.6%) effective July 1, 2009 and two percent (2%) effective July 1, 2010.

Subsidy rates for Exempt Providers shall be increased by one and six tenths of one percent (1.6%) effective July 1, 2009 and two percent (2%) effective July 1, 2010.

All Providers shall ensure that the rate they charge the State is no greater than their usual private pay rates. If a Provider charges the State a higher amount than their usual private pay Consumers, the Provider agrees that an overpayment has occurred and a reimbursement is owed to the State. This overpayment will not be subject to the grievance procedure, but it is subject to the Fair Hearing Process.

12.2 Committee to Recommend Rate Setting Changes

The State, the Union, and other interested parties shall participate in a committee to explore alternatives to the current subsidy rate setting process with recommendations presented to the Department of Early Learning (DEL) no later than February 1, 2010. The committee will meet on a regular basis, as determined by the committee, beginning in August 2009.

12.3 License Exempt Hourly Rates

The additional sibling hourly rate of pay for license exempt providers will be 98.5% of that given for the first (1st) child for all children to whom services are provided.

12.4 Tiered Reimbursement

DEL will participate in tiered reimbursement pilot projects as recommended by the Early Learning Council and/or Washington Learns with a financial commitment to Licensed Providers of no more than four hundred thousand dollars ($400,000) for achieving various levels of quality.

The State agrees to bargain over the formula if it implements a tiered reimbursement program for Licensed Providers.

ARTICLE 13
HEALTH CARE

13.1 Coverage

The State agrees to pay monthly contributions on behalf of licensed providers whom are entitled to coverage under the terms of this Agreement to the SEIU 775 Multi-Employer Health Benefits Trust (referred to as the "Trust") pursuant to the terms and conditions set forth in this Article. Coverage for entitled licensed providers shall begin subsequent to legislative funding approval and as provided above. The Trust will provide health coverage for an entitled licensed provider, but only to the extent of the Trust Benefits Program and only if the State timely makes the contribution for that entitled licensed provider in the month prior to the month of coverage. Entitled licensed providers who do not provide written authorization for the required payroll deduction in Section 3 shall not receive coverage until they have provided written authorization and the State has timely remitted all contributions.

13.2 Intent

The parties agree that the intent of this Article 13 is to provide health care coverage only to those licensed providers who do not have other health insurance coverage, to the extent permitted by law and pursuant to the terms and conditions set forth in this Article 13.

13.3 Contributions

For the time period from July 1, 2009 through June 30, 2010, the State shall contribute up to five hundred seventy-six dollars ($576) per month per entitled licensed provider to the Trust and the total contributions by the State will be no more than three hundred eighty thousand four hundred sixteen dollars ($380,416) per month for all entitled licensed providers excluding the payroll deduction described below. For the time period from July 1, 2010 through June 30, 2011, the State shall contribute up to six hundred thirty-four dollars ($634) per month per entitled licensed provider to the Trust and the total contributions by the State will be no more than four hundred eighteen thousand four hundred fifty-eight dollars ($418,458) per month for all entitled licensed providers excluding the payroll deduction described below.

A. The State will make the contribution described above after the entitled licensed provider elects to contribute an amount, to be established by the Trustees of the Trust, to the Trust. This amount contributed by the entitled licensed provider shall not be less than seventeen dollars ($17) per month, shall be withheld by the State from the entitled licensed provider's monthly payment and shall be remitted monthly to the Trust by the State. The State will implement all administrative and legal policies, procedures, and forms to facilitate this contribution as a deduction from the subsidy payments of entitled licensed providers, and shall work with the Union and Trust to reasonably communicate its availability to licensed Providers and comply with all applicable laws.

B. The State will remit to the Trust's third party administrator licensed provider payroll and other information reasonably required by the Trust to facilitate contributions and determine eligibility on a monthly basis. The Trust's third party administrator will determine eligibility as described below, and begin billing the State for health care for eligible providers.

C. The State shall make payment of the required contributions and shall deliver the payroll information to the Trust's third party administrator by the 30th of each month, for payment in the prior month. Contributions for that prior month shall be paid the 30th (or the date that the State currently pays on behalf of SEIU 775 members) of the following month (the second month after work), and after the State receives a transmittal from the Trust that the individual is an entitled licensed Provider and the amount owed.

D. SEIU 925 has been advised by the Trust of the amounts required to fund the current plan of benefits. The contribution amounts set forth herein represent the State contribution obligations during the term of this Agreement. The State shall not be obligated to pay additional or different amounts which might be established by the Trust and its Board of Trustees.

13.4 Eligibility

Eligible licensed providers are licensed providers who have:

1) filled out all Trust documents;

2) elected to make the payroll deduction contribution described above;

3) cared for at least sixty (60) subsidized units collectively (one (1) unit equals one (1) full day or two (2) half (1/2) days) in the month that the Provider is determined entitled to receive health care;

4) satisfied other criteria that the Trustees may determine, and

5) who are not otherwise eligible to receive health care benefits through other family coverage or other employment based coverage.

The Trust may also limit enrollment on a first enrolled basis.

13.5 Indemnify and Hold Harmless
The Trust Fund shall be the policyholder of any insurance plan or health care coverage plan offered by and through the Trust. As the policy holder, the Trust Fund shall indemnify and hold harmless from liability the State, all branches and departments of Washington State government, and the State of Washington, its agents and/or its representatives, from any claims by beneficiaries, health care providers, vendors, insurance carriers or employees covered under this Agreement. No term in this Agreement shall apply to the extent it is prohibited by law.

13.6 Unique Relationship Affirmed
The Trust shall provide SEIU 925 with the annual audit of the Trust performed by a certified public audit firm. SEIU 925 will make that document available to the State.

13.7 Trust a Separate Entity
The bargaining Parties hereby affirm that the Trust is a legally constituted joint labor and management trust fund separate and distinct from the bargaining Parties, and is a third party beneficiary to this Agreement. The Trust is not, and shall not be, deemed, regarded or established as a public agency, fund, benefit plan or entity by reason of receipt of public funding pursuant to this Agreement. The State agrees to be bound by the provisions of the Trust's Agreement and Declaration of Trust under the terms outlined in this Agreement.

13.8 Alternative to the SEIU 775 Trust
Should the Trustees of the Trust choose not to accept this agreement, or the Union chooses to pursue other health care provider options, the terms of this article shall remain in effect with the newly named provider. The parties agree that if the Union elects not to use the SEIU 775 Trust, the parties will meet to discuss SEIU 925's choice for Provider health care.

ARTICLE 14
TRAINING AND INCENTIVES

14.1 Training – Licensed
For Licensed Providers who need assistance, the State will continue to provide scholarship funds (at the same level as provided in the 07-09 biennial budget or more as DEL determines necessary) to help pay the cost for the initial twenty (20) hours of STARS training or equivalent training, and ongoing ten (10) hours per year.

The State will continue to allow Licensed Providers to bill for three (3) professional development (training) days, per year, to be used at the Provider's discretion. Licensed Providers will be paid their professional day payment for training taken on week days or weekends, provided the day was a regularly scheduled work day.

14.2 Licensing and Training for Exempt Providers

A. The State agrees to establish a fund of one hundred fifty thousand dollars ($150,000), seventy-five thousand dollars ($75,000) in year one and seventy-five thousand dollars ($75,000) in year two of the agreement, to assist Exempt providers with:

1. becoming a Licensed Home Provider; and/or

2. taking DEL approved training classes.

Exempt Providers who become Licensed Home Providers will be paid two hundred fifty dollars ($250) within sixty (60) days of becoming licensed.

Exempt Providers will be reimbursed up to two hundred dollars ($200) in tuition costs for taking approved DEL training.

These payments to Exempt Providers will be made on a first come basis until the one hundred fifty thousand dollars ($150,000) is spent or until the expiration date of this Agreement, whichever comes first.

The state will allow license exempt providers to bill for four (4) hours of mandatory subsidy training at their hourly rate per child.

B. License Exempt Child Care Training Incentive Plan
The State will fund this training plan from the decrease from 100% to 98.5% of the additional child rate. The parties agree the maximum amount of payable incentives will be capped at eight hundred twenty-six thousand dollars ($826,000) [four hundred thirteen thousand dollars ($413,000) per contact year] less any applicable administrative costs. Incentive payments cannot be accelerated.

License exempt providers who receive at least 10 hours of approved training will be eligible for a six hundred dollar ($600) incentive, to be paid the month following the completion of the training.

Following completion of the original 10 hours of training and receipt of the six hundred dollar ($600) incentive, providers who take an additional 10 hours of approved training will be paid an additional six hundred dollar ($600) incentive in the second year of the agreement.

SEIU 925 will have access up to eighty thousand dollars ($80,000) of the eight hundred twenty-six thousand dollars ($826,000) to pay for STARS trainings, reasonable facility rental expenses (provided the space is not the Union's own space and the Union can show actual rental costs), and reasonable printing and postage costs for the sole purpose of promoting this training. SEIU will submit vouchers to the State for reimbursement for this training.

The 10 hours of training can consist of training in any combination of existing STARS training on-line or in person; training provided through the Office of the Superintendent of Public Instruction and the Federal Child and Adult Food Program (CACFP) administered through OSPI in Washington State; or by participating in the "Play and Learn" groups being offered in certain counties of the state for family, friends and neighbors caregivers or other approved Department of Early Learning (DEL) training. All training must be documented and approved through DEL.

Once the training is completed, the Provider will submit copies of certificates to the State for reimbursement. The Provider will be reimbursed within sixty (60) days.

EVALUATION: Both parties agree to evaluate the program at the end of the first and second year periods for effectiveness. The State and the Union agree that the goal of the project is to use this entire fund to encourage training and provide successful financial incentives to raise the quality of care.

14.3 Mandatory Training on Subsidies

All Providers shall be required to take subsidy training at least once during the life of this agreement in order to be eligible to receive subsidies. The State shall provide mandatory subsidy training to Providers in every geographic region, on-line and at various times, days, evenings and weekends. The State shall pay for the cost of delivering the training, but shall not pay for the cost of the Provider attending the training.

14.4 Mandatory Training on Licensing WACs

All Licensed Providers shall be required to take training on licensing WACs at least once during the life of this agreement as specified by DEL. The State shall provide this mandatory training on licensing WACs to Licensed Providers in every geographical region, on-line and at various times, days, evenings and weekends. The state shall pay for the cost of delivering the training, but shall not pay for the cost of the Provider attending the training.

ARTICLE 15
FOOD PROGRAM

15.1 Exempt child care providers that have been approved for subsidy payments from the State of Washington's child care assistance programs shall have access to the U.S. Department of Agriculture's (USDA) Child and Adult Care Food Program (CACFP) when they care for children in their residence. Access shall be contingent upon a signed agreement between the Exempt provider and a Family Day Care Home Sponsor who has an approved agreement with the Office of Superintendent of Public Instruction. Exempt providers shall comply with all USDA requirements for participation in the CACFP.

The State will provide a list of Family Day Care Home Sponsors for Exempt providers. Access to CACFP is subject to sponsor capacity and the number of providers requesting access. Therefore, access will need to be developed and phased in over a period of time based upon capacity increases.

In July the State shall report to the Union those providers participating in the CACFP in the prior year. The report will include a list of providers identified by provider number.

ARTICLE 16
HOLIDAYS AND ABSENT DAYS

16.1 Holidays

If the Licensed Provider is closed on the following holidays, they will be compensated as a day the child attends:

New Year's Day	January 1
Martin Luther King Jr. Day	Third Monday in January
President's Day	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Veteran's Day	November 11
Thanksgiving Day	Fourth Thursday in November
The day after Thanksgiving	
Christmas Day	December 25

16.2 Absent Days

The State shall pay the Licensed Provider up to five (5) days per month when a subsidized child is absent. The five (5) days per month shall not accumulate from month to month.

ARTICLE 17
STATE RIGHTS

17.1 Core Management Rights

It is understood and agreed by the parties that the State has core management rights. Except to the extent modified by this Agreement, the State reserves exclusively all the inherent rights and authority to manage and operate its facilities and programs. The parties agree that all rights not specifically granted in this Agreement are reserved solely to the State and the State has the right to decide and implement its decisions regarding such management rights. Economic matters shall continue to be mandatory subjects of bargaining between the parties as provided in RCW 41.56.

17.2 Rights Reserved to the State

Examples of the rights reserved solely to the State, its agents and officials and to the extent these rights may be limited by other provisions of this Agreement as expressly provided herein include, but are not limited to, the right:

A. to operate so as to carry out the statutory mandate of the State;

B. to establish the State's missions, programs, objectives, activities and priorities within the statutory mandates;

C. to plan, direct and control the use of resources, including all aspects of the budget, in order to achieve the State's missions, programs, objectives, activities and priorities; however, this paragraph shall not be interpreted to limit the Union's right to advocate for budget allocations that may be different from what the State may propose;

D. to manage, direct and control all of the State's activities to deliver programs and services;

E. to develop, modify and administer policies, procedures, rules and regulations and determine the methods and means by which operations are to be carried out;

F. to establish qualifications of individual providers and reasonable standards of accountability except as otherwise limited by this Agreement under Article 14 Training;

G. to make and execute contracts and all other instruments necessary or convenient for the performance of the State's duties or exercise of the State's powers, including contracts with public and private agencies, organizations or corporations and individuals to pay them for services rendered or furnished;

H. to determine the management organization, including recruitment, selection, retention and promotion to positions not otherwise covered by this Agreement;

I. to extend, limit or contract out any or all services and/or programs of the State except as otherwise limited under Article 8 Labor/Management Committee and specific to contracting out of bargaining unit work;

J. to take whatever actions the State deems necessary to carry out services in an emergency. The State shall be the sole determiner as to the existence of an emergency in keeping with a reasonable and prudent standard;

K. to modify any and all operations and work requirements in order to more efficiently and effectively provide services as a result of any existing and/or new laws, rules and regulatory provisions of state and/or federal origin which may in anyway affect the State's ability to provide services;

L. to determine the method, technological means and numbers and kinds of personnel by which operations are undertaken;

M. to maintain and promote the efficiency of public operations entrusted to the State.

17.3 Non-Inclusive
The above enumerations of State rights are not inclusive and do not exclude other State rights not specified including those duties, obligations or authority provided under RCW 41.56 and RCW 43.215 and to the extent not otherwise expressly limited by this Agreement. The exercise or non-exercise of rights retained by the State shall not be construed to mean that any right of the State is waived.

17.4 Grievable Action
No action taken by the State with respect to a management right shall be subject to a grievance or arbitration procedure or collateral action/suit, unless the exercise thereof violates an express written provision of this Agreement.

17.5 Fulfillment of Statutory Obligation
As provided under RCW 41.56, this Agreement expressly reserves the right of the Washington State Legislature to approve or not approve the funds necessary to implement the compensation and benefits provision of this agreement. In addition, this agreement expressly reserves the Legislature's right to make programmatic modifications to the delivery of State services through child care subsidy programs, including standards of eligibility of parents, legal guardians, and family child care providers participating in child care subsidy programs, and the nature of services provided.

Nothing contained in this Agreement shall be construed as to subtract from, modify or otherwise diminish these rights in any manner, nor diminishing the rights of Consumers as described in Article 3.

17.6 Duty to Bargain

Nothing contained in this Agreement shall be construed as to diminish the obligation of the parties to discuss and/or negotiate over those subjects appropriate under the law to the extent that the State has lawful control over those subjects. This specifically includes economic compensation; such as the manner and rate of subsidy and reimbursement, including tiered reimbursements; health and welfare benefits; professional development and training; and other economic matters.

ARTICLE 18
TERM OF THE AGREEMENT

18.1 Severability

This Agreement shall be subject to all present and future applicable federal, state and local laws and rules and regulations of governmental authority that are not subject to collective bargaining. Should any part of this Agreement or any provisions contained herein be judicially determined to be contrary to law, such invalidation of such part or provision shall not invalidate the remaining portions hereof and they shall remain in full force and effect. In such event, upon the request of either party, the parties shall meet promptly and negotiate with respect to substitute provisions for those provisions rendered or declared unlawful, invalid or unenforceable.

18.2 Term of the Agreement

This Agreement shall be effective July 1, 2009 and shall remain in full force and effect until June 30, 2011. The parties shall begin negotiations no later than February 1, 2010. If no successor agreement has been reached, or if the legislature has not approved appropriations required to fund the economic provisions of a successor agreement as of June 30, 2011, all the terms of this Agreement shall remain in effect until the effective date of a subsequent agreement, not to exceed one (1) year from the expiration date.

ARTICLE 19
COMPLETE AGREEMENT

19.1 The parties hereto acknowledge that during the negotiations which resulted in this Agreement, each party had the unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by law and that the understandings and agreements arrived at by the parties after the exercise of that right and opportunity are fully set forth in this Agreement. It is further understood that this Agreement fully and completely sets forth all understandings and obligations between the parties, constitutes the entire Agreement between the parties, and both parties in their own behalf and on behalf of their respective members waive any and all claims or demands they have made or could have made for any acts or omissions by either party or their respective members, agents, employees or assigns.

19.2 The Agreement expressed herein in writing constitutes the entire Agreement between the parties and no oral or written statement shall add to or supersede any of its provisions unless mutually agreed to by the parties and as otherwise provided for in this Agreement.

EXHIBIT NO. 11

2009 - 2011 Costs of Labor Contracts Negotiated by LRO

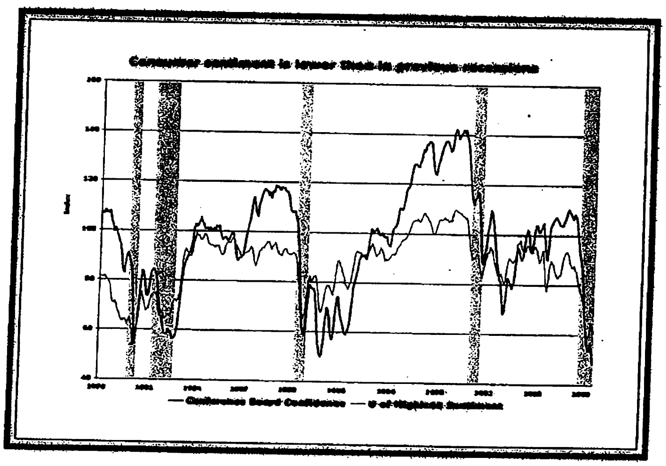
Non-State Employees

Union	Description of Increase	General Fund-State FY 2010	General Fund-State FY 2011	Other FY 2010	Other FY 2011	Total FY 2010	Total FY 2011	Biennial
Service Employees International Union 925								
Interest Arbitration Award								
	1.6% Subsidy Increase - Family Homes 7/1/2009	1,819,888	1,856,286	-	-	**1,819,888**	**1,856,286**	**3,676,174**
	1.6% Subsidy Increase - Licensed Exempt 7/1/2009	845,830	854,288	-	-	**845,830**	**854,288**	**1,700,118**
	2.0% Subsidy Increase - Family Homes 7/1/2010	-	2,357,892	-	-	**-**	**2,357,892**	**2,357,892**
	2.0% Subsidy Increase - Licensed Exempt 7/1/2010	-	1,084,946	-	-	**-**	**1,084,946**	**1,084,946**
	Enhanced Toddler Rate - Family Homes	69,686	143,581	-	-	**69,686**	**143,581**	**213,267**
	Health Benefits	415,000	871,499	-	-	**415,000**	**871,499**	**1,286,499**
		3,150,404	7,168,492	-	-	**3,150,404**	**7,168,492**	**10,318,896**

Service Employees International Union Healthcare 775NW on separate sheet
Interest Arbitration Award

EXHIBIT NO. 12

Washington Economic and Revenue Forecast



November 2008
Volume XXXI, No. 4

Economic and Revenue Forecast Council Members

Representative Jim McIntire, Chair
Representative Ed Orcutt
Senator Joseph Zarelli
Cindi Holmstrom, Director, DOR
Victor Moore, Director, OFM
Senator Craig Pridemore

Governor's Council of Economic Advisors

Mr. Rick Bender
Mr. Frank Brod
Dr. Richard Conway
Dr. Grant Forsyth
Mr. John Griffiths
Mr. William Longbrake
Dr. Shelly J. Lundberg
Mr. David Nierenberg
Dr. Desmond O'Rourke
Dr. Kriss Sjoblom
Dr. Paul Sommers
Mr. Daniel Thomas
Dr. Andy Turner
Mr. Jeff Chapman

Explanation of the Cover Graph

The cover chart shows the University of Michigan's Index of Consumer Sentiment and the Conference Board's Consumer Confidence Index. Both indices are constructed using monthly surveys of consumers. While the two measures differ with regard to survey questions, techniques, and sample size, they are highly correlated. Both are widely regarded as reliable indicators of current consumer attitudes, although there is some debate about their reliability as predictors of future consumer behavior.

This publication is available on the Internet at http://www.erfc.wa.gov

No. 82577-7
JSF925 0302

Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

November 2008
Volume XXXI, No.4

No. 82577-7
JSF925 0303

This page left intentionally blank.

Preface

The Economic and Revenue Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Copies on Compact Disc are available to Washington State businesses and residents for $2.50 per copy, and to those out-of-state for $5.00 per copy. You may contact our office for more subscription information at (360) 570-6100 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA 98504-0912.

You may also access this report on our website at www.erfc.wa.gov.

This page left intentionally blank.

Table of Contents

No. 82577-7
JSF925 0307

List of Tables

Chapter 1
Washington State and U.S. Economic Forecasts

Chapter 2
Washington Business Indicators

Chapter 3
Washington State Revenue Forecast Summary

Chapter 4
Washington Gross Domestic Product by Industry, 2003-2007

Chapter 4
Washington Gross Domestic Product by Industry, 2003-2007 (Continued)

Appendices
Detail Components of the Washington Economic Forecast

No. 82577-7
JSF925 0310

List of Charts

Executive Summary

U.S. Economic Forecast

The November 2008 economic and revenue forecast incorporated the advance GDP estimate for the third quarter of 2008. According to the advance estimate, real GDP declined at a 0.3 percent rate in the third quarter. Real final sales were even weaker, declining at a 0.8 percent rate. Real consumer spending plummeted at a 3.1 percent rate. This was the first decline since 1992 and the largest since 1980. Nearly half the decline in real consumer spending was due to a 14.1 percent drop in durable goods, mostly motor vehicles and parts. Real fixed investment fell at a 5.6 percent rate in the third quarter due mainly to a 19.1 percent decline in residential fixed investment. Cushioning the decline were foreign trade and government spending. Foreign trade added 1.1 percentage points to GDP growth in the third quarter as exports rose 5.9 percent and imports fell 1.9 percent. Government purchases rose at a 5.8 percent rate in the third quarter, mainly as a result of an 18.1 percent jump in defense spending.

Payroll employment declined at a 0.7 percent rate in the third quarter of 2008 compared to a 0.6 percent decline in the second quarter while the unemployment rate rose from 5.3 percent to 6.0 percent. The Consumer Price Index rose 6.7 percent in the third quarter following a 5.0 percent rise in the second quarter. The high headline inflation was mainly due to energy costs which rose at a 28.1 percent rate in the second quarter and at a 31.0 percent rate in the third quarter. Core CPI inflation, which excludes food and energy, rose at a more modest 3.2 percent rate in the third quarter. Housing starts declined at a 45.8 percent rate in the third quarter to 0.879 million units from 1.025 million units in the second quarter and the mortgage rate increased to 6.31 percent from 6.09 percent.

We have been hit by the worst financial crisis in our lifetimes, and its effects have spilled over to the real economy. Our baseline U.S. economic forecast assumes a national recession that will last four quarters, into the middle of 2009, with the current quarter being the weakest. We expect a modest recovery in the second half of 2009, and continued modest growth in 2010, gathering some momentum as the year progresses and into 2011. September's credit crunch knocked the wind out of an already weakening economy. Tight credit, declining household net worth, job losses, poor consumer and business confidence, and a global slowdown have contributed to a sharp retrenchment in consumer spending nationwide. We assume that a second fiscal-stimulus package worth $200 billion will be implemented in the first quarter of 2009. We assume that it includes $65 billion in funding for infrastructure spending, $45 billion in other transfers to the states to support Medicaid and other current spending, $30 billion in targeted transfer payments to the personal sector, and $60 billion in tax rebates to the personal sector. Oil prices have fallen back to around $60 per barrel, after nearing $150 in mid-July. We have lowered our projected fourth-quarter 2008 average price to $66 per barrel and assume that oil troughs at $50 per barrel in the second quarter of 2009. Our baseline assumes that the Fed will cut the federal funds rate from 1.00 percent to

0.50 percent at its December 2008 meeting, and hold there throughout 2009. The Fed is assumed to begin a tightening cycle late in the first quarter of 2010. A flight from risk has sent the dollar higher against most currencies except the Japanese yen and Chinese renminbi. We do not see a further surge from current levels. The recession is quickly becoming global. We project GDP in the United States' major-currency trading partners to decline 0.4 percent in 2009, after growing just 0.9 percent in 2008. Growth for other important trading partners is projected to slow to just 2.0 percent in 2009, down from 4.7 percent in 2008.

Annual GDP growth slowed to 2.0 percent in 2007 from 2.8 percent in 2006. The forecast expects GDP growth to slow down to 1.3 percent this year and to decline 1.0 percent in 2009 before recovering to 1.7 percent in 2010 and 3.1 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Employment is expected to decline 0.1 percent this year and 1.5 percent next year. Employment is expected to grow just 0.1 percent in 2010, improving to 1.4 percent in 2011 as the economy recovers. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.68 percent in 2008, 7.72 percent in 2009, and 8.20 percent in 2010 before recovering somewhat to 7.76 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.6 percent in 2007 from 2.8 percent in 2006. Energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2007. Rising energy costs will add to inflation again in 2008 but falling prices will lead to deflation in 2009. The overall implicit price deflator is expected to rise 3.4 percent in 2008 and then to fall 0.1 percent in 2009 before rising 1.9 percent and 2.4 percent in 2010 and 2011.

Washington State Economic Forecast

Washington nonfarm payroll employment fell at a 0.5 percent annual rate in the third quarter of 2008 following a 0.7 percent decline in the second quarter. (Though the Boeing Machinist's strike began in September, it did not affect reported employment in the third quarter). Manufacturing employment fell at a 1.5 percent rate in the second quarter in spite of a 5.1 percent increase in aerospace employment. Manufacturing employment other than aerospace declined at a 4.1 percent rate. Construction employment declined at a 9.4 percent rate in the third quarter following an 8.4 percent decline in the second quarter. Residential building and related special trades employment fell at a 10.9 percent rate and heavy and civil engineering fell at a 16.0 percent rate. For the first time in this cycle, nonresidential building and related special trades employment also fell in the third quarter, declining at a 5.9 percent rate. Natural resources (logging) and mining employment, while small, fell at a 7.9 percent rate in the third quarter due mainly to a 9.9 percent decline in logging employment. Among the private services-producing sectors, education and health services employment remained strong with a 4.3 percent growth rate. Information employment grew at a 2.8 percent rate thanks to a 13.5 percent jump in software employment. Information employment other than software declined at a 6.3 percent rate. Employment in "other services" declined at a modest 0.3 percent rate in the third quarter as did leisure and hospitality (down 0.7 percent) and trade, transportation, and utilities (down 0.8 percent). Professional and business services employment declined at a 2.5 percent rate, due mostly to an 11.9 percent drop in employment services, and financial activities employment fell at a 2.6 percent rate. In the public sector, state and local government employment rose at a 2.5 percent rate in the third quarter and federal government employment increased at a 1.3 percent rate.

Washington's personal income in the second quarter of 2008 was $0.3 billion (0.1 percent) lower than the estimate made in September. This relatively small revision to total personal income masks a large, $3.2 billion (2.1 percent), reduction in the estimate for wage and salary disbursements. The current software wage estimate is $0.2 billion (3.1 percent) lower than expected in September. Second quarter wages in sectors other than software were $3.0 billion (2.0 percent) lower than expected in the September forecast. Non-wage personal income in the second quarter was $2.8 billion (2.3 percent) above the September forecast. The large upward revision to non-wage income is the result of the annual revision to the national income and product accounts. In particular, the estimate for dividends, interest, and rent was increased substantially to reflect newly available IRS data for 2006. The forecast assumes that personal income growth improved to 4.6 percent in the third quarter of 2008 in spite of a reduction in income related to the stimulus package, most of which was received in the second quarter. The forecast assumes that wage and salary disbursements grew at an 8.6 percent rate in the third quarter, bouncing back from a 4.7 percent decline in the second quarter. The strong growth was largely due to software stock awards and bonuses in the third quarter. Wages outside of the software sector rose at a 3.2 percent rate, up from -3.2 percent in the first quarter. The forecast assumes that income from sources other than wages declined at a 0.1 percent rate in the third quarter after a 9.3 percent jump in the second quarter. Again, the swing in nonwage income growth was driven by the stimulus package.

The forecast also incorporates Seattle consumer price data through August 2008. After trailing the national average during 2002, 2003, and 2004, December-December Seattle inflation moved ahead of the national average in 2005, 2006, and 2007. Seattle inflation during the first eight months of this year averaged 4.5 percent compared to the U.S. rate of 5.1 percent and core inflation in Seattle averaged 3.2 percent versus 2.5 percent for the U.S. city average. The stronger core inflation in Seattle compared to the U.S. city average during the last few years is mostly due to shelter costs, in particular, rent and owners' equivalent rent.

The number of housing units authorized by building permit plummeted in the third quarter of 2008 to 26,500 from 31,700 in the second quarter. Single-family permits fell to 16,700 units from 18,300 in the prior quarter while multi-family permits fell to 9,800 from 13,400.

The weaker national outlook since September is reflected in the state forecast. Recently available employment, wage, and housing data all indicate the state's economy is weaker that assumed in September. This forecast assumes that the housing sector will not show any significant improvement until the second half of 2009. It also assumes that construction employment will decline by about 24,800 (11.9 percent) from its peak in the fourth quarter of 2007 through the first quarter of 2010. This is larger than the 12,500 peak-to-trough decline expected in the September forecast. The software employment forecast is also weaker than the September assumption. Software employment is expected to rise just 600 (1.2 percent) from the fourth quarter of 2008 to the fourth quarter of 2009 compared to 2,600 (5.0 percent) in the September forecast. Software employment growth during 2010 and 2011 is now expected to average 2,400 (4.4 percent) per year compared to 2,900 (5.4 percent) per year in the September forecast. The Washington aerospace forecast incorporates the impact of the Boeing strike on both wages and employment. Aerospace employment is expected to continue to rise through the end of 2008, reaching 86,200 in December which is 900 lower than assumed in September. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. But construction employment peaked in 2007 and is expected to decline in 2009, 2010, and 2011. Aerospace employment growth has already slowed and is expected to level off beginning in early 2009. The forecast also expects much slower growth in the software sector. The national recession is expected to produce job losses in a wide range of industries including manufacturing other than aerospace, financial services, trade, and business services (especially temporary help services). The forecast calls for employment to grow 0.9 percent this year and to decline 0.7 percent in 2009. Employment growth is expected to improve to 0.7 percent and 1.8 percent in 2010 and 2011 as the national economy recovers from the recession. Washington personal income growth slowed from 8.5 percent in 2006 to a still strong 8.0 percent in 2007. Income growth is expected to slow to 4.0 percent in 2008 and 3.0 percent in 2009 before recovering to 3.3 percent and 5.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 2,600 in 2007 to 47,400. Tighter lending standards, plunging consumer confidence, and mounting job losses are expected to depress the single-family market despite lower mortgage interest rates, but continued net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 29,100 in 2008 and 28,900 in 2009 before recovering to 36,900 in 2010 and 41,800 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will add to inflation again in 2008 raising headline inflation to 4.1 percent compared to core inflation of 3.4 percent. Declining energy costs in 2009 should produce the first decline (-0.5 percent) in the Seattle CPI since 1949. Positive inflation is expected to resume in 2010 and 2011 as the economy recovers and energy prices move up again. The forecast expects 2.9 percent per year growth in the Seattle CPI in 2010 and 2011.

Washington State Revenue Forecast

Economic conditions in both the nation and the state have deteriorated sharply since the last Revenue Forecast in September. The credit crunch has knocked the wind out of an already weakening national economy. Consumer and business spending have stalled as access to credit has been choked off, and confidence has worsened. Our baseline U.S. economic forecast assumes a national recession that will last four quarters, into the middle of 2009, with the current quarter being the weakest. Very weak revenue collections since the September forecast confirm that Washington's economy is not immune to these headwinds. The downturn will be more muted – both in duration and depth - in our state, than for the nation, as a result of our aerospace and software publishing industries. However, unlike in the previous downturn in 2001, we expect a sharp decline in consumer spending this time, so the impact on state revenues will be more severe.

The November 2008 forecast for the 2007-09 biennium is $28.6 billion, which is $0.5 billion lower than expected in the September forecast. Of the $0.5 billion reduction, $0.1 billion is due to collection experience since the September forecast and $0.4 billion is due to a weaker forecast for the remainder of the biennium. The forecast for the 2009-11 biennium is $30.1 billion, which is $1.4 billion lower than expected in the September forecast.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 and 2009-11 biennia. The forecast based on more optimistic economic assumptions netted $320 million (1.1 percent) more revenue in the 2007-09 biennium and $2,283 million (7.6 percent) more revenue in the 2009-11 biennium than did the baseline. The pessimistic alternative was $308 million (1.1 percent) lower in 2007-09 and $1,929 million (6.4 percent) lower in 2009-11. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded $49 million (0.2 percent) less revenue in the 2007-09 biennium and $73 million (0.2 percent) less revenue in the 2009-11 biennium than did the baseline forecast.

Note: The economic data discussed in this chapter were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The November 2008 economic and revenue forecast incorporated the advance GDP esti mate for the third quarter of 2008. According to the advance estimate, real GDP declined at a 0.3 percent rate in the third quarter. Real final sales were even weaker, declining at a 0.8 percent rate. Real consumer spending plummeted at a 3.1 percent rate. This was the first decline since 1992 and the largest since 1980. Nearly half the decline in real consumer spending was due to a 14.1 percent drop in durable goods, mostly motor vehicles and parts. Consumer purchases of non-durable goods fell 6.4 percent and spending on services inched up 0.6 percent. Real fixed investment fell at a 5.6 percent rate in the third quarter due mainly to a 19.1 percent decline in residential fixed investment. Business spending on equipment and software fell 5.5 percent but nonresidential construction rose 7.9 percent. Cushioning the decline were foreign trade and government spending. Foreign trade added 1.1 percentage points to GDP growth in the third quarter as exports rose 5.9 percent and imports fell 1.9 percent. Government purchases rose at a 5.8 percent rate in the third quarter, mainly as a result of an 18.1 percent jump in defense spending. Nondefense federal spending rose 4.8 percent and state and local government spending rose 1.4 percent.

Payroll employment declined at a 0.7 percent rate in the third quarter of 2008 compared to a 0.6 percent decline in the second quarter while the unemployment rate rose from 5.3 percent to 6.0 percent. The Consumer Price Index rose 6.7 percent in the third quarter following a 5.0 percent rise in the second quarter. The high headline inflation was mainly due to energy costs which rose at a 28.1 percent rate in the second quarter and at a 31.0 percent rate in the third quarter. Core CPI inflation, which excludes food and energy, rose at a more modest 3.2 percent rate in the third quarter. Housing starts declined at a 45.8 percent rate in the third quarter to 0.879 million units from 1.025 million units in the second quarter and the mortgage rate increased to 6.31 percent from 6.09 percent.

U.S. Forecast Highlights

We have been hit by the worst financial crisis in our lifetimes, and its effects have spilled over to the real economy. Our baseline U.S. economic forecast assumes a national recession that will last four quarters, into the middle of 2009, with the current quarter being the weakest. We expect a modest recovery in the second half of 2009, and continued modest growth in 2010, gathering some momentum as the year progresses and into 2011. September's credit crunch knocked the wind out of an already weakening economy. Tight credit, declining household net worth, job losses, poor consumer and business confidence, and a global slowdown have contributed to a sharp retrenchment in consumer spending nationwide. We assume that a second fiscal-stimulus package worth $200 billion will be implemented in the first quarter of 2009. We assume that it includes $65 billion in funding for infrastructure spending, $45 billion in other transfers to the states to support Medicaid and other current spending, $30 billion in targeted transfer payments to the personal sector, and $60 billion in tax rebates to the personal sector. Oil prices have fallen back to around $60 per barrel, after nearing $150 in mid-July. We have lowered our projected fourth-quarter 2008 average price to $66 per barrel and assume that oil troughs at $50 per barrel in the second quarter of 2009. Our baseline assumes that the Fed will cut the federal funds rate from 1.00 percent to 0.50 percent at its December 2008 meeting, and hold there throughout 2009. The Fed is assumed to begin a tightening cycle late in the first quarter of 2010. A flight from risk has sent the dollar higher against most currencies except the Japanese yen and Chinese renminbi. We do not see a further surge from current levels. The recession is quickly becoming global. We project GDP in the United States' major-currency trading partners to decline 0.4 percent in 2009, after growing just 0.9 percent in 2008. Growth for other important trading partners is projected to slow to just 2.0 percent in 2009, down from 4.7 percent in 2008.

Annual GDP growth slowed to 2.0 percent in 2007 from 2.8 percent in 2006. The forecast expects GDP growth to slow down to 1.3 percent this year and to decline 1.0 percent in 2009 before recovering to 1.7 percent in 2010 and 3.1 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Employment is expected to decline 0.1 percent this year and 1.5 percent next year. Employment is expected to grow just 0.1 percent in 2010, improving to 1.4 percent in 2011 as the economy recovers. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.68 percent in 2008, 7.72 percent in 2009, and 8.20 percent in 2010 before recovering somewhat to 7.76 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.6 percent in 2007 from 2.8 percent in 2006. Energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2007. Rising energy costs will add to inflation again in 2008 but falling prices will lead to deflation in 2009. The overall implicit price deflator is expected to rise 3.4 percent in 2008 and then to fall 0.1 percent in 2009 before rising 1.9 percent and 2.4 percent in 2010 and 2011.

1. Real GDP growth improved to 2.4 percent in fiscal 2008 from 2.0 percent in 2007. The apparent improvement did not come from domestic demand, however, as real final sales to domestic purchasers fell to 1.4 percent from 1.9 percent. The housing decline subtracted 1.0 percentage point from real GDP growth, the same as in 2007, and consumer spending growth slowed to 1.9 percent in 2008 from 3.0 percent in 2007. But net exports added 1.2 percentage points to GDP growth, up from 0.2 percentage points in 2007 as exports jumped 10.4 percent while imports inched up only 0.1 percent. The trend will continue to worsen in 2009 with housing continuing to decline and consumer spending growth turning negative. Net exports will continue to add to growth in 2009, though. The forecast assumes that fiscal 2009 is the bottom for housing and consumption but nonresidential construction will contract sharply in 2010. Overall, the GDP forecast calls for a 0.4 percent decline in 2009 followed by growth rates of 0.1 percent and 2.6 percent in 2010 and 2011.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, rose to 3.2 percent in fiscal 2008 from 2.4 percent in 2007. The increase was entirely due to rising food and energy costs. Core inflation actually decreased slightly to 2.2 percent from 2.3 percent. Fear of deflation has replaced inflation as the economy enters what appears to be a

severe recession and oil prices plummet. The forecast assumes that the weak economy will reduce core inflation to 2.0 percent in 2009 and 1.2 percent in 2010 and that lower energy prices will further reduce headline inflation to 1.8 percent in 2009 and just 0.4 percent 2010. Rebounding energy prices in 2011 are expected to push overall inflation up to 2.4 percent but core inflation should remain within the Fed's comfort range at 1.8 percent.

3. The Fed cut its target for the federal funds rate twice in October by a total of 100 basis points. The forecast assumes one more 50 basis-point cut in December bringing the target rate down to just 0.50 percent where it will remain throughout 2009. The Fed is assumed to begin a tightening cycle late in the first quarter of 2010. As a result of the Fed easing, the three-month Treasury bill rate fell to 2.89 percent in fiscal 2008 from 4.89 percent in fiscal 2007. The forecast expects the T-bill rate to decline further to 0.89 percent in 2009 before rising again to 1.17 percent and 2.93 percent in 2010 and 2011. Mortgage rates have fallen much less than might be expected given the monetary easing. The 30-year fixed mortgage rate declined from 6.35 percent in fiscal 2007 to 6.18 percent in 2008. The forecast expects the mortgage rate to decline further to 5.91 percent in 2009 and 5.54 percent in 2010, rising to 6.13 percent in 2011.
4. Housing remains the biggest drag on growth in the U.S. economy. Housing starts fell 26.8 percent in fiscal 2008 to 1.132 million units following a 24.0 percent drop in fiscal 2007. Rising foreclosures, high inventories of unsold homes, higher spreads for jumbo and other non-conventional loans, and tighter lending standards are expected to further depress housing activity. The forecast calls for another 34.5 percent reduction in starts in 2009 to 0.741 million units. The housing sector is expected to recover in 2010 and 2011, rising 16.1 percent to 0.861 million units and 47.9 percent to 1.273 million units.
5. The slowdown in the U.S. economy is being felt in the nation's labor market. The U.S. unemployment rate rose from a six-year-low 4.53 percent in 2007 to 4.95 percent in fiscal 2008. The forecast calls for the unemployment rate to rise to 6.81 percent this year and 8.15 percent in 2010 before recovering slightly to 8.03 percent in 2011. Previously the nation's unemployment rate had not exceeded 8 percent since the recessions of the early 1980's.
6. The federal deficit (national income and product accounts basis) increased to $362.8 billion in fiscal 2008 from cyclical low of $202.0 billion in 2007. The stimulus package both reduced receipts and boosted outlays in fiscal 2008. (True rebates are subtracted from taxes but checks to those who paid no taxes or in excess of taxes paid are treated as transfer payments.) Revenues were already slowing due to the weak economy and defense spending also rose rapidly in fiscal 2008. The rapidly deteriorating economy and a new stimulus package will push the deficit further into the red. The forecast expects the deficit to soar to $676.6 billion in 2009 and 712.6 billion in 2010, improving to $634.4 billion in 2011 as economic growth revives.
7. On a more positive note, the trade deficit (national income and product accounts basis) declined in fiscal 2008 to $700.8 billion from $735.6 billion in 2007 and an all-time record $760.4 billion in 2006. Weak growth at home is reflected in declining imports. The low value of the dollar and continued, albeit slower, foreign economic growth are also restraining imports and boosting exports. The forecast expects the deficit to decline to $412.4 billion in fiscal 2009 and $315.4 billion in fiscal 2010, rising to $456.0 billion in 2011.

Table 1.1 provides a fiscal year summary of the U.S. economic indicators.

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through September 2008. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington nonfarm payroll employment fell at a 0.5 percent annual rate in the third quarter of 2008 following a 0.7 percent decline in the second quarter. (Though the Boeing Machinist's strike began in September, it did not affect reported employment in the third quarter). Manufacturing employment fell at a 1.5 percent rate in the second quarter in spite of a 5.1 percent increase in aerospace employment. Manufacturing employment other than aerospace declined at a 4.1 percent rate. Construction employment declined at a 9.4 percent rate in the third quarter following an 8.4 percent decline in the second quarter. Residential building and related special trades employment fell at a 10.9 percent rate and heavy and civil engineering fell at a 16.0 percent rate. For the first time in this cycle, nonresidential building and related special trades employment also fell in the third quarter, declining at a 5.9 percent rate. Natural resources (logging) and mining employment, while small, fell at a 7.9 percent rate in the third quarter due mainly to a 9.9 percent decline in logging employment. Among the private services-producing sectors, education and health services employment remained strong with a 4.3 percent growth rate. Information employment grew at a 2.8 percent rate thanks to a 13.5 percent jump in software employment. Information employment other than software declined at a 6.3 percent rate. Employment in "other services" declined at a modest 0.3 percent rate in the third quarter as did leisure and hospitality (down 0.7 percent) and trade, transportation, and utilities (down 0.8 percent). Professional and business services employment declined at a 2.5 percent rate, due mostly to an 11.9 percent drop in employment services, and financial activities employment fell at a 2.6 percent rate. In the public sector, state and local government employment rose at a 2.5 percent rate in the third quarter and federal government employment increased at a 1.3 percent rate.

In September 2008 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2008 and released preliminary estimates for the second quarter. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington's personal income in the second quarter of 2008 was $0.3 billion (0.1 percent) lower than the estimate made in September. This relatively small revision to total personal income masks a large, $3.2 billion (2.1 percent), reduction in the estimate for wage and salary disbursements. The current software wage estimate is $0.2 billion (3.1 percent) lower than expected in September. Second quarter wages in sectors other than software were $3.0 billion (2.0 percent) lower than expected in the September forecast. Non-wage personal income in the second quarter was $2.8 billion (2.3 percent) above the September forecast. The large upward revision to non-wage income is the result of the annual revision to the national income and product accounts. In particular, the estimate for dividends, interest, and rent was increased substantially to reflect newly available IRS data for 2006. The forecast assumes that personal income growth improved to 4.6 percent in the third quarter of 2008 in spite of a reduction in income related to the stimulus package, most of which was received in the second quarter. The forecast assumes that wage and salary disbursements grew at an 8.6 percent rate in the third quarter, bouncing back from a 4.7 percent decline in the second quarter. The strong growth was largely due to software stock awards and bonuses in the third quarter. Wages outside of the software sector rose at a 3.2 percent rate, up from -3.2 percent in the first quarter. The forecast assumes that income from sources other than wages declined at a 0.1 percent rate in the third quarter after a 9.3 percent jump in the second quarter. Again, the swing in nonwage income growth was driven by the stimulus package.

The forecast also incorporates Seattle consumer price data through August 2008. After trailing the national average during 2002, 2003, and 2004, December-December Seattle inflation moved ahead of the national average in 2005, 2006, and 2007. Seattle inflation during the first eight months of this year averaged 4.5 percent compared to the U.S. rate of 5.1 percent and core inflation in Seattle averaged 3.2 percent versus 2.5 percent for the U.S. city average. The stronger core inflation in Seattle compared to the U.S. city average during the last few years is mostly due to shelter costs, in particular, rent and owners' equivalent rent.

The number of housing units authorized by building permit plummeted in the third quarter of 2008 to 26,500 from 31,700 in the second quarter. Single-family permits fell to 16,700 units from 18,300 in the prior quarter while multi-family permits fell to 9,800 from 13,400.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate produced by the Department of Employment Security which incorporated more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2008 which subtracted 1,000 (0.0 percent) from the BLS Current Employment Statistics (CES) estimate for June 2008. By September 2008 the difference had grown to 9,500 (0.3 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the second quarter of 2008 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived second quarter 2008 wage estimates for these sectors based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments decreased the second quarter wage estimate by $2.381 billion (1.6 percent), subtracting 0.9 percent from total personal income in that quarter.

Washington State Forecast Highlights

The weaker national outlook since September is reflected in the state forecast. Recently available employment, wage, and housing data all indicate the state's economy is weaker that assumed in September. This forecast assumes that the housing sector will not show any significant improvement until the second half of 2009. It also assumes that construction employment will decline by about 24,800 (11.9 percent) from its peak in the fourth quarter of 2007 through the first quarter of 2010. This is larger than the 12,500 peak-to-trough decline expected in the September forecast. The software employment forecast is also weaker than the September assumption. Software employment is expected to rise just 600 (1.2 percent) from the fourth quarter of 2008 to the fourth quarter of 2009 compared to 2,600 (5.0 percent) in the September forecast. Software employment growth during 2010 and 2011 is now expected to average 2,400 (4.4 percent) per year compared to 2,900 (5.4 percent) per year in the September forecast. The Washington aerospace forecast incorporates the impact of the Boeing strike on both wages and employment. Aerospace employment is expected to continue to rise through the end of 2008, reaching 86,200 in December which is 900 lower than assumed in September. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. But construction employment peaked in 2007 and is expected to decline in 2009, 2010, and 2011. Aerospace employment growth has already slowed and is expected to level off beginning in early 2009. The forecast also expects much slower growth in the software sector. The national recession is expected to produce job losses in a wide range of industries including manufacturing other than aerospace, financial services, trade, and business services (especially temporary help services). The forecast calls for employment to grow 0.9 percent this year and to decline 0.7 percent in 2009. Employment growth is expected to improve to 0.7 percent and 1.8 percent in 2010 and 2011 as the national economy recovers from the recession. Washington personal income growth slowed from 8.5 percent in 2006 to a still strong 8.0 percent in 2007. Income growth is expected to slow to 4.0 percent in 2008 and 3.0 percent in 2009 before recovering to 3.3 percent and 5.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 2,600 in 2007 to 47,400. Tighter lending standards, plunging consumer confidence, and mounting job losses are expected to depress the single-family market despite lower mortgage interest rates, but continued net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 29,100 in 2008 and 28,900 in 2009 before recovering to 36,900 in 2010 and 41,800 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will add to inflation again in 2008 raising headline inflation to 4.1 percent compared to core inflation of 3.4 percent. Declining energy costs in 2009 should produce the first decline (-0.5 percent) in the Seattle CPI since 1949. Positive inflation is expected to resume in 2010 and 2011 as the economy recovers and energy prices move up again. The forecast expects 2.9 percent per year growth in the Seattle CPI in 2010 and 2011.

1. Nominal personal income growth slowed to 6.8 percent in fiscal 2008 from 8.0 percent in 2007. Fiscal 2008 growth would have been even weaker without the fiscal stimulus checks, most of which were received in May and June of 2008. The forecast expects growth to slow down to 2.9 percent in 2009 as employment declines 0.4 percent. Average wage growth is also expected to slow down as labor markets weaken and interest income is expected to decline as interest rates fall. Personal income growth is expected to remain weak in fiscal 2010 at 2.8 percent, improving to 4.3 percent in 2011 as job growth recovers.

2. Washington real personal income growth slowed to 3.5 percent in fiscal 2008 due to both slower nominal income growth and rising inflation. The slowing trend is expected to continue in fiscal 2009 resulting in a growth rate of just 1.0 percent. Real personal income growth is expected to improve to 2.4 percent in 2010 as a result of a sharp decline in inflation. Even though the economy is expected to be recovering in 2011, real personal income growth will slow to 1.8 percent as inflation picks up again.

3. Washington nonfarm payroll employment growth slowed to 2.1 percent in fiscal 2008 from 2.7 percent in 2007 and 3.0 percent in 2006. Booming construction employment growth coupled with strong growth in both aerospace and software were the keys to overall job growth during the recent expansion. Together these sectors grew 3.9 percent in 2008, down from 9.2 percent in 2007 and 9.1 percent in 2006. Slower growth is expected during the next three years due to the recession in the U.S. economy, slower software employment growth, a

leveling off of aerospace employment, and declining construction employment. The forecast calls for an employment to decline 0.4 percent in 2009, remain flat in 2010, and rise 1.3 percent in 2011.

- As of September 2008, the aerospace recovery has added 24,800 jobs since the trough of the last downturn in May 2004. (While the Machinist's strike began in September, it did not affect employment in that month). Boeing Commercial Airplanes recorded yet another record in 2007, booking 1,423 gross orders. Boeing's current backlog is nearly eight years worth of current revenue. Boeing delivered 441 planes in 2007, an 11 percent increase over the 398 planes delivered in 2006. Boeing expects to increase deliveries to between 475 and 480 planes in 2008 and between 500 and 505 planes in 2009 of which 25 will be Dreamliners. The company expects to deliver more planes in 2010 than in 2009. Though production is still increasing, the forecast assumes only another 600 net aerospace jobs will be added between September and December 2008. No further increases are expected in 2009, 2010, and 2011. The new employment peak of 86,200 will be 26,900 (23.8 percent) lower than the previous peak in June 1998.
- After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 7.0 percent. We expect another slowdown, similar to the slowdown earlier in this decade, due to weak business and consumer information technology spending. The forecast assumes software employment growth will average 2.2 percent per year through mid-2010, rebounding to 5.2 percent per year through the end of 2011.
- Booming construction employment growth has been a major driving force during the current expansion in Washington. Bolstered initially by a hot housing market and more recently by upturns in nonresidential building and heavy and civil engineering construction, Washington's construction employment grew at an average rate of 6.8 percent per year from mid-2003 through the end of 2007, adding 53,400 jobs. It now appears that construction employment peaked in the fourth quarter of 2007. Employment declined at a in each of the first three quarters of 2008. By the third quarter of 2008, residential building, nonresidential building, and heavy construction employment were all in decline. The forecast expects construction employment to decline through the first quarter of 2010, a nine-quarter peak-to-trough drop of 11.9 percent. Though the forecast expects housing construction to rebound, nonresidential construction is expected to continue to decline. As a result, the forecast expects overall construction employment growth to average only 1.2 percent per year during the final seven quarters of the forecast.
- Financial activities employment has been in decline for two and one-half years. As of the third quarter of 2008, employment is down 4,300 (2.7 percent) since the first quarter of 2006. Unsurprisingly, credit intermediation and related activities, a victim of the meltdown in the financial markets, more than accounted for the decline since the first quarter of 2006, falling by 4,900 (8.7 percent). Other financial activities employment actually grew 600 (0.6 percent). Normally the recent steep interest rate cuts would boost home sales and set off a wave of mortgage refinancing which, in turn, would boost employment in the financial activities sector. However, this is not likely in the current environment of

excessive inventories of unsold homes and dysfunctional credit markets. The forecast also assumes most of Washington Mutual's headquarters staff will be laid of during 2009 as a result of their purchase by JPMorgan. Financial activities employment is expected to decline through the second quarter of 2009 with a total peak-to-trough decline of 6,700 (4.2 percent). Weak but positive growth is expected to resume during the remainder of the forecast, averaging 1.1 percent per year.

- Employment in retail trade peaked in the first quarter of 2008 and declined in the second and third quarters of 2008. Until recently, the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down more than a year ago. During the last two quarters nearly all sectors were negative, except clothing and general merchandise, with the largest declines being experienced in the motor vehicle dealers sector. Retail trade employment is expected to continue to decline through the first quarter of 2009 and remain essentially flat in the second quarter. The forecast expects a peak to trough decline of 7,000 jobs overall, about 2.1 percent, followed by a vigorous 3.6 percent cyclical rebound from mid-2009 through mid-2010. Employment will be essentially flat averaging -0.3 percent per year during the final year and one-half of the forecast.
- Professional and business services has been one of Washington's strongest sectors in recent years but has also finally succumbed to the national recession. Employment in professional and business services declined at a 2.5 percent rate in the third quarter of 2008 after a five-year expansion that averaged more than 4 percent per year. The main reason for the decline is employment services, which includes temporary help services, which has been declining since the beginning of 2007. Professional and business services, excluding employment services, fell only 0.3 percent in the second quarter. Temporary jobs tend to get cut first in a downturn. The forecast expects employment in professional and business services to continue to decline through the third quarter of 2009. The peak to trough decline is expected to reach 7,400 (2.1 percent). Strong growth is expected to resume once the recovery takes hold. Growth is expected to average 5.0 percent per year from the third quarter of 2009 through the fourth quarter of 2011.
- State and local government employment grew throughout the recession but the protracted slowdown in the state's economy put pressure on state and local governments' budgets with a lag. Employment growth was only 0.6 percent per year (0.3 percent per year excluding the small but rapidly expanding tribal government sector) from the end of 2002 through the first quarter of 2007. Growth has picked up during the most recent six quarters to an average annual rate of 2.2 percent (2.0 percent excluding tribal employment) but fresh budget concerns brought on by the weakening economy coupled with slow school age population growth will restrain future increases. The forecast expects employment to decline at an average rate of 0.7 percent per year through the end of 2009 (1.1 percent excluding tribal employment), recovering to a modest rate of 0.8 percent per year in 2010 and 2011 (0.4 percent per year excluding tribal employment).

4. The number of housing units authorized by building permit in Washington plunged 26.8 percent in fiscal 2008 to 37,000 units following a 6.1 percent decline in 2007. Single family permits fell 34.0 percent in 2008 to 22,500 units and multi-family units declined 11.9 percent to 14,500 units. Even though population growth is expected to remain strong, tighter lending

standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity this year. The forecast for total housing units authorized by building permits is for a 27.2 percent decrease in 2009 to 26,900 units. Housing permits are expected to grow 21.3 percent in 2010 to 32,700 units and 22.4 percent in 2011 to 40,000 units.

5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, rose to 4.2 percent in fiscal 2008 from 4.0 percent in 2007. Rising food and energy costs continue to add to local inflation but Seattle's core inflation was also high at 3.5 percent in 2008. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. However, the local economy is now stronger than the U.S. economy. A slowdown in the U.S. economy and declining energy costs should help restrain inflation but the relatively strong local economy should cause Seattle inflation to remain above the U.S. rate. The forecast calls for Seattle inflation to slow to 1.6 percent in 2009 and 0.9 percent in 2010 before rebounding to 3.3 percent in 2011.

Table 1.2 provides a fiscal year summary of the state economic indicators.

Alternative Forecasts

As required by statute, the Forecast Council has also adopted two alternatives to the baseline forecast. One of these was based on more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in Table 1.3.

Pessimistic Forecast: The pessimistic scenario assumes that the financial crisis worsens, sending the economy into a tailspin. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. Oil prices are lower in the short run because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. The low inflation readings give the Federal Reserve leeway to bring interest rates down to 0.0 percent by early next year. With the economy in recession, the Fed keeps the federal funds rate at zero throughout 2009. Housing starts drop to 915,000 units in 2008 (compared with 927,000 in the baseline) and 666,000 in 2009 (compared with 715,000 in the baseline). The median price of existing homes falls nearly 15 percent below the baseline in 2010. Home sales are also much lower. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Business fixed investment drops over eight straight quarters. Foreign economic growth is lower, which cuts into export growth. In this scenario, real GDP contracts 2.4 percent in 2009 and rebounds only 0.3 percent in 2010 (compared with a 1.0 percent drop and a 1.7 percent gain, respectively, in the baseline). Employment drops for 10 straight quarters (the economy loses 4.8 million jobs) and real GDP drops for six quarters. Unlike the previous two recessions, those of 1991 and 2001, this one takes a heavy toll. Peak to trough, real GDP drops 3.3 percent, which is worse than the losses during the 1973-75 and 1981-82 recessions. At the state level, aerospace employment declines through 2011 rather than remaining constant as in the baseline and software employment declines through 2010 rather than continuing to grow as in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment falls much more rapidly than in the baseline through 2009 and continues to decline in 2010 and 2011 rather than recovering as in the baseline. Due to the relatively weak local economy, Seattle inflation is lower than in the baseline forecast. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2009-11 biennium, Washington nonagricultural employment is 114,200 lower than in the baseline forecast and Washington personal income is $23.9 billion lower. The pessimistic scenario produces $308 million (1.1 percent) less revenue in 2007-09 and $1,929 million (6.4 percent) less in 2009-11 than does the baseline forecast.

Optimistic Forecast: In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan and help from central banks abroad, help the United States avert a severe downturn. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. With credit again flowing late this year, business fixed investment recovers by 2010 and grows 4.8 percent after suffering only a modest 6.7 percent contraction in 2009. This compares with a steeper 11.0 percent decline during 2009 in the baseline forecast and a modest 0.5 percent dip during 2010. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts beginning to recover during the second quarter of 2009 and averaging 862,000 units for that year, compared with a much weaker baseline of 715,000 units. The optimistic scenario also assumes faster growth in the rest of the world, and a dollar that is initially weaker than the baseline. Finally, we assume slightly higher energy prices in the near term due to stronger global demand, but lower prices in the longer term due to a more optimistic assumption about supply. These assumptions produce a much brighter economic outlook compared to the dismal pictures painted by the baseline and pessimistic scenarios. Real GDP manages a milder 1 percent drop in the fourth quarter and opens a wider growth gap over the next few quarters, as the recession does not "feed" on itself as badly as it does in the baseline. The unemployment rate never rises above the low-7 percent range and falls back to the mid-6 percent range by late 2011. For Washington, the optimistic forecast assumes aerospace employment growth remains positive through 2011 rather than leveling off as in the baseline. Software employment also grows faster in the optimistic forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment declines much less during 2009 and recovers more sharply in 2010 and 2011 than in the baseline. By the end of the 2009-11 biennium, Washington nonagricultural employment is higher by 130,400 jobs than in the baseline forecast and Washington personal income is $26.6 billion higher. The optimistic scenario generates $320 million (1.1 percent) more revenue in the 2007-09 biennium and $2,283 million (7.6 percent) more revenue in the 2009-11 biennium than does the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The Governor's Council members real GDP forecast shows a shallower downturn and stronger recovery than does the baseline forecast. The GCEA members also expect significantly more inflation in 2009 and 2010 though somewhat less in 2011. The Council members expect a higher mortgage rate in 2010 but a lower rate in 2011 than does the baseline forecast. Their 3 month T-Bill forecast is lower throughout. Though the Council members national forecast is more optimistic than the baseline forecast, their Washington State forecast is more pessimistic. Employment and real

Table 1.1
U.S. Economic Forecast Summary
Forecast 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,510.9	10,836.8	11,161.3	11,379.9	11,655.0	11,612.1	11,626.5	11,931.1
% Ch	3.7	3.1	3.0	2.0	2.4	-0.4	0.1	2.6
Real Consumption	7,435.7	7,678.4	7,913.1	8,150.2	8,308.5	8,246.6	8,389.0	8,525.2
% Ch	3.6	3.3	3.1	3.0	1.9	-0.7	1.7	1.6
Real Nonresidential Fixed Investment	1,108.0	1,192.5	1,274.0	1,344.1	1,418.1	1,357.9	1,228.2	1,312.1
% Ch	4.4	7.6	6.8	5.5	5.5	-4.2	-9.6	6.8
Real Residential Fixed Investment	539.8	579.1	592.6	500.8	402.4	317.3	314.3	390.7
% Ch	11.8	7.3	2.3	-15.5	-19.7	-21.1	-0.9	24.3
Real Personal Income	8,809.5	9,110.9	9,383.8	9,767.6	9,968.4	10,098.8	10,224.8	10,345.9
% Ch	2.6	3.4	3.0	4.1	2.1	1.3	1.2	1.2
Real Per Capita Income ($/Person)	30,103	30,847	31,476	32,449	32,804	32,910	32,998	33,067
% Ch	1.6	2.5	2.0	3.1	1.1	0.3	0.3	0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.197	1.219	1.224	1.254
% Ch	2.2	2.8	3.2	2.4	3.2	1.8	0.4	2.4
U.S. Consumer Price Index (1982-84=1.0)	1.861	1.917	1.990	2.041	2.117	2.150	2.155	2.221
% Ch	2.2	3.0	3.8	2.6	3.7	1.6	0.2	3.1
Employment Cost Index (June 1989=1.0)	0.955	0.980	1.005	1.038	1.071	1.098	1.116	1.134
% Ch	2.9	2.6	2.5	3.3	3.2	2.5	1.6	1.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,330.3	12,045.2	12,832.1	13,467.0	14,106.8	14,414.0	14,607.1	15,229.2
% Ch	6.2	6.3	6.5	4.9	4.8	2.2	1.3	4.3
Personal Income	9,414.3	10,006.3	10,636.2	11,332.8	11,938.0	12,312.5	12,517.8	12,974.4
% Ch	4.8	6.3	6.3	6.5	5.3	3.1	1.7	3.6
Employment (Millions)								
U.S. Civilian Labor Force	146.8	148.2	150.4	152.4	153.7	154.9	155.5	156.7
Total U.S. Employment	138.3	140.4	143.1	145.5	146.1	144.4	142.8	144.1
Unemployment Rate (%)	5.82	5.30	4.83	4.53	4.95	6.81	8.15	8.03
Nonfarm Payroll Employment	130.46	132.47	135.00	136.96	137.85	136.48	135.22	136.42
% Ch	0.3	1.5	1.9	1.4	0.7	-1.0	-0.9	0.9
Manufacturing	14.33	14.29	14.20	14.03	13.72	13.07	12.18	12.04
% Ch	-3.7	-0.3	-0.6	-1.2	-2.2	-4.8	-6.8	-1.1
Durable Manufacturing	8.88	8.96	8.98	8.91	8.71	8.23	7.58	7.54
% Ch	-3.6	0.9	0.2	-0.7	-2.3	-5.5	-7.8	-0.6
Nondurable Manufacturing	5.45	5.33	5.23	5.12	5.02	4.84	4.59	4.50
% Ch	-3.8	-2.1	-2.0	-2.1	-1.9	-3.5	-5.2	-2.0
Construction	6.84	7.13	7.57	7.69	7.44	7.00	6.56	6.53
% Ch	2.1	4.3	6.1	1.6	-3.2	-5.8	-6.4	-0.4
Service-Producing	108.72	110.44	112.58	114.54	115.95	115.62	115.76	117.12
% Ch	0.7	1.6	1.9	1.7	1.2	-0.3	0.1	1.2
Miscellaneous Indicators								
Oil-WTI ($ per barrel)	33.8	48.8	64.3	63.4	96.8	72.5	55.5	73.3
Personal Saving/Disposable Income (%)	2.2	1.4	0.4	0.7	0.9	3.8	3.4	2.8
Auto Sales (Millions)	7.5	7.6	7.8	7.7	7.5	6.2	7.4	7.7
% Ch	-4.3	0.3	2.7	-1.3	-1.6	-17.9	19.0	5.1
Housing Starts (Millions)	1.945	2.016	2.036	1.547	1.132	0.741	0.861	1.273
% Ch	12.5	3.7	1.0	-24.0	-26.8	-34.5	16.1	47.9
Federal Budget Surplus (Billions)	-404.5	-311.4	-262.9	-202.0	-362.8	-676.6	-712.6	-634.4
Net Exports (Billions)	-535.8	-666.7	-760.4	-735.6	-700.8	-412.4	-315.4	-456.0
3-Month Treasury Bill Rate (%)	0.96	2.21	4.06	4.89	2.89	0.89	1.17	2.93
10-Year Treasury Note Yield (%)	4.29	4.23	4.59	4.76	4.13	3.72	3.69	4.44
Bond Index of 20 G.O. Munis. (%)	4.79	4.50	4.45	4.30	4.56	4.98	4.87	5.03
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.91	5.54	6.13

No. 82577-7
JSF925 0327

Table 1.2 — Fiscal Years

Washington Economic Forecast Summary

Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	193.770	204.945	208.562	219.995	227.639	230.015	235.518	239.765
% Ch	1.7	5.8	1.8	5.5	3.5	1.0	2.4	1.8
Real Wage and Salary Disb.	108.686	111.661	115.750	121.635	125.634	125.777	128.535	130.920
% Ch	1.4	2.7	3.7	5.1	3.3	0.1	2.2	1.9
Real Nonwage Income	85.084	93.283	92.812	98.360	102.005	104.238	106.983	108.845
% Ch	2.2	9.6	-0.5	6.0	3.7	2.2	2.6	1.7
Real Per Capita Income ($/Person)	31,455	32,807	32,789	33,984	34,622	34,455	34,759	34,870
% Ch	0.6	4.3	-0.1	3.6	1.9	-0.5	0.9	0.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.197	1.219	1.224	1.254
% Ch	2.2	2.8	3.2	2.4	3.2	1.8	0.4	2.4
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.205	2.241	2.261	2.335
% Ch	1.3	1.9	3.2	4.0	4.2	1.6	0.9	3.3
Average Nonfarm Annual Wage	41,571	42,803	44,447	46,680	48,764	49,874	51,183	52,735
% Ch	2.7	3.0	3.8	5.0	4.5	2.3	2.6	3.0
Avg. Hourly Earnings-Mfg. ($/Hour)	18.15	18.57	19.32	20.22	20.90	21.56	21.63	21.71
% Ch	1.6	2.3	4.0	4.7	3.4	3.2	0.3	0.4
Current Dollar Income (Billions of Dollars)								
Personal Income	207.051	225.057	236.387	255.244	272.586	280.430	288.335	300.679
% Ch	3.9	8.7	5.0	8.0	6.8	2.9	2.8	4.3
Disposable Personal Income	185.114	199.722	207.873	223.120	238.828	247.789	254.748	265.201
% Ch	5.0	7.9	4.1	7.3	7.0	3.8	2.8	4.1
Per Capita Income ($/Person)	33,610	36,025	37,162	39,428	41,456	42,008	42,552	43,728
% Ch	2.8	7.2	3.2	6.1	5.1	1.3	1.3	2.8
Employment (Thousands)								
Washington Civilian Labor Force	3,179.5	3,234.7	3,307.7	3,364.1	3,445.3	3,510.6	3,565.1	3,627.0
Total Washington Employment	2,960.0	3,046.8	3,138.2	3,206.0	3,282.8	3,277.6	3,280.8	3,321.4
Unemployment Rate (%)	6.91	5.81	5.13	4.70	4.72	6.63	7.97	8.43
Nonfarm Payroll Employment	2,673.4	2,737.4	2,820.4	2,895.9	2,957.6	2,944.9	2,944.1	2,983.4
% Ch	0.7	2.4	3.0	2.7	2.1	-0.4	-0.0	1.3
Manufacturing	263.2	267.8	279.2	289.7	295.3	287.3	278.6	278.2
% Ch	-4.2	1.7	4.3	3.7	1.9	-2.7	-3.0	-0.2
Durable Manufacturing	181.0	186.8	197.6	208.0	214.0	209.5	204.3	204.3
% Ch	-5.0	3.2	5.8	5.3	2.9	-2.1	-2.5	0.0
Aerospace	62.1	63.4	69.0	76.7	83.1	84.0	86.2	86.2
% Ch	-11.4	2.1	8.8	11.1	8.3	1.1	2.7	0.0
Nondurable Manufacturing	82.2	81.0	81.6	81.6	81.3	77.8	74.3	73.8
% Ch	-2.5	-1.5	0.7	0.1	-0.4	-4.3	-4.5	-0.7
Construction	159.8	170.0	186.6	202.4	206.2	191.7	184.1	185.3
% Ch	3.2	6.4	9.7	8.5	1.9	-7.1	-3.9	0.6
Service-Producing	2,241.7	2,290.4	2,345.9	2,395.3	2,448.2	2,458.9	2,475.0	2,513.6
% Ch	1.2	2.2	2.4	2.1	2.2	0.4	0.7	1.6
Software Publishers	38.5	40.1	42.8	46.6	49.1	53.0	53.8	55.7
% Ch	5.5	4.1	6.7	8.8	5.4	7.9	1.6	3.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.302	51.850	53.820	50.514	36.979	26.931	32.657	39.980
% Ch	3.8	17.0	3.8	-6.1	-26.8	-27.2	21.3	22.4
Single-Family	34.366	38.426	40.404	34.071	22.490	15.806	20.719	27.380
% Ch	5.2	11.8	5.1	-15.7	-34.0	-29.7	31.1	32.1
Multi-Family	9.936	13.425	13.417	16.443	14.489	11.125	11.938	12.600
% Ch	-0.7	35.1	-0.1	22.6	-11.9	-23.2	7.3	5.5
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.91	5.54	6.13

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011			
U.S.	O	B	P	G	O	B	P	G	O	B	P	G
Real GDP	11675.5	11612.1	11546.7	11625.6	11890.2	11626.5	11355.3	11681.5	12243.9	11931.1	11583.9	11969.9
%Ch	0.2	-0.4	-0.9	-0.3	1.8	0.1	-1.7	0.5	3.0	2.6	2.0	2.5
Implicit Price Deflator	1.223	1.219	1.213	1.229	1.238	1.224	1.208	1.241	1.269	1.254	1.244	1.263
%Ch	2.1	1.8	1.3	2.7	1.2	0.4	-0.4	0.9	2.5	2.4	2.9	1.8
Mortgage Rate	6.00	5.91	5.76	5.91	5.87	5.54	5.32	5.71	6.07	6.13	6.54	6.03
3 Month T-Bill Rate	1.04	0.89	0.70	0.72	1.61	1.17	0.92	0.81	2.80	2.93	3.61	2.56
Washington												
Real Personal Income	233.089	230.015	227.394	226.991	245.151	235.518	226.777	230.086	255.885	239.765	224.028	236.167
%Ch	2.4	1.0	-0.1	-0.3	5.2	2.4	-0.3	1.4	4.4	1.8	-1.2	2.6
Personal Income	284.993	280.430	275.869	279.066	303.510	288.335	273.996	285.561	324.708	300.679	278.609	298.254
%Ch	4.6	2.9	1.2	2.4	6.5	2.8	-0.7	2.3	7.0	4.3	1.7	4.4
Employment	2962.9	2944.9	2930.4	2934.8	3022.6	2944.1	2884.9	2920.7	3102.0	2983.4	2881.7	2969.8
%Ch	0.2	-0.4	-0.9	-0.8	2.0	-0.0	-1.6	-0.5	2.6	1.3	-0.1	1.7
Housing Permits	28.604	26.931	25.564	26.517	39.004	32.657	27.940	28.667	48.892	39.980	31.592	35.949
%Ch	-22.6	-27.2	-30.9	-28.3	36.4	21.3	9.3	8.1	25.4	22.4	13.1	25.4

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor's Council of Economic Advisors

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2007-09

Forecast Date	2006				2007				2008				2009	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2007:2-2009:2														
Real GDP	6.1	6.6	6.3	6.7	6.2	6.1	4.6	4.9	3.6	2.6	2.8	0.5		
Implicit Price Deflator	4.1	3.3	3.7	3.9	4.2	3.6	3.4	3.4	4.2	6.3	6.3	3.4		
Average Rate, 2007:3 to 2009:2														
3 Month T-Bill Rate	4.68	4.62	4.72	4.44	4.91	4.89	4.23	3.95	2.35	2.39	2.36	1.89		
Mortgage Rate	6.86	6.83	6.99	6.56	6.57	6.56	6.38	6.44	5.44	5.94	6.16	6.05		
Washington														
Percent Growth, 2007:2-2009:2														
Employment	3.4	3.9	4.2	4.3	4.4	4.1	4.2	3.8	2.6	2.4	2.3	0.4		
Personal Income	13.1	13.5	14.1	14.0	14.1	13.9	12.5	12.6	10.9	10.3	10.6	7.6		
Real Personal Income	8.7	9.8	10.0	9.7	9.5	10.0	8.7	8.9	6.5	3.8	4.0	4.1		
Total (Thousands of units), 2007:3 to 2009:2														
Housing Units Authorized	95.0	98.1	97.5	99.9	97.8	97.8	91.1	87.6	80.0	75.0	67.5	63.9		

No. 82577-7
JSF925 0330

Table 1.5

Forecast Comparison

Forecast 2009 to 2011

Fiscal Years

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
November Baseline	11379.9	11655.0	11612.1	11626.5	11931.1
% Ch	2.0	2.4	-0.4	0.1	2.6
September Baseline	11379.9	11658.2	11782.3	12005.5	12374.8
% Ch	2.0	2.4	1.1	1.9	3.1
Implicit Price Deflator					
November Baseline	1.160	1.197	1.219	1.224	1.254
% Ch	2.4	3.2	1.8	0.4	2.4
September Baseline	1.160	1.197	1.240	1.262	1.287
% Ch	2.4	3.2	3.6	1.7	2.0
U.S. Unemployment Rate					
November Baseline	4.53	4.95	6.81	8.15	8.03
September Baseline	4.53	4.95	5.92	6.11	5.75
Mortgage Rate					
November Baseline	6.35	6.18	5.91	5.54	6.13
September Baseline	6.35	6.18	6.13	6.40	7.11
3 Month T-Bill Rate					
November Baseline	4.89	2.89	0.89	1.17	2.93
September Baseline	4.89	2.89	1.83	3.37	4.57
Washington					
Real Personal Income					
November Baseline	219.995	227.639	230.015	235.518	239.765
% Ch	5.5	3.5	1.0	2.4	1.8
September Baseline	217.409	225.713	227.907	235.407	244.484
% Ch	5.2	3.8	1.0	3.3	3.9
Personal Income					
November Baseline	255.244	272.586	280.430	288.335	300.679
% Ch	8.0	6.8	2.9	2.8	4.3
September Baseline	252.244	270.285	282.644	296.986	314.640
% Ch	7.7	7.2	4.6	5.1	5.9
Employment					
November Baseline	2895.9	2957.6	2944.9	2944.1	2983.4
% Ch	2.7	2.1	-0.4	-0.0	1.3
September Baseline	2895.9	2961.0	2979.9	3018.6	3077.1
% Ch	2.7	2.2	0.6	1.3	1.9
Housing Permits					
November Baseline	50.514	36.979	26.931	32.657	39.980
% Ch	-6.1	-26.8	-27.2	21.3	22.4
September Baseline	50.514	36.979	30.523	39.525	46.047
% Ch	-6.1	-26.8	-17.5	29.5	16.5

Table 1.6
Long Range Economic Outlook
Forecast 2008 to 2018

Calendar Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
U.S.											
Real GDP, %Ch	1.3	-1.0	1.7	3.1	3.5	3.1	3.0	3.1	2.9	2.7	2.8
Implicit Price Deflator, %Ch	3.4	-0.1	1.9	2.4	2.1	2.2	2.1	1.8	1.9	1.9	1.9
3 Month T-Bill Rate	1.46	0.87	1.83	4.04	4.59	4.59	4.59	4.59	4.59	4.59	4.59
Mortgage Rate	6.08	5.61	5.62	6.81	7.12	7.12	7.12	7.12	7.12	7.12	7.12
State*											
Real Personal Income, %Ch	0.5	3.1	1.4	2.6	4.0	4.2	4.1	4.2	3.9	3.6	3.7
Personal Income, %Ch	4.0	3.0	3.3	5.1	6.2	6.4	6.3	6.1	5.8	5.6	5.7
Employment, %Ch	0.9	-0.7	0.7	1.8	2.4	2.3	1.9	1.8	1.7	1.5	1.4

* Baseline forecast through 2011, judgmentally extended to 2018.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

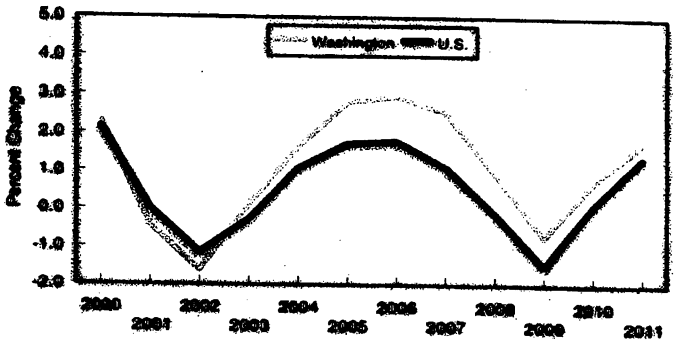


Chart 1.2
Manufacturing Employment

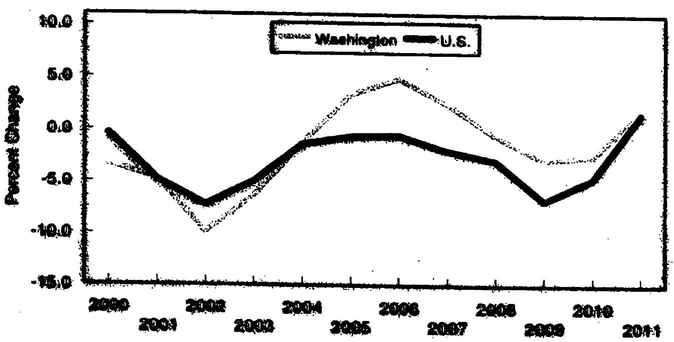


Chart 1.3
Aerospace Employment

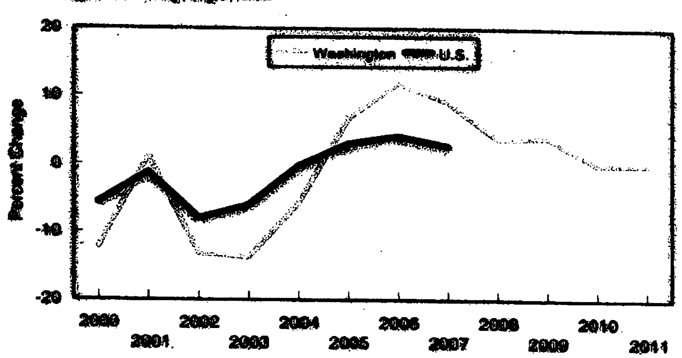
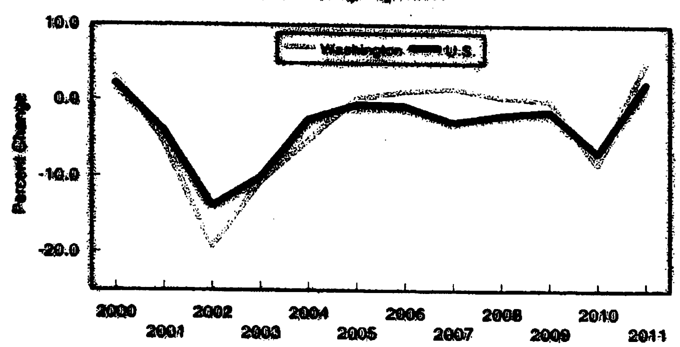


Chart 1.4
Computers and Electronics Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

No. 82577-7
JSF925 0333

Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

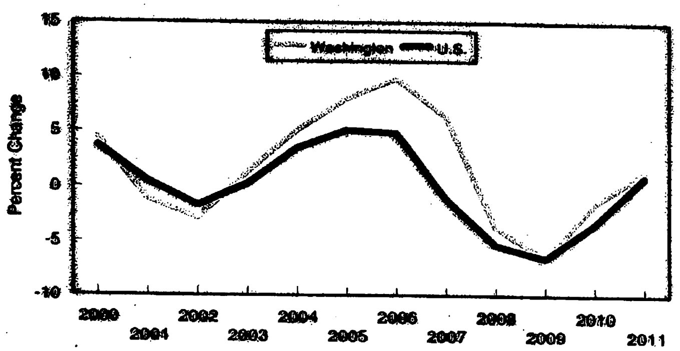


Chart 1.6
Information Employment

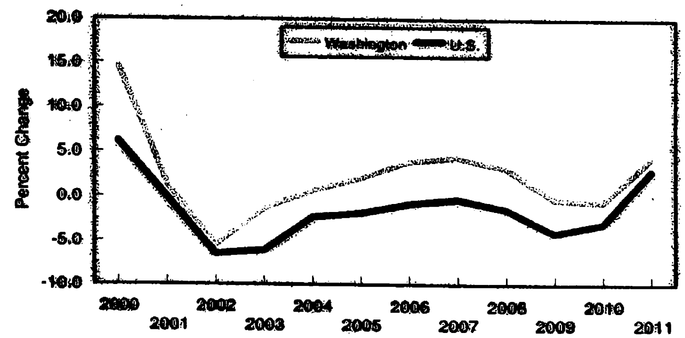


Chart 1.7
Other Private Employment

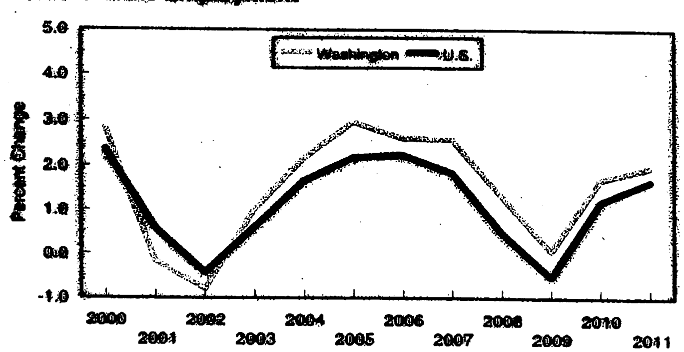
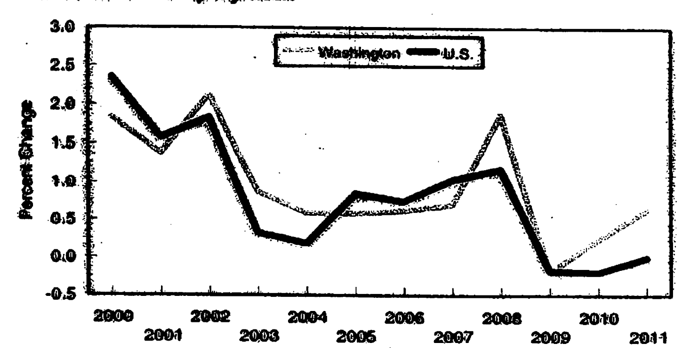


Chart 1.8
Government Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

No. 82577-7
JSF925 0334

Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

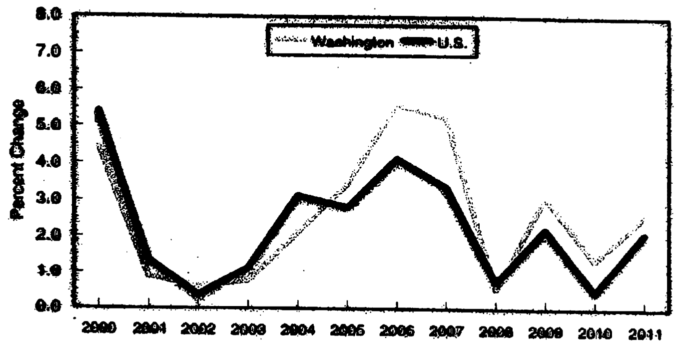


Chart 1.10
Consumer Price Indices

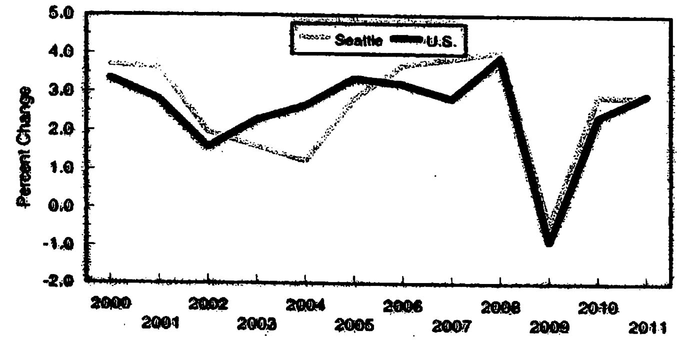


Chart 1.11
Population

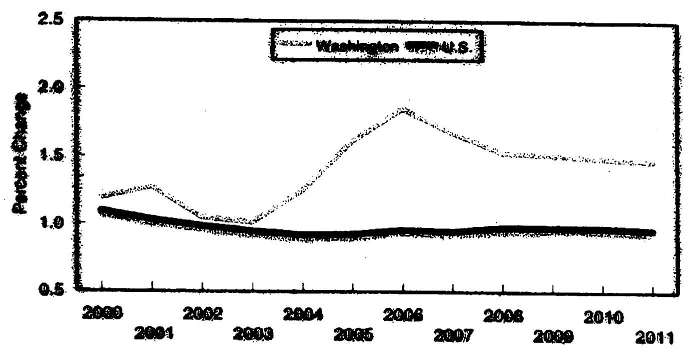
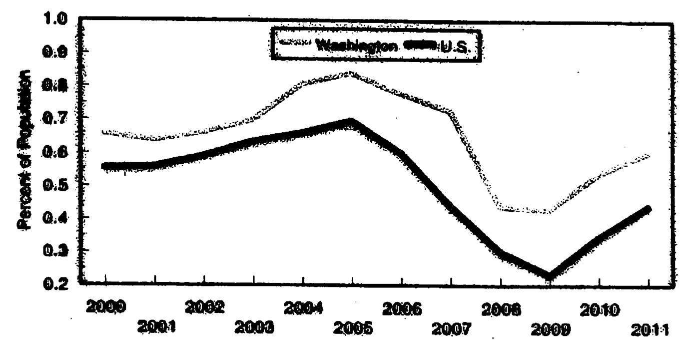


Chart 1.12
Per Capita Housing Units



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

No. 82577-7
JSF925 0335

Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

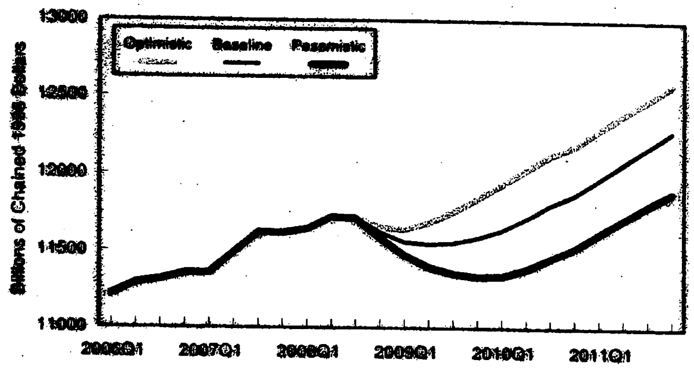


Chart 1.14
Implicit Price Deflator

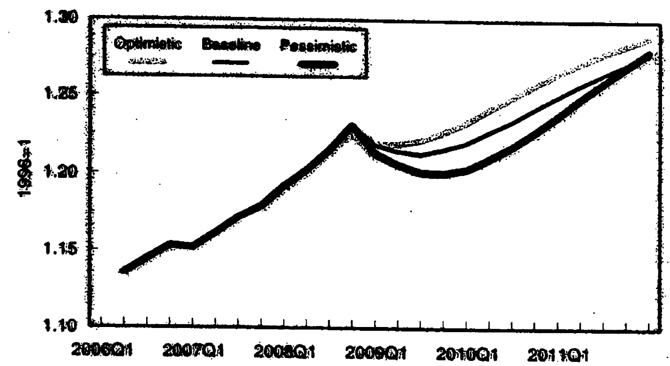


Chart 1.15
Mortgage Rate

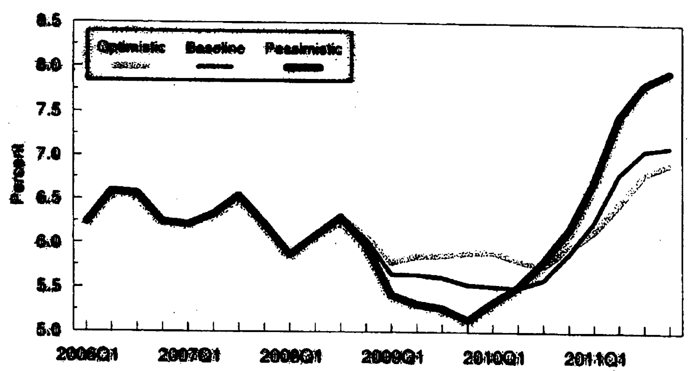
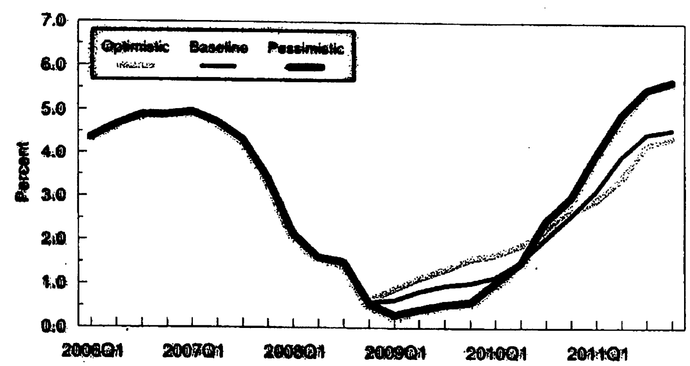


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

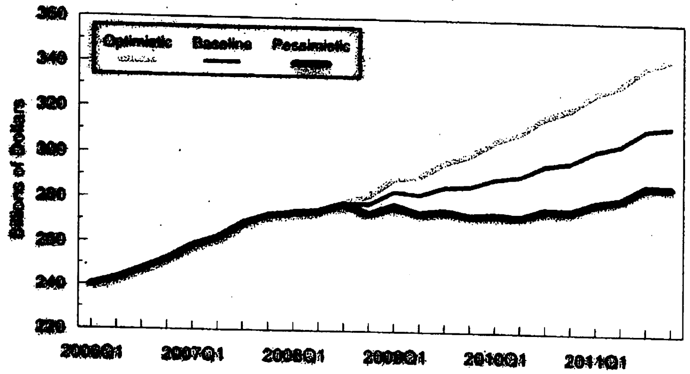


Chart 1.18
Real Personal Income

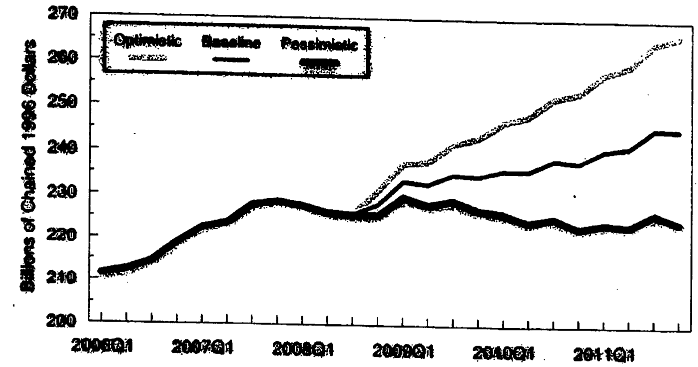


Chart 1.19
Total Nonfarm Payroll Employment

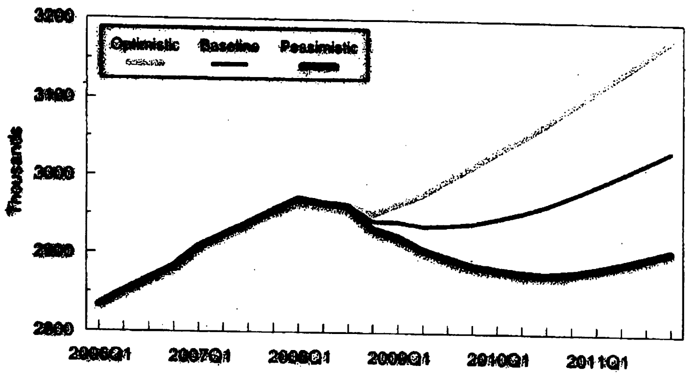
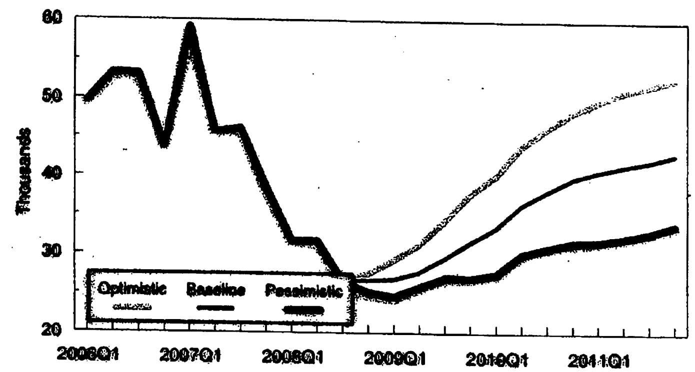


Chart 1.20
Housing Permits



personal income growth are much lower in 2009 and 2010 than in the baseline forecast. Nominal income growth is more similar to the baseline forecast, due to the higher inflation assumption, but is also weaker in 2009 and 2010. The slightly higher growth in the GCEA income and employment forecasts for 2011 doesn't nearly offset the weaker growth in the earlier years. The Governor's Council members also expect fewer housing units authorized by building permit in each year of the forecast than does the baseline forecast. By the end of the 2009-11 biennium Washington nonagricultural employment is 11,700 lower in the GCEA forecast than in the baseline forecast and Washington personal income is $2.9 billion lower. The Governor's Council scenario yields $49 million (0.2 percent) less revenue in the 2007-09 biennium and $73 million (0.2 percent) less revenue in the 2009-11 biennium than does the baseline forecast.

Note: The economic data discussed in this chapter were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.

Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, fell at a 0.5* percent annual rate in the third quarter of 2008, down from a growth rate of 2.8 percent in the previous quarter. Driving the decrease from the second quarter were a decline is consumer spending, negative private investment outside of structures, a lower growth rate in net exports, and slower growth in state and local government spending. Partially offsetting these factors were larger increases in inventory investment and stronger growth in federal government spending. Real consumer spending, the largest component of GDP, decreased at a 3.7 percent annual rate, the first drop since the fourth quarter of 1991 and the largest decline since the second quarter of 1980. The durable goods component of consumption shrank at a 15.2 percent rate, the third straight quarter of declines and the largest since the first quarter of 1987. Consumption of non-durable goods also declined, contracting at a rate of 6.9 percent; the largest decline since the fourth quarter of 1950 and the second largest quarterly decline on record. Services consumption was flat which marked its lowest rate since the first quarter of 1991. Real gross private domestic investment ended its three quarter decline and grew at a 0.4 percent annualized rate in the third quarter. The increase came from nonresidential structures which grew at a 6.6 percent rate; all other components in this category contracted in the third quarter. Real fixed investment declined at a 5.6 percent rate, fifth straight quarter of decline and the ninth in the last ten quarters. Non-residential investment decreased at a 1.5 percent rate in the third quarter, only the third decline in this category in the last five years. Real residential investment also contracted this quarter coming in at a rate of negative 17.6 percent. There has been ongoing weakness in this component as the declines have now occurred for eleven straight quarters. Government spending increased at a rate of 5.4 percent in the third quarter, the highest rate in the last five years, after growing at a 3.9 percent rate in the second quarter. Both non-defense and state and local growth slowed while federal defense spending grew at a robust 18.0 percent rate after a 7.3 percent rate the previous quarter. Real net exports slowed from the previous quarter due to both a slowdown in exports and lower declines in imports. Real exports remained in positive territory for the quarter but slowed substantially from second quarter's growth of 12.3 percent, coming in at a 3.4 percent rate. Imports remained weak at negative 3.2 percent but actually picked up from the second quarter rate of negative 7.3 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity declined to 36.2 in November from its previous month's value of 38.9. This month's reading was the lowest value since May of 1982. Index values below 50 indicate that manufacturing sector output is declining. In addition, index values below 41.1 over a period of time indicate a contraction of the overall economy. The employment component of the index dropped 0.4 points to 34.2 in November, the lowest value since March of 1991. Values below 50 indicate that more of the manufacturers surveyed had been decreasing employment than increasing it during that period. New orders were particularly weak this month dropping 4.3 percentage points to 27.9, the lowest reading since June 1980. The ISM price index for November dropped 11.5 points to 25.5, the lowest reading since May 1949.

U.S. seasonally-adjusted payroll employment job losses accelerated in November losing 560,000 jobs after shrinking by 293,000† in October and 403,000 in September. Employment is down 1.4 percent year-over-year in November, which equates to a decrease of 1,870,000 jobs. Employment has decreased in each of the eleven months so far in 2008. The U.S. seasonally adjusted unemployment rate jumped to 6.7 percent in November from last month's value of 6.5 percent. The unemployment rate is up 2.0 percentage points since November of last year and is at its highest level since October 1993.

Nonfarm business productivity growth slowed in the third quarter, growing at a 1.3 percent annual rate after growing at a 3.6 percent rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) decreased by 1.0 percent in October after a 0.1 percent drop in September; this was the third monthly decrease in a row. Year-over-year CPI growth dropped to 3.7 percent in October from Septembers' value of 4.9 percent. The decline was mainly due to a large drop in the price of energy, which decreased 8.6 percent in October and has been on the decline for three straight months. The index excluding food and energy increased 2.2 percent year-over year in October; the smallest increase in twelve months.

The Conference Board's Index of Consumer Confidence increased to 44.9 in November from October's historically low value of 38.8. Other than October, the reading in November is still the second lowest ever recorded, higher only than the 43.2 reading in December of 1974. The present conditions component of the index again declined while expectations rebounded from the previous month low. The University of Michigan Consumer Sentiment Index declined in November to 55.3 from the October value of 57.6, with decreases in both the present conditions and expectations components. The Conference Board's U.S. Index of Leading Indicators declined 0.8 percent in October after a 0.1 percent gain in September. The index has been generally falling for over a year now and is down 4.8 percent from its peak in July 2007.

The Federal Open Market Committee (FOMC) voted unanimously to lower its target rate for federal funds 50 basis points to 1.00 percent on October 29, 2008. This reduction follows an emergency 50 basis point cut from 2.00 percent on October 8, 2008. The Committee's policy statement indicated members were very pessimistic about the prospects for the economy, stating that economic activity has "slowed markedly" and "downside risks to growth remain", suggesting that rates may be cut further in December.

The seasonally adjusted Monster Employment Index, which measures internet employment advertising, declined again in November to 142. The index is down 21.9 percent from a year ago, the largest annual drop since the creation of the index in October 2003. U.S. job openings, measured by The Job Opening and Labor Turnover Survey (JOLTS), declined 3.6 percent in September after a 3.4 percent decline in August. On a year-over-year basis, there have been 13 straight months where the number of job openings has decreased.

The State Economy and Indicators

Washington wage and salary employment growth has been in a steady decline since November of last year and came in at just 0.1 percent year-over-year in October. Despite the slowdown, the state continues to perform much better than the nation which has been in negative territory in terms of year-over-year growth since July. Since last October, employment has increased by 2,800† jobs. The service providing sectors added enough jobs to offset the deep loses throughout the goods producing industries. Over the past year, government added 9,500 workers, followed by health services (+9,200) and software publishers (+4,700). Aerospace was the lone bright spot in goods producing adding 3,500 jobs while the rest of manufacturing lost 5,000 workers and construction dropped by 13,600 over the past year.

The Seattle Times Index of Help-Wanted Advertising dropped to a value of 10.2 in November from October's value of 11.5, a one-month decline of 10.7 percent and a year-over-year decline of 62.3 percent. While newspaper help-wanted advertising has been declining for over a decade due to a shift to Internet-based advertising, the rate of decrease has been accelerating the past few years. The index has been less than half of previous year levels for ten consecutive months. The Monster Employment Index for Seattle also declined in November by 6.1 percent following 6.0 percent decrease in October. These account for the two largest monthly declines in the short history of the index. Washington's seasonally adjusted unemployment rate spiked in October, rising to 6.3 percent from September's value of 5.7 percent; this is the highest rate since April of 2004. Seasonally adjusted initial claims for unemployment insurance in Washington increased 11.1 percent in October to 53,200†. This was a 53.1percent increase since last year, the largest year-over-year increase since May 1980.

October year-over-year growth in the Seattle CPI, measured bimonthly, decreased to 3.4 percent from the figure in August of 5.4 percent. The growth in Seattle's price index excluding food and energy decreased to 3.0 percent from the August value of 3.4 percent. Washington's seasonally adjusted average weekly hours in manufacturing dropped to 35.6 hours in October from September's 37.6 value, primarily due to effects of the recent Boeing strike. The last two months have been particularly weak as the weekly hours in manufacturing had been averaging over 43.0 throughout the year. The non-seasonally adjusted Washington Purchasing Management Index increased in October to a value of 50.9 from September's trough of 48.6. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index decreased from 51.5 to 47.0.

The Boom Monitor Composite Index dropped in October to a value of 19.1† from September's value of 21.5, the lowest level the index has been since March 1983. Driving the decline in October were weak real estate excise tax activity followed by a low number of housing permits and help wanted advertising. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The Washington Index of Leading Indicators decreased by 2.9 points in October following a 3.9 point drop in September, reaching a value of 97.8†. Besides Aerospace employment, five of the remaining six index components were negative in October, led by the sharp increase in initial claims and a large drop in help-wanted advertising.

Authorized housing permits increased to an annualized level of 29,300 units in October from September's value of 24,800 units. Despite the recent increases, the number of permits are still at remarkably low levels similar to those in 1984. All of the increase in October came from a rebound in multiple family units while single family structures hit a low not seen since November 1985. Year-over-year, total permits were down 31.4 percent, Single-family permits were down 47.6percent while multiple-family permits were down 10.9percent.

Third quarter exports of goods originating in Washington totaled $16.4 billion, a 1.5 percent decrease over the same quarter in 2007. The drop was due to a reduction in Transportation equipment exports which totaled $8.4 billion and were down 22.4percent year-over-year; exports excluding transportation equipment came in at $7.9 billion, a 38.2 percent increase over the previous year.

On the following pages are a summary of what various national and state measures are indicating as of the date of this publication.

† Striking Boeing workers removed from the data.
* Data is based on the most recent release as of the date of this publication. The November economic forecast is based upon the November Global Insight forecast, which incorporates prior data releases.

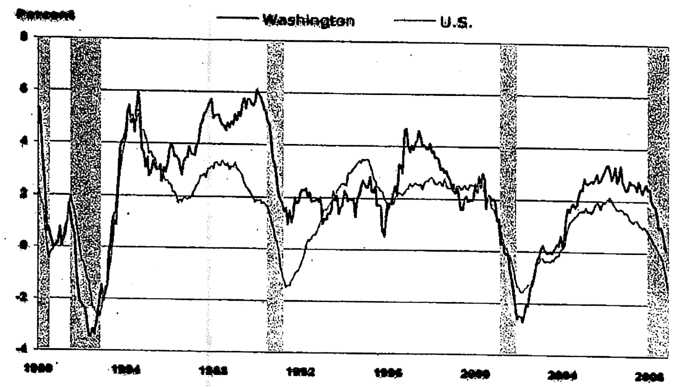
Table 2.1
Summary of National and State Indicators

Indicator	Latest Data	Indication[1]
U.S. Leading Index	October 2008	–
U.S. Real GDP Growth	3rd quarter 2008	–
U.S. ISM Index	November 2008	–
U.S. Employment	November 2008	–
U.S. Unemployment Rate	November 2008	–
U.S. Job Openings	September 2008	–
U.S. Fed Funds Target	December 1, 2008	–
U.S. Consumer Confidence	November 2008	+
U.S. CPI	October 2008	–
U.S. Monster Employment Index	November 2008	–
S&P 500 Index	Week of December 1, 2008	–
WA Leading Index	October 2008	–
WA ISM Index	October 2008	+
WA Help Wanted Index	November 2008	–
WA Employment*	October 2008	+ but slowing
WA Aerospace Empl.*	October 2008	+
WA Unemployment Rate	October 2008	–
WA Boom Monitor	October 2008	–
WA Initial Unemploy. Claims	October 2008	–
WA Housing Permits	October 2008	+
WA Weekly Hours in Mfg.	October 2008	–
WA New Car/Truck Registration	October 2008	–
WA Migration	October 2008	+
WA Exports-Total	3rd quarter 2008	–
WA Exports- w/o Trans. Equip.	3rd quarter 2008	+
Seattle CPI	October 2008	–
Seattle Monster Employment Index	November 2008	–

[1] + sign: good for the economy; - sign : Indicates weakness
** Striking Boeing workers have been removed from data*

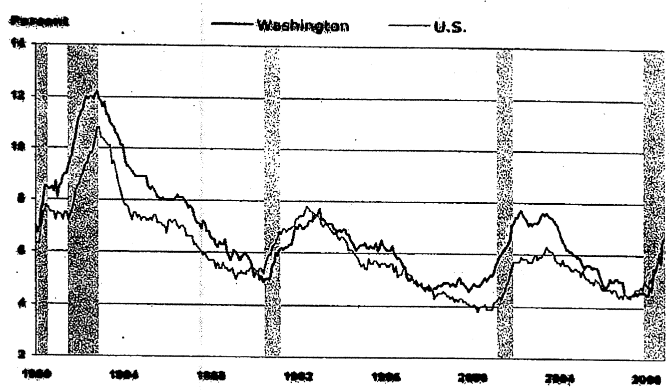
Washington State Economic Indicators

Year-over-Year Employment Growth
January 1980 to October 2008



* Bureau of Labor Statistics, ERFC

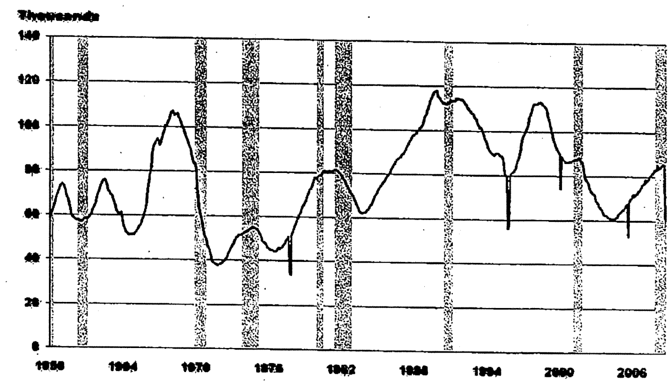
Unemployment Rate, S.A.
January 1980 to November 2008



* Source: Bureau of Labor Statistics

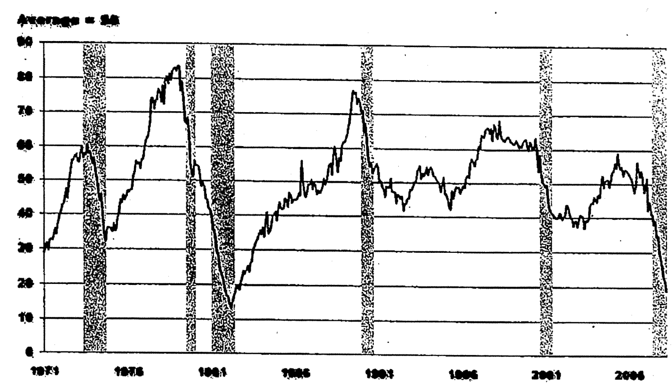
* Shaded areas correspond with national recessions.

Washington Aircraft and Parts Employment
January 1958 to October 2008



* Source: Bureau of Labor Statistics, ERFC

Washington Boom Monitor Composite Index
July 1971 to October 2008

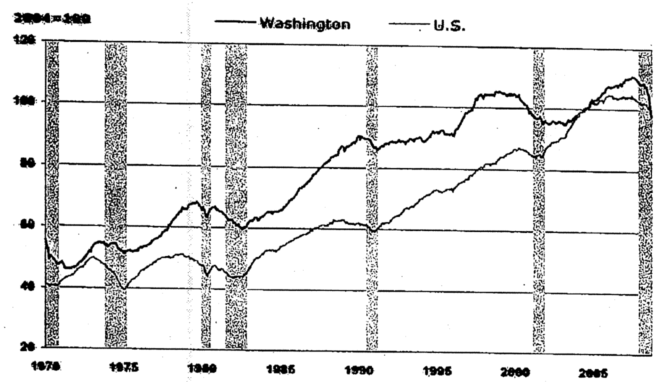


* Source: ERFC

No. 82577-7
JSF925 0343

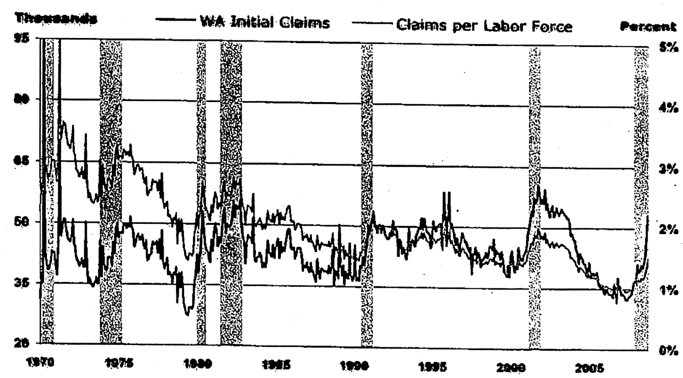
Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators
January 1970 to October 2008



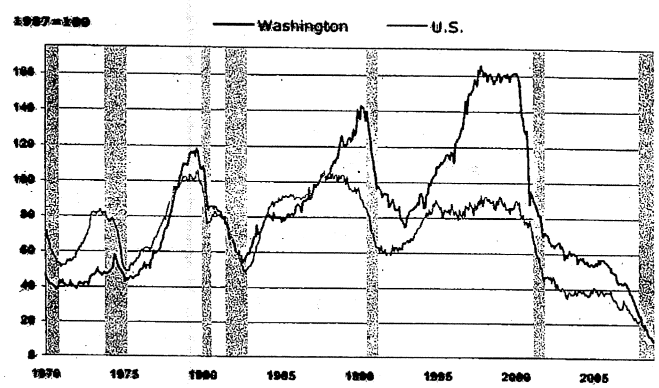
* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance
January 1970 to October 2008, S.A.



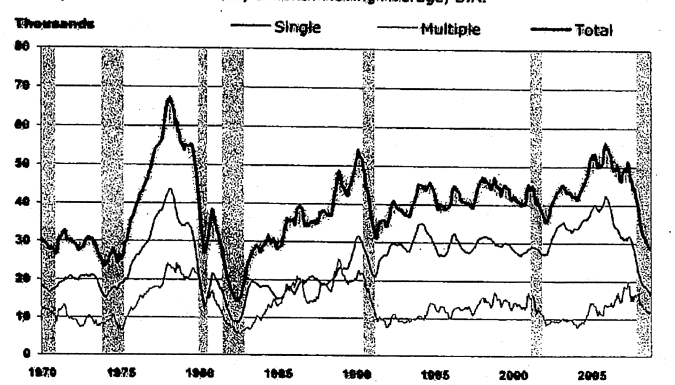
* Source: WA State Employment Security, ERFC

Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to November 2008



* Source: ERFC

Housing Units Authorized in Washington State
January 1970 to October 2008, 6 Month Moving Average, S.A.



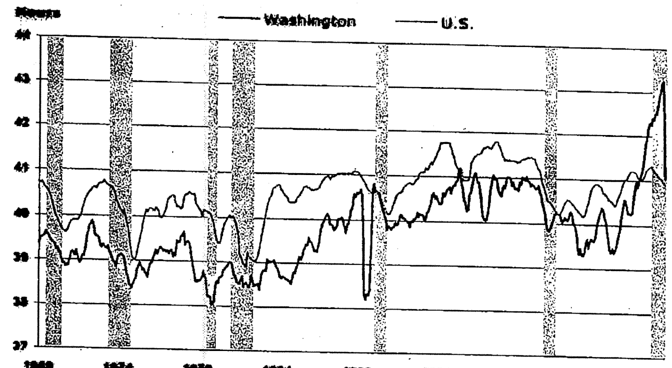
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Other State Economic Indicators

Average Weekly Hours in Manufacturing

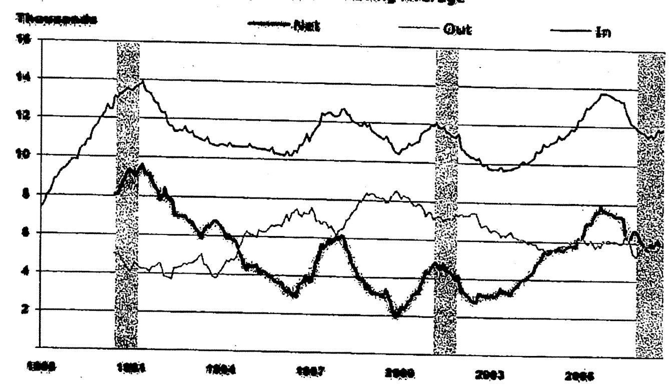
June 1969 to October 2008, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License Migration

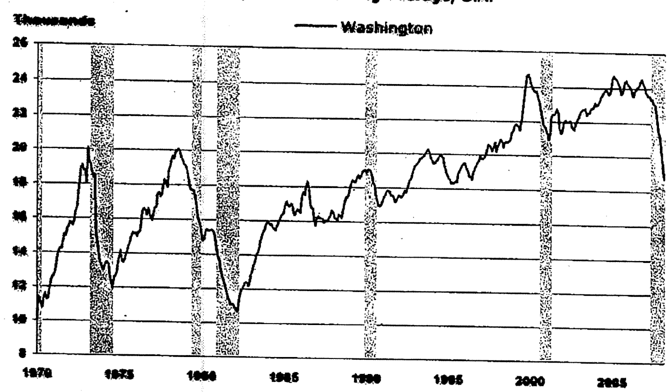
January 1988 to October 2008, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

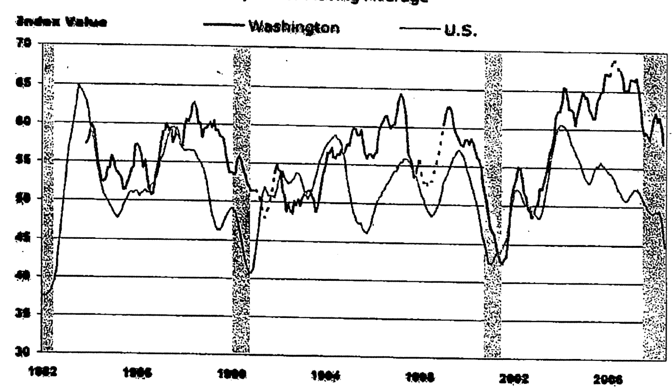
August 1970 to October 2008, 6-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

June 1982 to November 2008, 6-Mo. Moving Average



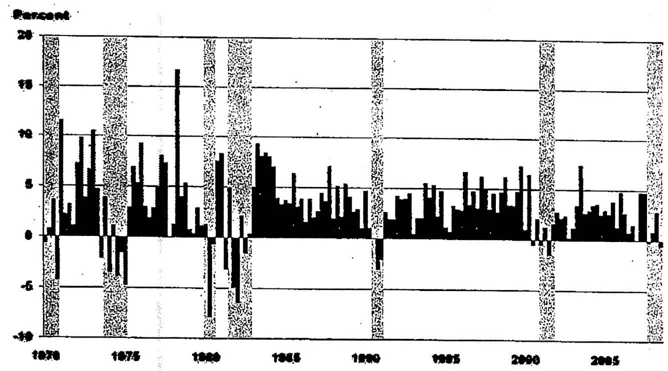
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

No. 82577-7
JSF925 0345

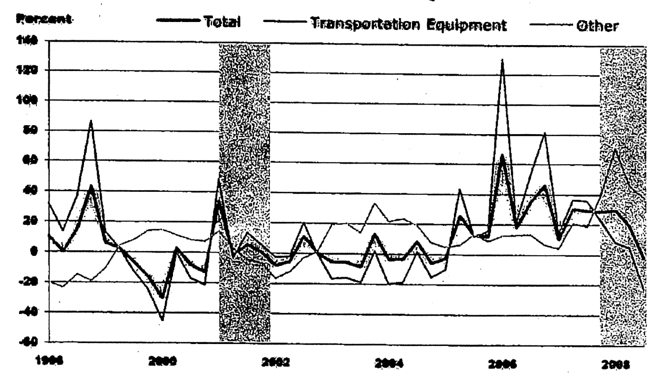
Other Economic Indicators

Quarterly U.S. Real GDP Growth
1970Q1 to 2008Q3



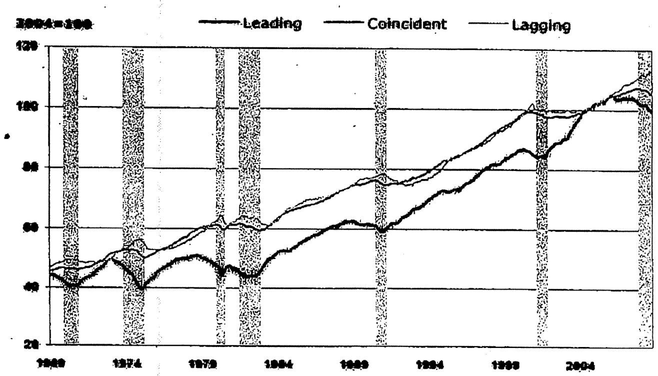
* Source: Bureau of Economic Analysis

Washington State Export Composition
1998Q1 to 2008Q3, Change from Same Quarter Year Ago



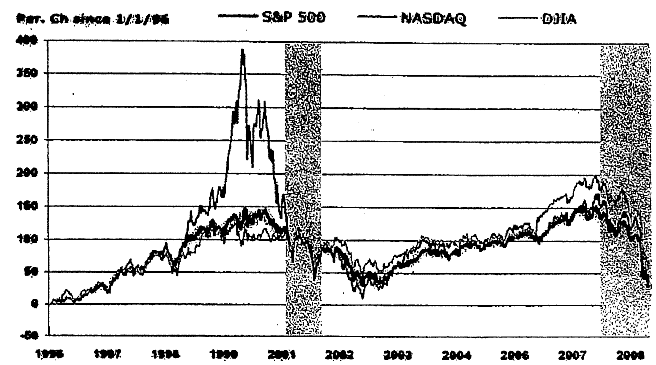
* Source: WISER

U.S. Economic Indicators
January 1969 to October 2008



* Source: The Conference Board

National Stock Indexes
January 1, 1996 to November 30, 2008



* Source: ERFC

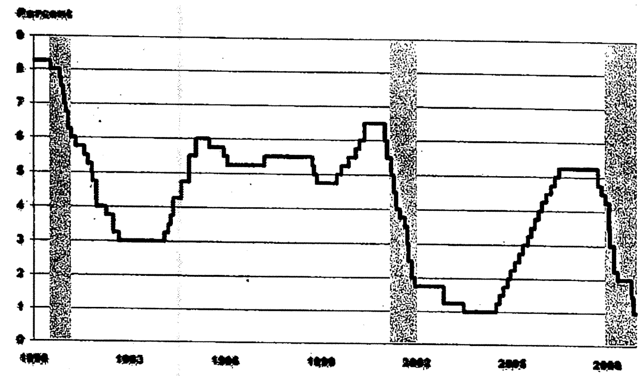
* Shaded areas correspond with national recessions.

No. 82577-7
JSF925 0346

Other Economic Indicators

Federal Funds Target Rate

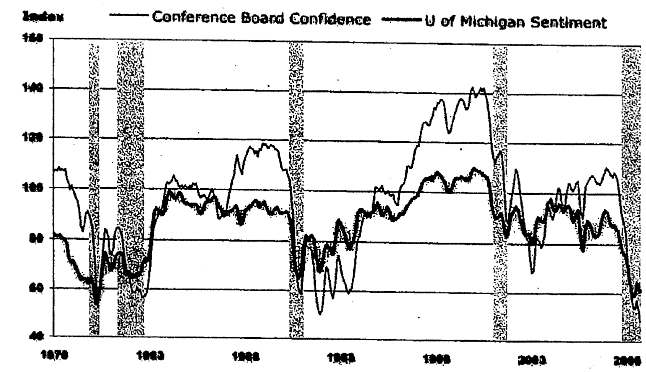
January 1, 1990 to December 1, 2008



* Federal Reserve

Consumer Confidence

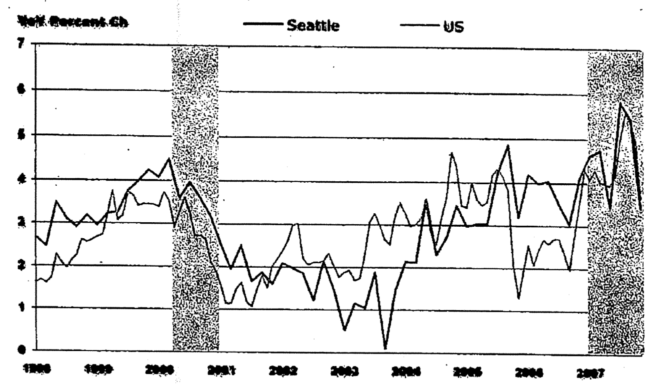
March 1978 to November 2008, 3-Mo. Moving Average



* Source: The Conference Board, University of Michigan

Seattle vs U.S. CPI (All Urban Consumers)

December 1998 to October 2008

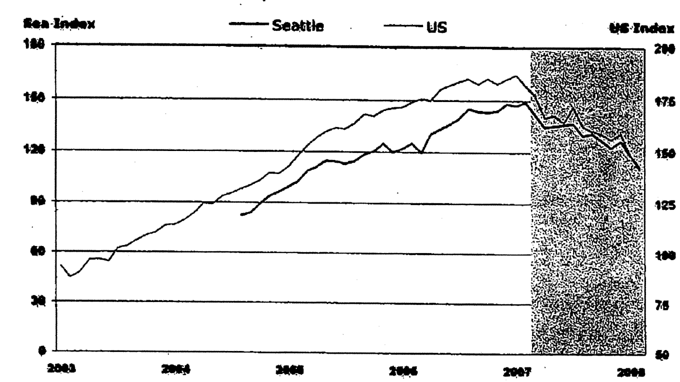


* Source: Bureau of Labor Statistics

* Shaded areas correspond with national recessions.

Monster Employment Index

October 2003 to November 2008, SA



* Source: Monster Worldwide, ERFC

No. 82577-7
JSF925 0347

Table 2.2

Washington Business Indicators

Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising*	Washington Purchasing Management Index	U.S. Purchasing Management Index
2006:8	107.4	103.3	44	30	73.3	53.5
2006:9	108.2	103.7	44	29	64.1	51.9
2006:10	108.6	103.9	44	29	68.8	51.1
2006:11	107.9	103.8	43	29	61.1	49.7
2006:12	109.2	104.4	43	34	67.5	51.5
2007:1	109.2	104.0	44	32	66.4	49.3
2007:2	110.3	103.7	43	31	62.3	51.5
2007:3	109.9	104.1	42	29	64.9	50.7
2007:4	110.1	103.9	41	29	68.4	52.8
2007:5	110.5	104.0	38	27	69.6	52.8
2007:6	110.4	103.9	37	26	67.8	53.4
2007:7	110.9	104.6	35	25	65.4	52.3
2007:8	110.7	103.6	33	23	64.3	51.2
2007:9	110.6	103.7	31	24	58.1	50.5
2007:10	110.3	103.2	29	22	56.8	50.4
2007:11	109.8	102.8	27	21	53.0	50.0
2007:12	109.0	102.6	25	22	58.7	48.4
2008:1	108.7	102.1	25	22	66.7	50.7
2008:2	108.3	101.9	21	21	62.3	48.3
2008:3	108.4	101.9	20	19	55.2	48.6
2008:4	108.7	102.0	20	18	65.0	48.6
2008:5	107.6	101.9	18	17	60.3	49.6
2008:6	107.7	101.9	17		63.8	50.2
2008:7	105.8	101.2	14		60.2	50.0
2008:8	104.6	100.3	13		65.3	49.9
2008:9	100.7	100.4	13		48.6	43.5
2008:10	91.6	99.6	11		50.9	38.9
2008:11			10			36.2

*Indicator has been discontinued

Washington State Revenue Forecast Summary

Introduction

While some weakening of the state and national economy was evident at the time of the September forecast of the Washington State Economic and Revenue Forecast Council, conditions took a marked downturn almost immediately thereafter. Because of the accelerated downturn, the Council unanimously approved a $1.93 billion reduction to the General Fund-State (GFS) revenue forecast at its November 19, 2008 meeting. The forecast for the 2007-09 biennium was reduced $502.7 million from September's value, and the forecast for the 2009-11 biennium was reduced by $1,427.9 million. The revisions to the September forecast are summarized in Table 3.1.

The November 2008 GFS revenue forecast for the 2007-09 budget period is $28,626.6 million. This is $855 million (3.1 percent) higher than what was collected in the 2005-07 biennium. This forecasted growth rate is the lowest since that of the 2001-03 biennium, which saw a biennial decline of 0.6 percent due to the 2001 recession. The November 2008 forecast projects total GFS reserves to total only $23.2 million at the end of the 2007-09 budget period. This is based on the November 2008 GFS revenue forecast and a 2007-09 spending level of $29,838.2 million, the amount of the most recently enacted budget. At that spending level, the GFS ending balance would be negative $413.4 million, offset by a projected Budget Stabilization Account ending balance of $436.6 million.

The November 2008 GFS revenue forecast for the 2009-11 biennium is $30,070.4 million. This is $1.4 billion (5.0 percent) higher than what is expected to be collection in the current budget period. Projected revenue growth for the next biennium is down significantly from the 8.1 percent growth that was expected in the September 2008 forecast.

Table 3.1 — Cash Basis
Revision to the General Fund-State Forecast
2007-09 Biennium
November 2008
(Millions of dollars)

	2007-09 Biennium	2009-11 Biennium	Total
Non economic change	$0.0	$35.8	$35.8
Forecast Change	($502.7)	($1,463.6)	($1,966.3)
Total Change*	**($502.7)**	**($1,427.9)**	**($1,930.5)**

*Detail may not add to totals due to rounding.

Background and Assumptions

The Washington State GFS revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both the executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GFS revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. Each state agency engaged in revenue collection is responsible for forecasting the revenue it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GFS sources. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of GFS revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the Lottery Commission, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GFS revenue.

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline revenue forecast for GFS and related funds. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related funds' sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS and related fund revenue. An outline of the forecast process, including a summary of the November 2008 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

November 2008 Forecast Assumptions

1. The November 2008 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the U.S and for the state is based on the Global Insight, Inc. November 2008 baseline forecast.
2. The GFS revenue forecast is based on current law and administrative practices. The impact of tax law changes enacted during the 2008 legislative session was incorporated into the June 2008 forecast.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue is dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a

multi-state lottery game. Proceeds from this new game go the General Fund after the first $102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account. Part II of Table 3.19 summarizes lottery distributions by fund.

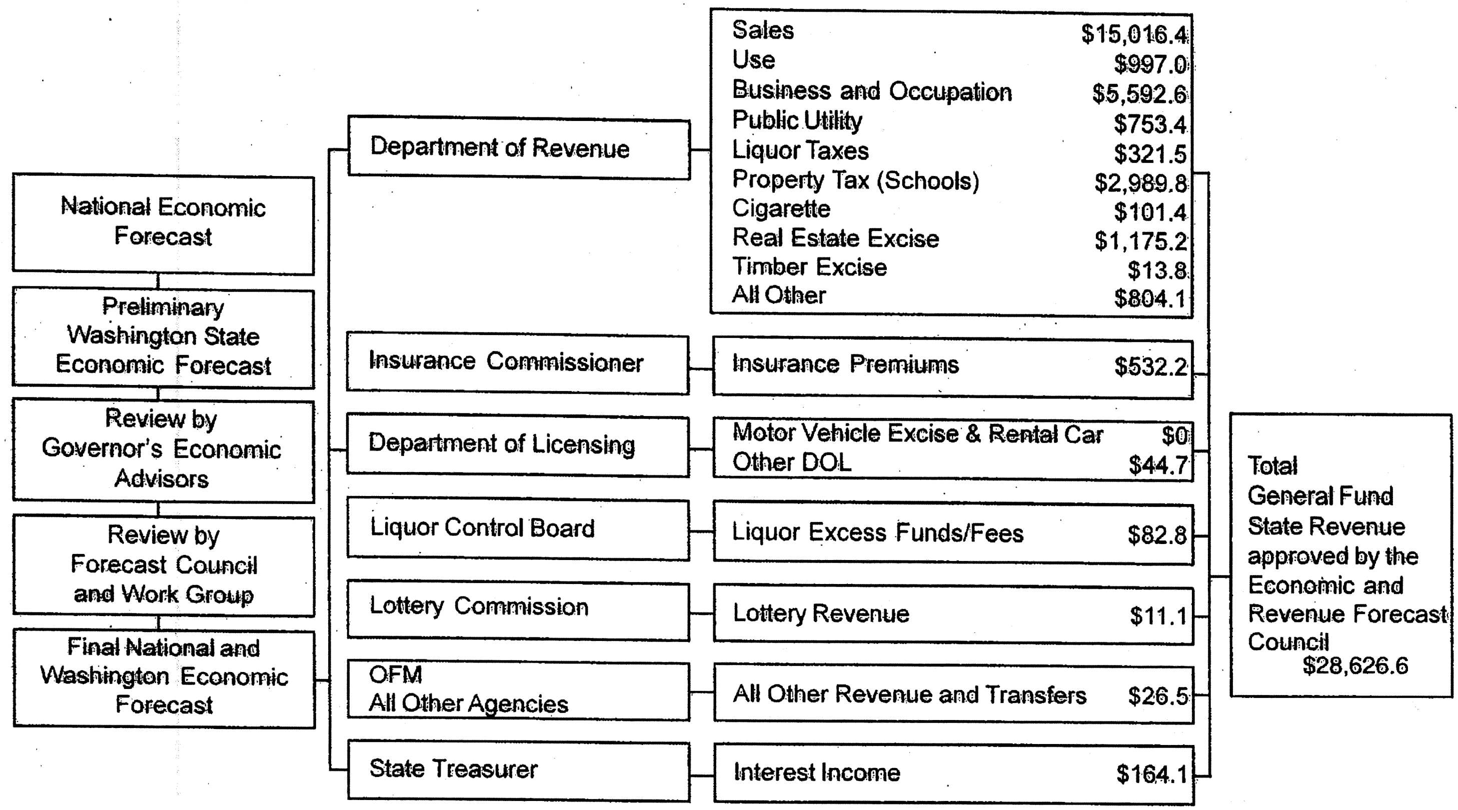
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact of legal challenge affecting GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes which have affected GFS receipts in past biennia as well as the GFS forecast for the 2007-09 biennium. New tax law changes and other non-economic factors reduced GFS revenue for the 2005-07 biennium by an estimated $474 million. As of November 2008, tax law changes have reduced the forecast for GFS for the 2007-09 biennium by $185.0 million.
7. Initiative 728, which transfers a portion of the state property tax levy from the general fund to the student achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from $267.0 million in the 2001-03 biennium to $329.8 million in the 2003-05 biennium. They increased to $491.8 million in the 2005-07 biennium and are expected to total $503.4 million in the 2007-09 biennium and $542.0 million in the 2009-11 biennium. (See part I of Table 3.19.)
8. Since the September 2007 forecast publication, we have included a "related fund" forecast as well as a forecast for GFS revenue. The related fund is defined in RCW 43.135.025 to include: the health services account, violence reduction and drug enforcement account, public safety and education account, and the student achievement fund. The November 2008 GFS and related fund revenue forecast is shown in Table 3.20.
9. ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "near general fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in "related funds" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.20. The Economic and Revenue Forecast Council has produced forecasts of the Education Legacy Trust Account since 2007 but has not previously forecasted Pension Funding Stabilization Account revenues.

Recent Collection Experience

Revenue collected in the two months since the September 2008 forecast was $101.4 million (4.6 percent) less than expected. The variance was lessened by a non-forecasted, nonrecurring audit payment of $6.5 million in October. Excluding this payment, collections were $107.9 million (4.9 percent) below the forecast. Revenue Act (retail sales, business and occupation, use and public utility tax) receipts fell short of the September forecast by $103.9 million (5.1 percent). Real estate excise tax collections continued to under-perform the forecast, coming in $6.6 million (7.5 percent) less than expected since September. Revenue from other Department of Revenue tax sources was $9.2 million (8.0 percent) higher than expected due mainly to larger-than-expected transfers of unclaimed property to the GFS. Revenue from the Department of Licensing was $0.1 million (11.2 percent) lower than the September forecast. The collection variances from the September forecast are summarized in Table 3.3.

Revenue Act collections have declined on a year-over-year basis in every collection period except one since the June 11-July 10, 2008 collection period. Collections in the most recent monthly collection

Table 3.2
Economic and Revenue Forecast Flow Chart*
General Fund-State
2007-09 Biennium
(Amounts in millions)



* Cash Basis

No. 82577-7
JSF925 0352

period (October 11-November 10, 2008) were down 5.6 percent year-over-year after adjustments for special factors, the same percentage decline shown in the September 11-October 10 period. Adjusted Revenue Act tax payments were 2.7 percent below the year-ago level in the three months prior to the November 2008 forecast, which primarily reflected third quarter 2008 business activity. Adjusted payments reflecting second quarter 2008 activity (June 11-August 10 collections) were down 0.8 percent year-over-year, while adjusted payments reflecting first quarter activity showed 2.3 percent growth.

Industry detail for the most recent month (September 2008 activity, reflecting excise tax payments of taxpayers who filed electronically in the October 11- November 10, 2008 period) shows considerable weakness across-the-board. The retail trade sector remains especially weak. Tax payments by retail businesses were 8.6 percent below the year-ago level. In the prior collection period the decline was 7.3 percent. This is the tenth straight month the retail trade sector as a whole has declined or remained unchanged on a year-over-year basis. Eight out of twelve three digit NAICS retail sectors showed year-over-year declines in the October 11 - November 10, 2008 payment period. The largest declines were in autos (-20.7 percent), building materials/garden equipment retailers (-12.0 percent), furniture (-11.8 percent) and apparel and accessories stores (-9.4 percent). General merchandise stores, the second largest retail trade sector after auto sales, decreased by 5.0 percent. The retail trade sectors showing gains were non-store retailers (+5.6 percent), gas stations and convenience stores (+4.7 percent), drug and health stores (+3.7 percent) and food and beverage stores (+0.4 percent).

Based on the preliminary industry data, year-over-year tax payments reported by non-retailing sectors decreased by 1.2 percent in the October 11-November 10 collection period. In the prior period payments by non-retailers decreased by 3.7 percent. Payments from the construction sector showed a 5.0 percent year-over-year decrease in the most recent collection period after declining by 8.8 percent in the previous period. Payments from the manufacturing sector were down 11.7 percent but were negatively impacted by the Boeing strike that began in September. Excluding manufacturing, non-retail trade increased 0.1 percent year-over-year.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
September 11 - November 10, 2008
Based on the September 2008 Forecast (Millions of Dollars)

Agency/Source	Collection Variance*	Percent of Estimate	Adjusted Collection Variance**	Percent of Estimate
Department of Revenue				
Revenue Act[1]	($103.9)	-5.1%	($110.4)	-5.5%
Non Revenue Act[2]	$2.6	1.6%	$2.6	1.6%
Subtotal	($101.3)	4.6%	($107.8)	-4.9%
Department of Licensing[2]	($0.1)	-11.2%	($0.1)	-11.2%
Other	na	na	na	na
Total* **	**($101.4)**	**-4.6%**	**($107.9)**	**-4.9%**

[1] Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections September 11, 2008 through November 10, 2008.
[2] Variance based on September 2008 through October 2008 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.
* Collection variance: actual tax payments compared to monthly estimates based on the September 2008 forecast.
** Variance adjusted for special factors: primarily unusually large refund.
*** Detail may not add to total due to rounding.

No. 82577-7
JSF925 0353

Real estate activity has been weak for more than two years. After peaking in the first quarter of 2006, on a seasonally adjusted basis, taxable real estate activity has fallen for ten consecutive quarters. Conditions in the local real estate market have not improved markedly since the September forecast. Taxable real estate activity in October 2008 was 40.8 percent below the year-ago level. Activity has declined on a year-over-year basis for fifteen consecutive months and twenty-three of the last twenty-six months. Until recently, the primary source of weakness was the volume of activity, but the percent decline in the average value per transaction has surpassed declines in activity since September 2008. The number of real estate transactions has declined on a year-over-year basis in every month except one since December 2005 and was down 21.1 percent in October. The average value per real estate transaction did not show negative year-over-year growth until September 2007 but has shown fairly steady downward growth since then, with October's value down 25.0 percent year-over-year.

The General Fund-State Forecast for the 2007-09 and 2009-11 Biennia

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for 96 percent of total GFS revenue in the 2007-09 biennium and 98 percent in the 2009-11 biennium. The November forecast of GFS revenue sources administered and collected by the Department of Revenue is $515.9 million lower than in September. This is about 96 percent of the total GFS forecast change in November.

As discussed in Chapter 1 of this publication, the November economic forecast for Washington is weaker than September's. The forecast for revenue growth, however, is weaker still. This is because for the last several quarters, both in the state and nationally, consumers have sharply curtailed their spending due to economic uncertainty and a shortage of consumer credit due to the national financial sector crisis. The decrease in spending is especially evident in automobile sales, which account for about ten percent of total state retail sales. Taxable sales of automobiles were down 22.4 percent in October. Construction and related sectors, which account for almost thirty percent of taxable sales, are also forecasted to be weaker than forecasted in September. Consumer spending is not expected to begin a recovery toward a more historically normal rate of growth until mid-to-late 2009.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. The majority of Washington's GFS revenue comes from three taxes: retail sales and use, business and occupation, and the property tax (state school levy). These three taxes account for 85.9 percent of the $28.6 billion GFS forecast of receipts for the 2007-09 biennium. This is up from 83.0 percent in the 2005-07 biennium. These taxes are expected to account for 86.1 percent of GFS revenue in the 2009-11 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The increase in the General Fund's reliance on these three taxes between the 2005-07 and the 2007-09 biennia is partly due to a plunge in real estate excise tax payments expected this biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts increased 50.9 percent in the 2005-07 biennium compared to 18.7 percent for total GFS revenue. Revenue from the real estate excise tax accounted for 7.2 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. This biennium the real estate excise taxes are expected to decline by $827 million compared to 2005-07 and are expected to account for only 4.1 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated $15.2 billion, 54.7 percent of total GFS revenue in the 2005-07 biennium. Sales and use taxes are expected to produce $16.0 billion (55.9 percent) of the total in the 2007-09 budget period and $16.7 billion (55.4 percent) of GFS revenue in the 2009-11 biennium. The business and occupation tax totaled $5.0 billion, 18.2 percent of the total in the 2005-07 biennium. The business and occupation tax is expected to produce $5.6 billion (19.5 percent) of the total this biennium and $6.1 billion (20.3 percent) of the total next biennium. The General Fund-State's share of the property tax totaled $2.8 billion, 10.0 percent of total GFS revenue in the 2005-07 biennium. The property tax is expected to produce $3.0 billion (10.4 percent) of the total in the 2007-09 biennium and $3.1 billion (10.3 percent) of total GFS revenue in the 2009-11 period. Historically, the property tax had a bigger share of total General Fund-State revenue. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.19, part 1.) It should also be noted that part of the reduction in the property tax forecast for the 2009-11 biennium was due to a forecast of deflation in the national implicit price deflator (IPD) for consumption expenditures. Under RCW 84.55, the total state property tax levy for a given calendar year, excluding new construction and changes in the valuation of state assessed property, is allowed to increase by the lesser of either one percent per year or the year-over-year rate of inflation as measured by the monthly IPD in September of the preceding calendar year. As the November forecast of IPD inflation in September 2009 is negative 1.3 percent, the state levy for calendar 2010, excluding changes in new construction and state-assessed property, is forecasted to decrease by that amount.

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled $29.3 billion in the second quarter of 2008, the most recent quarter available. This was 2.3 percent lower than the year-ago level. Taxable sales increased 1.5 percent in the first quarter of 2008 and 5.7 percent in the fourth quarter of 2007. The decline in the second quarter was the first year-over-year decline in taxable sales since the first quarter of 2002, the early recovery period from the last re-

Table 3.4 — Cash Basis

General Fund-State Collections*

(Millions of Dollars)

Biennium	Current Dollars	Percent Change	2000 Chained Dollars	Percent Change
1961-63	$817.1		$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,589.5	5.8%
2005-07	27,772.0	18.7%	24,219.1	12.2%
2007-09 F	28,626.6	3.1%	23,557.5	-2.7%
2009-11 F	30,070.4	5.0%	23,783.1	1.0%

F: November 2008 Forecast

*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.

Table 3.5
Taxable Retail Sales*
November 2008
(Millions of Dollars)

Fiscal Year	Amount	Percent Change
1978	21,121	
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009[F]	114,707	-3.3%
2010[F]	119,146	3.9%
2011[F]	127,163	6.7%

[F] Forecast.
* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Reported totals affected by enacted legislation. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984).

cession. Taxable sales in the second quarter of 2008 grew slower than state personal income for the fourth straight quarter. In the second quarter of 2008, U.S. retail sales increased 2.6 percent (adjusted) on a year-over-year basis after growing at 3.0 percent in the first quarter.

Washington charges sales tax on both construction materials and construction labor. As a result, increases and decreases in construction activity have a large effect on total taxable sales. During the recent construction boom, construction sector taxable sales grew relative to sales in other sectors, growing from an average of 15.2 percent of total taxable sales in the 1990s to a peak of 21.6 percent of sales in the third quarter of 2007. In the second quarter of 2008, taxable sales in the construction sector accounted for 20.2 percent of taxable sales. Taxable sales in construction are forecasted to decline through the fourth quarter of 2009, with a deeper decline than forecasted in September due to the lowered forecast of housing permits and construction employment.

Taxable sales of firms in the retail trade sector declined by 3.4 percent year-over-year in the second quarter of 2008. This decline was due entirely to the decline in sales in the auto sector, the largest retail trade category. Sales at automotive dealers, which accounted for 10.1 percent of total taxable sales and 23.7 percent of sales in the retail trade sector, declined by 13.4 percent. Without this decline, retail trade would have reported a 0.2 percent increase. Taxable sales in the retail trade sector declined 1.8 percent year-over-year in the first quarter, again led by a 9.2 percent decline in sales at auto dealers. Forecasted sales at auto dealers were lowered slightly in the November forecast following a steep forecast reduction in September.

In the second quarter, the retail trade sector also saw large declines in two sectors closely related to housing construction: furniture and home furnishings stores declined by 9.7 percent year-over-year and building materials and garden supply stores decreased by 8.7 percent. The forecast of taxable sales from these two sectors was also lowered from the September forecast.

Taxable sales reported by the service sector, which accounted for 18.5 percent of all taxable sales in the second quarter, were 2.6 percent higher than a year ago while taxable sales reported by the wholesale

Chart 3.1
General Fund-State Revenue

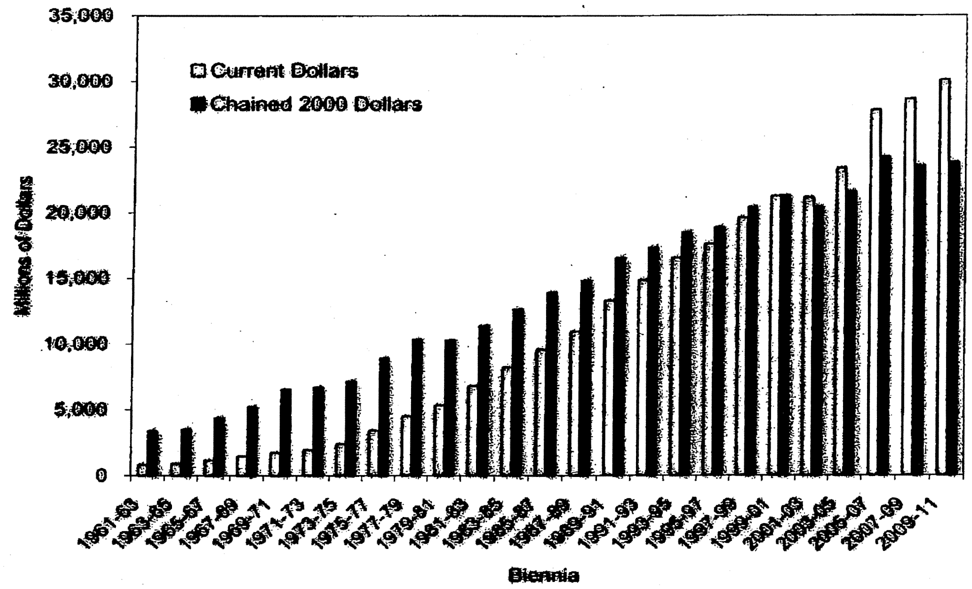


Chart 3.2
General Fund-State Revenue - Percent Change

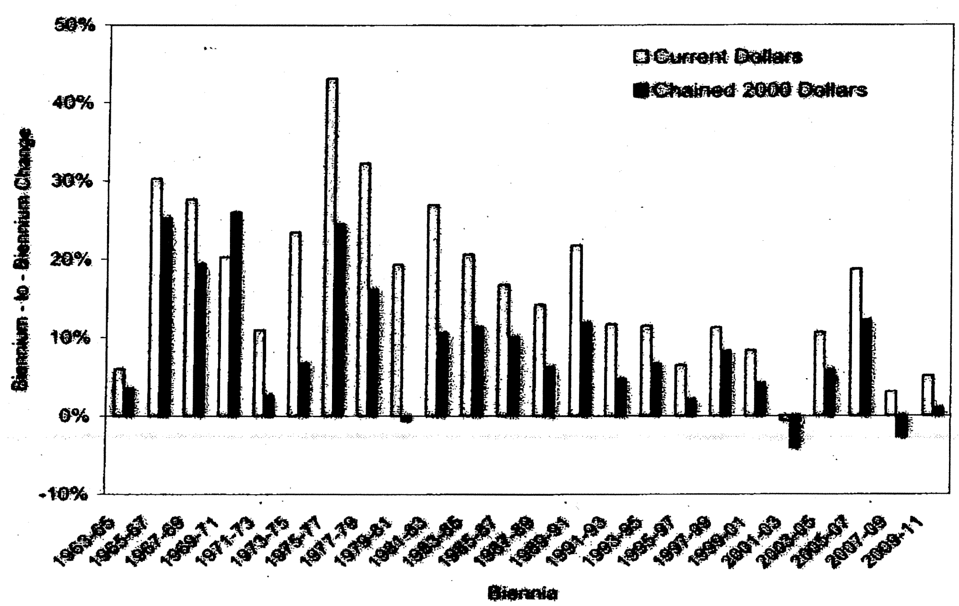
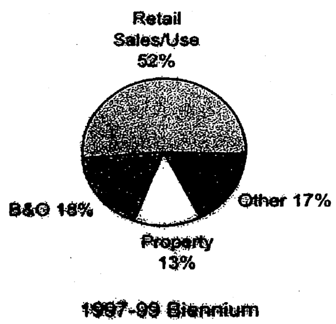


Chart 3.3
Composition of General Fund-State Revenue



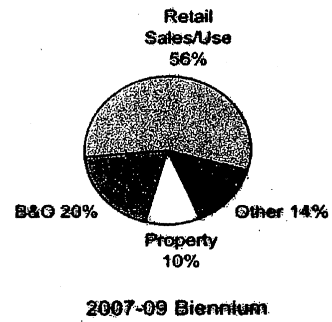
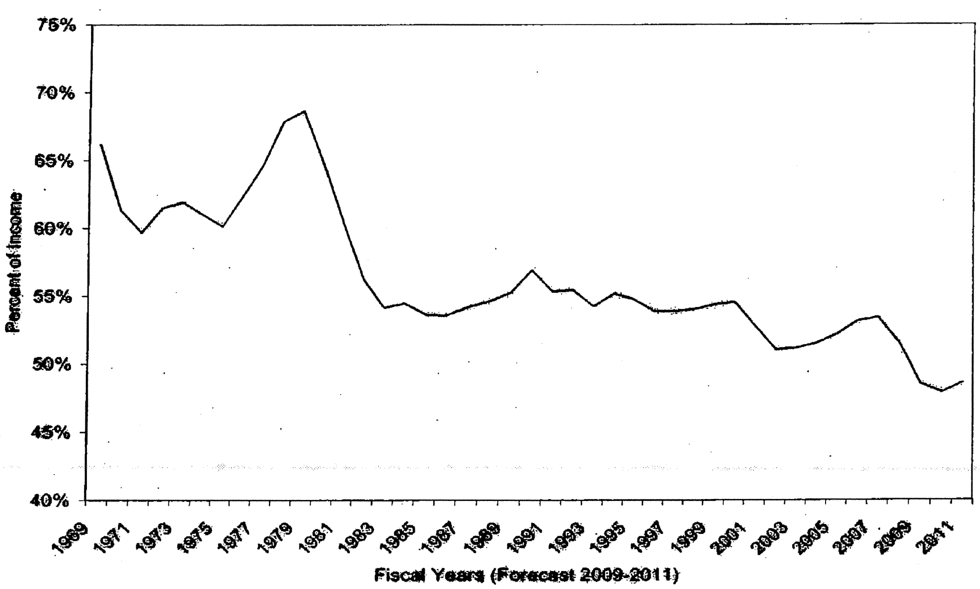


Chart 3.4
Taxable Sales* as Percentage of Personal Income



*Adjusted Base

No. 82577-7
JSF925 0358

trade sector decreased 2.0 percent. Taxable sales in manufacturing decreased by 11.7 percent year-over-year and the information sector reported a 0.3 percent decline.

Statewide taxable sales increased 2.7 percent in fiscal 2008. This is down from 7.9 percent in fiscal 2007. The November 2008 forecast assumes taxable sales will decrease by 3.3 percent in fiscal 2009. Taxable sales growth is expected to turn positive in the next biennium, although the forecast assumes growth will be constrained by weaker than average employment and construction activity. The forecast assumes taxable sales will grow 3.9 percent in fiscal 2010 and 6.7 percent in fiscal 2011. Taking into account the lag between taxable activity and collections and factoring in updated forecasts of tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to decline by 5.1 percent in fiscal 2009, then increase by 3.1 percent in fiscal 2010 and 6.8 percent in fiscal 2011. Retail sales tax collections increased by 4.3 percent in fiscal 2008.

The housing outlook is weaker than assumed in the September forecast, resulting in a lower real estate excise tax forecast. The November 2008 real estate excise tax forecast is $29.3 million less than the September forecast for the 2007-09 biennium and is $108.1 million lower in the 2009-11 biennium.

Business and occupation tax growth is expected to slow to 0.7 percent in fiscal 2009, down from 5.5 percent growth in fiscal 2008. Growth is expected to increase to 5.0 percent in fiscal 2010 and 7.2 percent in fiscal 2011. Public utility taxes are forecasted to increase by 4.8 percent in fiscal 2009, up from 4.2 percent growth in fiscal 2008. Growth is forecasted at 6.1 percent in fiscal 2010 and 4.5 percent in fiscal 2011.

The November 2008 forecast expects the property tax (state tax levy) to increase 6.5 percent in the 2007-09 biennium and 4.3 percent in the 2009-11 biennium. The General Fund-State portion of the levy is expected to increase 7.2 percent in the 2007-09 biennium and 3.8 percent in 2009-11. The portion of the levy diverted to the Student Achievement Account as a result of Initiative 728 is projected to increase 2.4 percent in the 2007-09 biennium and 7.7 percent next biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2007-09 biennium has been decreased $0.2 million to $44.7 million. The department's forecast for the 2009-11 biennium has been decreased $0.2 million to $46.1 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2007-09 biennium has been increased $6.9 million to $26.5 million. The primary forecast increases were in increased prior period recoveries for fiscal 2008. The office's forecast for the 2009-11 biennium has been decreased $1.3 million to negative $35.6 million. The office's negative forecast for the 2009-11 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's forecast for the 2007-09 biennium has been decreased $3.8 million to $164.1 million and the office's forecast for the 2009-11 biennium has been reduced $75.6 million to $31.5 million.

Forecast reductions were due mainly to a forecasted decline in interest rates but also due to a forecasted decline in average fund balances.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast for the 2007-09 biennium is unchanged at $532.2 million and its forecast for the 2009-11 biennium is unchanged at $586.7 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2007-09 biennium is unchanged at $78.4 million and its forecast for the 2009-11 biennium is unchanged at $85.4 million. The board's forecast of beer and wine surtaxes for the 2007-09 biennium is unchanged at $4.4 million and its forecast for the 2009-11 biennium is unchanged at $4.9 million.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's forecast of General Fund cash transfers for the 2007-09 biennium is unchanged at $11.1 million and its forecast for the 2009-11 biennium is unchanged at $1.1 million. The Commission's forecast of revenues for the School Construction Account is also unchanged at $196.9 million for the 2007-09 biennium and $213.8 million for the 2009-11.

Forecast Change for the 2007-09 & 2009-11 Biennia

The November 2008 GFS revenue forecast for the 2007-09 biennium is $502.7 million (1.7 percent) less than in September and the forecast for the 2009-11 biennium is $1,427.9 million (4.5 percent) less.

The forecast for the 2009-11 biennium includes $35.8 million in non-economic changes. This extra revenue is due to the expiration of a sales tax exemption on equipment used to generate electricity from wind, solar, or biomass. Under RCW 82.08.02567, the exemption expires on June 30, 2009. This expiration was not taken into account in prior forecasts for the biennium.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2007-09 biennium by type of change. Tables 3.7 and 3.8 summarize data revisions to GFS revenue for the 2007-09 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the changes to the GFS revenue forecast for the 2009-11 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source.

Track Record for the 2007-09 Biennium

Table 3.13 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The November 2008 forecast for the 2007-09 biennium is $401 million (1.4 percent) lower than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes, the current forecast for the 2007-09 biennium is $216 million (0.7 percent) lower than the initial forecast. There have been eleven quarterly updates to the GFS forecast for the 2007-09 biennium: five have increased the forecast and six, including the November 2008 update, have reduced the forecast.

Track Record for the 2009-11 Biennium

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2009-11 biennium. The initial forecast for the biennium was released in February 2008. The November 2008 forecast for the 2007-09 biennium is $1.847 billion (5.8 percent) lower than the initial forecast. Non-economic changes, the results of legislation and budgetary changes from the 2008 legislative session, account for $10 million (0.03 percent) of the total reductions. All forecasts subsequent to the initial forecast have reduced the forecast for the biennium.

The Relationship between the Cash and GAAP General Fund-State Revenue Forecasts

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2005-07 biennium totaled $27,769.9 million on a GAAP basis, $2.1 million less than the $27,772.0 million cash receipts total. The November 2008 GFS forecast for the 2007-09 biennium is $28,662.3 million on a GAAP basis, $35.7 million more than the $28,626.6 million cash forecast. For the 2009-11 biennium, the GAAP forecast totals $30,165.8 million, $95.4 million higher than the $30,070.4 million cash forecast.

Table 3.16 shows the budgetary balance sheet the 2007-09 biennium which ends June 30, 2009. With adoption of the November 2008 GFS forecast, the projected total ending balance for the 2007-09 biennium is $23.2 million. This is based on an enacted 2007-09 appropriations level of $29,838.2 million including the 2008 supplemental budget. This is $505.8 million less than projected after adoption of the September 2008 revenue forecast and is 0.1 percent of 2007-09 enacted appropriations. The total ending balance for the 2007-09 biennium is comprised of a projected ending GFS balance of negative $413.4 million and a $436.6 million balance in the Budget Stabilization Account. The 2007 Legislature enacted joint resolutions creating a new Budget Stabilization Account which was ratified by voters in the November 2007 general election.

Alternative Forecasts for the 2007-09 and 2009-11 Biennia

Chapter 1 outlines optimistic and pessimistic alternatives to the baseline forecast. The revenue implications of these alternative scenarios are show in Table 3.17 for the 2007-09 biennium and Table 3.18 for the 2009-11 biennium. The optimistic scenario for the 2007-09 biennium generates $28,946 million, $320 million more than the baseline forecast. The pessimistic alternative produces $28,319 million GFS revenue in the 2007-09 biennium, $308 million less than the baseline forecast. For the 2009-11 biennium the range

Table 3.6
Summary of Changes to the General Fund-State Forecast
November 2008 Cash Forecast
(Millions of Dollars)

		November 2008 Change
2007-09 Biennium		
Collection Experience in the 2007-09 Biennium		($101.4)
Department of Revenue[1]	(101.3)	
Department of Licensing[2]	(0.1)	
Non Economic Adjustments to the Forecast		$0.0
Forecast Change for the 2007-09 Biennium		($401.3)
Department of Revenue	($404.3)	
Other agencies	$3.0	
Total Change: 2007-09 Biennium*		**($502.7)**
2009-11 Biennium		
Non Economic Adjustments to the Forecast		$35.8
Forecast Change for the 2009-11 Biennium		($1,463.6)
Department of Revenue	($1,386.5)	
Other agencies	($77.2)	
Total Change: 2009-11 Biennium*		**($1,427.9)**

No. 82577-7
JSF925 0362

is much wider. The optimistic forecast generates $32,354 million, $2,283 million more than the baseline while the pessimist forecast produces $28,141 million, $1,929 million less than the baseline.

In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA). The November 2008 GCEA scenario was based on the forecast of seven members of the GCEA. The GCEA alternative was $49 million lower than the November 2008 baseline forecast for the 2007-09 biennium and $73 million less than the baseline for the 2009-11 budget period.

Related Fund and Near General Fund Forecast for the 2007-09 and 2009-11 Biennia

The November 2008 economic and revenue forecast includes a "related fund" forecast as well as the General Fund-State forecast for the 2007-09 and 2009-11 biennia. Related fund is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. Tables 3.20 and 3.21 summarize the related fund forecast.

The related fund forecast for the 2007-09 biennium is $2,128.6 million, $11.5 million more than expected in September. The combined GFS and related fund forecast for the 2007-09 totals $30,755.2 million, $491.2 million less than the September forecast.

The related fund forecast for the 2009-11 is $2,245.7 million. This is $10.8 million more than the September 2008 forecast and is 5.5 percent higher than the forecast for the 2007-09 biennium. The combined GFS and related fund forecast for the 2009-11 biennium is $32,316.1 million, a reduction of $1,417.1 million from the September forecast. The forecast of combined GFS and related funds for the 2009-11 biennium are $1,560.9 million (5.1 percent) more than the forecast of the 2007-09 biennium.

ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "near general fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in "related funds" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.20. The forecast for the Education Legacy Trust Account for the 2007-09 biennium has been decreased $14.5 million and the forecast for the 2009-11 biennium has been decreased $11.1 million. The forecast of new revenue to the Pension Funding Stabilization Account, which consists mainly of interest earnings, was decreased $0.7 million for the 2007-09 biennium. The account is expected to be expended by the 2009-11 biennium, resulting in a forecast of zero interest earnings for that period. The near general fund forecast for the 2007-09 biennium is $2,587.2 million. The combined GFS and near general fund forecast for 2007-09 totals $31,213.8 million. The near general fund forecast for the 2009-11 is $2,695.0 million. This is 4.2 percent higher than the forecast for the 2007-09 biennium. The combined GFS and near general fund forecast for the 2009-11 biennium is $32,765.5 million. This is $1,551.7 million (5.0 percent) more than the forecast for the 2007-09 biennium.

Table 3.7
Comparison of the General Fund-State Forecast by Agency
2007-09 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	Sept. 2008 Forecast[1]	Non-Economic Changes	Forecast Revision	Nov. 2008 Forecast[2]	Total Change
Department of Revenue					
Retail Sales	$15,375.3	0.0	($358.8)	$15,016.4	($358.8)
Business & Occupation	5,671.8	0.0	(79.2)	5,592.6	(79.2)
Use	1,009.0	0.0	(12.0)	997.0	(12.0)
Public Utility	771.2	0.0	(17.8)	753.4	(17.8)
Liquor Sales/Liter	321.5	0.0	0.0	321.5	0.0
Cigarette	101.3	0.0	0.1	101.4	0.1
Property (State Levy)	2,993.6	0.0	(3.8)	2,989.8	(3.8)
Real Estate Excise	1,204.5	0.0	(29.3)	1,175.2	(29.3)
Timber Excise	13.8	0.0	(0.1)	13.8	(0.1)
Other	808.7	0.0	(4.6)	804.1	(4.6)
Subtotal	28,270.7	0.0	(505.6)	27,765.1	(505.6)
Department of Licensing					
Boat excise, licenses, fees & other	44.9	0.0	(0.2)	44.7	(0.2)
Insurance Commissioner					
Insurance Premiums	532.2	0.0	0.0	532.2	0.0
Liquor Control Board					
Liquor Profits and Fees	78.4	0.0	0.0	78.4	0.0
Beer & Wine Surtax	4.4	0.0	0.0	4.4	0.0
Lottery Commission					
Lottery Revenue	11.1	0.0	(0.0)	11.1	(0.0)
State Treasurer					
Interest Earnings	167.9	0.0	(3.8)	164.1	(3.8)
Office of Financial Management					
Other	19.7	0.0	6.9	26.5	6.9
Total General Fund-State *	**$29,129.3**	**$0.0**	**($502.7)**	**$28,626.6**	**($502.7)**

1 General Fund-State forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in September 2008.
2 General Fund-State forecast for the 2007-09 biennium, adopted November 2008;
*Detail may not add to totals because of rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
2007-09 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	Sept. 2008 Forecast[1]	Non-Economic Changes	Forecast Revision	Nov. 2008 Forecast[2]	Total Change
Department of Revenue					
Retail Sales	$15,462.7	0.0	($357.3)	$15,105.4	($357.3)
Business & Occupation	5,656.7	0.0	(75.9)	5,580.7	(75.9)
Use	1,012.6	0.0	(13.1)	999.5	(13.1)
Public Utility	774.1	0.0	(17.3)	756.7	(17.3)
Liquor Sales/Liter	321.4	0.0	0.0	321.4	0.0
Cigarette	101.0	0.0	(0.2)	100.8	(0.2)
Property (State Levy)	2,994.0	0.0	(46.0)	2,948.0	(46.0)
Real Estate Excise	1,210.6	0.0	(31.2)	1,179.3	(31.2)
Timber Excise	12.7	0.0	(0.1)	12.6	(0.1)
Other	809.7	0.0	(3.3)	806.4	(3.3)
Subtotal	28,355.4	$0.0	(544.5)	27,810.9	(544.5)
Department of Licensing					
Boat excise, licenses, fees & other	45.1	0.0	(0.2)	45.0	(0.2)
Insurance Commissioner					
Insurance Premiums	532.2	0.0	0.0	532.2	0.0
Liquor Control Board					
Liquor Profits and Fees	78.4	0.0	0.0	78.4	0.0
Beer & Wine Surtax	4.4	0.0	0.0	4.4	0.0
Lottery Commission					
Lottery Revenue	11.1	0.0	(0.0)	11.1	(0.0)
State Treasurer					
Interest Earnings	158.9	0.0	(5.1)	153.8	(5.1)
Office of Financial Management					
Other	19.7	0.0	6.9	26.5	6.9
Total General Fund-State *	**$29,205.2**	**$0.0**	**($542.9)**	**$28,662.3**	**($542.9)**

1 Forecast for the 2007-09 biennium adopted September 2008.
2 November 2008 Forecast
*Detail may not add to totals because of rounding.

No. 82577-7
JSF925 0365

Table 3.9

Comparison of the General Fund-State Forecast by Agency

2009-11 Biennium; Cash Basis

(Millions of Dollars)

Forecast by Agency	Sept. 2008 Forecast	Non-Economic Changes	Forecast Revision	Nov. 2008 Forecast[1]	Total Change
Department of Revenue					
Retail Sales	$16,443.0	$35.8	($891.7)	$15,587.0	($856.0)
Business & Occupation	6,253.3	0.0	(145.2)	6,108.1	(145.2)
Use	1,168.9	0.0	(82.0)	1,086.8	(82.0)
Public Utility	879.8	0.0	(43.4)	836.4	(43.4)
Liquor Sales/Liter	340.7	0.0	0.0	340.7	0.0
Cigarette	99.2		(0.9)	98.3	(0.9)
Property (State Levy)	3,186.3		(83.4)	3,102.9	(83.4)
Real Estate Excise	1,437.9	0.0	(108.1)	1,329.8	(108.1)
Timber Excise	10.9	0.0	(0.2)	10.7	(0.2)
Other	881.0	0.0	(31.4)	849.5	(31.4)
Subtotal	30,701.0	35.8	(1,386.5)	29,350.3	(1,350.7)
Department of Licensing					
Boat excise, licenses, fees & other	46.3	0.0	(0.2)	46.1	(0.2)
Insurance Commissioner					
Insurance Premiums	586.7	0.0	0.0	586.7	0.0
Liquor Control Board					
Liquor Profits and Fees	85.4	0.0	0.0	85.4	0.0
Beer & Wine Surtax	4.9	0.0	0.0	4.9	0.0
Lottery Commission					
Lottery Revenue	1.1	0.0	0.0	1.1	0.0
State Treasurer					
Interest Earnings	107.2	0.0	(75.6)	31.5	(75.6)
Office of Financial Management					
Other	(34.3)	0.0	(1.3)	(35.6)	(1.3)
Total General Fund-State *	**$31,498.3**	**$35.8**	**(1,463.6)**	**$30,070.4**	**(1,427.9)**

1 Forecast for the 2009-11 biennium adopted September 2008.
2 November 2008 Forecast.
*Detail may not add to totals because of rounding.

No. 82577-7
JSF925 0366

Table 3.10

Comparison of the General Fund-State Forecast by Agency

2009-11 Biennium; GAAP Basis

(Millions of Dollars)

Forecast by Agency	Sept. 2008 Forecast[1]	Non-Economic Changes	Forecast Revision	Nov. 2008 Forecast[2]	Total Change
Department of Revenue					
Retail Sales	$16,503.0	35.8	($891.7)	$15,647.0	($856.0)
Business & Occupation	6,273.3	0.0	(145.2)	6,128.1	(145.2)
Use	1,172.7	0.0	(82.0)	1,090.6	(82.0)
Public Utility	881.8	0.0	(43.4)	838.4	(43.4)
Liquor Sales/Liter	341.4	0.0	0.0	341.4	0.0
Cigarette	99.2	0.0	(0.9)	98.3	(0.9)
Property (State Levy)	3,186.3	0.0	(83.4)	3,102.9	(83.4)
Real Estate Excise	1,437.9	0.0	(108.1)	1,329.8	(108.1)
Timber Excise	10.3	0.0	(0.2)	10.2	(0.2)
Other	882.4	0.0	(31.4)	850.9	(31.4)
Subtotal	30,788.4	35.8	(1,386.4)	29,437.7	(1,350.7)
Department of Licensing					
Boat excise, licenses, fees & other	47.0	0	(0.2)	46.8	(0.2)
Insurance Commissioner					
Insurance Premiums	586.7	0	0.0	586.7	0.0
Liquor Control Board					
Liquor Profits and Fees	85.4	0	0.0	85.4	0.0
Beer & Wine Surtax	4.9	0	0.0	4.9	0.0
Lottery Commission					
Lottery Revenue	10.2	0	0.0	10.2	0.0
State Treasurer					
Interest Earnings	108.6	0	(78.8)	29.8	(78.8)
Office of Financial Management					
Other	(34.3)	0	(1.3)	(35.6)	(1.3)
Total General Fund-State *	**$31,596.8**	**$35.8**	**(1,466.7)**	**$30,165.8**	**(1,431.0)**

1 Forecast for the 2009-11 biennium adopted in November 2008.
2 Forecast for the 2009-11 biennium adopted in September 2008.
*Detail may not add to totals because of rounding.

Table 3.11
November 2008 General Fund-State Forecast
2007-09 & 2009-11 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2007[a]	Fiscal 2008	Fiscal 2009	2007-09 Biennium	Fiscal 2010	Fiscal 2011	2009-11 Biennium
State Taxes							
Retail sales***	$7,388.0	$7,705.2	$7,311.2	$15,016.4	$7,536.6	$8,050.4	$15,587.0
Business & occupation	2,640.9	2,786.2	2,806.3	5,592.6	2,947.4	3,160.7	6,108.1
Use***	504.4	511.2	485.8	997.0	519.9	566.9	1,086.8
Public Utility	352.9	367.9	385.5	753.4	409.0	427.4	836.4
Liquor sales/liter	147.7	157.2	164.3	321.5	168.3	172.4	340.7
Beer & wine surtax	2.2	2.2	2.3	4.4	2.4	2.5	4.9
Cigarette	50.5	51.3	50.1	101.4	49.4	48.9	98.3
Tobacco products	6.8	(9.3)	10.2	0.9	10.4	10.7	21.0
Property (state school levy)**	1,423.1	1,473.6	1,516.2	2,989.8	1,536.2	1,566.8	3,102.9
Public utility district	39.8	41.7	43.0	84.7	44.7	46.7	91.4
Real estate excise	1,069.6	663.3	511.9	1,175.2	612.0	717.8	1,329.8
Timber excise	8.0	7.3	6.5	13.8	5.6	5.1	10.7
Estate/inheritance	5.3	4.1	1.5	5.6	1.0	0.5	1.5
Motor vehicle excise & Rental car	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Boat excise	15.8	17.7	17.3	35.0	18.0	18.7	36.6
Insurance premiums	249.0	260.6	271.7	532.2	286.4	300.3	586.7
Other	275.9	260.3	260.2	520.6	282.9	302.5	585.4
Total Taxes	14,180.0	14,300.5	13,843.9	28,144.4	14,430.0	15,398.3	29,828.3
State Non-Tax Sources							
Licenses, permits, fees	91.8	97.5	91.9	189.4	94.1	96.8	190.8
Liquor profits & fees	49.0	38.9	39.5	78.4	41.0	44.3	85.4
Earnings on investments	100.9	116.6	47.5	164.1	11.9	19.7	31.5
Lottery transfers	7.6	0.0	11.1	11.1	0.0	1.1	1.1
Other revenue & transfers	13.9	60.4	(21.2)	39.2	(35.7)	(31.1)	(66.7)
Total Non-Tax	263.1	313.4	168.8	482.2	111.3	130.8	242.1
Total General Fund-State*	$14,443.2	$14,613.9	$14,012.7	$28,626.6	$14,541.3	$15,529.1	$30,070.4

a - Actual;
* Detail may not add to totals due to rounding.
**General Fund-State portion of the state levy AFTER transfers to the Student Achievement Account.
***GFS portion after Initiative 900 transfer.

Table 3.12
General Fund - State Cash Receipts
November 2008 Forecast by Fiscal Year
(Millions of Dollars)

	General Fund - State	Percent Change
Fiscal Years		
1986	$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
2007	14,443.2	8.4%
2008	14,613.9	1.2%
Forecast		
2009	14,012.7	-4.1%
2010	14,541.3	3.8%
2011	15,529.1	6.8%

No. 82577-7
JSF925 0369

Table 3.13

Track Record for the 2007-09 General Fund-State Cash Forecast

February 2006 through November 2008

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis
*February 2006****	*$28,180*	*$848*				*$29,028*
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	8.9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
Total change*:**						
From February 2006	(281)	66	(216)	(185)	(401)	
Percent change	-1.0%	7.8%	-0.7%	-0.6%	-1.4%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.
** Includes legislative, judicial, statutorily required or other major non-economic changes.
*** Detail may not add to total due to rounding.
**** First official forecast for the 2007-09 biennium.
#1 Change to the forecast due to 2006 legislation.
#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement
#3 Change to the forecast due to change in federal law regarding taxation of internet access.
#4 Impact of 2008 legislation and budget driven revenue.

Table 3.14

Track Record for the 2009-11 General Fund-State Cash Forecast

February through November 2008

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis
*February 2008*** **	*$31,051*	*$867*				*$31,918*
Changes to Forecast						
June 2008	(90)	(28)	(117)	(46) #1	(163)	31,754
September 2008	(228)	(29)	(256)	0	(256)	31,498
November 2008	(1,386)	(77)	(1,464)	36 #2	(1,428)	30,070
Total change*:**						
From February 2008	(1,704)	(133)	(1,837)	(10)	(1,847)	
Percent change	-5.5%	-15.4%	-5.8%	-0.0%	-5.8%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.
** Includes legislative, judicial, statutorily required or other major non-economic changes.
*** Detail may not add to total due to rounding.
**** First official forecast for the 2009-11 biennium.
#1 Impact of 2008 legislation and budget driven revenue.
#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment

Table 3.15

November 2008 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

	2005-07 Biennium			2007-09 Biennium			2009-11 Biennium		
Agency	Cash Basis[1]	GAAP Basis[2]	Diff.	Cash Basis[1]	GAAP Basis[2]	Diff.	Cash Basis[1]	GAAP Basis[2]	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue[3]	$26,792.2	$26,783.5	($8.7)	$27,597.7	$27,644.6	$47.0	$29,230.4	$29,318.3	$87.9
Department of Licensing	41.3	42.0	0.7	44.7	45.0	0.2	46.1	46.8	0.7
Insurance Commissioner[4]	506.9	506.9	0.0	550.2	550.2	0.0	606.5	606.5	0.0
State Treasurer	167.3	175.3	8.0	164.1	153.8	(10.3)	31.5	29.8	(1.8)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	248.4	248.4	0.0	285.9	285.9	0.0	278.8	278.8	0.0
Subtotal: General Fund-State Cash/Reve	***27,756.1***	***27,756.1***	***(0.0)***	***28,642.6***	***28,679.5***	***36.9***	***30,193.4***	***30,280.2***	***86.8***
General Fund State - Other Financing Sources[5]									
Department of Revenue[6]	117.5	117.3	(0.2)	167.5	166.3	(1.1)	119.9	119.4	(0.5)
Lottery Commission	9.5	7.6	(1.9)	11.1	11.1	0.0	1.1	10.2	9.0
Insurance Commissioner[7]	(16.3)	(16.3)	0.0	(18.0)	(18.0)	0.0	(19.8)	(19.8)	0.0
Liquor Control Board	102.4	102.4	0.0	82.8	82.8	0.0	90.3	90.3	0.0
Office of Financial Management									
Other Agencies[8]	-197.1	(197.1)	(0.0)	(259.4)	(259.4)	0.0	(314.4)	(314.4)	0.0
Subtotal: GFS Other Financing Sources	***15.9***	***13.9***	***(2.0)***	***(16.0)***	***(17.1)***	***(1.1)***	***(122.9)***	***(114.4)***	***8.5***
Total Available Receipts/Resources									
General Fund-State *	**$27,772.0**	**$27,769.9**	**($2.1)**	**$28,626.6**	**$28,662.3**	**$35.7**	**$30,070.4**	**$30,165.8**	**$95.4**

* Detail may not add due to rounding.
1 General Fund-State cash receipts forecast.
2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.
3 Excludes the state share of the timber tax and unclaimed property transfers.
4 Total insurance premiums tax.
5 Other financing sources represent transfers to/from other funds from/to the General Fund.
6 Includes the state share of the timber excise tax and unclaimed property transfers.
7 Portion of fire insurance premiums transferred out of the General Fund
8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

No. 82577-7
JSF925 0372

Table 3.16

2007-09 Enacted Budget Balance Sheet Including 2008 Supplemental General Fund-State

Dollars in Millions

RESOURCES	
Beginning Fund Balance	780.5
September 2008 Forecast	29,129.3
November 2008 Update	(502.7)
Current Revenue Totals	**28,626.6**
Legislatively Enacted Fund Transfers	147.0
Transfer to Budget Stabilization Account	(129.4)
Total Resources (including beginning fund balance)	**29,424.8**
EXPENDITURES	
2007-09 Enacted Budget (including 2008 Supplemental)	**29,838.2**
RESERVES	
Projected General Fund Ending Balance	**(413.4)**
Budget Stabilization Account Beginning Balance	0.0
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2
Transfer from General Fund and Interest Earnings	133.4
Projected Budget Stabilization Account Ending Balance	**436.6**
Total Reserves (General Fund plus Budget Stabilization)	**23.2**

House and Senate Fiscal Committees and Office of Financial Management

No. 82577-7
JSF925 0373

Table 3.17
November 2008 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	$15,125.6	$15,016.4	$14,925.4
Business & Occupation	5,643.8	5,592.6	5,535.3
Use	1,009.3	997.0	986.4
Public Utility	756.7	753.4	750.2
Property (school levy)	3,065.6	2,989.8	2,914.0
Real Estate Excise	1,184.8	1,175.2	1,165.9
Other	1,274.4	1,240.8	1,210.1
Subtotal	28,060.3	27,765.1	27,487.3
Department of Licensing	45.4	44.7	44.0
Insurance Commissioner[1]	539.0	532.2	525.4
Lottery Commission	11.1	11.1	11.1
State Treasurer - Interest earnings	175.4	164.1	147.5
Liquor Profits & Fees[2]	83.6	82.8	82.0
Office of Financial Management			
Other agencies	31.5	26.5	21.5
Total General Fund - State*	**$28,946.4**	**$28,626.6**	**$28,318.9**
Difference from November 2008 Baseline	**$319.8**		**($307.7)**

1 Insurance premiums, General Fund-State portion.
2 Includes beer and wine surtax.
* Detail may not add to total due to rounding.

Table 3.18
November 2008 Alternative Forecasts Compared to the Baseline Forecast
2009-11 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	$16,772.9	$15,587.0	$14,645.0
Business & Occupation	6,639.9	6,108.1	5,641.3
Use	1,186.2	1,086.8	1,018.2
Public Utility	865.9	836.4	801.9
Property (school levy)	3,258.1	3,102.9	2,947.8
Real Estate Excise	1,485.7	1,329.8	1,186.6
Other	1,369.0	1,299.2	1,234.8
Subtotal	31,577.7	29,350.3	27,475.6
Department of Licensing	47.5	46.1	44.8
Insurance Commissioner[1]	601.4	586.7	572.0
Lottery Commission	1.1	1.1	0.0
State Treasurer - Interest earnings	59.5	31.5	6.0
Liquor Profits & Fees[2]	92.1	90.3	88.5
Office of Financial Management			
Other agencies	(25.6)	(35.6)	(45.6)
Total General Fund - State*	**$32,353.7**	**$30,070.4**	**$28,141.2**
Difference from November 2008 Baseline	**$2,283.2**		**($1,929.3)**

1 Insurance premiums, General Fund-State portion.
2 Includes beer and wine surtax.
* Detail may not add to total due to rounding.

No. 82577-7
JSF925 0375

Table 3.19

Impact of Initiative 728 on the State Property Tax and Lottery Revenue
November 2008 Cash Forecast; Millions of Dollars

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	To the General Fund	To the Student Achievement Account[1]
2004	1,504.7	1,370.5	134.2
2005	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,669.7	1,423.1	246.6
2005-07 Biennium	3,280.4	2,788.6	491.8
2008	1,720.8	1,473.6	247.2
2009	1,772.4	1,516.2	256.3
200-09 Biennium	3,493.3	2,989.8	503.4
2010	1,804.9	1,536.2	268.8
2011	1,840.0	1,566.8	273.3
2010-11 Biennium	3,645.0	3,102.9	542.0

II. Lottery Transfers by Fund*

	Lottery: Total Transfers:**	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account[1]	School Construction Account[1]	Transfer to VRDE[2]	Problem Gambling Account	Economic Development Account
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0		
2005	112.2	4.3	4.2	7.6	0.0	96.2	0.0		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.0	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.0	0.4	6.0
2008	123.6	0.0	4.7	8.5	0.0	106.9	0.0	0.3	3.2
2009	118.2	11.1	4.9	8.9	0.0	90.0	0.0	0.3	3.1
2007-09 Biennium	241.9	11.1	9.6	17.4	0.0	196.9	0.0	0.5	6.3
2010	129.8	0.0	5.1	9.2	0.0	111.8	0.0	0.3	3.4
2011	121.7	1.1	5.3	9.6	0.0	102.0	0.0	0.3	3.4
2009-11 Biennium	251.5	1.1	10.4	18.8	0.0	213.8	0.0	0.6	6.8

* Cash Basis

Total Transfers are equal to total sales less total expenses (prizes,cost of sales, administration etc.)

1 Initiative 728 directs a portion of the state levy to the Student Achievement Account and lottery revenue to the Student Achievement Account and the School Construction Fund. Prior to Initiative 728 this revenue went into the General Fund.

2 Transfer to the Violence Reduction and Drug Education Account required by 2002 legislation (SSB 6560).

No. 82577-7
JSF925 0376

Table 3.20

General Fund-State, Related Fund*, and Near General Fund*

November 2008 and September 2008 Cash Forecasts

2007-09 & 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change From 2007-08	
	Sept. 2008 Forecast	Nov. 2008 Forecast	Difference	Sept. 2008 Forecast	Nov. 2008 Forecast	Difference	Amount	Percent
General Fund-State	$29,129.3	$28,626.6	$(502.7)	$31,498.3	$30,070.4	$(1,427.9)	$1,443.8	5.0%
Related Fund*								
Health Services Account	$1,242.6	$1,252.1	$9.6	$1,284.4	$1,297.0	$12.6	$44.9	3.6%
Violence Reduction and Drug Enforcement Acct.	94.1	94.2	0.0	106.3	104.5	(1.7)	10.3	11.0%
Water Quality Account	71.8	72.0	0.2	90.9	90.5	(0.4)	18.5	25.7%
Student Achievement Account	503.4	503.4	(0.0)	539.0	542.0	3.1	38.6	7.7%
Public Safety and Education Account	205.1	206.9	1.8	214.4	211.6	(2.7)	4.8	2.3%
Total Related Fund	$2,117.1	$2,128.6	11.5	$2,234.9	$2,245.7	$10.8	$117.1	5.5%
Total General Fund and Related Fund	$31,246.4	$30,755.2	$(491.2)	$33,733.2	$32,316.1	$(1,417.1)	$1,560.9	5.1%
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	$449.4	$434.9	$(14.5)	$460.5	$449.3	$(11.1)	$14.4	3.3%
Pension Funding Stabilization Account	24.4	23.7	(0.7)	0.0	0.0	0.0	-23.7	-100.0%
Total Near General Fund	$2,590.9	$2,587.2	$(3.7)	$2,695.4	$2,695.0	$(0.3)	$107.8	4.2%
Total General Fund and Near General Fund	$31,720.2	$31,213.8	$(506.4)	$34,193.6	$32,765.5	$(1,428.2)	$1,551.7	5.0%

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Near General Fund includes all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts.

Table 3.21

General Fund-State and Related Fund *

History/Forecast by Fiscal Year (Cash basis)

November 2008 - Millions of Dollars

	General Fund-State		Related Fund*		Combined General Fund-State and Related Fund	
	Level	% Change	Level	Change	Level	% Change
fiscal 1995	8,551.3		247.8		8,799.0	
fiscal 1996	8,581.2	0.3%	353.2	42.6%	8,934.4	1.5%
fiscal 1997	9,056.6	5.5%	392.3	11.1%	9,448.9	5.8%
fiscal 1998	9,640.9	6.5%	416.1	6.1%	10,057.0	6.4%
fiscal 1999	9,979.2	3.5%	434.9	4.5%	10,414.1	3.6%
fiscal 2000	10,433.2	4.5%	634.4	45.9%	11,067.5	6.3%
fiscal 2001	10,828.9	3.8%	731.1	15.2%	11,560.0	4.4%
fiscal 2002	10,450.7	-3.5%	1,181.7	61.6%	11,632.4	0.6%
fiscal 2003	10,689.9	2.3%	1,031.3	-12.7%	11,721.2	0.8%
fiscal 2004	11,321.2	5.9%	1,037.2	0.6%	12,358.4	5.4%
fiscal 2005	12,067.3	6.6%	969.0	-6.6%	13,036.3	5.5%
fiscal 2006	13,328.8	10.5%	988.8	2.0%	14,317.6	9.8%
fiscal 2007	14,443.2	8.4%	1,024.2	3.6%	15,467.4	8.0%
fiscal 2008	14,613.9	1.2%	1,046.0	2.1%	15,659.9	1.2%
fiscal 2009	14,012.7	-4.1%	1,082.6	3.5%	15,095.3	-3.6%
fiscal 2010	14,541.3	3.8%	1,112.6	2.8%	15,653.9	3.7%
fiscal 2011	15,529.1	6.8%	1,133.1	1.8%	16,662.2	6.4%

*As defined in RCW 43.135.025; Cash forecast; state sources.

No. 82577-7
JSF925 0378

Washington Gross Domestic Product by Industry, 2003-2007

In June 2008, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released new estimates of 2007 Gross Domestic Product (GDP) by state for major industrial sectors. The release also included revised estimates for 2004-2006 GDP as well as the industrial detail for 2006 GDP that was not included in last year's release. Estimates for the years 2003-2007 are presented in this chapter. Estimates for years not included in this report are available through the BEA (www.bea.gov) or the Economic and Revenue Forecast Council.

The estimate of GDP for each state is derived as the sum of the GDP from all industries in the state. In concept, an industry's GDP, or its value added, is equal to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). The GDP accounts provide data by industry and by state that are consistent with gross domestic product (GDP) in the national income and product accounts and with the GDP-by-industry accounts.

For each industry, GDP can be broken down into three components: taxes on production and imports, gross operating surplus and compensation of employees. "Taxes on production and imports" is the sum of Federal excise taxes and customs duties and state and local government sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes and special assessments. It is presented here minus the value of government subsidies. "Gross operating surplus" is defined as the sum of corporate profits, proprietors' income, rental income of persons, net interest, capital consumption allowances, business transfer payments, nontax payments and the current surplus of government enterprises. The third component, compensation of employees, is the sum of wage and salary accruals, employer contributions for government social insurance and employer contributions for employee pension and insurance funds. A more detailed description of the components can be found in the January 2006 ***Survey of Current Business,*** available at the BEA website. The three components less subsidies (which are removed from the tax component in the accompanying tables and charts) sum to total GDP. The most recent year for which these components are currently available is 2006.

Chart 4.1 shows 2007 GDP for each of the fifty states. California once again had the highest GDP of all the states with $1.813 trillion while Vermont had the lowest at $25 billion. Washington ranked 14th with a GDP of $311 billion, the same rank it has held since 1990. Chart 4.2 represents the industrial composition of Washington gross state product in 2007. Once again financial activities made of the largest percentage at almost 20% while government and trade were the next two largest components at 13.7% and 13.2% respectively. Chart 4.3 compares the component shares of Washington GDP in 1980 and 2006. During this period, the GDP share of compensation shrank while those of gross operating surplus and taxes grew.

Table 4.1 shows Washington and U.S. gross domestic product from 1976 to 2007, and Washington State GDP as a percentage of the U.S. total. During most of this time, Washington's average growth rate of GDP was higher than that of the U.S., which is reflected in its growing share of the total. Washington's share of U.S. GDP peaked at 2.33% in 1999 fueled by average annual growth of almost 10% from 1997-1999. The state's share of U.S. GDP then declined steadily until rebounding in 2005 due to strong growth in manufacturing and construction; and now has continued to increase its share in each of the last three years, reaching 2.26% in 2007. Table 4.2 shows Washington GDP by industry from 2003 to 2007, Table 4.3 details real Washington GDP estimates by industry from 2003 to 2007, and Table 4.4 details the components of GDP by industry in 2006.

Chart 4.1
2007 Gross Domestic Product by State
Billions of Dollars

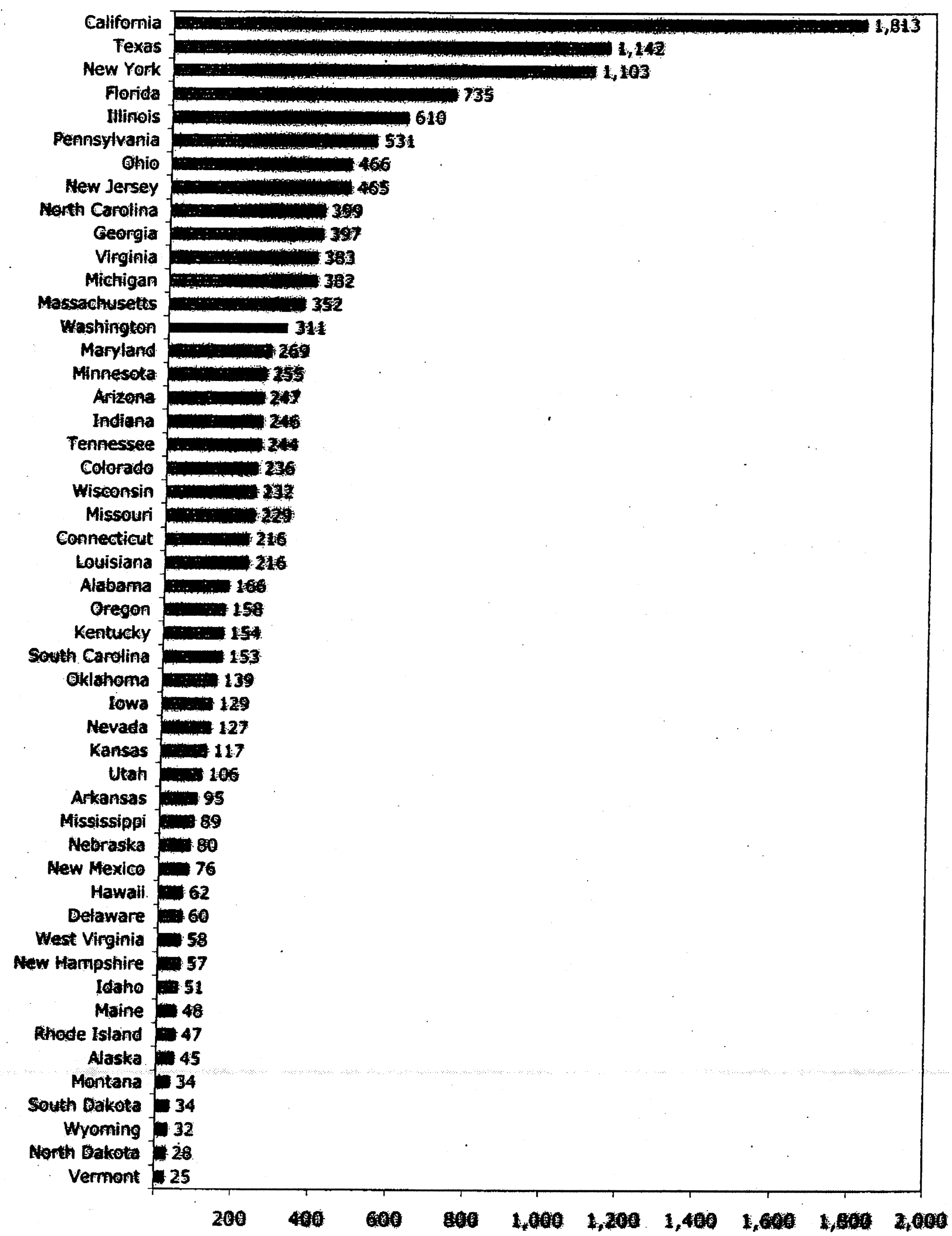
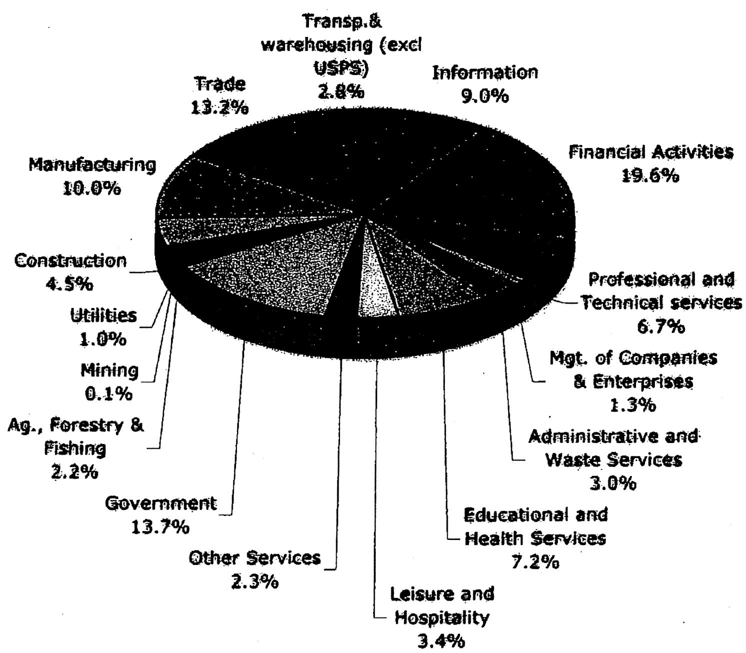
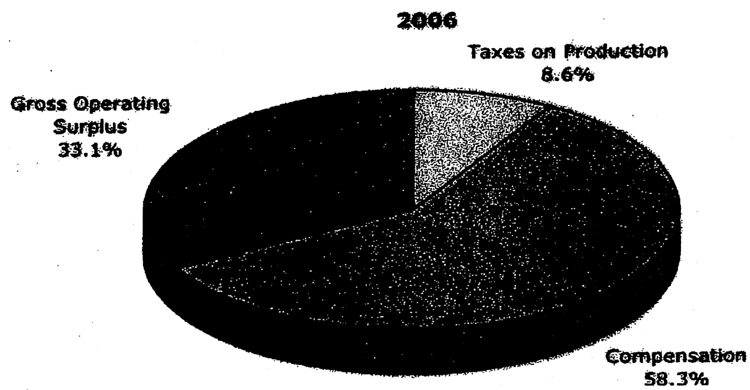


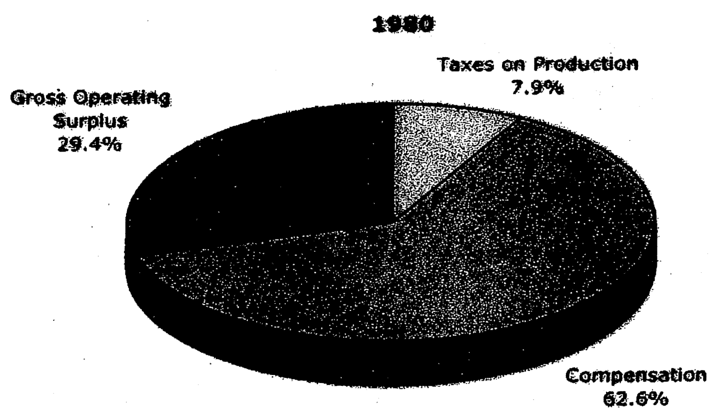
Chart 4.2
Washington GDP by Industry, 2007



No. 82577-7
JSF925 0382

Chart 4.3
Washington GDP by Component
1980 vs. 2006





No. 82577-7
JSF925 0383

Table 4.1

Washington and U.S. Gross Domestic Product (millions of current dollars)

1976 through 2007

	Washington	U.S.	% of U.S. Economy
1976	$31,679	$1,779,570	1.78%
1977	$36,276	$1,986,138	1.83%
1978	$42,229	$2,243,638	1.88%
1979	$48,389	$2,491,428	1.94%
1980	$52,158	$2,719,134	1.92%
1981	$58,003	$3,064,552	1.89%
1982	$61,572	$3,217,617	1.91%
1983	$66,765	$3,451,340	1.93%
1984	$72,596	$3,872,847	1.87%
1985	$75,870	$4,155,029	1.83%
1986	$81,932	$4,364,279	1.88%
1987	$87,712	$4,663,282	1.88%
1988	$96,240	$5,067,453	1.90%
1989	$105,057	$5,385,776	1.95%
1990	$115,650	$5,674,013	2.04%
1991	$122,657	$5,857,335	2.09%
1992	$131,148	$6,174,369	2.12%
1993	$138,834	$6,453,455	2.15%
1994	$146,726	$6,865,513	2.14%
1995	$151,338	$7,232,722	2.09%
1996	$161,760	$7,659,651	2.11%
1997*	$178,334	$8,237,994	2.16%
1998	$195,794	$8,679,657	2.26%
1999	$214,375	$9,201,138	2.33%
2000	$221,961	$9,749,103	2.28%
2001	$225,765	$10,058,168	2.24%
2002	$231,463	$10,398,402	2.23%
2003	$240,813	$10,886,172	2.21%
2004	$253,247	$11,607,041	2.18%
2005	$273,257	$12,346,871	2.21%
2006	$291,298	$13,119,938	2.22%
2007	$311,270	$13,743,021	2.26%

*Classification codes changed in 1997 from SIC to NAICS

Table 4.2
Washington Gross Domestic Product by Industry
(Millions of Dollars)

	2003	2004	2005	2006	2007
All industry total	240,813	253,247	273,257	291,298	311,270
Private industries	206,115	216,845	235,002	250,468	268,494
Agriculture, forestry, fishing, and hunting	5,175	5,672	5,290	5,739	6,880
Crop and animal production (Farms)	3,074	3,453	3,039	3,261	n/a
Forestry, fishing, and related activities	2,101	2,219	2,251	2,478	n/a
Mining	256	246	339	414	393
Oil and gas extraction	(L)	0	0	0	n/a
Mining, except oil and gas	231	221	307	360	n/a
Support activities for mining	25	24	32	54	n/a
Utilities	2,274	2,465	2,604	2,861	3,182
Construction	10,473	11,407	13,248	14,348	13,990
Manufacturing	24,033	23,986	29,934	29,037	31,076
Durable goods	17,079	17,385	21,022	20,857	22,529
Wood product manufacturing	1,307	1,581	1,609	1,470	n/a
Nonmetallic mineral product manufacturing	797	873	944	1,093	n/a
Primary metal manufacturing	355	487	573	800	n/a
Fabricated metal product manufacturing	1,091	1,272	1,450	1,664	n/a
Machinery manufacturing	838	990	1,149	1,604	n/a
Computer and electronic product manufacturing	1,345	1,449	2,099	1,754	n/a
Electrical equipment and appliance manuf.	533	414	503	467	n/a
Motor vehicle, body, trailer, and parts manuf.	667	516	641	709	n/a
Other transportation equipment manufacturing	8,904	8,627	10,844	9,956	n/a
Furniture and related product manufacturing	446	402	425	468	n/a
Miscellaneous manufacturing	796	774	785	870	n/a
Nondurable goods	6,954	6,600	8,911	8,181	8,548
Food product manufacturing	2,325	2,204	2,414	2,558	n/a
Textile and textile product mills	132	110	96	100	n/a
Apparel manufacturing	103	120	114	123	n/a
Paper manufacturing	1,519	1,482	1,520	1,439	n/a
Printing and related support activities	538	577	532	607	n/a
Petroleum and coal products manufacturing	978	863	2,826	1,820	n/a
Chemical manufacturing	697	580	663	658	n/a
Plastics and rubber products manufacturing	661	663	747	876	n/a
Wholesale trade	14,233	15,929	16,779	17,760	18,537
Retail trade	17,643	18,442	19,713	20,921	22,455
Transportation and warehousing, excl. Postal Serv.	6,833	7,616	7,861	8,383	8,676
Air transportation	1,249	1,237	1,163	1,224	n/a
Rail transportation	526	563	643	716	n/a
Water transportation	528	608	552	552	n/a
Truck transportation	1,726	1,988	2,164	2,302	n/a
Transit and ground passenger transportation	239	266	254	272	n/a
Pipeline transportation	29	30	34	33	n/a
Other transportation and support activities	2,120	2,365	2,415	2,607	n/a
Warehousing and storage	416	560	636	677	n/a

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.2 (cont'd.)	2003	2004	2005	2006	2007
Information	20,242	20,282	21,382	23,478	28,004
Publishing including software	13,771	11,920	12,811	14,716	n/a
Motion picture and sound recording industries	186	199	231	238	n/a
Broadcasting and telecommunications	5,834	7,567	7,501	7,472	n/a
Information and data processing services	450	596	839	1,051	n/a
Finance and insurance	14,397	14,792	15,666	17,386	16,961
Federal Reserve banks, credit inter. and related	8,576	8,438	9,533	10,824	n/a
Securities, commodity contracts, investments	1,513	1,846	1,720	1,949	n/a
Insurance carriers and related activities	4,165	4,345	4,237	4,440	n/a
Funds, trusts, and other financial vehicles	142	163	177	174	n/a
Real estate and rental and leasing	34,030	36,453	38,815	41,761	44,010
Real estate	32,167	34,566	36,863	39,903	n/a
Rental and leasing serv. and lessors of int. assets	1,863	1,887	1,952	1,858	n/a
Professional and technical services	14,763	15,411	16,525	17,847	20,759
Legal services	2,676	2,832	2,899	3,045	n/a
Computer systems design and related services	2,414	2,516	2,683	3,037	n/a
Other professional, scientific and tech. services	9,673	10,064	10,943	11,766	n/a
Management of companies and enterprises	3,409	3,181	3,468	3,849	4,014
Administrative and waste services	6,931	7,431	8,017	8,653	9,395
Administrative and support services	5,435	5,812	6,359	6,981	n/a
Waste management and remediation services	1,496	1,619	1,658	1,672	n/a
Educational services	1,300	1,440	1,476	1,563	1,706
Health care and social assistance	16,088	17,149	18,013	19,273	20,620
Ambulatory health care services	8,887	9,417	9,923	10,698	n/a
Hospitals and nursing and resid. care facilities	5,586	6,058	6,297	6,662	n/a
Social assistance	1,616	1,675	1,792	1,913	n/a
Arts, entertainment, and recreation	1,970	2,255	2,419	2,573	2,655
Performing arts, museums, and related activities	819	964	1,066	1,154	n/a
Amusement, gambling, and recreation	1,151	1,291	1,353	1,419	n/a
Accommodation and food services	6,153	6,601	7,010	7,829	7,909
Accommodation	1,577	1,726	1,808	2,000	n/a
Food services and drinking places	4,576	4,875	5,202	5,829	n/a
Other services, except government	5,911	6,087	6,444	6,792	7,272
Government	34,699	36,402	38,255	40,829	42,775
Federal civilian	6,367	6,517	6,278	7,060	n/a
Federal military	4,939	5,345	6,085	6,486	n/a
State and local	23,393	24,541	25,892	27,283	n/a

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

No. 82577-7
JSF925 0386

Table 4.3
Washington Gross Domestic Product by Industry
(Millions of Chained 2000 Dollars)

	2003	2004	2005	2006	2007
All industry total	224,962	230,007	241,836	250,367	261,069
Private industries	194,688	199,834	211,816	219,829	230,011
Agriculture, forestry, fishing, and hunting	4,899	4,740	4,931	5,426	5,453
Crop and animal production (Farms)	2,646	2,473	2,620	2,983	n/a
Forestry, fishing, and related activities	2,251	2,295	2,324	2,444	n/a
Mining	209	183	218	232	208
Oil and gas extraction	(L)	0	0	0	n/a
Mining, except oil and gas	203	175	213	220	n/a
Support activities for mining	9	9	9	12	n/a
Utilities	2,074	2,177	2,164	2,121	2,296
Construction	8,850	8,892	9,408	9,239	8,865
Manufacturing	23,374	23,054	27,635	26,168	27,503
Durable goods	16,907	16,912	20,228	19,878	21,347
Wood product manufacturing	1,239	1,295	1,341	1,286	n/a
Nonmetallic mineral product manufacturing	799	854	858	881	n/a
Primary metal manufacturing	392	435	448	520	n/a
Fabricated metal product manufacturing	1,073	1,219	1,325	1,511	n/a
Machinery manufacturing	814	991	1,127	1,558	n/a
Computer and electronic product manufacturing	2,327	2,875	4,765	4,595	n/a
Electrical equipment and appliance manuf.	547	423	502	438	n/a
Motor vehicle, body, trailer, and parts manuf.	736	606	840	1,055	n/a
Other transportation equipment manufacturing	7,919	7,467	9,106	8,097	n/a
Furniture and related product manufacturing	419	393	401	432	n/a
Miscellaneous manufacturing	748	742	759	849	n/a
Nondurable goods	6,448	6,135	7,388	6,392	6,353
Food product manufacturing	2,097	2,045	2,209	2,438	n/a
Textile and textile product mills	134	111	97	98	n/a
Apparel manufacturing	104	124	119	129	n/a
Paper manufacturing	1,573	1,579	1,606	1,438	n/a
Printing and related support activities	517	564	522	588	n/a
Petroleum and coal products manufacturing	767	605	1,235	674	n/a
Chemical manufacturing	659	533	567	532	n/a
Plastics and rubber products manufacturing	650	673	745	780	n/a
Wholesale trade	14,593	15,457	15,726	16,075	16,154
Retail trade	17,661	18,324	19,868	21,216	22,856
Transportation and warehousing, excl. Postal Serv.	6,486	7,290	7,542	7,893	8,052
Air transportation	1,622	1,902	2,050	2,020	n/a
Rail transportation	481	492	499	629	n/a
Water transportation	324	387	365	362	n/a
Truck transportation	1,559	1,737	1,849	1,910	n/a
Transit and ground passenger transportation	213	232	218	227	n/a
Pipeline transportation	27	29	41	33	n/a
Other transportation and support activities	1,976	2,145	2,145	2,256	n/a
Warehousing and storage	396	509	578	605	n/a

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

No. 82577-7
JSF925 0387

Table 4.2 (cont'd.)	2003	2004	2005	2006	2007
Information	20,616	21,409	23,121	25,563	30,655
Publishing including software	13,802	12,422	13,383	15,210	n/a
Motion picture and sound recording industries	176	182	206	208	n/a
Broadcasting and telecommunications	6,179	8,268	8,713	8,981	n/a
Information and data processing services	424	583	842	1,112	n/a
Finance and insurance	13,287	13,133	13,611	14,770	14,142
Federal Reserve banks, credit inter. and related	7,684	7,362	8,131	8,863	n/a
Securities, commodity contracts, investments	1,848	2,223	2,103	2,477	n/a
Insurance carriers and related activities	3,666	3,557	3,347	3,471	n/a
Funds, trusts, and other financial vehicles	107	117	127	138	n/a
Real estate and rental and leasing	30,881	32,320	33,623	35,214	36,059
Real estate	29,081	30,543	31,866	33,565	n/a
Rental and leasing serv. and lessors of int. assets	1,793	1,761	1,738	1,623	n/a
Professional and technical services	14,089	14,701	15,326	16,178	18,325
Legal services	2,344	2,339	2,254	2,232	n/a
Computer systems design and related services	2,471	2,642	2,819	3,138	n/a
Other professional, scientific and tech. services	9,215	9,676	10,247	10,853	n/a
Management of companies and enterprises	3,323	2,745	2,687	2,822	2,748
Administrative and waste services	6,370	6,559	6,899	7,095	7,573
Administrative and support services	5,028	5,214	5,477	5,762	n/a
Waste management and remediation services	1,343	1,348	1,424	1,337	n/a
Educational services	1,091	1,140	1,107	1,117	1,177
Health care and social assistance	14,478	14,987	15,343	16,058	16,668
Ambulatory health care services	8,272	8,571	8,860	9,448	n/a
Hospitals and nursing and resid. care facilities	4,694	4,851	4,835	4,909	n/a
Social assistance	1,526	1,581	1,687	1,769	n/a
Arts, entertainment, and recreation	1,776	1,975	2,052	2,110	2,117
Performing arts, museums, and related activities	726	821	866	902	n/a
Amusement, gambling, and recreation	1,050	1,153	1,184	1,206	n/a
Accommodation and food services	5,631	5,857	6,008	6,451	6,294
Accommodation	1,515	1,572	1,569	1,689	n/a
Food services and drinking places	4,116	4,285	4,438	4,761	n/a
Other services, except government	5,137	5,131	5,135	5,162	5,369
Government	30,289	30,255	30,294	30,892	31,521
Federal civilian	5,531	5,279	4,881	5,275	n/a
Federal military	4,031	4,096	4,298	4,333	n/a
State and local	20,714	20,869	21,100	21,262	n/a

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

No. 82577-7
JSF925 0388

Table 4.4

Washington Gross Domestic Product by Component, 2006

(Millions of Current Dollars)

	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Total Gross State Product	291,298	169,797	25,015	96,486
Private industries	250,468	134,129	25,399	90,941
Agriculture, forestry, fishing, and hunting	5,739	2,801	(181)	3,120
Crop and animal production (Farms)	3,261	1,329	(297)	2,228
Forestry, fishing, and related activities	2,478	1,471	115	891
Mining	414	252	33	129
Oil and gas extraction	0	0	0	0
Mining, except oil and gas	360	226	32	102
Support activities for mining	54	25	2	27
Utilities	2,861	454	1,103	1,304
Construction	14,348	11,407	479	2,462
Manufacturing	29,037	22,720	795	5,523
Durable goods	20,857	17,654	414	2,788
Wood product manufacturing	1,470	1,075	32	362
Nonmetallic mineral product manufacturing	1,093	602	23	469
Primary metal manufacturing	800	392	30	378
Fabricated metal product manufacturing	1,664	1,043	26	596
Machinery manufacturing	1,604	979	23	601
Computer and electronic product manufacturing	1,754	1,985	63	(295)
Electrical equipment and appliance manuf.	467	332	12	123
Motor vehicle, body, trailer, and parts manuf.	709	(D)	15	(D)
Other transportation equipment manufacturing	9,956	(D)	163	(D)
Furniture and related product manufacturing	468	422	6	40
Miscellaneous manufacturing	870	723	19	128
Nondurable goods	8,181	5,066	381	2,735
Food product manufacturing	2,558	1,963	158	437
Textile and textile product mills	100	124	6	(30)
Apparel manufacturing	123	121	4	(2)
Paper manufacturing	1,439	966	64	408
Printing and related support activities	607	436	8	162
Petroleum and coal products manufacturing	1,820	372	67	1,381
Chemical manufacturing	658	521	50	87
Plastics and rubber products manufacturing	876	561	23	292
Wholesale trade	17,760	8,770	5,349	3,641
Retail trade	20,921	11,626	5,194	4,100
Transportation and warehousing, excl. Postal Serv.	8,383	5,373	583	2,427
Air transportation	1,224	888	154	181
Rail transportation	716	(D)	22	(D)
Water transportation	552	278	35	239
Truck transportation	2,302	1,383	94	825
Transit and ground passenger transportation	272	196	17	58
Pipeline transportation	33	18	9	6

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.4 (cont'd.)	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Other transportation and support activities	2,607	(D)	241	(D)
Warehousing and storage	677	488	11	178
Information	23,478	11,525	932	11,020
Publishing including software	14,716	8,335	173	6,208
Motion picture and sound recording industries	238	142	19	78
Broadcasting and telecommunications	7,472	2,535	706	4,232
Information and data processing services	1,051	514	35	502
Finance and insurance	17,386	8,983	1,139	7,264
Federal Reserve banks, credit inter. and related	10,824	(D)	422	(D)
Securities, commodity contracts, investments	1,949	1,574	172	203
Insurance carriers and related activities	4,440	3,244	532	664
Funds, trusts, and other financial vehicles	174	(D)	13	(D)
Real estate and rental and leasing	41,761	2,279	6,147	33,335
Real estate	39,903	1,732	5,820	32,351
Rental and leasing serv. and lessors of int. assets	1,858	547	327	984
Professional and technical services	17,847	11,882	589	5,376
Legal services	3,045	1,785	140	1,120
Computer systems design and related services	3,037	2,408	98	530
Other professional, scientific and tech. services	11,766	7,689	351	3,726
Management of companies and enterprises	3,849	3,489	77	283
Administrative and waste services	8,653	6,100	437	2,117
Administrative and support services	6,981	5,055	266	1,659
Waste management and remediation services	1,672	1,045	170	458
Educational services	1,563	1,327	36	200
Health care and social assistance	19,273	14,197	618	4,459
Ambulatory health care services	10,698	6,829	239	3,630
Hospitals and nursing and resid. care facilities	6,662	5,793	342	528
Social assistance	1,913	1,575	37	301
Arts, entertainment, and recreation	2,573	1,605	214	755
Performing arts, museums, and related activities	1,154	734	77	342
Amusement, gambling, and recreation	1,419	871	136	412
Accommodation and food services	7,829	4,834	1,157	1,838
Accommodation	2,000	857	429	714
Food services and drinking places	5,829	3,977	728	1,124
Other services, except government	6,792	4,506	698	1,588
Government	40,829	35,668	(384)	5,545
Federal civilian	7,060	6,281	0	779
Federal military	6,486	5,889	0	596
State and local	27,283	23,497	(384)	4,170

(L) Less than $500,000 in nominal or real GDP
(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Detail Components of the Washington Economic Forecast

Calendar Years

Note: The economic data discussed in these tables were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.

No. 82577-7
JSF925 0391

Table A1.1
U.S. Economic Forecast Summary
Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,675.7	10,989.5	11,294.9	11,523.9	11,678.9	11,563.1	11,759.7	12,124.1
% Ch	3.6	2.9	2.8	2.0	1.3	-1.0	1.7	3.1
Real Consumption	7,561.3	7,791.7	8,029.0	8,252.8	8,286.5	8,305.1	8,451.0	8,625.1
% Ch	3.6	3.0	3.0	2.8	0.4	0.2	1.8	2.1
Real Nonresidential Fixed Investment	1,144.3	1,226.2	1,318.2	1,383.0	1,419.7	1,263.5	1,256.8	1,377.5
% Ch	5.8	7.2	7.5	4.9	2.7	-11.0	-0.5	9.6
Real Residential Fixed Investment	560.1	595.4	552.9	453.8	356.9	297.8	352.6	411.7
% Ch	10.0	6.3	-7.1	-17.9	-21.4	-16.6	18.4	16.7
Real Personal Income	8,973.3	9,203.1	9,586.6	9,912.4	9,987.5	10,211.5	10,262.5	10,481.5
% Ch	3.4	2.6	4.2	3.4	0.8	2.2	0.5	2.1
Real Per Capita Income ($/Person)	30,522	31,016	32,001	32,778	32,707	33,116	32,959	33,340
% Ch	2.5	1.6	3.2	2.4	-0.2	1.3	-0.5	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.217	1.216	1.238	1.268
% Ch	2.6	2.9	2.8	2.6	3.4	-0.1	1.9	2.4
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.155	2.136	2.187	2.252
% Ch	2.7	3.4	3.2	2.9	3.9	-0.9	2.4	3.0
Employment Cost Index (June 1989=1.0)	0.968	0.992	1.021	1.055	1.086	1.108	1.124	1.145
% Ch	2.7	2.5	2.9	3.4	3.0	1.9	1.5	1.9
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,685.9	12,421.9	13,178.4	13,807.5	14,322.5	14,445.2	14,889.2	15,603.4
% Ch	6.6	6.3	6.1	4.8	3.7	0.9	3.1	4.8
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,155.1	12,414.6	12,709.5	13,295.3
% Ch	6.2	5.6	7.1	6.1	4.2	2.1	2.4	4.6
Employment (Millions)								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.4	155.2	156.0	157.4
Total U.S. Employment	139.2	141.7	144.4	146.0	145.6	143.2	143.2	145.2
Unemployment Rate (%)	5.54	5.07	4.61	4.64	5.68	7.72	8.20	7.76
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.48	135.46	135.62	137.49
% Ch	1.1	1.7	1.8	1.1	-0.1	-1.5	0.1	1.4
Manufacturing	14.32	14.23	14.16	13.88	13.48	12.57	11.99	12.19
% Ch	-1.3	-0.6	-0.5	-1.9	-2.9	-6.7	-4.6	1.6
Durable Manufacturing	8.92	8.96	8.98	8.82	8.53	7.87	7.46	7.69
% Ch	-0.4	0.3	0.3	-1.9	-3.3	-7.7	-5.2	3.1
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.70	4.53	4.49
% Ch	-2.8	-2.2	-1.8	-2.1	-2.2	-5.1	-3.7	-0.8
Construction	6.97	7.33	7.69	7.62	7.21	6.74	6.52	6.59
% Ch	3.5	5.2	4.9	-1.0	-5.3	-6.5	-3.3	1.0
Service-Producing	109.54	111.51	113.56	115.40	116.01	115.39	116.39	117.98
% Ch	1.3	1.8	1.8	1.6	0.5	-0.5	0.9	1.4
Miscellaneous Indicators								
Oil-WTI ($ per barrel)	41.5	56.6	66.1	72.2	101.4	52.8	63.3	80.4
Personal Saving/Disposable Income (%)	2.1	0.3	0.7	0.6	1.8	4.6	2.9	2.8
Auto Sales (Millions)	7.5	7.7	7.8	7.6	6.8	6.8	7.5	8.2
% Ch	-1.4	2.2	1.5	-2.5	-10.1	0.2	9.1	9.7
Housing Starts (Millions)	1.950	2.073	1.812	1.341	0.927	0.715	1.082	1.388
% Ch	5.2	6.3	-12.6	-26.0	-30.9	-22.9	51.4	28.2
Federal Budget Surplus (Billions)	-370.6	-291.7	-201.1	-229.3	-519.4	-767.7	-668.3	-613.4
Net Exports (Billions)	-615.4	-713.6	-757.3	-707.8	-646.1	-255.9	-399.4	-479.2
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.46	0.87	1.83	4.04
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.80	3.63	3.88	5.13
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	4.82	4.93	4.82	5.43
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.08	5.61	5.62	6.81

No. 82577-7
JSF925 0392

Table A1.2
U.S. Economic Forecast Summary
Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,217.3	11,291.7	11,314.1	11,356.4	11,357.8	11,491.4	11,625.7	11,620.7
% Ch , Annual Rate	4.8	2.7	0.8	1.5	0.0	4.8	4.8	-0.2
Real Consumption	7,947.4	8,002.1	8,046.3	8,119.9	8,197.2	8,237.3	8,278.5	8,298.2
% Ch , Annual Rate	4.3	2.8	2.2	3.7	3.9	2.0	2.0	1.0
Real Nonresidential Fixed Investment	1,295.2	1,315.4	1,332.7	1,329.3	1,340.4	1,373.8	1,402.9	1,414.7
% Ch , Annual Rate	15.9	6.4	5.4	-1.0	3.4	10.3	8.7	3.4
Real Residential Fixed Investment	596.5	570.1	536.7	508.4	486.4	471.7	445.3	411.6
% Ch , Annual Rate	-3.6	-16.6	-21.5	-19.5	-16.2	-11.6	-20.6	-27.0
Real Personal Income	9,492.4	9,531.3	9,582.3	9,740.4	9,873.3	9,874.5	9,943.6	9,958.1
% Ch , Annual Rate	6.8	1.6	2.2	6.8	5.6	0.0	2.8	0.6
Real Per Capita Income ($/Person)	31,809	31,860	31,942	32,392	32,768	32,692	32,842	32,810
% Ch , Annual Rate	5.9	0.6	1.0	5.8	4.7	-0.9	1.8	-0.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch , Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
U.S. Consumer Price Index (1982-84=1.0)	1.994	2.013	2.032	2.024	2.043	2.066	2.080	2.106
% Ch , Annual Rate	1.8	3.7	3.9	-1.5	3.7	4.6	2.8	5.0
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.025	1.033	1.043	1.051	1.059	1.067
% Ch , Annual Rate	2.8	3.2	3.6	3.2	3.9	3.1	3.1	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,959.6	13,134.1	13,249.6	13,370.1	13,510.9	13,737.5	13,950.6	14,031.2
% Ch , Annual Rate	8.6	5.5	3.6	3.7	4.3	6.9	6.4	2.3
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch , Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	152.9	152.8	153.2	153.7
Total U.S. Employment	143.4	144.1	144.6	145.6	146.0	145.9	146.0	146.3
Unemployment Rate (%)	4.70	4.67	4.63	4.43	4.50	4.53	4.70	4.83
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.03
% Ch , Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch , Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.75
% Ch , Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.9
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch , Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch , Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.5
Service-Producing	112.85	113.26	113.79	114.33	114.81	115.22	115.57	115.99
% Ch , Annual Rate	2.0	1.5	1.9	1.9	1.7	1.4	1.2	1.4
Miscellaneous Indicators								
Oil-WTI ($ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.2	90.5
Personal Saving/Disposable Income (%)	1.0	0.6	0.5	0.9	1.1	0.3	0.4	0.4
Auto Sales (Millions)	7.9	7.8	7.8	7.6	7.6	7.6	7.4	7.7
% Ch , Annual Rate	20.3	-2.5	1.8	-10.7	-2.4	3.8	-11.8	17.7
Housing Starts (Millions)	2.120	1.855	1.702	1.570	1.453	1.460	1.298	1.151
% Ch , Annual Rate	10.4	-41.4	-29.1	-27.7	-26.6	1.9	-37.6	-38.0
Federal Budget Surplus (Billions)	-207.9	-225.0	-218.4	-153.2	-225.2	-211.4	-244.3	-236.3
Net Exports (Billions)	-761.7	-777.2	-792.7	-697.7	-728.8	-723.1	-682.6	-696.7
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.35	3.44
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.26
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.43
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

No. 82577-7
JSF925 0393

Table A1.2
U.S. Economic Forecast Summary
Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,646.0	11,727.4	11,720.0	11,622.2	11,560.3	11,546.0	11,556.2	11,590.0
% Ch , Annual Rate	0.9	2.8	-0.3	-3.3	-2.1	-0.5	0.4	1.2
Real Consumption	8,316.1	8,341.3	8,275.2	8,213.3	8,229.0	8,268.8	8,338.1	8,384.3
% Ch , Annual Rate	0.9	1.2	-3.1	-3.0	0.8	1.9	3.4	2.2
Real Nonresidential Fixed Investment	1,423.1	1,431.8	1,428.3	1,395.4	1,331.7	1,276.3	1,224.1	1,222.0
% Ch , Annual Rate	2.4	2.5	-1.0	-8.9	-17.1	-15.6	-15.4	-0.7
Real Residential Fixed Investment	383.0	369.6	350.5	324.3	302.0	292.4	293.8	302.9
% Ch , Annual Rate	-25.0	-13.3	-19.1	-26.7	-24.8	-12.1	2.0	13.0
Real Personal Income	9,943.6	10,028.4	9,922.6	10,055.4	10,223.3	10,193.9	10,207.9	10,220.8
% Ch , Annual Rate	-0.6	3.5	-4.2	5.5	6.9	-1.1	0.6	0.5
Real Per Capita Income ($/Person)	32,682	32,881	32,455	32,809	33,276	33,099	33,064	33,025
% Ch , Annual Rate	-1.5	2.4	-5.1	4.4	5.8	-2.1	-0.4	-0.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.231	1.218	1.214	1.213	1.216	1.220
% Ch , Annual Rate	3.6	4.3	5.4	-4.2	-1.3	-0.6	1.0	1.4
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.154	2.190	2.148	2.135	2.128	2.135	2.146
% Ch , Annual Rate	4.3	5.0	6.7	-7.5	-2.3	-1.4	1.4	2.0
Employment Cost Index (June 1989=1.0)	1.076	1.084	1.090	1.096	1.101	1.106	1.110	1.114
% Ch , Annual Rate	3.4	3.0	2.2	2.2	2.0	1.6	1.6	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,150.8	14,294.5	14,429.2	14,415.3	14,410.1	14,401.3	14,446.7	14,522.6
% Ch , Annual Rate	3.5	4.1	3.8	-0.4	-0.1	-0.2	1.3	2.1
Personal Income	11,960.5	12,188.9	12,219.9	12,251.2	12,416.1	12,362.8	12,409.9	12,469.7
% Ch , Annual Rate	3.0	7.9	1.0	1.0	5.5	-1.7	1.5	1.9
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.7	154.9	155.0	155.1	155.2	155.3
Total U.S. Employment	146.1	146.1	145.5	144.8	144.0	143.2	142.9	142.7
Unemployment Rate (%)	4.93	5.33	5.97	6.50	7.12	7.65	7.95	8.14
Nonfarm Payroll Employment	137.92	137.70	137.45	136.85	136.12	135.50	135.16	135.08
% Ch , Annual Rate	-0.3	-0.6	-0.7	-1.7	-2.1	-1.8	-1.0	-0.2
Manufacturing	13.69	13.56	13.43	13.23	12.97	12.65	12.43	12.24
% Ch , Annual Rate	-2.8	-3.7	-3.8	-5.9	-7.7	-9.6	-6.7	-5.9
Durable Manufacturing	8.69	8.59	8.49	8.34	8.15	7.92	7.77	7.63
% Ch , Annual Rate	-3.1	-4.4	-4.3	-7.3	-8.5	-10.7	-7.5	-6.8
Nondurable Manufacturing	5.01	4.97	4.94	4.90	4.82	4.72	4.66	4.61
% Ch , Annual Rate	-2.2	-2.4	-2.9	-3.5	-6.2	-7.7	-5.3	-4.2
Construction	7.38	7.24	7.15	7.07	6.98	6.81	6.63	6.55
% Ch , Annual Rate	-7.1	-7.5	-4.8	-4.3	-5.2	-9.4	-10.1	-4.9
Service-Producing	116.10	116.13	116.08	115.75	115.38	115.27	115.36	115.57
% Ch , Annual Rate	0.4	0.1	-0.2	-1.1	-1.3	-0.4	0.3	0.7
Miscellaneous Indicators								
Oil-WTI ($ per barrel)	97.9	123.8	118.3	65.5	56.0	50.0	51.0	54.0
Personal Saving/Disposable Income (%)	0.2	2.7	1.3	3.1	6.4	4.4	3.9	3.5
Auto Sales (Millions)	7.4	7.6	6.6	5.6	6.1	6.5	7.2	7.5
% Ch , Annual Rate	-14.5	11.8	-43.1	-48.7	40.3	24.7	59.1	16.9
Housing Starts (Millions)	1.053	1.025	0.879	0.750	0.677	0.658	0.716	0.808
% Ch , Annual Rate	-30.0	-10.2	-45.8	-47.0	-33.6	-10.9	40.3	61.5
Federal Budget Surplus (Billions)	-330.7	-640.0	-526.4	-580.3	-881.2	-718.5	-736.7	-734.2
Net Exports (Billions)	-705.7	-718.2	-706.7	-453.9	-268.7	-220.2	-241.4	-293.1
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.58	0.64	0.84	0.96	1.03
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.79	3.60	3.62	3.64	3.67
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.28	4.95	4.95	4.93	4.90
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	6.05	5.65	5.64	5.61	5.53

No. 82577-7
JSF925 0394

Table A1.2
U.S. Economic Forecast Summary
Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,639.8	11,720.0	11,806.8	11,872.1	11,972.0	12,073.6	12,174.0	12,276.7
% Ch , Annual Rate	1.7	2.8	3.0	2.2	3.4	3.4	3.4	3.4
Real Consumption	8,405.0	8,428.6	8,469.7	8,500.7	8,539.7	8,590.8	8,652.0	8,717.9
% Ch , Annual Rate	1.0	1.1	2.0	1.5	1.8	2.4	2.9	3.1
Real Nonresidential Fixed Investment	1,224.7	1,241.9	1,266.7	1,293.8	1,327.6	1,360.3	1,394.6	1,427.7
% Ch , Annual Rate	0.9	5.7	8.2	8.8	10.9	10.2	10.5	9.9
Real Residential Fixed Investment	318.4	342.1	365.2	384.8	401.7	411.0	414.6	419.5
% Ch , Annual Rate	22.1	33.3	29.8	23.3	18.7	9.5	3.6	4.9
Real Personal Income	10,222.9	10,247.8	10,275.3	10,304.1	10,368.6	10,435.7	10,518.4	10,603.3
% Ch , Annual Rate	0.1	1.0	1.1	1.1	2.5	2.6	3.2	3.3
Real Per Capita Income ($/Person)	32,951	32,951	32,960	32,973	33,100	33,235	33,418	33,607
% Ch , Annual Rate	-0.9	0.0	0.1	0.2	1.6	1.6	2.2	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.227	1.234	1.242	1.250	1.258	1.265	1.272	1.278
% Ch , Annual Rate	2.4	2.2	2.7	2.7	2.6	2.3	2.1	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.162	2.177	2.195	2.214	2.231	2.246	2.259	2.272
% Ch , Annual Rate	3.0	2.7	3.4	3.4	3.1	2.7	2.3	2.4
Employment Cost Index (June 1989=1.0)	1.118	1.122	1.126	1.131	1.136	1.142	1.148	1.155
% Ch , Annual Rate	1.4	1.5	1.5	1.7	1.9	2.1	2.2	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,651.3	14,807.9	14,978.5	15,119.2	15,313.7	15,505.3	15,697.5	15,896.9
% Ch , Annual Rate	3.6	4.3	4.7	3.8	5.2	5.1	5.1	5.2
Personal Income	12,546.1	12,645.3	12,762.7	12,883.8	13,046.6	13,204.5	13,376.9	13,553.0
% Ch , Annual Rate	2.5	3.2	3.8	3.8	5.2	4.9	5.3	5.4
Employment (Millions)								
U.S. Civilian Labor Force	155.5	155.8	156.1	156.5	156.8	157.2	157.6	158.0
Total U.S. Employment	142.7	142.9	143.3	143.8	144.3	144.9	145.5	146.1
Unemployment Rate (%)	8.24	8.25	8.19	8.11	7.98	7.84	7.68	7.52
Nonfarm Payroll Employment	135.19	135.43	135.76	136.11	136.62	137.17	137.77	138.41
% Ch, Annual Rate	0.3	0.7	1.0	1.1	1.5	1.6	1.8	1.9
Manufacturing	12.07	11.95	11.94	12.00	12.06	12.15	12.23	12.32
% Ch, Annual Rate	-5.4	-3.9	-0.4	1.8	2.0	2.9	2.9	2.9
Durable Manufacturing	7.50	7.42	7.44	7.50	7.56	7.65	7.74	7.83
% Ch, Annual Rate	-6.8	-4.5	1.0	3.2	3.6	4.8	4.6	4.6
Nondurable Manufacturing	4.57	4.54	4.51	4.50	4.50	4.49	4.49	4.50
% Ch, Annual Rate	-3.1	-2.9	-2.6	-0.5	-0.6	-0.2	0.0	0.2
Construction	6.51	6.54	6.54	6.51	6.52	6.55	6.60	6.66
% Ch, Annual Rate	-2.5	2.0	-0.1	-2.0	1.2	1.8	3.0	3.8
Service-Producing	115.90	116.22	116.56	116.88	117.31	117.74	118.20	118.69
% Ch, Annual Rate	1.2	1.1	1.1	1.1	1.5	1.5	1.6	1.7
Miscellaneous Indicators								
Oil-WTI ($ per barrel)	57.0	60.0	65.0	71.0	77.0	80.0	81.5	83.0
Personal Saving/Disposable Income (%)	3.0	3.0	2.9	2.7	2.8	2.8	2.8	2.8
Auto Sales (Millions)	7.3	7.5	7.5	7.6	7.7	8.2	8.3	8.6
% Ch, Annual Rate	-13.2	10.2	4.5	2.6	4.1	33.1	2.6	14.6
Housing Starts (Millions)	0.883	1.037	1.154	1.256	1.317	1.366	1.406	1.463
% Ch, Annual Rate	42.6	90.8	53.0	40.5	20.9	15.8	12.1	17.3
Federal Budget Surplus (Billions)	-695.6	-683.6	-666.0	-628.1	-623.8	-619.5	-609.0	-601.4
Net Exports (Billions)	-347.9	-379.2	-421.0	-449.4	-478.1	-475.6	-479.8	-483.4
3-Month Treasury Bill Rate (%)	1.17	1.51	2.05	2.58	3.15	3.94	4.48	4.58
10-Year Treasury Note Yield (%)	3.70	3.75	3.88	4.20	4.57	5.11	5.39	5.43
Bond Index of 20 G.O. Munis. (%)	4.86	4.80	4.77	4.85	5.03	5.45	5.61	5.62
30-Year Fixed Mortgage Rate (%)	5.52	5.50	5.59	5.89	6.25	6.79	7.07	7.11

No. 82577-7
JSF925 0395

Table A1.3

Washington Economic Forecast Summary

Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	201.462	203.053	214.454	225.731	226.947	234.022	237.218	243.408
% Ch	4.8	0.8	5.6	5.3	0.5	3.1	1.4	2.6
Real Wage and Salary Disb.	109.983	112.861	118.909	124.835	124.742	127.542	129.572	132.744
% Ch	1.8	2.6	5.4	5.0	-0.1	2.2	1.6	2.4
Real Nonwage Income	91.479	90.191	95.545	100.896	102.205	106.480	107.646	110.663
% Ch	8.7	-1.4	5.9	5.6	1.3	4.2	1.1	2.8
Real Per Capita Income ($/Person)	32,483	32,224	33,414	34,592	34,255	34,795	34,752	35,141
% Ch	3.5	-0.8	3.7	3.5	-1.0	1.6	-0.1	1.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.217	1.216	1.238	1.268
% Ch	2.6	2.9	2.8	2.6	3.4	-0.1	1.9	2.4
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.244	2.234	2.299	2.365
% Ch	1.2	2.8	3.7	3.9	4.1	-0.5	2.9	2.9
Average Nonfarm Annual Wage	42,234	43,287	45,614	48,036	49,150	50,533	51,934	53,594
% Ch	2.7	2.5	5.4	5.3	2.3	2.8	2.8	3.2
Avg. Hourly Earnings-Mfg. ($/Hour)	18.28	18.81	19.91	20.51	21.32	21.61	21.65	21.81
% Ch	1.4	2.9	5.8	3.0	4.0	1.3	0.2	0.7
Current Dollar Income (Billions of Dollars)								
Personal Income	218.432	226.577	245.930	265.609	276.189	284.514	293.783	308.750
% Ch	7.6	3.7	8.5	8.0	4.0	3.0	3.3	5.1
Disposable Personal Income	194.929	199.929	215.658	231.613	242.771	252.366	259.294	271.900
% Ch	7.8	2.6	7.9	7.4	4.8	4.0	2.7	4.9
Per Capita Income ($/Person)	35,218	35,955	38,318	40,701	41,686	42,302	43,038	44,573
% Ch	6.3	2.1	6.6	6.2	2.4	1.5	1.7	3.6
Employment (Thousands)								
Washington Civilian Labor Force	3,208.3	3,270.9	3,333.6	3,408.2	3,476.1	3,539.4	3,594.5	3,659.4
Total Washington Employment	3,008.2	3,091.1	3,170.5	3,253.5	3,285.6	3,274.8	3,297.0	3,350.9
Unemployment Rate (%)	6.24	5.50	4.89	4.54	5.48	7.47	8.28	8.43
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,932.0	2,959.7	2,938.3	2,959.7	3,011.8
% Ch	1.6	2.8	3.0	2.5	0.9	-0.7	0.7	1.8
Manufacturing	263.7	272.6	285.9	293.2	291.7	283.6	276.5	281.8
% Ch	-1.3	3.4	4.9	2.6	-0.5	-2.8	-2.5	1.9
Durable Manufacturing	182.4	191.5	204.0	211.7	211.9	207.8	202.8	207.3
% Ch	-0.7	5.0	6.6	3.7	0.1	-1.9	-2.4	2.2
Aerospace	61.5	65.6	73.4	80.1	83.0	86.2	86.2	86.2
% Ch	-5.8	6.8	11.9	9.1	3.6	3.9	0.0	0.0
Nondurable Manufacturing	81.3	81.1	81.9	81.6	79.8	75.8	73.7	74.5
% Ch	-2.4	-0.2	0.9	-0.4	-2.1	-5.1	-2.7	1.0
Construction	164.2	177.4	194.9	207.4	199.6	186.7	184.0	186.5
% Ch	5.1	8.0	9.9	6.4	-3.7	-6.5	-1.4	1.3
Service-Producing	2,264.0	2,318.0	2,369.6	2,423.2	2,460.9	2,461.3	2,493.0	2,537.0
% Ch	1.7	2.4	2.2	2.3	1.6	0.0	1.3	1.8
Software Publishers	39.3	41.3	44.7	47.8	51.3	53.5	54.5	57.2
% Ch	5.1	5.1	8.4	6.8	7.4	4.4	1.8	5.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	47.397	29.122	28.887	36.860	41.770
% Ch	17.0	5.8	-5.6	-5.3	-38.6	-0.8	27.6	13.3
Single-Family	36.489	41.407	35.611	30.390	17.336	17.140	24.575	28.872
% Ch	10.3	13.5	-14.0	-14.7	-43.0	-1.1	43.4	17.5
Multi-Family	13.600	11.581	14.422	17.007	11.787	11.746	12.285	12.898
% Ch	39.7	-14.8	24.5	17.9	-30.7	-0.3	4.6	5.0
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.08	5.61	5.62	6.81

No. 82577-7
JSF925 0396

Table A1.4
Washington Economic Forecast Summary
Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	211.605	212.542	214.632	219.036	222.591	223.721	227.906	228.706
% Ch, Annual Rate	9.1	1.8	4.0	8.5	6.7	2.0	7.7	1.4
Real Wage and Salary Disb.	118.261	117.265	118.415	121.696	123.049	123.381	126.086	126.823
% Ch, Annual Rate	12.7	-3.3	4.0	11.6	4.5	1.1	9.1	2.4
Real Nonwage Income	93.343	95.277	96.218	97.340	99.541	100.340	101.820	101.883
% Ch, Annual Rate	4.8	8.5	4.0	4.7	9.4	3.2	6.0	0.2
Real Per Capita Income ($/Person)	33,190	33,190	33,371	33,907	34,308	34,350	34,860	34,849
% Ch, Annual Rate	7.1	0.0	2.2	6.6	4.8	0.5	6.1	-0.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch, Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
Seattle Cons. Price Index (1982-84=1.0)	2.043	2.068	2.091	2.104	2.125	2.145	2.160	2.196
% Ch, Annual Rate	2.9	5.0	4.6	2.4	4.2	3.8	2.9	6.7
Average Nonfarm Annual Wage	45,284	45,003	45,571	46,599	47,118	47,430	48,521	49,076
% Ch, Annual Rate	10.8	-2.5	5.1	9.3	4.5	2.7	9.5	4.7
Avg. Hourly Earnings-Mfg. ($/Hour)	19.57	19.86	20.23	19.97	20.20	20.46	20.69	20.66
% Ch, Annual Rate	2.1	6.0	7.6	-5.0	4.8	5.2	4.6	-0.6
Current Dollar Income (Billions of Dollars)								
Personal Income	240.331	243.346	247.637	252.405	258.643	262.293	268.846	272.653
% Ch, Annual Rate	11.1	5.1	7.2	7.9	10.3	5.8	10.4	5.8
Disposable Personal Income	210.996	213.442	217.261	220.933	225.741	228.548	234.431	237.731
% Ch, Annual Rate	9.3	4.7	7.4	6.9	9.0	5.1	10.7	5.8
Per Capita Income ($/Person)	37,695	38,001	38,502	39,073	39,865	40,273	41,122	41,546
% Ch, Annual Rate	9.0	3.3	5.4	6.1	8.4	4.2	8.7	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,315.7	3,330.3	3,336.9	3,351.5	3,371.3	3,396.8	3,422.1	3,442.5
Total Washington Employment	3,155.9	3,165.8	3,171.3	3,188.8	3,219.7	3,244.1	3,265.9	3,284.3
Unemployment Rate (%)	4.82	4.94	4.96	4.86	4.50	4.50	4.57	4.60
Nonfarm Payroll Employment	2,834.8	2,851.3	2,867.1	2,883.2	2,908.9	2,924.1	2,939.2	2,955.7
% Ch, Annual Rate	3.4	2.4	2.2	2.3	3.6	2.1	2.1	2.3
Manufacturing	283.0	284.6	287.0	289.1	290.8	291.7	294.3	296.1
% Ch, Annual Rate	6.5	2.2	3.5	2.9	2.4	1.3	3.6	2.4
Durable Manufacturing	200.9	202.7	205.0	207.5	209.1	210.7	212.7	214.2
% Ch, Annual Rate	7.2	3.6	4.5	5.0	3.1	3.1	4.0	2.8
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.3
Nondurable Manufacturing	82.1	81.9	82.0	81.6	81.8	81.1	81.6	81.8
% Ch, Annual Rate	4.9	-1.0	0.9	-2.1	0.8	-3.3	2.4	1.4
Construction	189.8	193.6	196.5	199.5	205.5	208.1	207.6	208.2
% Ch, Annual Rate	13.2	8.2	6.2	6.2	12.5	5.2	-1.0	1.1
Service-Producing	2,353.1	2,364.4	2,375.0	2,386.0	2,404.3	2,416.0	2,429.1	2,443.4
% Ch, Annual Rate	2.3	1.9	1.8	1.9	3.1	2.0	2.2	2.4
Software Publishers	43.0	44.3	45.4	46.1	47.1	47.5	47.8	48.5
% Ch, Annual Rate	8.3	12.7	10.0	6.5	9.1	3.5	2.3	5.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.680	53.377	53.276	43.800	59.237	45.744	46.160	38.446
% Ch, Annual Rate	-52.2	33.3	-0.8	-54.3	234.6	-64.4	3.7	-51.9
Single-Family	38.459	36.656	35.501	31.829	35.289	33.667	29.616	22.988
% Ch, Annual Rate	-46.0	-17.5	-12.0	-35.4	51.1	-17.2	-40.1	-63.7
Multi-Family	11.221	16.720	17.775	11.971	23.948	12.077	16.545	15.457
% Ch, Annual Rate	-67.8	392.9	27.7	-79.4	1,501.8	-93.5	252.2	-23.8
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

No. 82577-7
JSF925 0397

Table A1.4
Washington Economic Forecast Summary
Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	227.783	226.160	225.743	228.101	233.430	232.786	235.118	234.754
% Ch, Annual Rate	-1.6	-2.8	-0.7	4.2	9.7	-1.1	4.1	-0.6
Real Wage and Salary Disb.	126.221	123.404	124.345	124.998	126.995	126.768	128.587	127.817
% Ch, Annual Rate	-1.9	-8.6	3.1	2.1	6.5	-0.7	5.9	-2.4
Real Nonwage Income	101.562	102.756	101.398	103.103	106.435	106.018	106.531	106.936
% Ch, Annual Rate	-1.3	4.8	-5.2	6.9	13.6	-1.6	1.9	1.5
Real Per Capita Income ($/Person)	34,578	34,201	34,008	34,233	34,901	34,676	34,894	34,710
% Ch, Annual Rate	-3.1	-4.3	-2.2	2.7	8.0	-2.6	2.5	-2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.231	1.218	1.214	1.213	1.216	1.220
% Ch, Annual Rate	3.6	4.3	5.4	-4.2	-1.3	-0.6	1.0	1.4
Seattle Cons. Price Index (1982-84=1.0)	2.221	2.244	2.275	2.237	2.227	2.223	2.235	2.250
% Ch, Annual Rate	4.7	4.2	5.7	-6.6	-1.7	-0.7	2.1	2.7
Average Nonfarm Annual Wage	48,995	48,465	49,541	49,600	50,223	50,132	50,977	50,800
% Ch, Annual Rate	-0.7	-4.3	9.2	0.5	5.1	-0.7	6.9	-1.4
Avg. Hourly Earnings-Mfg. ($/Hour)	20.95	21.29	21.53	21.54	21.58	21.60	21.62	21.62
% Ch, Annual Rate	5.6	6.6	4.6	0.2	0.8	0.4	0.3	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	273.972	274.874	277.997	277.912	283.498	282.315	285.838	286.407
% Ch, Annual Rate	1.9	1.3	4.6	-0.1	8.3	-1.7	5.1	0.8
Disposable Personal Income	238.810	244.338	244.157	243.781	253.720	249.500	252.813	253.430
% Ch, Annual Rate	1.8	9.6	-0.3	-0.6	17.3	-6.5	5.4	1.0
Per Capita Income ($/Person)	41,589	41,567	41,880	41,709	42,387	42,054	42,421	42,347
% Ch, Annual Rate	0.4	-0.2	3.0	-1.6	6.7	-3.1	3.5	-0.7
Employment (Thousands)								
Washington Civilian Labor Force	3,460.8	3,455.9	3,476.5	3,511.0	3,521.4	3,533.5	3,545.2	3,557.4
Total Washington Employment	3,302.1	3,279.0	3,274.4	3,286.8	3,277.3	3,272.1	3,273.6	3,276.2
Unemployment Rate (%)	4.58	5.12	5.81	6.39	6.93	7.40	7.66	7.91
Nonfarm Payroll Employment	2,970.6	2,965.0	2,961.5	2,941.7	2,940.7	2,935.7	2,937.1	2,939.6
% Ch, Annual Rate	2.0	-0.7	-0.5	-2.6	-0.1	-0.7	0.2	0.3
Manufacturing	296.5	294.2	293.1	283.1	288.6	284.3	282.1	279.4
% Ch, Annual Rate	0.5	-3.0	-1.5	-12.9	7.9	-5.7	-3.1	-3.8
Durable Manufacturing	214.9	214.1	213.9	204.6	211.0	208.3	207.0	205.0
% Ch, Annual Rate	1.3	-1.5	-0.3	-16.4	13.1	-5.0	-2.5	-3.9
Aerospace	84.0	84.5	85.5	77.9	86.2	86.2	86.2	86.2
% Ch, Annual Rate	6.9	2.1	5.1	-31.1	49.9	0.0	0.0	0.0
Nondurable Manufacturing	81.5	80.1	79.1	78.5	77.6	76.0	75.1	74.4
% Ch, Annual Rate	-1.5	-6.8	-4.8	-3.1	-4.9	-7.7	-4.6	-3.6
Construction	206.8	202.4	197.4	191.9	189.8	187.6	185.6	183.9
% Ch, Annual Rate	-2.6	-8.4	-9.4	-10.7	-4.4	-4.6	-4.1	-3.6
Service-Producing	2,459.5	2,460.9	2,463.6	2,459.5	2,455.4	2,457.0	2,462.8	2,469.8
% Ch, Annual Rate	2.7	0.2	0.4	-0.7	-0.7	0.3	0.9	1.2
Software Publishers	49.5	50.5	52.1	53.0	53.3	53.4	53.7	53.6
% Ch, Annual Rate	8.3	8.3	13.5	6.9	2.6	0.8	1.8	-0.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	31.613	31.697	26.513	26.666	26.836	27.709	29.483	31.519
% Ch, Annual Rate	-54.3	1.1	-51.0	2.3	2.6	13.7	28.2	30.6
Single-Family	19.037	18.321	16.672	15.313	15.295	15.944	17.598	19.725
% Ch, Annual Rate	-53.0	-14.2	-31.4	-28.8	-0.5	18.1	48.4	57.8
Multi-Family	12.576	13.376	9.842	11.353	11.542	11.765	11.885	11.794
% Ch, Annual Rate	-56.2	28.0	-70.7	77.1	6.8	8.0	4.1	-3.0
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	6.05	5.65	5.64	5.61	5.53

Table A1.4
Washington Economic Forecast Summary
Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	236.152	236.049	238.574	238.096	240.817	241.572	245.700	245.541
% Ch, Annual Rate	2.4	-0.2	4.3	-0.8	4.7	1.3	7.0	-0.3
Real Wage and Salary Disb.	129.126	128.611	130.715	129.836	131.624	131.504	134.565	133.284
% Ch, Annual Rate	4.2	-1.6	6.7	-2.7	5.6	-0.4	9.6	-3.8
Real Nonwage Income	107.026	107.438	107.859	108.260	109.193	110.068	111.135	112.257
% Ch, Annual Rate	0.3	1.5	1.6	1.5	3.5	3.2	3.9	4.1
Real Per Capita Income ($/Person)	34,787	34,644	34,887	34,691	34,960	34,942	35,408	35,253
% Ch, Annual Rate	0.9	-1.6	2.8	-2.2	3.1	-0.2	5.4	-1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.227	1.234	1.242	1.250	1.258	1.265	1.272	1.278
% Ch, Annual Rate	2.4	2.2	2.7	2.7	2.6	2.3	2.1	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.270	2.288	2.308	2.328	2.345	2.360	2.371	2.382
% Ch, Annual Rate	3.6	3.2	3.6	3.5	3.0	2.4	2.0	1.9
Average Nonfarm Annual Wage	51,504	51,450	52,508	52,272	53,079	53,079	54,379	53,837
% Ch, Annual Rate	5.7	-0.4	8.5	-1.8	6.3	0.0	10.2	-3.9
Avg. Hourly Earnings-Mfg. ($/Hour)	21.63	21.64	21.66	21.68	21.72	21.78	21.84	21.91
% Ch, Annual Rate	0.2	0.2	0.2	0.5	0.7	1.0	1.1	1.4
Current Dollar Income (Billions of Dollars)								
Personal Income	289.821	291.274	296.328	297.706	303.015	305.666	312.474	313.846
% Ch, Annual Rate	4.9	2.0	7.1	1.9	7.3	3.5	9.2	1.8
Disposable Personal Income	255.645	257.103	261.791	262.635	267.112	269.265	275.090	276.132
% Ch, Annual Rate	3.5	2.3	7.5	1.3	7.0	3.3	8.9	1.5
Per Capita Income ($/Person)	42,692	42,749	43,333	43,376	43,990	44,213	45,030	45,060
% Ch, Annual Rate	3.3	0.5	5.6	0.4	5.8	2.0	7.6	0.3
Employment (Thousands)								
Washington Civilian Labor Force	3,571.6	3,586.1	3,601.7	3,618.7	3,636.3	3,651.4	3,667.0	3,683.0
Total Washington Employment	3,282.9	3,290.5	3,300.8	3,313.8	3,328.3	3,342.9	3,358.2	3,374.2
Unemployment Rate (%)	8.08	8.24	8.36	8.42	8.47	8.45	8.42	8.39
Nonfarm Payroll Employment	2,946.1	2,953.4	2,963.4	2,976.0	2,990.0	3,004.1	3,018.9	3,034.3
% Ch, Annual Rate	0.9	1.0	1.4	1.7	1.9	1.9	2.0	2.1
Manufacturing	277.2	275.7	275.8	277.2	278.8	280.8	282.8	284.7
% Ch, Annual Rate	-3.1	-2.2	0.2	2.0	2.4	2.9	2.9	2.7
Durable Manufacturing	203.1	202.0	202.4	203.5	204.9	206.5	208.2	209.7
% Ch, Annual Rate	-3.5	-2.3	1.0	2.1	2.7	3.2	3.2	3.0
Aerospace	86.2	86.2	86.2	86.2	86.2	86.2	86.2	86.2
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	74.1	73.7	73.4	73.7	74.0	74.3	74.7	75.0
% Ch, Annual Rate	-1.8	-2.0	-1.8	1.8	1.5	1.9	2.0	1.9
Construction	183.4	183.6	184.2	184.9	185.7	186.3	186.8	187.2
% Ch, Annual Rate	-1.1	0.3	1.4	1.6	1.8	1.2	1.1	0.9
Service-Producing	2,479.2	2,488.0	2,497.2	2,507.6	2,519.0	2,530.5	2,542.7	2,555.7
% Ch, Annual Rate	1.5	1.4	1.5	1.7	1.8	1.8	1.9	2.1
Software Publishers	53.8	54.1	54.7	55.3	56.0	56.8	57.6	58.4
% Ch, Annual Rate	1.2	2.7	4.1	4.5	5.3	5.7	5.8	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.339	36.286	38.053	39.762	40.675	41.429	42.036	42.940
% Ch, Annual Rate	25.2	40.3	21.0	19.2	9.5	7.6	6.0	8.9
Single-Family	21.502	24.051	25.536	27.209	28.112	28.661	29.046	29.667
% Ch, Annual Rate	41.2	56.5	27.1	28.9	13.9	8.0	5.5	8.8
Multi-Family	11.837	12.235	12.517	12.553	12.563	12.768	12.990	13.273
% Ch, Annual Rate	1.5	14.1	9.5	1.2	0.3	6.7	7.1	9.0
30-Year Fixed Mortgage Rate (%)	5.52	5.50	5.59	5.89	6.25	6.79	7.07	7.11

Table A2.1

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.48	135.46	135.62	137.49
% Ch	1.1	1.7	1.8	1.1	-0.1	-1.5	0.1	1.4
Manufacturing	14.32	14.23	14.16	13.88	13.48	12.57	11.99	12.19
% Ch	-1.3	-0.6	-0.5	-1.9	-2.9	-6.7	-4.6	1.6
Durable Manufacturing	8.92	8.96	8.98	8.82	8.53	7.87	7.46	7.69
% Ch	-0.4	0.3	0.3	-1.9	-3.3	-7.7	-5.2	3.1
Wood Products	0.55	0.56	0.56	0.52	0.48	0.43	0.43	0.48
% Ch	2.3	1.7	-0.0	-7.0	-8.0	-11.0	0.8	12.8
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	1.98	1.85	1.66	1.66
% Ch	0.4	1.2	1.5	0.1	-1.7	-7.0	-9.9	-0.2
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.25	1.23	1.15	1.18
% Ch	-2.4	-0.5	-0.6	-2.7	-1.8	-1.3	-6.7	2.4
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.61	1.48	1.41	1.43
% Ch	-1.3	0.5	1.1	-0.1	-0.6	-7.5	-5.3	1.8
Transportation Equipment	1.77	1.77	1.77	1.71	1.61	1.42	1.39	1.47
% Ch	-0.5	0.3	-0.2	-3.3	-6.1	-11.9	-2.0	6.0
Other Durables	1.73	1.72	1.71	1.68	1.60	1.47	1.43	1.47
% Ch	0.2	-0.6	-0.4	-2.1	-4.6	-8.4	-2.7	3.1
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.70	4.53	4.49
% Ch	-2.8	-2.2	-1.8	-2.1	-2.2	-5.1	-3.7	-0.8
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.46	1.45	1.46
% Ch	-1.5	-1.1	0.1	0.1	-0.4	-1.1	-0.7	0.8
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.43	0.41	0.41
% Ch	-4.0	-2.3	-2.8	-2.1	-1.5	-5.9	-4.1	-0.6
Other Nondurables	3.40	3.31	3.22	3.13	3.03	2.82	2.67	2.63
% Ch	-3.2	-2.7	-2.6	-3.1	-3.2	-6.9	-5.1	-1.7
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.77	0.76	0.72	0.74
% Ch	3.3	6.2	9.1	5.6	7.1	-2.3	-4.9	2.3
Construction	6.97	7.33	7.69	7.62	7.21	6.74	6.52	6.59
% Ch	3.5	5.2	4.9	-1.0	-5.3	-6.5	-3.3	1.0
Trade, Transportation, and Utilities	25.53	25.96	26.28	26.60	26.38	25.87	26.11	26.15
% Ch	1.0	1.7	1.2	1.2	-0.8	-1.9	0.9	0.1
Wholesale Trade	5.66	5.76	5.90	6.03	6.02	5.81	5.76	5.84
% Ch	1.0	1.8	2.5	2.1	-0.2	-3.4	-0.9	1.4
Retail Trade	15.06	15.28	15.36	15.49	15.29	15.11	15.40	15.22
% Ch	0.9	1.5	0.5	0.9	-1.3	-1.2	1.9	-1.2
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.07	4.95	4.95	5.09
% Ch	1.1	2.2	2.1	1.4	-0.4	-2.4	0.0	2.7
Information	3.12	3.06	3.04	3.03	2.99	2.87	2.78	2.86
% Ch	-2.3	-1.8	-0.8	-0.3	-1.4	-4.1	-3.0	3.0
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.85	0.80	0.80
% Ch	-1.7	-0.6	-0.2	-0.4	-2.5	-3.5	-5.7	-0.1
Other Information	2.21	2.16	2.14	2.13	2.11	2.02	1.98	2.07
% Ch	-2.5	-2.3	-1.0	-0.2	-0.9	-4.3	-1.9	4.2
Financial Activities	8.03	8.15	8.33	8.31	8.20	8.16	8.24	8.29
% Ch	0.7	1.5	2.2	-0.2	-1.3	-0.6	1.0	0.6
Professional and Business Services	16.39	16.95	17.57	17.97	17.91	17.41	17.73	18.84
% Ch	2.5	3.4	3.7	2.2	-0.3	-2.8	1.9	6.3
Education and Health Services	16.95	17.37	17.83	18.33	18.89	19.38	19.90	20.36
% Ch	2.2	2.5	2.6	2.8	3.1	2.6	2.7	2.3
Leisure and Hospitality	12.49	12.81	13.11	13.47	13.65	13.60	13.53	13.49
% Ch	2.6	2.6	2.3	2.8	1.3	-0.3	-0.6	-0.3
Other Services	5.41	5.39	5.44	5.49	5.53	5.69	5.72	5.61
% Ch	0.2	-0.3	0.8	1.0	0.8	2.8	0.5	-1.9
Federal Government	2.73	2.73	2.73	2.73	2.74	2.75	2.79	2.73
% Ch	-1.1	0.0	-0.0	-0.2	0.5	0.4	1.5	-2.4
State and Local Government	18.89	19.07	19.24	19.47	19.72	19.68	19.59	19.66
% Ch	0.4	1.0	0.9	1.2	1.3	-0.2	-0.4	0.3

No. 82577-7
JSF925 0400

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.03
% Ch, Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch, Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.75
% Ch, Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.9
Wood Products	0.57	0.57	0.56	0.54	0.53	0.52	0.52	0.51
% Ch, Annual Rate	4.6	-3.6	-6.8	-11.3	-7.6	-5.7	-2.8	-6.8
Primary and Fabricated Metals	2.00	2.01	2.03	2.02	2.02	2.02	2.02	2.02
% Ch, Annual Rate	1.7	2.1	2.7	-1.0	-0.1	-0.7	-0.3	-0.0
Computer and Electronic Products	1.31	1.31	1.31	1.30	1.29	1.27	1.26	1.26
% Ch, Annual Rate	-1.7	1.7	-1.7	-2.3	-3.1	-4.9	-3.0	-2.1
Machinery and Electrical Equipment	1.61	1.62	1.62	1.62	1.62	1.61	1.62	1.62
% Ch, Annual Rate	1.1	2.0	1.6	-0.5	-1.2	-0.2	0.2	0.1
Transportation Equipment	1.77	1.78	1.77	1.75	1.73	1.72	1.71	1.69
% Ch, Annual Rate	0.6	2.1	-3.3	-3.4	-4.9	-2.9	-2.8	-3.8
Other Durables	1.72	1.72	1.71	1.70	1.69	1.68	1.67	1.66
% Ch, Annual Rate	1.3	-1.2	-2.1	-1.8	-2.2	-2.0	-2.4	-2.3
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch, Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Food Manufacturing	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
% Ch, Annual Rate	1.2	0.4	0.3	-0.7	0.5	0.1	0.5	-0.2
Paper and Paper Products	0.48	0.47	0.47	0.47	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-1.7	-3.2	-2.6	-3.0	-1.7	-2.2	-1.4	0.1
Other Nondurables	3.27	3.24	3.22	3.18	3.16	3.13	3.11	3.09
% Ch, Annual Rate	-1.9	-3.4	-2.6	-4.7	-2.1	-3.3	-2.7	-2.6
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.73
% Ch, Annual Rate	10.1	12.0	6.2	6.3	5.0	5.0	4.1	3.9
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch, Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.5
Trade, Transportation, and Utilities	26.19	26.22	26.29	26.41	26.53	26.59	26.64	26.66
% Ch, Annual Rate	1.3	0.5	1.1	1.8	1.8	0.9	0.7	0.4
Wholesale Trade	5.86	5.89	5.92	5.95	5.98	6.01	6.05	6.07
% Ch, Annual Rate	3.2	2.4	1.9	2.1	1.9	2.5	2.3	1.6
Retail Trade	15.36	15.32	15.34	15.40	15.48	15.49	15.49	15.49
% Ch, Annual Rate	0.3	-0.9	0.4	1.5	2.0	0.4	0.1	-0.1
Trans., Warehousing, and Utilities	4.97	5.00	5.03	5.06	5.08	5.08	5.09	5.10
% Ch, Annual Rate	2.3	2.4	2.2	2.5	1.2	0.5	0.8	0.6
Information	3.05	3.04	3.03	3.03	3.03	3.03	3.03	3.02
% Ch, Annual Rate	-0.3	-1.9	-1.4	0.0	0.4	0.4	-1.0	-0.7
Publishing Industries	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.89
% Ch, Annual Rate	-0.3	-0.1	-1.2	0.5	0.7	-1.2	-1.8	-1.9
Other Information	2.15	2.14	2.13	2.13	2.13	2.13	2.13	2.13
% Ch, Annual Rate	-0.3	-2.7	-1.5	-0.2	0.3	1.1	-0.6	-0.1
Financial Activities	8.29	8.33	8.34	8.35	8.34	8.32	8.31	8.27
% Ch, Annual Rate	2.7	1.8	0.4	0.7	-0.5	-1.2	-0.3	-2.3
Professional and Business Services	17.37	17.51	17.65	17.76	17.87	17.93	17.98	18.09
% Ch, Annual Rate	3.6	3.3	3.2	2.5	2.4	1.4	1.2	2.6
Education and Health Services	17.67	17.76	17.87	18.00	18.11	18.26	18.41	18.53
% Ch, Annual Rate	3.1	2.1	2.4	2.9	2.6	3.2	3.4	2.5
Leisure and Hospitality	12.98	13.05	13.15	13.25	13.33	13.42	13.51	13.62
% Ch, Annual Rate	3.0	2.3	3.0	2.9	2.6	2.8	2.6	3.4
Other Services	5.42	5.43	5.44	5.46	5.47	5.49	5.50	5.50
% Ch, Annual Rate	2.1	0.5	0.7	1.7	0.6	1.6	0.4	0.4
Federal Government	2.73	2.73	2.74	2.73	2.73	2.73	2.72	2.73
% Ch, Annual Rate	-1.0	0.6	0.7	-1.4	0.1	-0.5	-0.2	0.7
State and Local Government	19.15	19.18	19.28	19.34	19.40	19.46	19.48	19.56
% Ch, Annual Rate	0.5	0.7	2.1	1.3	1.1	1.3	0.4	1.7

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.92	137.70	137.45	136.85	136.12	135.50	135.16	135.08
% Ch, Annual Rate	-0.3	-0.6	-0.7	-1.7	-2.1	-1.8	-1.0	-0.2
Manufacturing	13.69	13.56	13.43	13.23	12.97	12.65	12.43	12.24
% Ch, Annual Rate	-2.8	-3.7	-3.8	-5.9	-7.7	-9.6	-6.7	-5.9
Durable Manufacturing	8.69	8.59	8.49	8.34	8.15	7.92	7.77	7.63
% Ch, Annual Rate	-3.1	-4.4	-4.3	-7.3	-8.5	-10.7	-7.5	-6.8
Wood Products	0.50	0.48	0.47	0.46	0.45	0.43	0.41	0.41
% Ch, Annual Rate	-8.4	-11.4	-12.1	-3.8	-9.7	-19.5	-14.0	-1.0
Primary and Fabricated Metals	2.01	1.99	1.97	1.96	1.95	1.88	1.80	1.75
% Ch, Annual Rate	-1.5	-3.9	-3.1	-2.1	-3.6	-13.0	-15.3	-11.2
Computer and Electronic Products	1.25	1.25	1.25	1.24	1.24	1.23	1.25	1.21
% Ch, Annual Rate	-1.3	-1.2	-0.7	-1.3	-1.5	-3.0	7.5	-13.0
Machinery and Electrical Equipment	1.61	1.62	1.61	1.58	1.53	1.49	1.46	1.45
% Ch, Annual Rate	-0.4	0.4	-1.0	-7.6	-11.4	-10.4	-6.9	-4.3
Transportation Equipment	1.67	1.63	1.60	1.53	1.47	1.42	1.39	1.38
% Ch, Annual Rate	-5.1	-7.9	-8.7	-16.1	-13.9	-13.0	-8.4	-3.2
Other Durables	1.64	1.62	1.59	1.56	1.51	1.47	1.45	1.44
% Ch, Annual Rate	-5.4	-6.2	-5.0	-9.5	-11.2	-9.0	-7.0	-3.3
Nondurable Manufacturing	5.01	4.97	4.94	4.90	4.82	4.72	4.66	4.61
% Ch, Annual Rate	-2.2	-2.4	-2.9	-3.5	-6.2	-7.7	-5.3	-4.2
Food Manufacturing	1.48	1.47	1.47	1.47	1.47	1.46	1.45	1.45
% Ch, Annual Rate	0.0	-2.1	-0.2	-0.4	-0.9	-2.4	-1.3	-1.0
Paper and Paper Products	0.46	0.46	0.45	0.45	0.44	0.43	0.42	0.42
% Ch, Annual Rate	-1.0	-0.5	-4.7	-4.1	-7.4	-8.9	-5.7	-4.5
Other Nondurables	3.07	3.04	3.01	2.98	2.91	2.83	2.78	2.74
% Ch, Annual Rate	-3.4	-2.8	-3.9	-4.9	-8.5	-10.1	-7.3	-5.9
Natural Resources and Mining	0.75	0.76	0.79	0.80	0.79	0.77	0.74	0.72
% Ch, Annual Rate	6.9	7.7	15.6	6.8	-7.4	-6.2	-15.4	-9.2
Construction	7.38	7.24	7.15	7.07	6.98	6.81	6.63	6.55
% Ch, Annual Rate	-7.1	-7.5	-4.8	-4.3	-5.2	-9.4	-10.1	-4.9
Trade, Transportation, and Utilities	26.59	26.46	26.35	26.12	25.82	25.75	25.88	26.02
% Ch, Annual Rate	-1.2	-1.9	-1.7	-3.4	-4.6	-1.1	2.2	2.1
Wholesale Trade	6.06	6.04	6.01	5.96	5.86	5.82	5.80	5.78
% Ch, Annual Rate	-0.8	-1.4	-1.9	-3.4	-6.7	-2.5	-1.3	-1.7
Retail Trade	15.43	15.34	15.27	15.12	14.97	14.98	15.15	15.32
% Ch, Annual Rate	-1.4	-2.5	-1.7	-3.8	-4.0	0.2	4.8	4.4
Trans., Warehousing, and Utilities	5.09	5.08	5.07	5.04	4.99	4.95	4.93	4.93
% Ch, Annual Rate	-0.7	-0.8	-1.3	-2.0	-4.0	-3.3	-1.6	-0.4
Information	3.01	3.00	2.98	2.95	2.91	2.88	2.85	2.82
% Ch, Annual Rate	-1.1	-1.6	-2.4	-4.3	-5.6	-3.8	-4.2	-3.5
Publishing Industries	0.89	0.88	0.87	0.87	0.87	0.85	0.84	0.82
% Ch, Annual Rate	-2.6	-2.9	-4.0	-1.9	0.5	-6.7	-5.9	-8.8
Other Information	2.13	2.12	2.11	2.08	2.04	2.03	2.01	2.00
% Ch, Annual Rate	-0.4	-1.1	-1.7	-5.3	-8.1	-2.6	-3.4	-1.2
Financial Activities	8.24	8.22	8.20	8.15	8.12	8.12	8.17	8.21
% Ch, Annual Rate	-1.4	-0.6	-1.2	-2.2	-1.3	-0.4	2.7	2.0
Professional and Business Services	18.06	17.98	17.87	17.74	17.62	17.41	17.31	17.29
% Ch, Annual Rate	-0.7	-1.8	-2.5	-2.8	-2.6	-4.7	-2.3	-0.4
Education and Health Services	18.66	18.82	18.98	19.08	19.21	19.35	19.44	19.54
% Ch, Annual Rate	3.0	3.5	3.4	2.1	2.8	2.8	1.8	2.1
Leisure and Hospitality	13.66	13.68	13.64	13.61	13.59	13.65	13.59	13.58
% Ch, Annual Rate	1.1	0.7	-1.2	-1.0	-0.6	1.8	-1.8	-0.2
Other Services	5.52	5.53	5.53	5.56	5.62	5.67	5.72	5.74
% Ch, Annual Rate	0.9	0.7	0.2	2.4	4.2	4.1	3.2	1.4
Federal Government	2.72	2.74	2.75	2.75	2.75	2.75	2.75	2.75
% Ch, Annual Rate	-0.8	2.5	1.4	-0.1	0.0	0.0	0.2	0.3
State and Local Government	19.64	19.70	19.78	19.78	19.74	19.70	19.65	19.61
% Ch, Annual Rate	1.5	1.3	1.6	0.2	-0.9	-0.9	-1.0	-0.7

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	135.19	135.43	135.76	136.11	136.62	137.17	137.77	138.41
% Ch, Annual Rate	0.3	0.7	1.0	1.1	1.5	1.6	1.8	1.9
Manufacturing	12.07	11.95	11.94	12.00	12.06	12.15	12.23	12.32
% Ch, Annual Rate	-5.4	-3.9	-0.4	1.8	2.0	2.9	2.9	2.9
Durable Manufacturing	7.50	7.42	7.44	7.50	7.56	7.65	7.74	7.83
% Ch, Annual Rate	-6.8	-4.5	1.0	3.2	3.6	4.8	4.6	4.6
Wood Products	0.41	0.42	0.43	0.45	0.46	0.48	0.49	0.50
% Ch, Annual Rate	3.3	6.6	12.0	15.1	13.9	13.8	10.9	10.1
Primary and Fabricated Metals	1.70	1.66	1.65	1.65	1.64	1.65	1.66	1.68
% Ch, Annual Rate	-11.3	-8.9	-3.1	-0.3	-0.1	1.9	2.5	3.1
Computer and Electronic Products	1.17	1.14	1.14	1.14	1.16	1.17	1.19	1.19
% Ch, Annual Rate	-11.2	-10.3	-1.0	1.1	4.8	5.1	5.4	2.9
Machinery and Electrical Equipment	1.42	1.40	1.40	1.41	1.41	1.42	1.44	1.46
% Ch, Annual Rate	-7.9	-5.0	-0.4	1.6	1.9	3.6	3.9	4.8
Transportation Equipment	1.37	1.37	1.39	1.41	1.44	1.46	1.48	1.50
% Ch, Annual Rate	-2.1	0.6	4.8	6.8	6.6	7.0	6.2	6.1
Other Durables	1.42	1.42	1.43	1.44	1.45	1.47	1.48	1.49
% Ch, Annual Rate	-3.2	-1.3	2.1	3.8	2.8	4.2	3.7	4.0
Nondurable Manufacturing	4.57	4.54	4.51	4.50	4.50	4.49	4.49	4.50
% Ch, Annual Rate	-3.1	-2.9	-2.6	-0.5	-0.6	-0.2	0.0	0.2
Food Manufacturing	1.45	1.45	1.44	1.45	1.45	1.46	1.46	1.47
% Ch, Annual Rate	-0.2	-0.8	-0.9	1.3	1.1	1.3	1.4	1.2
Paper and Paper Products	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
% Ch, Annual Rate	-3.4	-3.4	-3.4	-0.6	0.0	0.4	0.7	0.9
Other Nondurables	2.71	2.68	2.66	2.65	2.64	2.63	2.62	2.62
% Ch, Annual Rate	-4.7	-3.9	-3.3	-1.5	-1.6	-1.1	-0.8	-0.5
Natural Resources and Mining	0.71	0.71	0.72	0.73	0.73	0.74	0.74	0.73
% Ch, Annual Rate	-5.8	0.8	3.3	4.0	3.3	1.9	0.0	-1.5
Construction	6.51	6.54	6.54	6.51	6.52	6.55	6.60	6.66
% Ch, Annual Rate	-2.5	2.0	-0.1	-2.0	1.2	1.8	3.0	3.8
Trade, Transportation, and Utilities	26.07	26.11	26.13	26.12	26.10	26.08	26.14	26.27
% Ch, Annual Rate	0.9	0.6	0.3	-0.1	-0.4	-0.4	1.0	2.1
Wholesale Trade	5.75	5.75	5.77	5.78	5.79	5.82	5.86	5.89
% Ch, Annual Rate	-2.0	0.4	1.3	0.5	0.8	2.2	2.7	2.1
Retail Trade	15.41	15.43	15.40	15.35	15.29	15.20	15.17	15.22
% Ch, Annual Rate	2.4	0.5	-0.8	-1.2	-1.6	-2.6	-0.7	1.5
Trans., Warehousing, and Utilities	4.92	4.93	4.96	4.99	5.02	5.06	5.11	5.16
% Ch, Annual Rate	-0.6	1.1	2.4	2.5	2.1	3.4	4.1	3.7
Information	2.80	2.77	2.76	2.79	2.83	2.87	2.88	2.87
% Ch, Annual Rate	-3.8	-3.9	-0.8	3.4	5.9	5.7	1.8	-0.8
Publishing Industries	0.80	0.80	0.79	0.79	0.79	0.80	0.80	0.80
% Ch, Annual Rate	-7.9	-3.7	-1.4	-0.2	0.5	0.9	0.6	0.2
Other Information	1.99	1.97	1.97	1.99	2.03	2.07	2.08	2.08
% Ch, Annual Rate	-2.1	-4.0	-0.5	4.9	8.0	7.6	2.2	-1.2
Financial Activities	8.21	8.22	8.25	8.27	8.28	8.27	8.28	8.32
% Ch, Annual Rate	-0.0	0.5	1.3	1.4	0.3	-0.5	0.6	1.8
Professional and Business Services	17.37	17.58	17.85	18.13	18.42	18.73	19.00	19.23
% Ch, Annual Rate	1.9	4.9	6.2	6.5	6.4	7.0	5.8	5.0
Education and Health Services	19.70	19.86	19.99	20.07	20.21	20.32	20.42	20.48
% Ch, Annual Rate	3.3	3.4	2.6	1.6	3.0	2.2	2.0	1.1
Leisure and Hospitality	13.57	13.55	13.52	13.47	13.46	13.48	13.49	13.53
% Ch, Annual Rate	-0.3	-0.7	-0.8	-1.5	-0.3	0.4	0.6	1.1
Other Services	5.74	5.73	5.71	5.69	5.66	5.63	5.59	5.55
% Ch, Annual Rate	0.0	-0.8	-1.2	-1.0	-2.4	-2.4	-2.3	-2.7
Federal Government	2.84	2.82	2.76	2.74	2.73	2.73	2.72	2.72
% Ch, Annual Rate	14.0	-2.9	-8.3	-3.2	-1.3	-0.7	-0.3	-0.3
State and Local Government	19.60	19.58	19.59	19.60	19.62	19.64	19.67	19.70
% Ch, Annual Rate	-0.3	-0.3	0.1	0.2	0.4	0.5	0.5	0.7

No. 82577-7
JSF925 0403

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,932.0	2,959.7	2,938.3	2,959.7	3,011.8
% Ch	1.6	2.8	3.0	2.5	0.9	-0.7	0.7	1.8
Manufacturing	263.7	272.6	285.9	293.2	291.7	283.6	276.5	281.8
% Ch	-1.3	3.4	4.9	2.6	-0.5	-2.8	-2.5	1.9
Durable Manufacturing	182.4	191.5	204.0	211.7	211.9	207.8	202.8	207.3
% Ch	-0.7	5.0	6.6	3.7	0.1	-1.9	-2.4	2.2
Wood Products	18.8	20.0	20.3	19.1	17.1	15.2	15.2	16.5
% Ch	5.4	6.9	1.1	-5.8	-10.2	-11.1	-0.6	9.2
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	26.4	24.9	22.8	23.1
% Ch	0.9	3.8	4.9	6.7	1.7	-5.6	-8.2	1.4
Computer and Electronic Products	22.1	22.2	22.4	22.8	22.9	22.9	21.0	22.1
% Ch	-5.3	0.2	1.2	1.6	0.5	0.0	-8.3	5.1
Machinery and Electrical Equipment	17.0	17.8	19.0	19.4	19.6	18.5	18.0	19.2
% Ch	4.4	4.8	6.6	2.4	0.8	-5.7	-2.5	6.5
Aerospace	61.5	65.6	73.4	80.1	83.0	86.2	86.2	86.2
% Ch	-5.8	6.8	11.9	9.1	3.6	3.9	0.0	0.0
Other Transportation Equip.	12.1	13.2	13.7	13.0	12.2	11.1	11.0	11.0
% Ch	9.2	8.7	4.1	-5.0	-6.5	-9.0	-1.2	0.2
Other Durables	28.6	29.5	30.9	31.3	30.7	29.0	28.6	29.1
% Ch	2.7	3.1	4.9	1.2	-2.0	-5.5	-1.4	2.0
Nondurable Manufacturing	81.3	81.1	81.9	81.6	79.8	75.8	73.7	74.5
% Ch	-2.4	-0.2	0.9	-0.4	-2.1	-5.1	-2.7	1.0
Food Manufacturing	34.1	33.8	33.9	34.1	33.7	32.3	31.6	32.3
% Ch	-2.0	-1.0	0.3	0.6	-1.1	-4.2	-2.1	2.3
Paper and Paper Products	12.7	12.2	11.9	11.2	10.4	9.5	9.0	8.9
% Ch	-4.6	-3.6	-2.1	-6.1	-7.2	-9.1	-4.9	-0.7
Other Nondurables	34.5	35.2	36.1	36.3	35.7	34.0	33.1	33.2
% Ch	-1.9	1.8	2.7	0.5	-1.5	-4.7	-2.7	0.3
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.5	6.7	6.2	6.6
% Ch	5.7	-1.9	-3.0	-5.9	-8.8	-10.3	-6.8	5.8
Construction	164.2	177.4	194.9	207.4	199.6	186.7	184.0	186.5
% Ch	5.1	8.0	9.9	6.4	-3.7	-6.5	-1.4	1.3
Trade, Transportation, and Utilities	518.4	530.4	541.6	552.9	555.4	550.6	559.2	561.6
% Ch	1.7	2.3	2.1	2.1	0.4	-0.9	1.6	0.4
Wholesale Trade	119.3	122.2	126.6	129.2	129.9	127.1	126.8	128.7
% Ch	2.8	2.4	3.6	2.1	0.6	-2.2	-0.2	1.5
Retail Trade	309.4	316.1	321.0	327.7	329.5	328.8	337.1	335.4
% Ch	1.1	2.2	1.6	2.1	0.6	-0.2	2.5	-0.5
Trans., Warehousing, and Utilities	89.8	92.2	94.0	96.0	95.9	94.8	95.3	97.5
% Ch	2.1	2.7	2.0	2.2	-0.1	-1.2	0.6	2.3
Information	92.8	94.7	98.4	102.7	105.9	105.5	104.9	109.3
% Ch	0.6	2.0	3.9	4.3	3.2	-0.4	-0.6	4.3
Software Publishers	39.3	41.3	44.7	47.8	51.3	53.5	54.5	57.2
% Ch	5.1	5.1	8.4	6.8	7.4	4.4	1.8	5.0
Other Publishing Industries	11.3	11.2	11.0	10.8	10.3	9.4	8.7	8.5
% Ch	-6.7	-0.6	-2.0	-2.2	-4.8	-8.0	-7.8	-1.9
Other Information	42.3	42.2	42.7	44.1	44.4	42.5	41.7	43.6
% Ch	-1.2	-0.1	1.1	3.4	0.6	-4.2	-2.1	4.6
Financial Activities	151.8	154.5	156.2	155.1	152.8	150.7	152.0	153.5
% Ch	-0.1	1.8	1.1	-0.7	-1.5	-1.4	0.9	1.0
Professional and Business Services	301.7	316.1	330.5	345.3	350.7	346.0	355.0	376.9
% Ch	3.9	4.8	4.6	4.5	1.6	-1.3	2.6	6.2
Education and Health Services	319.7	329.3	337.2	348.0	360.8	371.5	381.9	391.5
% Ch	2.2	3.0	2.4	3.2	3.7	2.9	2.8	2.5
Leisure and Hospitality	255.6	263.5	271.7	280.1	283.8	284.5	285.2	286.2
% Ch	2.7	3.1	3.1	3.1	1.3	0.3	0.2	0.4
Other Services	100.3	102.7	104.0	105.4	107.7	109.7	110.8	110.6
% Ch	1.4	2.4	1.2	1.3	2.2	1.9	1.0	-0.2
Federal Government	69.8	69.6	69.3	68.6	69.6	69.8	70.5	69.8
% Ch	-0.6	-0.3	-0.4	-0.9	1.3	0.3	1.0	-0.9
State and Local Government	454.0	457.2	460.7	465.1	474.2	472.9	473.5	477.6
% Ch	0.8	0.7	0.8	0.9	2.0	-0.3	0.1	0.9

No. 82577-7
JSF925 0404

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.8	2,851.3	2,867.1	2,883.2	2,908.9	2,924.1	2,939.2	2,955.7
% Ch, Annual Rate	3.4	2.4	2.2	2.3	3.6	2.1	2.1	2.3
Manufacturing	283.0	284.6	287.0	289.1	290.8	291.7	294.3	296.1
% Ch, Annual Rate	6.5	2.2	3.5	2.9	2.4	1.3	3.6	2.4
Durable Manufacturing	200.9	202.7	205.0	207.5	209.1	210.7	212.7	214.2
% Ch, Annual Rate	7.2	3.6	4.5	5.0	3.1	3.1	4.0	2.8
Wood Products	20.6	20.4	20.3	19.8	19.4	19.2	19.0	18.7
% Ch, Annual Rate	3.7	-2.9	-2.6	-8.6	-8.1	-3.4	-5.6	-4.6
Primary and Fabricated Metals	23.8	24.1	24.4	24.7	25.3	26.3	26.0	26.1
% Ch, Annual Rate	5.7	4.6	4.9	5.8	9.2	16.5	-4.7	1.7
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.6	22.7	23.0	23.0
% Ch, Annual Rate	0.0	4.5	1.6	0.2	-0.1	2.9	5.3	-0.7
Machinery and Electrical Equipment	18.6	18.9	19.1	19.3	19.3	19.3	19.6	19.6
% Ch, Annual Rate	8.8	6.9	4.3	3.4	-0.2	0.1	6.7	0.4
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.3
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.3	13.0	12.9	12.9
% Ch, Annual Rate	12.3	1.1	-5.8	0.4	-10.5	-6.5	-3.1	-1.5
Other Durables	30.6	30.8	31.0	31.3	31.5	31.2	31.2	31.3
% Ch, Annual Rate	6.1	3.8	2.3	3.8	2.2	-3.5	0.6	0.1
Nondurable Manufacturing	82.1	81.9	82.0	81.6	81.8	81.1	81.6	81.8
% Ch, Annual Rate	4.9	-1.0	0.9	-2.1	0.8	-3.3	2.4	1.4
Food Manufacturing	33.9	33.6	34.0	33.9	34.2	33.6	34.2	34.3
% Ch, Annual Rate	6.1	-3.4	3.8	-0.2	3.6	-7.1	6.8	1.9
Paper and Paper Products	12.1	12.1	11.9	11.6	11.6	11.3	11.0	11.0
% Ch, Annual Rate	2.9	-1.1	-6.4	-10.3	-1.3	-9.8	-8.4	1.1
Other Nondurables	36.0	36.1	36.2	36.1	36.0	36.2	36.4	36.5
% Ch, Annual Rate	4.4	1.4	0.7	-1.0	-1.2	2.6	2.0	1.0
Natural Resources and Mining	8.8	8.8	8.6	8.6	8.3	8.2	8.2	8.1
% Ch, Annual Rate	1.6	-2.9	-6.1	-2.1	-12.4	-4.1	-1.7	-5.4
Construction	189.8	193.6	196.5	199.5	205.5	208.1	207.6	208.2
% Ch, Annual Rate	13.2	8.2	6.2	6.2	12.5	5.2	-1.0	1.1
Trade, Transportation, and Utilities	538.7	540.8	542.7	544.3	549.8	552.2	553.6	555.9
% Ch, Annual Rate	2.8	1.6	1.4	1.2	4.1	1.7	1.0	1.7
Wholesale Trade	125.8	126.1	127.0	127.5	128.0	128.9	129.3	130.5
% Ch, Annual Rate	6.1	1.2	2.7	1.6	1.7	2.8	1.3	3.7
Retail Trade	319.7	320.6	321.2	322.6	326.5	327.1	327.9	329.2
% Ch, Annual Rate	1.4	1.1	0.8	1.7	4.9	0.7	1.0	1.5
Trans., Warehousing, and Utilities	93.2	94.0	94.5	94.2	95.3	96.2	96.3	96.2
% Ch, Annual Rate	3.3	3.7	2.0	-1.2	4.7	3.6	0.8	-0.4
Information	96.2	97.6	99.4	100.5	101.8	102.6	102.9	103.3
% Ch, Annual Rate	3.4	5.8	7.9	4.2	5.6	3.0	1.2	1.6
Software Publishers	43.0	44.3	45.4	46.1	47.1	47.5	47.8	48.5
% Ch, Annual Rate	8.3	12.7	10.0	6.5	9.1	3.5	2.3	5.9
Other Publishing Industries	11.1	11.0	11.0	11.0	10.9	10.8	10.7	10.7
% Ch, Annual Rate	-3.6	-1.6	0.9	-2.1	-3.7	-1.9	-3.1	-2.6
Other Information	42.1	42.2	43.0	43.4	43.8	44.2	44.3	44.1
% Ch, Annual Rate	0.6	1.0	7.7	3.4	4.4	3.6	1.1	-1.9
Financial Activities	156.8	156.6	156.1	155.5	155.8	155.8	154.8	154.0
% Ch, Annual Rate	0.5	-0.6	-1.3	-1.6	1.0	-0.1	-2.6	-1.9
Professional and Business Services	323.7	328.6	333.1	336.8	341.6	343.4	346.5	349.6
% Ch, Annual Rate	3.5	6.1	5.6	4.5	5.8	2.2	3.6	3.7
Education and Health Services	334.7	336.2	337.7	340.2	343.2	345.9	349.1	354.0
% Ch, Annual Rate	2.1	1.8	1.8	3.0	3.6	3.1	3.8	5.8
Leisure and Hospitality	269.9	270.7	272.3	273.8	277.1	279.2	281.0	283.3
% Ch, Annual Rate	3.1	1.2	2.5	2.1	4.9	3.0	2.7	3.3
Other Services	103.5	103.9	104.1	104.4	104.6	105.0	105.3	106.5
% Ch, Annual Rate	0.0	1.6	0.9	1.2	0.8	1.5	1.1	4.5
Federal Government	69.7	69.6	68.9	68.9	69.1	68.7	68.5	68.3
% Ch, Annual Rate	0.9	-0.7	-3.5	-0.1	1.2	-2.7	-1.0	-1.0
State and Local Government	460.0	460.6	460.5	461.7	461.2	463.3	467.4	468.4
% Ch, Annual Rate	1.8	0.5	-0.1	1.0	-0.4	1.9	3.5	0.9

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,970.6	2,965.0	2,961.5	2,941.7	2,940.7	2,935.7	2,937.1	2,939.6
% Ch, Annual Rate	2.0	-0.7	-0.5	-2.6	-0.1	-0.7	0.2	0.3
Manufacturing	296.5	294.2	293.1	283.1	288.6	284.3	282.1	279.4
% Ch, Annual Rate	0.5	-3.0	-1.5	-12.9	7.9	-5.7	-3.1	-3.8
Durable Manufacturing	214.9	214.1	213.9	204.6	211.0	208.3	207.0	205.0
% Ch, Annual Rate	1.3	-1.5	-0.3	-16.4	13.1	-5.0	-2.5	-3.9
Wood Products	18.0	17.3	16.7	16.5	16.1	15.3	14.8	14.7
% Ch, Annual Rate	-14.9	-14.3	-12.7	-6.0	-9.3	-17.6	-12.9	-2.1
Primary and Fabricated Metals	26.3	26.5	26.4	26.2	26.1	25.3	24.4	23.8
% Ch, Annual Rate	4.2	2.5	-2.2	-2.6	-1.9	-11.4	-13.6	-9.6
Computer and Electronic Products	22.8	22.8	23.0	23.0	23.0	22.8	23.5	22.4
% Ch, Annual Rate	-2.2	-0.8	4.4	-0.5	-0.7	-2.8	13.0	-17.3
Machinery and Electrical Equipment	19.6	19.6	19.6	19.4	18.9	18.5	18.3	18.2
% Ch, Annual Rate	0.5	0.3	-0.2	-3.9	-10.3	-8.9	-4.6	-1.3
Aerospace	84.0	84.5	85.5	77.9	86.2	86.2	86.2	86.2
% Ch, Annual Rate	6.9	2.1	5.1	-31.1	49.9	0.0	0.0	0.0
Other Transportation Equip.	12.8	12.5	12.0	11.5	11.2	11.1	11.0	11.0
% Ch, Annual Rate	-3.0	-9.5	-14.4	-17.0	-7.9	-4.8	-2.2	-1.3
Other Durables	31.2	30.8	30.6	30.1	29.5	29.1	28.8	28.6
% Ch, Annual Rate	-0.2	-5.0	-3.1	-6.8	-7.4	-5.5	-4.3	-2.3
Nondurable Manufacturing	81.5	80.1	79.1	78.5	77.6	76.0	75.1	74.4
% Ch, Annual Rate	-1.5	-6.8	-4.8	-3.1	-4.9	-7.7	-4.6	-3.6
Food Manufacturing	34.6	33.8	33.3	33.1	32.9	32.3	32.0	31.8
% Ch, Annual Rate	3.4	-9.3	-5.1	-3.1	-2.1	-6.6	-3.6	-2.8
Paper and Paper Products	10.8	10.6	10.2	10.0	9.8	9.5	9.4	9.2
% Ch, Annual Rate	-8.6	-6.5	-14.6	-8.0	-8.6	-10.4	-6.7	-5.3
Other Nondurables	36.1	35.7	35.6	35.4	34.9	34.2	33.7	33.4
% Ch, Annual Rate	-3.7	-4.5	-1.4	-1.7	-6.3	-7.9	-5.0	-3.9
Natural Resources and Mining	7.7	7.5	7.4	7.2	6.9	6.8	6.6	6.5
% Ch, Annual Rate	-15.1	-10.6	-7.9	-7.9	-15.8	-8.8	-6.7	-10.3
Construction	206.8	202.4	197.4	191.9	189.8	187.6	185.6	183.9
% Ch, Annual Rate	-2.6	-8.4	-9.4	-10.7	-4.4	-4.6	-4.1	-3.6
Trade, Transportation, and Utilities	558.7	555.9	554.7	552.2	547.3	547.6	552.0	555.6
% Ch, Annual Rate	2.0	-2.0	-0.8	-1.8	-3.5	0.2	3.2	2.7
Wholesale Trade	130.6	130.3	129.6	129.1	127.4	127.1	127.1	126.8
% Ch, Annual Rate	0.2	-0.9	-2.0	-1.5	-5.4	-1.0	0.2	-1.0
Retail Trade	331.9	329.8	328.9	327.5	325.0	325.9	330.2	334.1
% Ch, Annual Rate	3.4	-2.6	-1.0	-1.7	-3.1	1.1	5.4	4.9
Trans., Warehousing, and Utilities	96.2	95.8	96.2	95.5	95.0	94.7	94.7	94.7
% Ch, Annual Rate	-0.4	-1.4	1.4	-2.5	-2.2	-1.3	-0.1	0.2
Information	105.0	105.6	106.3	106.8	106.1	105.7	105.3	104.9
% Ch, Annual Rate	6.6	2.2	2.8	1.9	-2.6	-1.6	-1.3	-1.7
Software Publishers	49.5	50.5	52.1	53.0	53.3	53.4	53.7	53.6
% Ch, Annual Rate	8.3	8.3	13.5	6.9	2.6	0.8	1.8	-0.4
Other Publishing Industries	10.7	10.6	9.9	9.8	9.8	9.5	9.3	9.1
% Ch, Annual Rate	3.0	-5.8	-23.8	-4.1	-1.1	-8.7	-7.9	-11.1
Other Information	44.7	44.5	44.3	44.0	43.0	42.7	42.3	42.2
% Ch, Annual Rate	5.6	-2.2	-1.7	-2.5	-8.9	-2.8	-3.8	-1.3
Financial Activities	153.9	153.5	152.5	151.5	150.6	150.2	150.8	151.2
% Ch, Annual Rate	-0.4	-0.8	-2.6	-2.7	-2.2	-1.3	1.8	1.0
Professional and Business Services	351.5	352.3	350.1	348.9	348.0	345.6	344.9	345.5
% Ch, Annual Rate	2.1	0.9	-2.5	-1.3	-1.1	-2.8	-0.8	0.7
Education and Health Services	356.4	358.9	362.7	365.3	368.0	370.6	372.6	374.8
% Ch, Annual Rate	2.8	2.8	4.3	2.9	2.9	2.9	2.2	2.4
Leisure and Hospitality	284.7	283.8	283.4	283.4	283.5	285.1	284.6	285.0
% Ch, Annual Rate	1.9	-1.1	-0.7	-0.0	0.2	2.2	-0.7	0.5
Other Services	107.4	107.7	107.6	107.9	108.7	109.5	110.1	110.5
% Ch, Annual Rate	3.6	1.1	-0.3	1.1	2.9	2.8	2.4	1.5
Federal Government	69.4	69.6	69.8	69.5	69.6	69.7	69.8	69.9
% Ch, Annual Rate	6.4	1.1	1.3	-1.5	0.5	0.5	0.6	0.7
State and Local Government	472.7	473.6	476.5	474.0	473.5	473.1	472.7	472.5
% Ch, Annual Rate	3.7	0.8	2.5	-2.1	-0.4	-0.3	-0.4	-0.2

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,946.1	2,953.4	2,963.4	2,976.0	2,990.0	3,004.1	3,018.9	3,034.3
% Ch, Annual Rate	0.9	1.0	1.4	1.7	1.9	1.9	2.0	2.1
Manufacturing	277.2	275.7	275.8	277.2	278.8	280.8	282.8	284.7
% Ch, Annual Rate	-3.1	-2.2	0.2	2.0	2.4	2.9	2.9	2.7
Durable Manufacturing	203.1	202.0	202.4	203.5	204.9	206.5	208.2	209.7
% Ch, Annual Rate	-3.5	-2.3	1.0	2.1	2.7	3.2	3.2	3.0
Wood Products	14.8	14.9	15.2	15.6	16.0	16.4	16.7	17.0
% Ch, Annual Rate	1.4	4.1	8.5	11.0	10.1	10.0	7.7	7.0
Primary and Fabricated Metals	23.2	22.7	22.7	22.7	22.8	23.0	23.2	23.5
% Ch, Annual Rate	-9.6	-7.2	-1.6	1.3	1.5	3.4	4.1	4.7
Computer and Electronic Products	21.6	20.8	20.8	21.0	21.4	21.9	22.4	22.7
% Ch, Annual Rate	-14.7	-13.4	0.1	3.2	8.7	9.3	9.6	5.9
Machinery and Electrical Equipment	17.9	17.8	18.0	18.3	18.5	18.9	19.4	19.8
% Ch, Annual Rate	-6.0	-2.2	3.6	6.1	6.5	8.8	9.1	10.3
Aerospace	86.2	86.2	86.2	86.2	86.2	86.2	86.2	86.2
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
% Ch, Annual Rate	-1.0	-0.6	-0.2	0.1	0.3	0.4	0.4	0.4
Other Durables	28.5	28.5	28.6	28.7	28.9	29.1	29.2	29.4
% Ch, Annual Rate	-1.6	-0.1	1.6	2.3	2.0	2.5	2.3	2.3
Nondurable Manufacturing	74.1	73.7	73.4	73.7	74.0	74.3	74.7	75.0
% Ch, Annual Rate	-1.8	-2.0	-1.8	1.8	1.5	1.9	2.0	1.9
Food Manufacturing	31.8	31.6	31.4	31.7	31.9	32.2	32.5	32.8
% Ch, Annual Rate	-0.5	-2.3	-2.4	3.5	3.0	3.7	3.8	3.4
Paper and Paper Products	9.1	9.0	8.9	8.9	8.9	8.9	9.0	9.0
% Ch, Annual Rate	-4.1	-4.1	-4.1	-0.7	0.0	0.4	0.8	1.1
Other Nondurables	33.2	33.1	33.0	33.1	33.1	33.2	33.2	33.3
% Ch, Annual Rate	-2.4	-1.1	-0.7	0.8	0.4	0.5	0.5	0.7
Natural Resources and Mining	6.3	6.2	6.2	6.3	6.4	6.6	6.7	6.8
% Ch, Annual Rate	-11.6	-6.2	2.6	7.4	7.8	7.4	6.8	6.0
Construction	183.4	183.6	184.2	184.9	185.7	186.3	186.8	187.2
% Ch, Annual Rate	-1.1	0.3	1.4	1.6	1.8	1.2	1.1	0.9
Trade, Transportation, and Utilities	557.7	559.0	559.9	560.4	560.4	560.2	561.5	564.2
% Ch, Annual Rate	1.5	0.9	0.7	0.4	0.0	-0.2	0.9	2.0
Wholesale Trade	126.4	126.5	127.0	127.4	127.7	128.4	129.1	129.6
% Ch, Annual Rate	-1.3	0.3	1.7	1.3	1.1	2.1	2.2	1.5
Retail Trade	336.6	337.5	337.4	337.0	336.2	334.7	334.5	336.2
% Ch, Annual Rate	3.0	1.1	-0.1	-0.5	-0.9	-1.9	-0.2	2.0
Trans., Warehousing, and Utilities	94.7	95.0	95.5	96.0	96.5	97.1	97.9	98.5
% Ch, Annual Rate	0.1	1.1	2.1	2.4	1.8	2.7	3.1	2.7
Information	104.6	104.3	104.7	105.8	107.4	109.1	110.1	110.7
% Ch, Annual Rate	-1.2	-0.9	1.6	4.3	6.2	6.2	3.9	2.4
Software Publishers	53.8	54.1	54.7	55.3	56.0	56.8	57.6	58.4
% Ch, Annual Rate	1.2	2.7	4.1	4.5	5.3	5.7	5.8	5.8
Other Publishing Industries	8.8	8.7	8.6	8.6	8.6	8.5	8.5	8.5
% Ch, Annual Rate	-10.1	-5.7	-3.4	-2.0	-1.3	-0.9	-1.2	-1.6
Other Information	41.9	41.5	41.4	41.9	42.8	43.7	44.0	43.8
% Ch, Annual Rate	-2.3	-4.4	-0.6	5.4	8.9	8.4	2.4	-1.3
Financial Activities	151.3	151.7	152.3	152.9	153.2	153.1	153.5	154.3
% Ch, Annual Rate	0.4	0.9	1.6	1.7	0.7	-0.1	0.9	2.1
Professional and Business Services	347.8	352.1	357.3	362.9	368.5	374.6	379.9	384.7
% Ch, Annual Rate	2.7	5.0	6.1	6.4	6.3	6.8	5.8	5.2
Education and Health Services	377.8	381.0	383.5	385.4	388.2	390.6	392.7	394.3
% Ch, Annual Rate	3.3	3.4	2.7	1.9	3.0	2.4	2.3	1.6
Leisure and Hospitality	285.2	285.3	285.3	284.9	285.1	285.8	286.5	287.5
% Ch, Annual Rate	0.4	0.0	-0.0	-0.5	0.4	0.9	1.0	1.5
Other Services	110.7	110.8	110.8	110.9	110.8	110.6	110.5	110.3
% Ch, Annual Rate	0.8	0.3	0.1	0.2	-0.5	-0.5	-0.5	-0.6
Federal Government	71.3	70.9	69.7	70.0	69.8	69.8	69.8	69.9
% Ch, Annual Rate	8.3	-2.1	-6.9	1.6	-0.7	-0.2	0.1	0.2
State and Local Government	472.7	473.0	473.7	474.5	475.5	476.8	478.2	479.7
% Ch, Annual Rate	0.2	0.2	0.6	0.7	0.9	1.1	1.1	1.3

Table A3.1
U.S. Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,155.1	12,414.6	12,709.5	13,295.3
% Ch	6.2	5.6	7.1	6.1	4.2	2.1	2.4	4.6
Total Wage and Salary Disbursements	5,394.5	5,671.7	6,027.3	6,362.0	6,585.4	6,667.4	6,829.7	7,112.8
% Ch	5.5	5.1	6.3	5.6	3.5	1.2	2.4	4.1
Nonwage Personal Income	4,332.7	4,598.1	4,966.7	5,301.3	5,569.7	5,747.2	5,879.8	6,182.5
% Ch	7.0	6.1	8.0	6.7	5.1	3.2	2.3	5.1
Supplements to Wages and Salaries	1,276.9	1,354.1	1,405.3	1,456.6	1,506.4	1,560.0	1,627.1	1,693.2
% Ch	6.6	6.0	3.8	3.7	3.4	3.6	4.3	4.1
Proprietor's Income	911.7	959.8	1,014.7	1,056.3	1,075.4	1,101.2	1,145.2	1,193.9
% Ch	12.4	5.3	5.7	4.1	1.8	2.4	4.0	4.3
Farm	37.4	34.1	16.2	44.0	33.8	30.2	29.2	28.4
% Ch	27.8	-8.8	-52.6	172.6	-23.2	-10.7	-3.3	-2.8
Nonfarm	874.3	925.7	998.5	1,012.2	1,041.6	1,071.1	1,116.0	1,165.6
% Ch	11.8	5.9	7.9	1.4	2.9	2.8	4.2	4.4
Less: Contribution For Govt. Soc. Ins.	828.8	874.3	925.5	965.1	999.1	1,012.2	1,037.2	1,085.4
% Ch	6.4	5.5	5.9	4.3	3.5	1.3	2.5	4.7
Dividends/Int./Rent	1,550.5	1,637.7	1,869.1	2,040.2	2,121.8	2,101.9	2,089.7	2,219.0
% Ch	5.5	5.6	14.1	9.2	4.0	-0.9	-0.6	6.2
Transfer Payments	1,422.5	1,520.7	1,603.0	1,713.3	1,865.2	1,996.3	2,054.9	2,161.8
% Ch	5.3	6.9	5.4	6.9	8.9	7.0	2.9	5.2

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch, Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Total Wage and Salary Disbursements	5,946.4	5,966.2	6,034.2	6,162.2	6,294.0	6,310.7	6,377.7	6,465.5
% Ch, Annual Rate	10.8	1.3	4.6	8.8	8.8	1.1	4.3	5.6
Nonwage Personal Income	4,835.2	4,947.0	5,021.9	5,062.5	5,179.0	5,266.8	5,352.7	5,406.6
% Ch, Annual Rate	6.1	9.6	6.2	3.3	9.5	7.0	6.7	4.1
Supplements to Wages and Salaries	1,391.6	1,398.0	1,407.7	1,423.9	1,439.9	1,449.4	1,461.6	1,475.5
% Ch, Annual Rate	5.1	1.9	2.8	4.7	4.6	2.7	3.4	3.8
Proprietor's Income	1,004.8	1,018.2	1,013.4	1,022.4	1,037.2	1,050.2	1,063.8	1,073.8
% Ch, Annual Rate	4.2	5.4	-1.9	3.6	5.9	5.1	5.3	3.8
Farm	17.3	9.8	13.8	23.7	39.3	42.3	47.4	47.1
% Ch, Annual Rate	-84.8	-89.7	293.2	769.9	656.1	34.2	57.7	-2.5
Nonfarm	987.5	1,008.4	999.6	998.7	997.9	1,007.9	1,016.4	1,026.7
% Ch, Annual Rate	8.9	8.7	-3.4	-0.4	-0.3	4.1	3.4	4.1
Less: Contribution For Govt. Soc. Ins.	917.1	918.9	925.5	940.4	959.8	959.1	966.0	975.3
% Ch, Annual Rate	13.0	0.8	2.9	6.6	8.5	-0.3	2.9	3.9
Dividends/Int./Rent	1,788.3	1,855.1	1,906.2	1,926.8	1,966.0	2,027.2	2,072.7	2,094.8
% Ch, Annual Rate	9.0	15.8	11.5	4.4	8.4	13.0	9.3	4.3
Transfer Payments	1,567.6	1,594.5	1,620.1	1,629.8	1,695.7	1,699.2	1,720.6	1,737.8
% Ch, Annual Rate	8.9	7.0	6.6	2.4	17.2	0.8	5.1	4.1

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,960.5	12,188.9	12,219.9	12,251.2	12,416.1	12,362.8	12,409.9	12,469.7
% Ch, Annual Rate	3.0	7.9	1.0	1.0	5.5	-1.7	1.5	1.9
Total Wage and Salary Disbursements	6,518.0	6,568.6	6,623.2	6,631.9	6,642.3	6,652.4	6,672.0	6,702.9
% Ch, Annual Rate	3.3	3.1	3.4	0.5	0.6	0.6	1.2	1.9
Nonwage Personal Income	5,442.5	5,620.3	5,596.7	5,619.3	5,773.8	5,710.3	5,737.9	5,766.9
% Ch, Annual Rate	2.7	13.7	-1.7	1.6	11.5	-4.3	1.9	2.0
Supplements to Wages and Salaries	1,491.7	1,503.1	1,512.3	1,518.3	1,539.1	1,552.2	1,567.7	1,580.9
% Ch, Annual Rate	4.5	3.1	2.5	1.6	5.6	3.4	4.1	3.4
Proprietor's Income	1,071.7	1,077.0	1,080.0	1,072.8	1,092.4	1,097.1	1,103.2	1,112.2
% Ch, Annual Rate	-0.8	2.0	1.1	-2.6	7.5	1.7	2.2	3.3
Farm	41.6	38.0	31.2	24.4	27.8	30.3	31.6	30.9
% Ch, Annual Rate	-39.1	-30.4	-54.6	-62.8	70.0	40.1	19.2	-8.5
Nonfarm	1,030.1	1,039.0	1,048.8	1,048.5	1,064.6	1,066.9	1,071.5	1,081.3
% Ch, Annual Rate	1.3	3.5	3.8	-0.1	6.3	0.9	1.8	3.7
Less: Contribution For Govt. Soc. Ins.	992.2	997.0	1,002.2	1,004.9	1,015.3	1,013.6	1,010.6	1,009.2
% Ch, Annual Rate	7.1	2.0	2.1	1.1	4.2	-0.7	-1.2	-0.5
Dividends/Int./Rent	2,093.2	2,110.9	2,134.9	2,148.2	2,131.1	2,110.8	2,089.7	2,075.9
% Ch, Annual Rate	-0.3	3.4	4.6	2.5	-3.2	-3.8	-3.9	-2.6
Transfer Payments	1,778.1	1,926.3	1,871.6	1,884.9	2,026.5	1,963.8	1,987.9	2,007.0
% Ch, Annual Rate	9.6	37.7	-10.9	2.9	33.6	-11.8	5.0	3.9

No. 82577-7
JSF925 0410

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,546.1	12,645.3	12,762.7	12,883.8	13,046.6	13,204.5	13,376.9	13,553.0
% Ch, Annual Rate	2.5	3.2	3.8	3.8	5.2	4.9	5.3	5.4
Total Wage and Salary Disbursements	6,749.4	6,798.3	6,855.6	6,915.7	6,993.6	7,069.6	7,150.9	7,237.1
% Ch, Annual Rate	2.8	2.9	3.4	3.6	4.6	4.4	4.7	4.9
Nonwage Personal Income	5,796.8	5,847.0	5,907.2	5,968.1	6,053.0	6,134.9	6,226.0	6,315.9
% Ch, Annual Rate	2.1	3.5	4.2	4.2	5.8	5.5	6.1	5.9
Supplements to Wages and Salaries	1,603.6	1,618.7	1,637.2	1,648.8	1,668.5	1,683.9	1,701.8	1,718.7
% Ch, Annual Rate	5.9	3.8	4.6	2.9	4.9	3.7	4.3	4.0
Proprietor's Income	1,125.9	1,140.0	1,152.7	1,162.2	1,176.6	1,190.4	1,200.2	1,208.6
% Ch, Annual Rate	5.0	5.1	4.5	3.3	5.1	4.8	3.4	2.8
Farm	31.0	29.2	27.9	28.7	28.0	28.2	28.9	28.4
% Ch, Annual Rate	0.9	-21.7	-16.4	11.3	-9.3	2.8	10.9	-6.2
Nonfarm	1,094.9	1,110.8	1,124.8	1,133.5	1,148.6	1,162.2	1,171.3	1,180.2
% Ch, Annual Rate	5.1	5.9	5.1	3.1	5.4	4.8	3.2	3.1
Less: Contribution For Govt. Soc. Ins.	1,030.4	1,032.3	1,038.9	1,047.1	1,071.3	1,081.5	1,089.4	1,099.6
% Ch, Annual Rate	8.6	0.8	2.6	3.2	9.6	3.8	3.0	3.8
Dividends/Int./Rent	2,068.9	2,075.1	2,092.5	2,122.4	2,151.3	2,192.5	2,241.9	2,290.1
% Ch, Annual Rate	-1.4	1.2	3.4	5.8	5.6	7.9	9.3	8.9
Transfer Payments	2,028.8	2,045.5	2,063.7	2,081.8	2,127.9	2,149.6	2,171.5	2,198.2
% Ch, Annual Rate	4.4	3.4	3.6	3.6	9.2	4.1	4.1	5.0

No. 82577-7
JSF925 0411

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	218.432	226.577	245.930	265.609	276.189	284.514	293.783	308.750
% Ch	7.6	3.7	8.5	8.0	4.0	3.0	3.3	5.1
Total Wage and Salary Disbursements	119.217	125.934	136.359	146.890	151.806	155.060	160.468	168.378
% Ch	4.5	5.6	8.3	7.7	3.3	2.1	3.5	4.9
Manufacturing	13.903	15.158	16.859	17.745	17.915	17.848	17.896	18.754
% Ch	2.2	9.0	11.2	5.3	1.0	-0.4	0.3	4.8
Durable Manufacturing	10.410	11.551	13.096	13.815	14.031	14.065	14.111	14.824
% Ch	3.0	11.0	13.4	5.5	1.6	0.2	0.3	5.1
Nondurable Manufacturing	3.493	3.607	3.763	3.930	3.884	3.783	3.785	3.930
% Ch	-0.1	3.3	4.3	4.4	-1.2	-2.6	0.0	3.8
Nonmanufacturing	100.184	105.062	113.568	123.110	127.553	130.632	135.818	142.669
% Ch	4.8	4.9	8.1	8.4	3.6	2.4	4.0	5.0
Other Private Wages	1.183	1.236	1.336	1.369	1.363	1.390	1.437	1.513
% Ch	4.7	4.5	8.1	2.4	-0.4	2.0	3.4	5.3
Farm Wages	0.985	1.154	1.094	1.047	1.081	1.078	1.101	1.131
% Ch	3.8	17.3	-5.2	-4.3	3.2	-0.2	2.1	2.7
Military Wages	2.963	3.323	3.502	3.619	3.895	4.112	4.216	4.311
% Ch	6.1	12.2	5.4	3.4	7.6	5.6	2.5	2.3
Nonwage Personal Income	99.215	100.643	109.571	118.718	124.383	129.454	133.314	140.372
% Ch	11.7	1.4	8.9	8.3	4.8	4.1	3.0	5.3
Supplements to Wages and Salaries	29.208	31.142	32.816	34.434	35.817	37.313	39.240	41.096
% Ch	8.8	6.6	5.4	4.9	4.0	4.2	5.2	4.7
Proprietor's Income	17.812	18.071	19.505	20.561	20.738	21.499	22.565	23.637
% Ch	8.9	1.5	7.9	5.4	0.9	3.7	5.0	4.7
Farm	0.540	0.229	0.126	0.492	0.342	0.447	0.513	0.543
% Ch	-25.8	-57.6	-44.9	289.5	-30.4	30.5	14.8	5.7
Nonfarm	17.271	17.842	19.379	20.069	20.396	21.051	22.052	23.094
% Ch	10.5	3.3	8.6	3.6	1.6	3.2	4.8	4.7
Less: Contribution For Govt. Soc. Ins.	20.290	21.503	23.086	24.363	25.323	25.777	26.572	27.906
% Ch	7.1	6.0	7.4	5.5	3.9	1.8	3.1	5.0
Plus: Residence Adjustment	2.436	2.530	2.833	2.920	3.011	2.935	3.002	3.191
% Ch	1.4	3.9	11.9	3.1	3.1	-2.5	2.3	6.3
Dividends/Int./Rent	41.866	40.788	45.785	51.450	53.849	53.534	53.500	56.779
% Ch	22.2	-2.6	12.3	12.4	4.7	-0.6	-0.1	6.1
Transfer Payments	28.183	29.615	31.719	33.717	36.290	39.950	41.580	43.577
% Ch	0.9	5.1	7.1	6.3	7.6	10.1	4.1	4.8
State U.I. Benefits	1.183	0.782	0.734	0.739	1.220	2.746	2.813	2.098
% Ch	-47.1	-33.9	-6.3	0.7	65.1	125.2	2.4	-25.4
Other Transfers	27.000	28.832	30.985	32.978	35.070	37.204	38.768	41.480
% Ch	5.1	6.8	7.5	6.4	6.3	6.1	4.2	7.0

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	240.331	243.346	247.637	252.405	258.643	262.293	268.846	272.653
% Ch, Annual Rate	11.1	5.1	7.2	7.9	10.3	5.8	10.4	5.8
Total Wage and Salary Disbursements	134.315	134.261	136.624	140.236	142.979	144.653	148.736	151.193
% Ch, Annual Rate	14.7	-0.2	7.2	11.0	8.1	4.8	11.8	6.8
Manufacturing	16.884	16.801	16.344	17.407	17.376	17.724	17.661	18.218
% Ch, Annual Rate	31.2	-2.0	-10.4	28.7	-0.7	8.3	-1.4	13.2
Durable Manufacturing	13.095	13.121	12.571	13.597	13.464	13.826	13.776	14.194
% Ch, Annual Rate	34.8	0.8	-15.7	36.9	-3.9	11.2	-1.4	12.7
Nondurable Manufacturing	3.789	3.680	3.773	3.810	3.912	3.898	3.885	4.024
% Ch, Annual Rate	19.8	-11.0	10.5	4.0	11.1	-1.4	-1.3	15.1
Nonmanufacturing	111.486	111.518	114.315	116.951	119.688	120.968	124.950	126.835
% Ch, Annual Rate	12.3	0.1	10.4	9.5	9.7	4.3	13.8	6.2
Other Private Wages	1.288	1.328	1.399	1.330	1.361	1.351	1.399	1.363
% Ch, Annual Rate	17.9	13.0	23.2	-18.3	9.7	-2.9	15.0	-9.9
Farm Wages	1.086	1.086	1.094	1.111	1.029	1.046	1.056	1.058
% Ch, Annual Rate	-22.4	0.0	3.0	6.4	-26.4	6.8	3.9	0.8
Military Wages	3.571	3.528	3.472	3.437	3.525	3.564	3.670	3.719
% Ch, Annual Rate	32.1	-4.7	-6.2	-4.0	10.6	4.5	12.4	5.4
Nonwage Personal Income	106.015	109.086	111.014	112.170	115.664	117.640	120.110	121.460
% Ch, Annual Rate	6.7	12.1	7.3	4.2	13.1	7.0	8.7	4.6
Supplements to Wages and Salaries	32.614	32.545	32.795	33.311	33.612	34.031	34.816	35.275
% Ch, Annual Rate	10.1	-0.8	3.1	6.4	3.7	5.1	9.6	5.4
Proprietor's Income	19.084	19.633	19.583	19.719	20.298	20.370	20.759	20.815
% Ch, Annual Rate	7.3	12.0	-1.0	2.8	12.3	1.4	7.9	1.1
Farm	0.017	0.070	0.118	0.300	0.452	0.367	0.612	0.536
% Ch, Annual Rate	#######	28,647.3	707.5	4,077.9	415.3	-6.E+01	673.3	-41.2
Nonfarm	19.066	19.564	19.465	19.420	19.846	20.003	20.147	20.279
% Ch, Annual Rate	9.3	10.9	-2.0	-0.9	9.1	3.2	2.9	2.6
Less: Contribution For Govt. Soc. Ins.	22.896	22.832	23.080	23.535	23.927	24.063	24.594	24.867
% Ch, Annual Rate	16.3	-1.1	4.4	8.1	6.8	2.3	9.1	4.5
Plus: Residence Adjustment	2.804	2.809	2.836	2.881	2.898	2.923	2.911	2.950
% Ch, Annual Rate	47.1	0.7	3.9	6.5	2.4	3.5	-1.6	5.5
Dividends/Int./Rent	43.350	45.346	46.888	47.554	49.410	50.948	52.355	53.086
% Ch, Annual Rate	0.2	19.7	14.3	5.8	16.5	13.0	11.5	5.7
Transfer Payments	31.060	31.584	31.992	32.239	33.373	33.431	33.863	34.201
% Ch, Annual Rate	16.4	6.9	5.3	3.1	14.8	0.7	5.3	4.1
State U.I. Benefits	0.748	0.750	0.683	0.753	0.702	0.694	0.754	0.805
% Ch, Annual Rate	-2.1	1.1	-31.2	47.7	-24.5	-4.5	39.3	29.9
Other Transfers	30.311	30.834	31.309	31.486	32.671	32.737	33.109	33.396
% Ch, Annual Rate	16.9	7.1	6.3	2.3	15.9	0.8	4.6	3.5

No. 82577-7
JSF925 0413

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	273.972	274.874	277.997	277.912	283.498	282.315	285.838	286.407
% Ch, Annual Rate	1.9	1.3	4.6	-0.1	8.3	-1.7	5.1	0.8
Total Wage and Salary Disbursements	151.816	149.985	153.128	152.294	154.234	153.740	156.326	155.941
% Ch, Annual Rate	1.7	-4.7	8.6	-2.2	5.2	-1.3	6.9	-1.0
Manufacturing	18.419	17.770	17.488	17.983	17.953	17.834	17.827	17.778
% Ch, Annual Rate	4.5	-13.4	-6.2	11.8	-0.7	-2.6	-0.2	-1.1
Durable Manufacturing	14.427	13.925	13.638	14.134	14.123	14.051	14.062	14.021
% Ch, Annual Rate	6.7	-13.2	-8.0	15.3	-0.3	-2.0	0.3	-1.2
Nondurable Manufacturing	3.992	3.845	3.849	3.850	3.830	3.783	3.765	3.756
% Ch, Annual Rate	-3.1	-14.0	0.5	0.0	-2.1	-4.8	-1.9	-0.9
Nonmanufacturing	127.124	125.932	129.229	127.927	129.736	129.339	131.899	131.555
% Ch, Annual Rate	0.9	-3.7	10.9	-4.0	5.8	-1.2	8.2	-1.0
Other Private Wages	1.387	1.347	1.356	1.361	1.382	1.382	1.392	1.402
% Ch, Annual Rate	7.2	-11.1	2.9	1.3	6.5	-0.1	2.9	3.0
Farm Wages	1.069	1.078	1.094	1.081	1.077	1.075	1.078	1.083
% Ch, Annual Rate	4.2	3.4	6.1	-4.7	-1.4	-0.6	1.1	1.6
Military Wages	3.817	3.859	3.961	3.942	4.085	4.110	4.129	4.124
% Ch, Annual Rate	11.0	4.5	11.0	-1.9	15.3	2.4	1.9	-0.5
Nonwage Personal Income	122.156	124.889	124.869	125.618	129.264	128.575	129.512	130.466
% Ch, Annual Rate	2.3	9.3	-0.1	2.4	12.1	-2.1	2.9	3.0
Supplements to Wages and Salaries	35.564	35.688	35.930	36.086	36.687	37.084	37.558	37.924
% Ch, Annual Rate	3.3	1.4	2.7	1.7	6.8	4.4	5.2	4.0
Proprietor's Income	20.604	20.653	20.910	20.786	21.254	21.389	21.559	21.792
% Ch, Annual Rate	-4.0	1.0	5.1	-2.3	9.3	2.6	3.2	4.4
Farm	0.375	0.358	0.335	0.302	0.378	0.437	0.479	0.493
% Ch, Annual Rate	-76.0	-16.9	-23.7	-33.4	145.7	78.3	43.9	12.5
Nonfarm	20.229	20.295	20.575	20.484	20.875	20.952	21.080	21.299
% Ch, Annual Rate	-1.0	1.3	5.6	-1.8	7.9	1.5	2.5	4.2
Less: Contribution For Govt. Soc. Ins.	25.208	25.236	25.383	25.463	25.778	25.785	25.778	25.768
% Ch, Annual Rate	5.6	0.4	2.4	1.3	5.0	0.1	-0.1	-0.2
Plus: Residence Adjustment	3.000	3.020	3.037	2.986	2.955	2.930	2.925	2.931
% Ch, Annual Rate	7.0	2.7	2.3	-6.5	-4.1	-3.3	-0.8	0.8
Dividends/Int./Rent	53.211	53.453	54.283	54.450	54.119	53.711	53.283	53.025
% Ch, Annual Rate	0.9	1.8	6.4	1.2	-2.4	-3.0	-3.2	-1.9
Transfer Payments	34.985	37.311	36.092	36.773	40.028	39.245	39.965	40.562
% Ch, Annual Rate	9.5	29.4	-12.4	7.8	40.4	-7.6	7.5	6.1
State U.I. Benefits	0.916	1.032	1.326	1.605	2.117	2.763	2.969	3.136
% Ch, Annual Rate	67.6	61.1	172.6	114.5	202.9	190.3	33.3	24.6
Other Transfers	34.069	36.279	34.766	35.168	37.911	36.482	36.996	37.426
% Ch, Annual Rate	8.3	28.6	-15.7	4.7	35.0	-14.2	5.8	4.7

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	289.821	291.274	296.328	297.706	303.015	305.666	312.474	313.846
% Ch, Annual Rate	4.9	2.0	7.1	1.9	7.3	3.5	9.2	1.8
Total Wage and Salary Disbursements	158.472	158.700	162.359	162.342	165.620	166.394	171.136	170.362
% Ch, Annual Rate	6.7	0.6	9.5	-0.0	8.3	1.9	11.9	-1.8
Manufacturing	17.761	17.778	17.913	18.129	18.361	18.622	18.886	19.145
% Ch, Annual Rate	-0.4	0.4	3.1	4.9	5.2	5.8	5.8	5.6
Durable Manufacturing	13.995	14.007	14.134	14.307	14.499	14.716	14.934	15.147
% Ch, Annual Rate	-0.8	0.3	3.7	5.0	5.5	6.1	6.1	5.8
Nondurable Manufacturing	3.766	3.772	3.779	3.822	3.862	3.906	3.952	3.998
% Ch, Annual Rate	1.0	0.6	0.8	4.6	4.2	4.7	4.8	4.7
Nonmanufacturing	133.976	134.177	137.687	137.435	140.345	140.836	145.281	144.215
% Ch, Annual Rate	7.6	0.6	10.9	-0.7	8.7	1.4	13.2	-2.9
Other Private Wages	1.415	1.429	1.444	1.461	1.483	1.502	1.523	1.544
% Ch, Annual Rate	3.6	4.0	4.5	4.7	6.0	5.5	5.6	5.6
Farm Wages	1.090	1.097	1.105	1.113	1.121	1.128	1.134	1.141
% Ch, Annual Rate	2.7	2.5	3.0	3.0	2.9	2.5	2.3	2.3
Military Wages	4.231	4.220	4.209	4.204	4.311	4.306	4.311	4.317
% Ch, Annual Rate	10.7	-1.0	-1.0	-0.5	10.6	-0.5	0.5	0.5
Nonwage Personal Income	131.350	132.574	133.970	135.364	137.395	139.272	141.338	143.485
% Ch, Annual Rate	2.7	3.8	4.3	4.2	6.1	5.6	6.1	6.2
Supplements to Wages and Salaries	38.578	38.993	39.503	39.885	40.451	40.876	41.327	41.728
% Ch, Annual Rate	7.1	4.4	5.3	3.9	5.8	4.3	4.5	3.9
Proprietor's Income	22.117	22.452	22.745	22.948	23.269	23.569	23.767	23.942
% Ch, Annual Rate	6.1	6.2	5.3	3.6	5.7	5.3	3.4	3.0
Farm	0.513	0.508	0.507	0.526	0.528	0.538	0.552	0.553
% Ch, Annual Rate	16.7	-3.8	-0.9	16.3	1.2	7.8	11.5	0.2
Nonfarm	21.604	21.944	22.238	22.422	22.742	23.031	23.214	23.389
% Ch, Annual Rate	5.9	6.4	5.5	3.3	5.8	5.2	3.2	3.0
Less: Contribution For Govt. Soc. Ins.	26.350	26.426	26.627	26.887	27.537	27.816	28.017	28.257
% Ch, Annual Rate	9.3	1.2	3.1	4.0	10.0	4.1	2.9	3.5
Plus: Residence Adjustment	2.951	2.978	3.016	3.061	3.110	3.162	3.216	3.275
% Ch, Annual Rate	2.8	3.7	5.2	6.0	6.6	6.8	7.1	7.4
Dividends/Int./Rent	52.923	53.128	53.595	54.354	55.093	56.122	57.349	58.551
% Ch, Annual Rate	-0.8	1.6	3.6	5.8	5.6	7.7	9.0	8.7
Transfer Payments	41.131	41.449	41.737	42.004	43.008	43.358	43.696	44.246
% Ch, Annual Rate	5.7	3.1	2.8	2.6	9.9	3.3	3.2	5.1
State U.I. Benefits	3.176	2.972	2.697	2.407	2.423	2.186	1.926	1.856
% Ch, Annual Rate	5.1	-23.3	-32.2	-36.6	2.6	-33.7	-39.7	-13.7
Other Transfers	37.955	38.477	39.041	39.597	40.586	41.172	41.770	42.390
% Ch, Annual Rate	5.8	5.6	6.0	5.8	10.4	5.9	5.9	6.1

Table A4.1
Selected Inflation Indicators
(Deflator 2000=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.116	2.9	1.953	3.4	2.002	2.8
2006	1.147	2.8	2.016	3.2	2.076	3.7
2007	1.177	2.6	2.073	2.9	2.157	3.9
Forecast						
2008	1.217	3.4	2.155	3.9	2.244	4.1
2009	1.216	-0.1	2.136	-0.9	2.234	-0.5
2010	1.238	1.9	2.187	2.4	2.299	2.9
2011	1.268	2.4	2.252	3.0	2.365	2.9

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures
\# Consumer Price Index for all Urban Consumers
\+ Consumer Price Index for the Seattle-Tacoma-Bremerton, WA CMSA
Consumer Price Index and Implicit Price Deflator values shown here are annual averages of seasonally adjusted quarterly data and may differ slightly from the annual values published by the Bureau of Labor Statistics and Bureau of Economic Analysis.

Table A4.2
Chain-Weighted Price Indices
(2000=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.929	3.2	110.269	3.1	125.389	14.4	123.991	17.8
2005	116.700	3.3	112.743	2.2	159.485	27.2	151.314	22.0
2006	120.751	3.5	115.344	2.3	180.338	13.1	170.343	12.6
2007	124.713	3.3	119.683	3.8	192.322	6.6	184.642	8.4
Forecast								
2008	128.882	3.3	126.044	5.3	245.620	27.7	217.693	17.9
2009	131.665	2.2	127.461	1.1	170.843	-30.4	150.564	-30.8
2010	134.476	2.1	128.642	0.9	186.553	9.2	175.808	16.8
2011	137.604	2.3	131.598	2.3	207.462	11.2	201.090	14.4

Table A5.1
Washington Resident Population and Components of Change*
(Thousands)

	Population	Change	Percent Change	Births	Deaths	Net Migration
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
Forecast						
2008	6587.6	99.6	1.5	89.3	47.5	57.8
2009	6688.3	100.7	1.5	90.8	49.0	58.9
2010	6776.6	88.3	1.3	91.5	50.6	47.4
2011	6870.8	94.2	1.4	92.0	51.3	53.5

* As of April 1 of Each Year
Source: Office of Financial Management

Table A5.2
Washington Population*
(Thousands)

	Actual			Forecast		
	2006	2007	2008	2009	2010	2011
Total Population	6375.6	6488.0	6587.6	6688.3	6776.6	6870.8
Percent Change	1.9	1.8	1.5	1.5	1.3	1.4
Age 17 and Under	1549.0	1566.2	1576.8	1588.5	1597.7	1610.3
Percent of Total	24.3	24.1	23.9	23.8	23.6	23.4
Age 6-18	1142.9	1151.9	1155.9	1156.5	1156.4	1158.7
Percent of Total	17.9	17.8	17.5	17.3	17.1	16.9
Age 18 and Over	4826.6	4921.8	5010.8	5099.8	5178.9	5260.5
Percent of Total	75.7	75.9	76.1	76.2	76.4	76.6
Age 21 and Over	4552.8	4645.1	4727.2	4810.7	4886.3	4969.0
Percent of Total	71.4	71.6	71.8	71.9	72.1	72.3
Age 20-34	1309.0	1335.6	1365.0	1397.2	1424.4	1455.9
Percent of Total	20.5	20.6	20.7	20.9	21.0	21.2
Age 18-64	4099.3	4174.9	4238.5	4301.4	4355.6	4413.4
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.2
Age 65 and Over	727.3	746.8	772.4	798.4	823.3	847.1
Percent of Total	11.4	11.5	11.7	11.9	12.1	12.3

* As of April 1 of Each Year
Source: Office of Financial Management

This page intentionally left blank.

Glossary

Biennium: The state's two years budget cycle. The 2001-2003 biennium started on July 1, 2003 and ends June 30, 2005. The current 2007-2009 biennium started July 1, 2007 and ends June 30, 2009.

Cash Basis: Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

CPI: The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bimonthly Seattle-Tacoma-Bremerton CPI.

Tax Elasticity: A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

GAAP Basis: Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

General Fund: Accounts for all financial resources and transactions not accounted for in another fund.

General Fund-State Revenue: Resources from state sources only, excludes federal monies.

Implicit Price Deflator for Personal Consumption Expenditures (IPD): The IPD is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

Mortgage Rate: The average interest rate on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

Non-Wage Income: Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

Real GDP: Gross Domestic Production adjusted for the price level.

Personal Income: Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

Seasonally Adjusted: Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

Wage and Salary Employment: Civilian nonfarm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.

EXHIBIT NO. 13

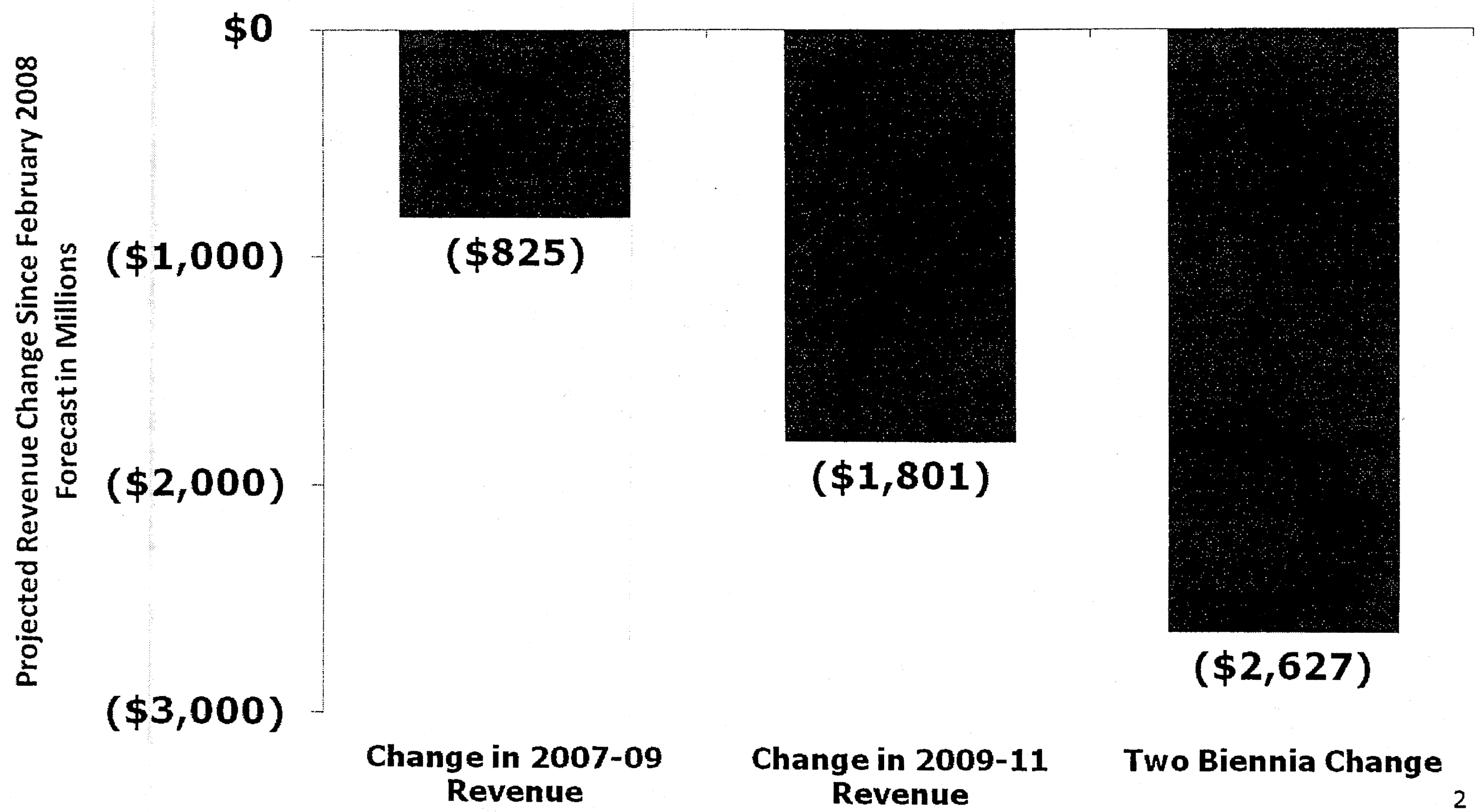
2009-11 Budget Outlook

Prepared by Senate Ways and Means Committee Staff

December 4, 2008

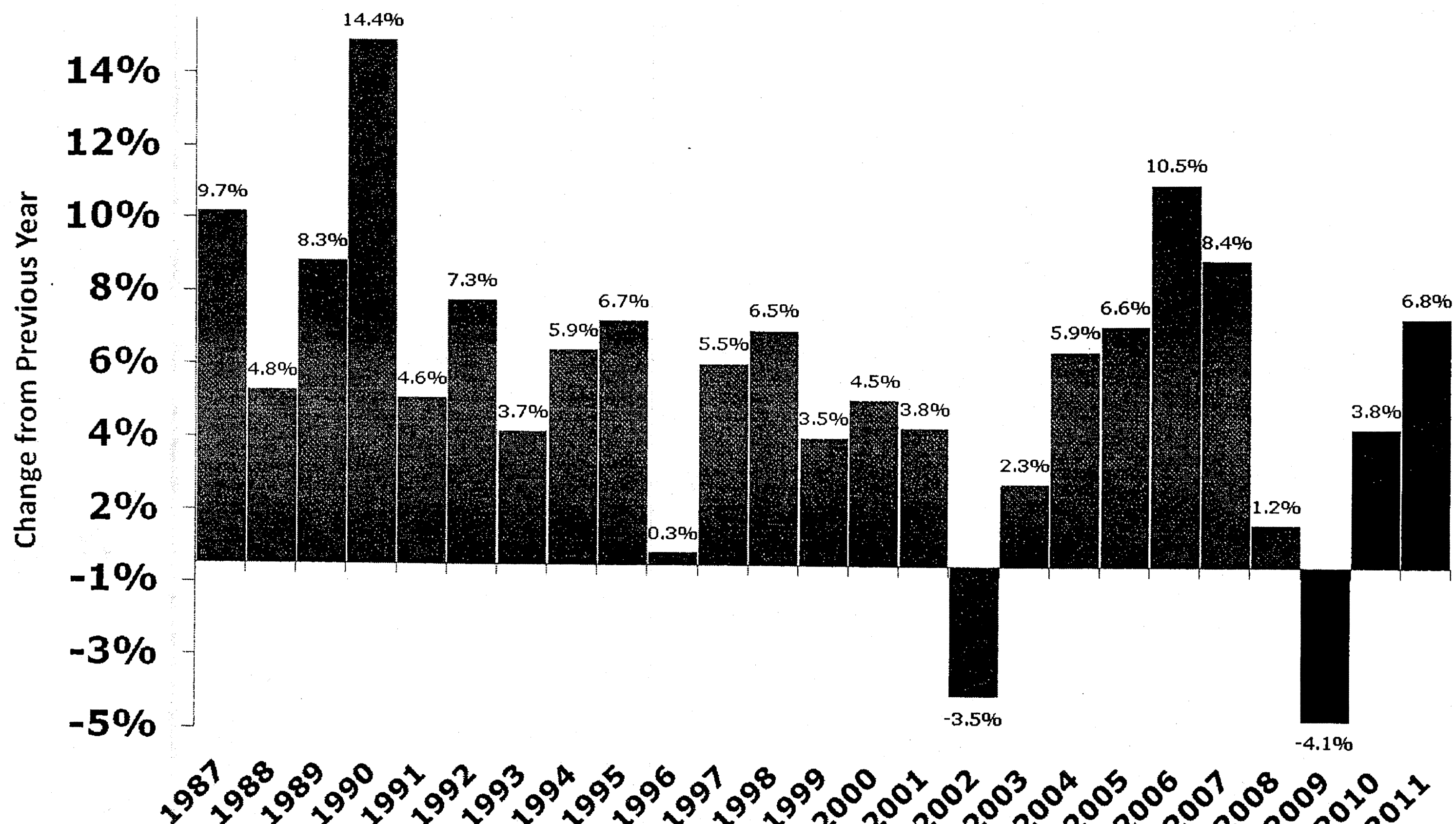
Washington State
SCS
Senate Committee
SERVICES

Since session, projected general fund state revenues have declined by over $2.6 billion



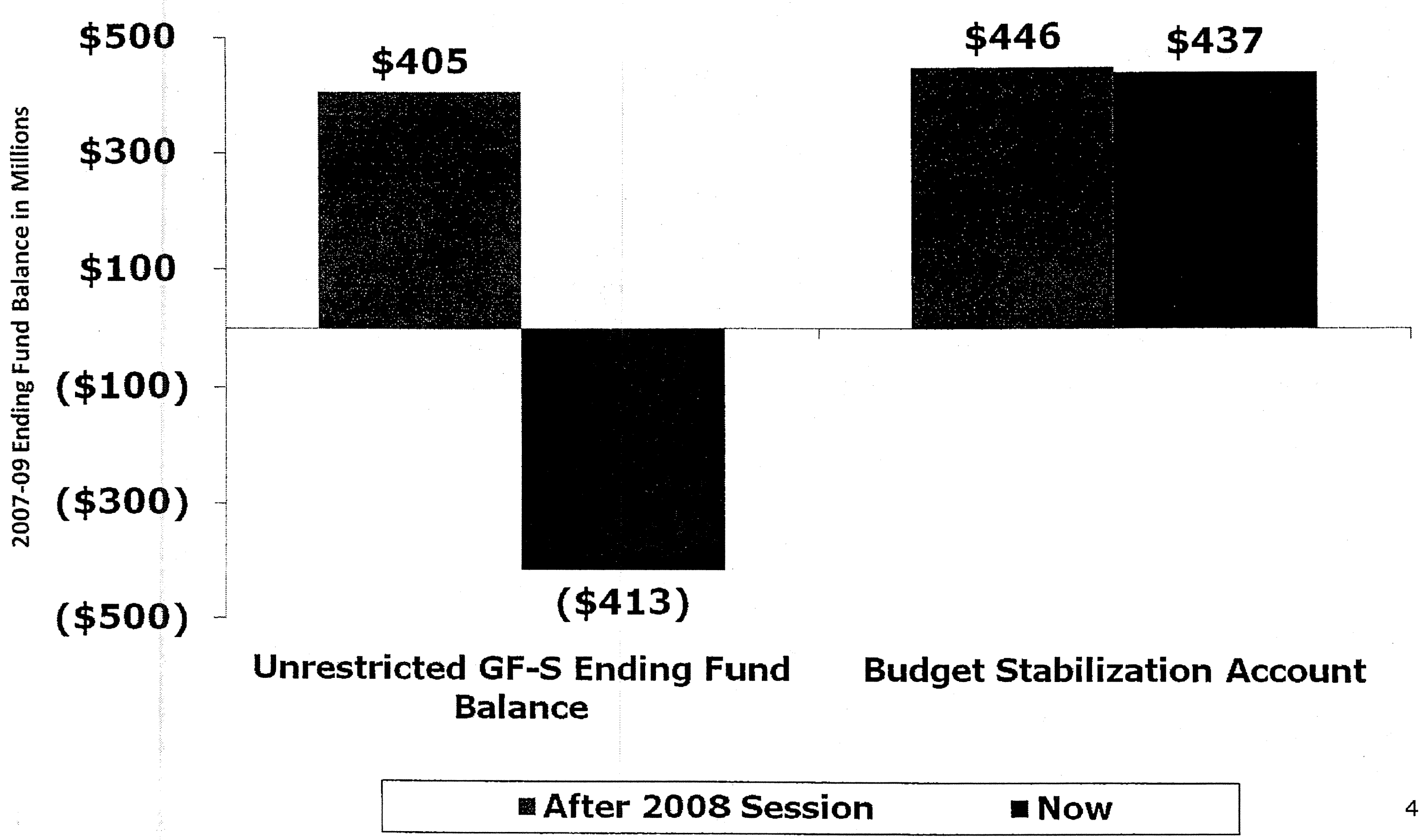
No. 82577-7
JSF925 0424

In fact, under the latest forecast, general fund revenue is expected to have its steepest decline in over twenty years



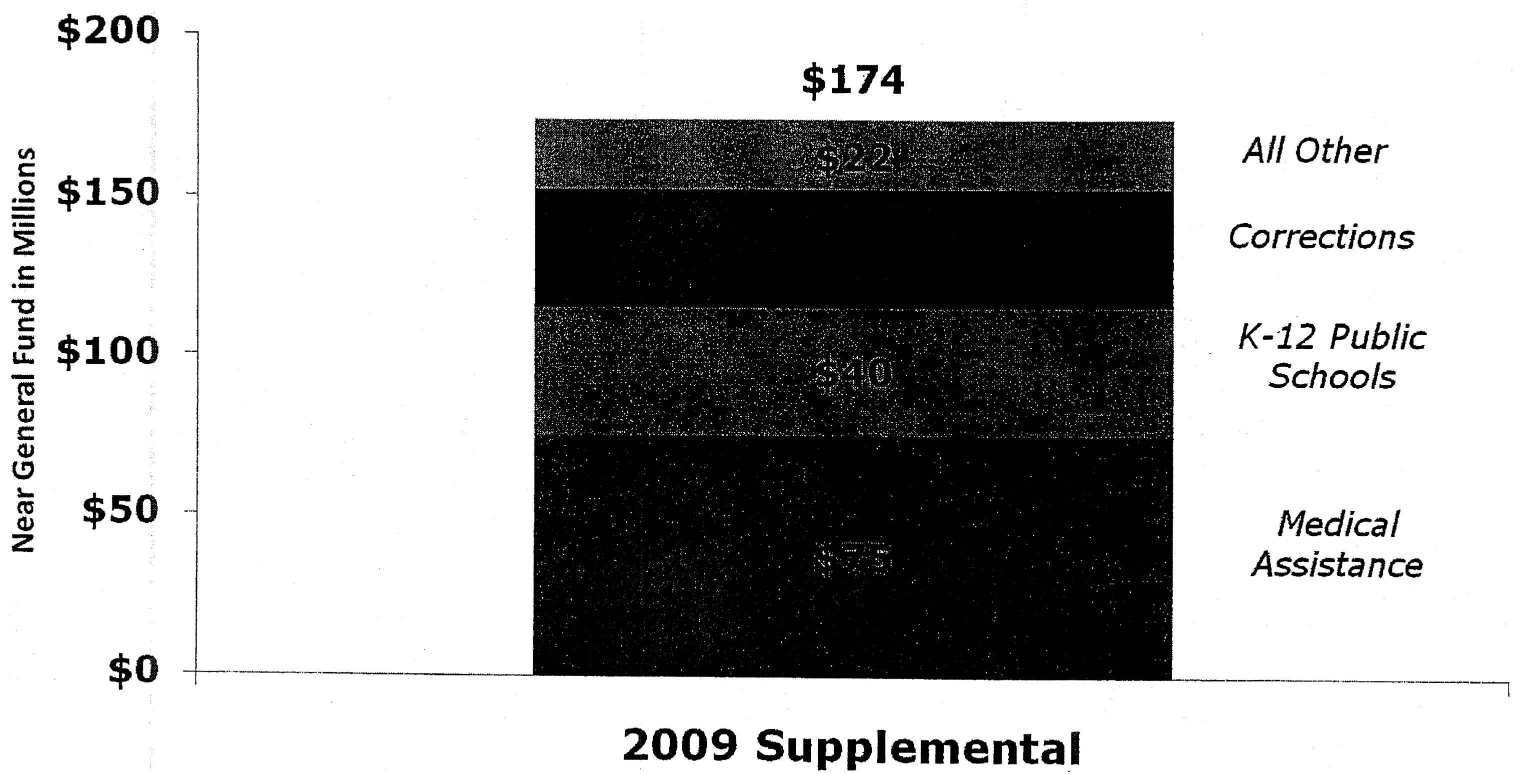
No. 82577-7
JSF925 0425

As a result, anticipated reserves have declined significantly



No. 82577-7
JSF925 0426

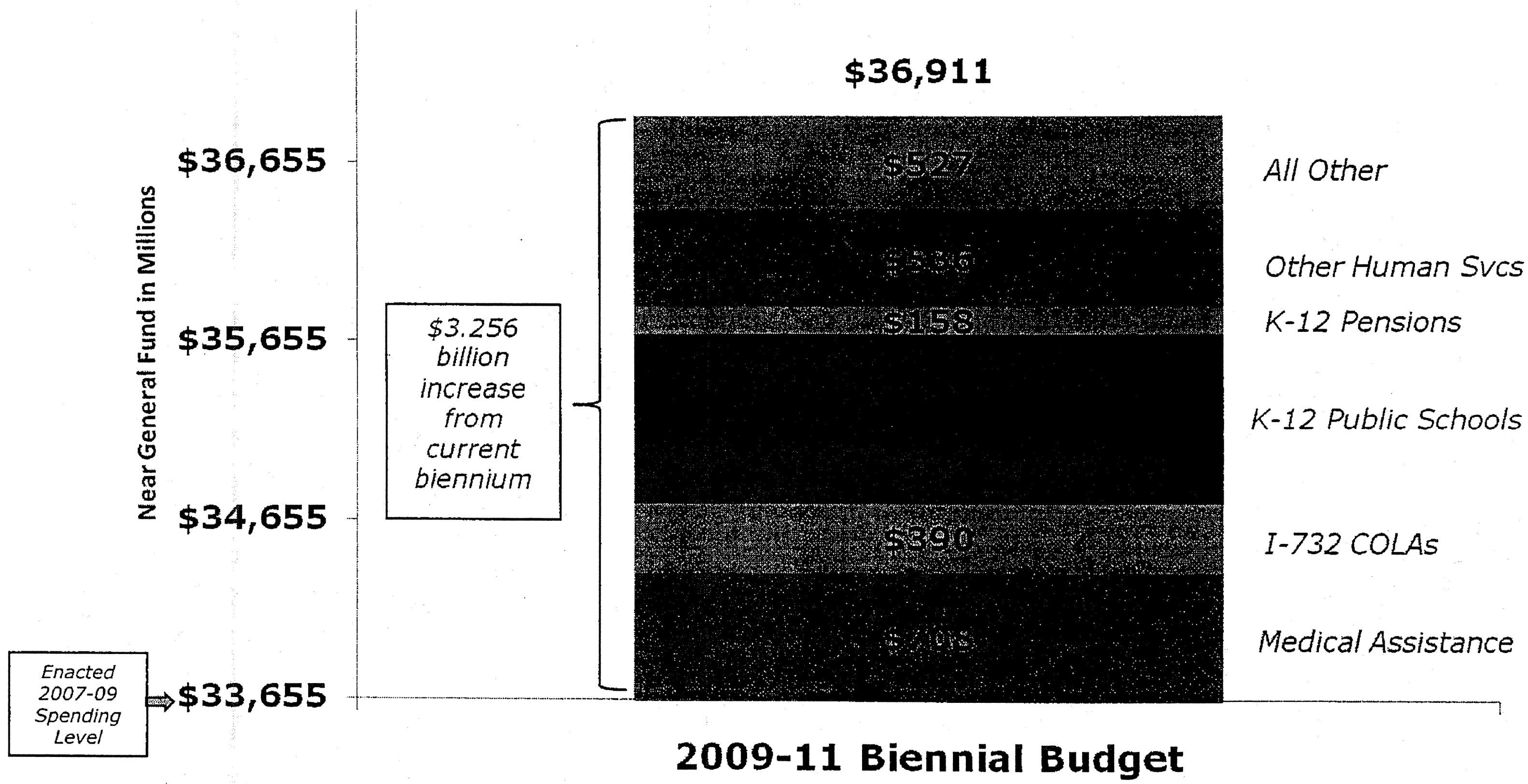
Due to higher caseloads and other increases, the 2009 supplemental is expected to be about $174 million



* *This reflects the impact of caseload, inflationary, and other increases on the 2007-09 biennium near general fund spending level before accounting for any across-the-board, targeted reductions, or similar measures.*

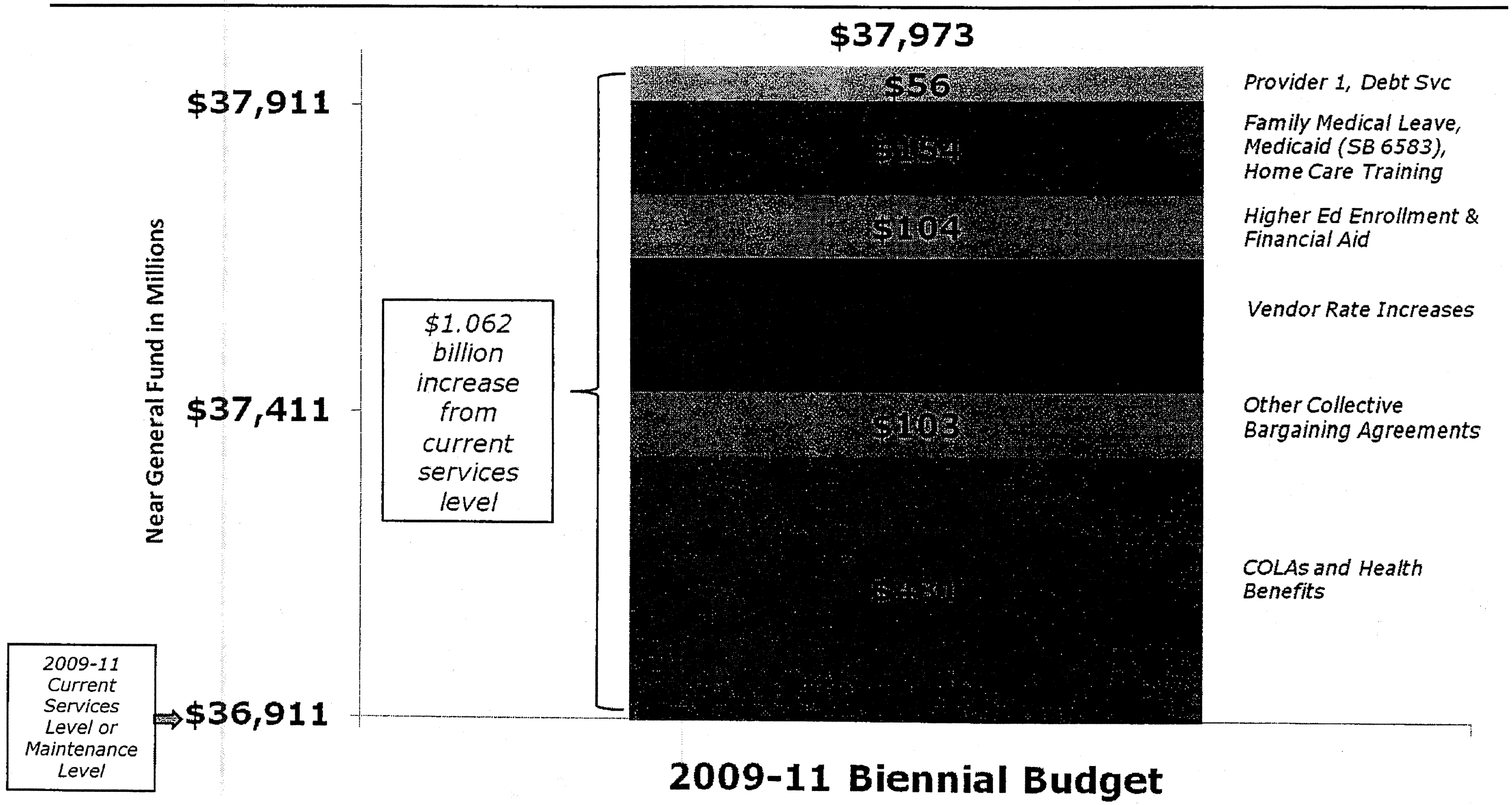
No. 82577-7
JSF925 0427

For the next biennium, in order to maintain current services, near general fund spending is projected to increase by $3.3 billion or 10 percent from current levels



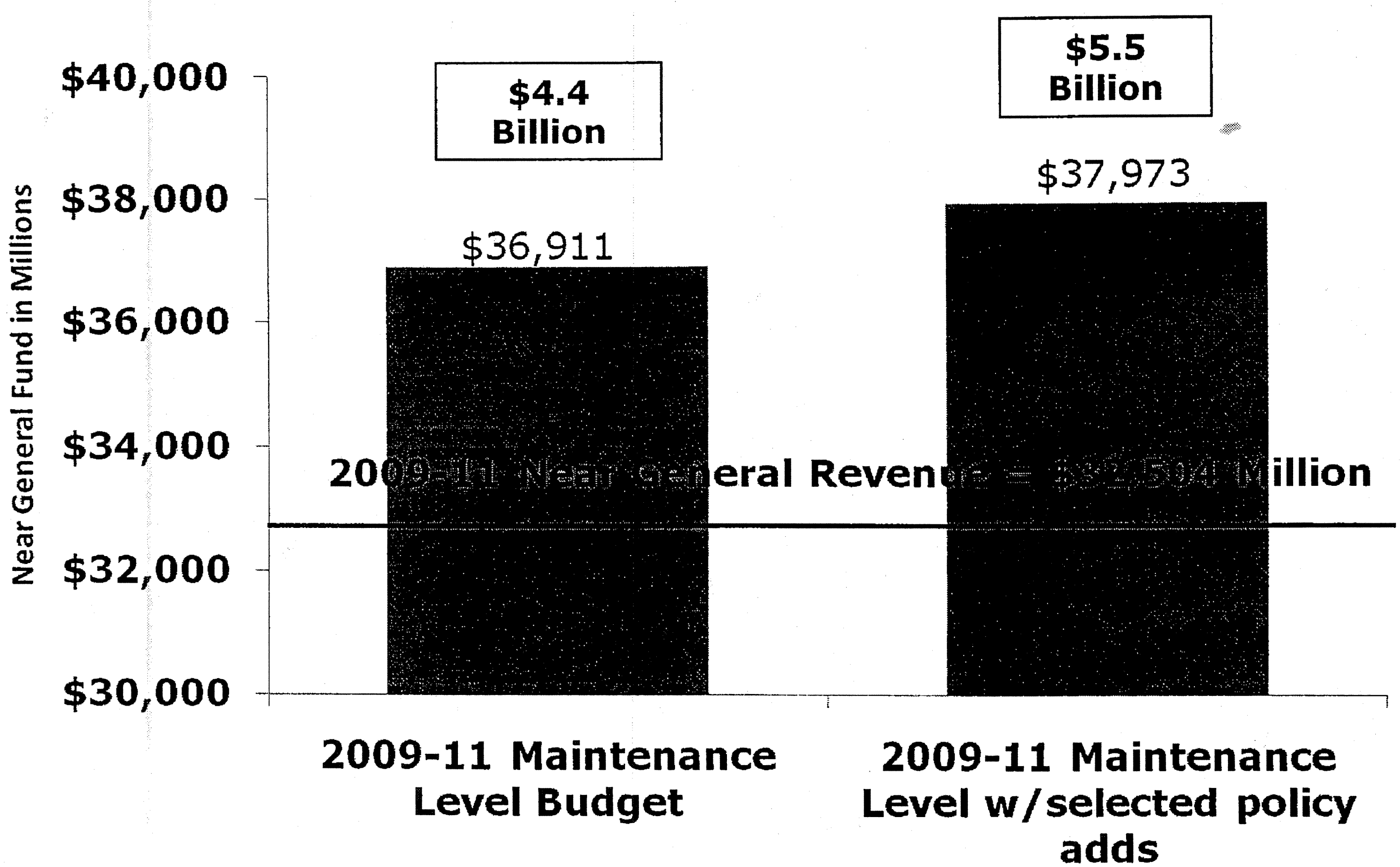
No. 82577-7
JSF925 0428

Just some of typical policy level increases usually considered by the Legislature total over $1 billion

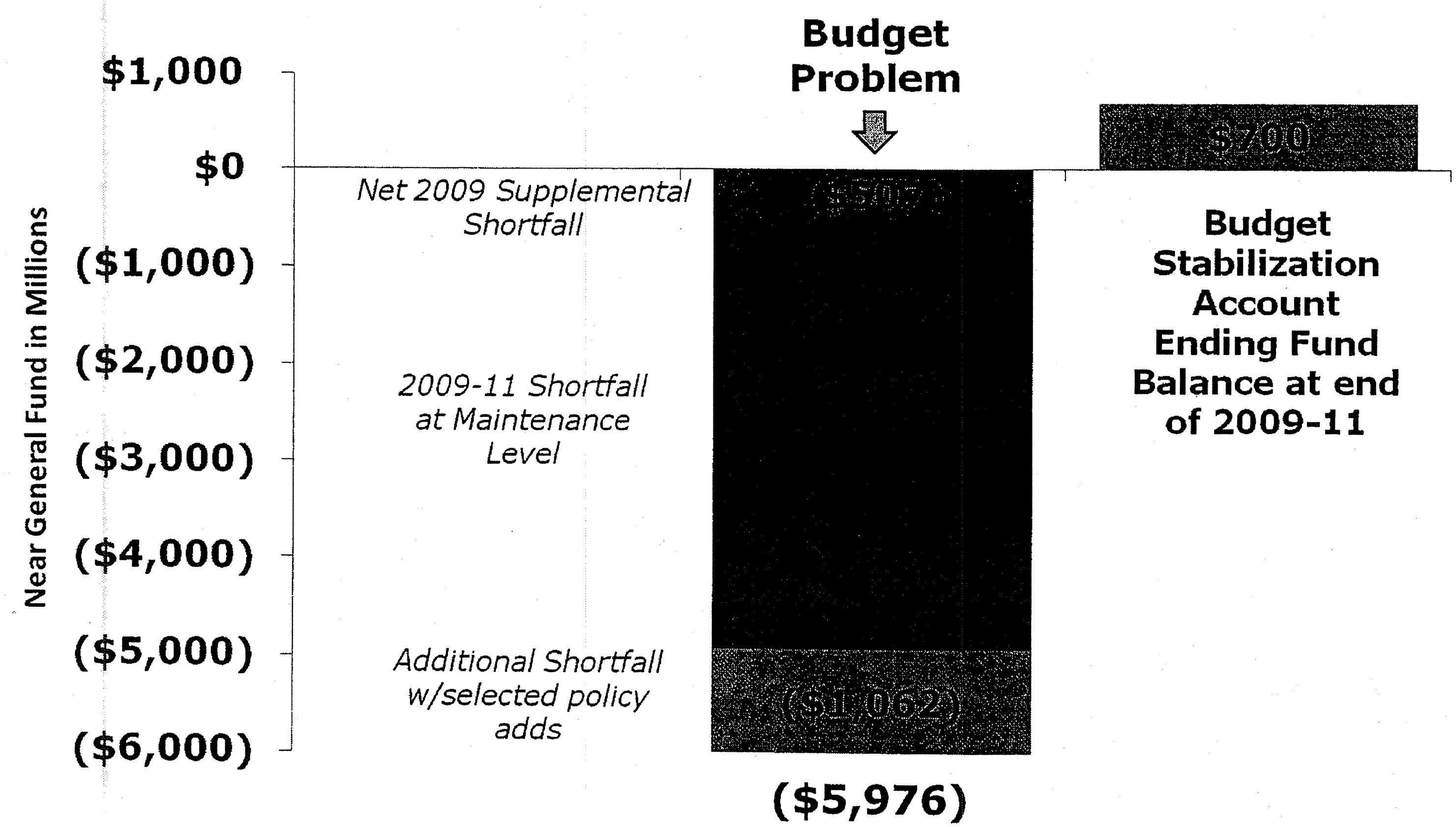


No. 82577-7
JSF925 0429

This means that near general fund spending could exceed projected revenues next biennium by $4.4 to $5.5 billion



Including the shortfall for this biennium, this means that the total budget problem could reach nearly $6 billion not including the $700 million in the "Rainy Day Fund"



* *The 2009 shortfall amount reflects the $174 million increase in spending offset by the reserves available in the near general fund.*

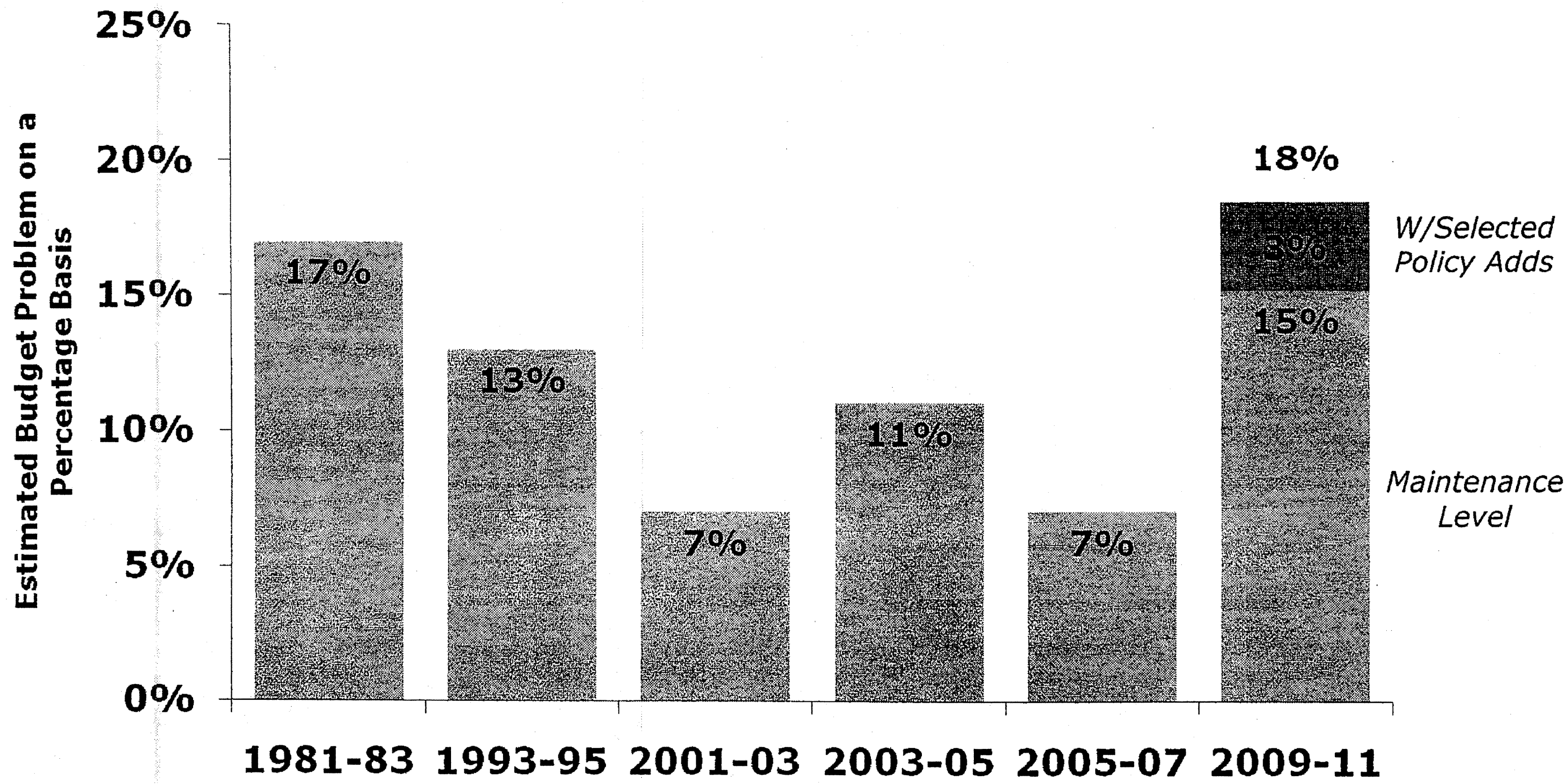
No. 82577-7
JSF925 0431

What Are Ways to Solve the Budget Problem?

- Eliminate or greatly reduce state programs or services.
- Adopt increases in revenue.
- Borrow money to address cash flow and/or for the overall budget problem.
- Some combination of the above.

The Budget Problem in Context

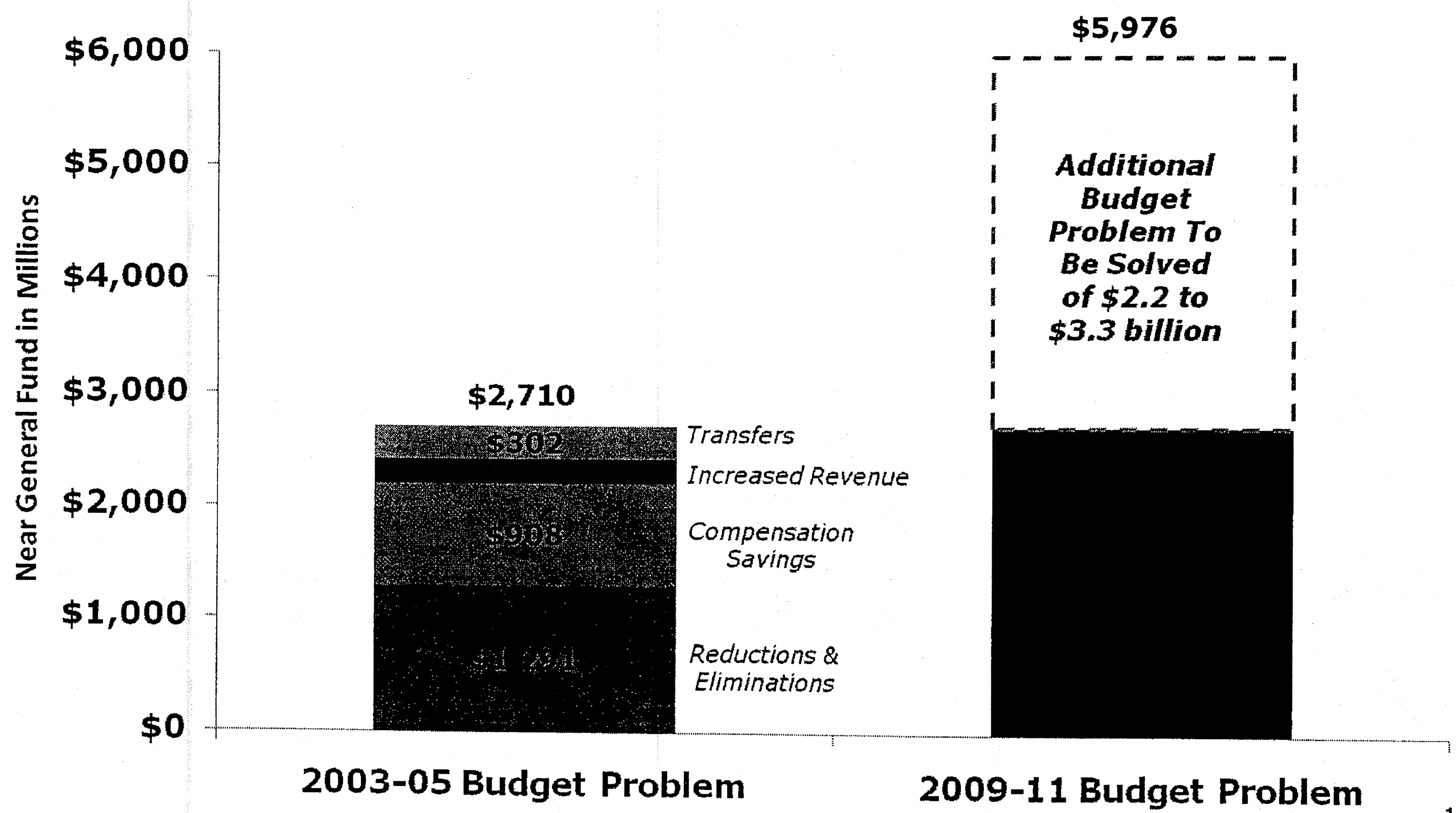
The magnitude of the current budget problem appears comparable to the 1981-83 downturn



* It should be noted that these are estimated budget problems based on available information. In some cases, information for prior fiscal periods might not be comparable.

No. 82577-7
JSF925 0434

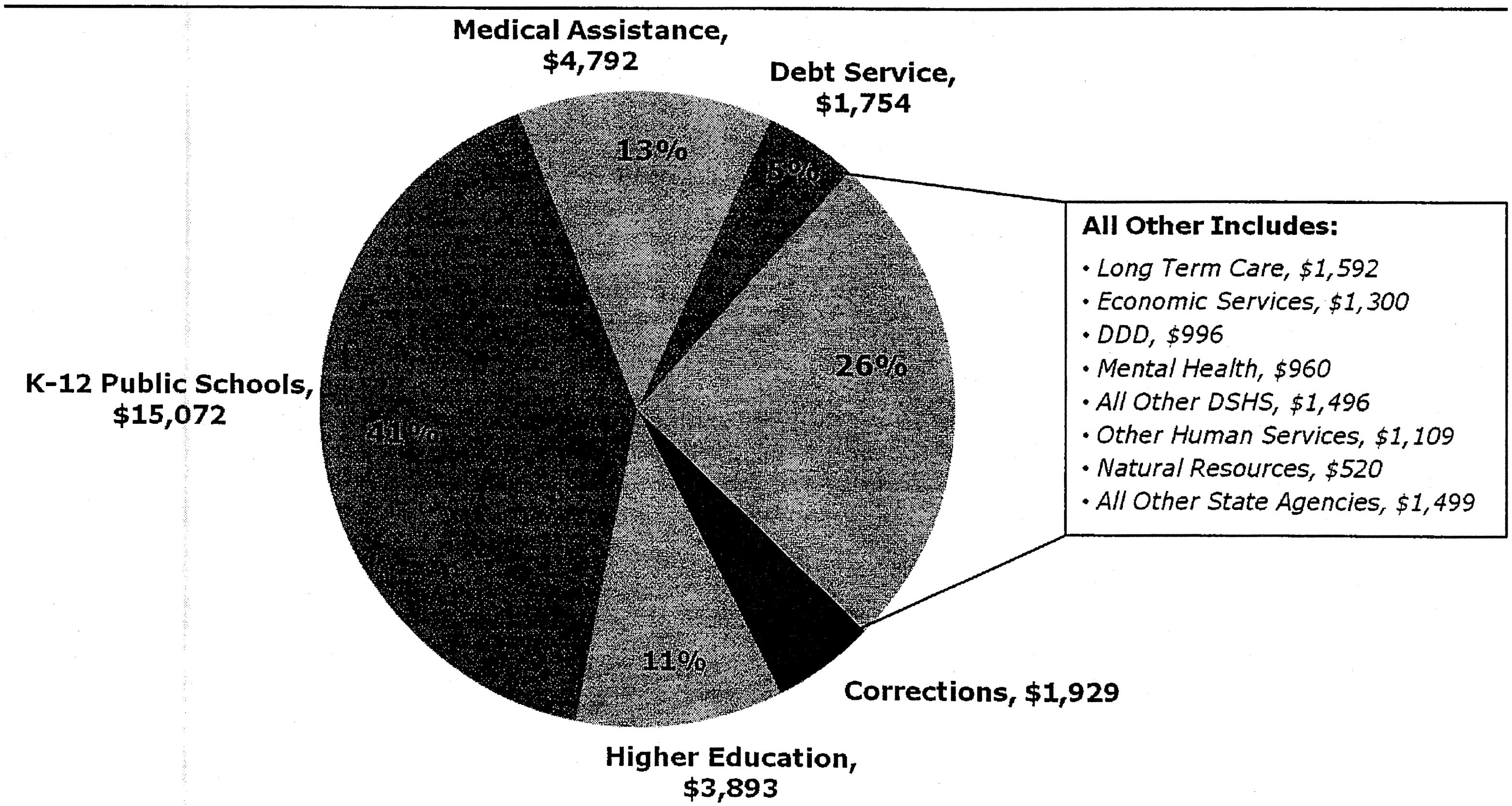
If the Legislature were to take similar actions to the ones taken in 2003-05 biennium, there would still be a budget problem of $2 to $3 billion



No. 82577-7
JSF925 0435

Appendix

About three-fourths of the operating budget is spent in five areas



Total Maintenance Level Budget = $36,911

No. 82577-7
JSF925 0437

Selected Policy Adds

	($ in Millions)
COLAs and Health Benefits*	
State Employees (Collective Bargaining Agreement COLAs)	$95
State Employees (Collective Bargaining Agreement Health Benefits)	45
Non-Represented State Employees (COLAs)	92
Non-Represented State Employees (Health Benefits)	70
K12 Health Benefits (Parity)	128
COLAs and Health Benefits	**$431**
Other Collective Bargaining Agreements	
Home Care Workers (w/Parity)	$72
Child Care Workers (w/Parity)	21
Adult Family Homes	9
Other Collective Bargaining Agreements	**$103**
Other Policy Items	
Vendor Rate (2%/2% in September)	$215
Higher Education & Financial Aid	104
Family Medical Leave Act	72
Medicaid (SB 6583)	53
Debt Service for 2009-11 Capital Budget	39
Home Care Training (I-1029, HB 2284)	29
DSHS: Provider 1	17
Other Policy Items	**$528**
Total Selected Policy Adds	**$1,062**

* *In addition to these amounts, $390 million is provided at maintenance level for I-732 COLAs.*

Overview of 2003-05 Budget Solution

	$ in Millions
Reductions & Eliminations	
Basic Health Plan Reductions	$368
Delayed Additional I-728 Class Size Enhancement	237
Reduced Higher Education Spending	131
Eliminated Medically Indigent Program	105
Across-the-Board, Inflation, and Other Similar Reductions	87
Corrections – Sentencing and Supervision Changes	46
All Other Savings	317
Reductions & Eliminations	**$1,291**
Compensation Savings	
Suspended I-732 COLAs	$490
Eliminated COLAs for State and Higher Education Employees	213
Deferred Making Unfunded Pension Liability Payments	87
Suspend I-775 (Home care worker contract)	67
Eliminated Funding for Salary Survey Increases	51
Compensation Savings	**$908**
Increased Revenue	
Tax Collection and Miscellaneous Other Revenue Legislation	$79
Nursing Home Quality Improvement Fee	78
Additional DOR Auditors	32
Liquor Surcharge & Additional Liquor Stores	20
Increased Revenue	**$209**
Fund & Spending Transfers	
Emergency Reserve Transfer	$59
Reduced GF-S Backfill to Water Quality Account	28
Other Fund Transfers	54
Higher Education Maintenance Transfer	52
Other Program Transfers	109
Fund & Spending Transfers	**$302**
TOTAL BUDGET SOLUTION	**$2,710**

No. 82577-7
JSF925 0439

EXHIBIT NO. 14

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 17, 2008

TO: Governor Chris Gregoire

FROM: Victor A. Moore
Director

SUBJECT: FINANCIAL FEASIBILITY OF COLLECTIVE BARGAINING AGREEMENTS AND ARBITRATION AWARDS FOR 2009-11 BIENNIUM

By law, the Governor shall submit a request for funds necessary to implement the compensation and fringe benefits provisions in collective bargaining agreements only if the agreements are submitted to the director of the Office of Financial Management (OFM) by October 1 and the director certifies these provisions as being feasible financially for the state.[1] If the director does not certify the agreements as feasible financially for the state, the Governor is prohibited from submitting a request for funds to the Legislature.

This memorandum is provided to inform you that in view of the current economic and revenue conditions, the collective bargaining agreements submitted to me by the October 1 deadline are not feasible financially for the state. In addition, the arbitration awards submitted to me by the October 1 deadline are not feasible financially for the state. As a result, funds necessary to implement the compensation and fringe benefits provisions in the collective bargaining agreements and arbitration awards cannot be included in the proposed budgets submitted to the Legislature.

Summary of Collective Bargaining Agreements and Arbitration Awards

The OFM Labor Relations Office (LRO) negotiated 13 collective bargaining agreements. In addition, higher education institutions negotiated nine collective bargaining agreements. One additional collective bargaining agreement for nonstate employees also was negotiated and submitted to OFM. A complete list of all negotiated collective bargaining agreements is attached. For the 2009-11 Biennium, the additional funds needed to implement the compensation and fringe benefits provisions for these 23 collective bargaining agreements is approximately $324 million.

In addition to these agreements, eight collective bargaining contracts for state employees were decided through interest arbitration. Arbitration awards were issued for each of these eight contracts. Two additional interest arbitration awards were issued for nonstate employee units that negotiate with LRO. A complete list of all arbitration awards is also attached. For the 2009-11 Biennium, the additional funds needed to implement the compensation and fringe benefits provisions for these ten arbitration awards is approximately $129 million.

[1] Request for funds to implement the compensation and fringe benefit provisions of collective bargaining agreements and arbitration awards are governed by chapters 41.56, 41.80, and 47.64 RCW.

The total funding required to implement the collective bargaining agreements and arbitration awards for the 2009-11 Biennium is approximately $453 million.

Financial Feasibility for the State

Negotiations took place during the spring and summer of 2008. Agreements were reached during the months of August and September and the arbitration awards were issued on or before October 1, 2008. All the contracts were concluded prior to the global financial market crisis we all witnessed in October. Through September, quarterly revenue forecasts for Washington state prepared by the Economic and Revenue Forecast Council reflected lower than expected revenue collections and a slowing economy. In particular, the September 2008 forecast update for the 2007-09 and 2009-11 periods reduced expected revenue by $529.3 million. This forecast put added pressure on OFM's efforts to ensure the state maintained a balanced budget.

On November 18, 2008, well after the conclusion of bargaining, the Economic and Revenue Forecast Council reduced the state revenue forecast by $1.93 billion, largely in response to sharp declines in consumer confidence driven by the global financial crisis. This revenue forecast drop is more than twice the size of the state's next biggest downward revision of $813 million in November 2001.

Pursuant to the Budget and Accounting Act, the Governor must submit a balanced budget proposal to the Legislature. Given the current level of government services and the reduction in revenue, an estimated $5.7 billion deficit for the 2009-11 Biennium must be dealt with through additional revenue, reductions in services or a combination of the two. Currently, the budget proposal reflects sharp reductions in services for the most vulnerable of our citizens, along with cuts in funding for higher education and nonbasic education programs. Funding the increases negotiated in collective bargaining agreements and contained in the arbitration awards would add to the projected deficit and require even deeper cuts in these areas, resulting in even larger job losses.

Conclusion

As you are well aware, the state has a responsibility to care for the poor, infirm and most vulnerable of its citizens. It also must preserve the public peace, health and safety of the state. And finally, the state must meet its constitutional and existing contractual obligations (for example, funding for education, Medicaid, pensions and bond payments). Given the projected deficit of $5.7 billion, funding the increases for compensation and fringe benefits provisions contained in the collective bargaining agreements and arbitration awards at the expense of other vital governmental services is not feasible financially for the state.

cc: Diane Leigh, OFM Labor Relations Office

Collective Bargaining 2009-11

$ in thousands, all funds

	General	Insurance	Total
COLLECTIVE BARGAINING			
Collective Bargaining Agreements Negotiated by the Governor			
Washington Federation of State Employees	132,653	61,699	
Washington Public Employees Association	12,537	4,699	
United Food and Commercial Workers (funded in other accounts)	1,242	893	
International Federation of Professional and Technical Engineers Local 17	10,179	5,110	
Service Employees International Union Local 1199	4,913	1,603	
Coalition (of unions with fewer than 500 represented employees)	4,421	904	
Washington Association of Fish and Wildlife Professionals	6,246	1,036	
Office and Professional Employees International Union Local 8	447	99	
Service Employees International Union Local 6	21	11	
Washington State Patrol Lieutenants' Association	793	2,160	
Washington Federation of State Employees -- Higher Education	8,384	6,069	
Washington Federation of State Employees -- Higher Education	4,555	3,528	
Public School Employees - Higher Education	1,039	612	
Negotiated Agreements Total	***187,430***	***88,424***	***275,854***
Arbitration Awards			
Metal Trades Council	1,304	208	
International Organization of Masters, Mates and Pilots	457	303	
Intl Organization of Masters, Mates and Pilots, Operations Watch Supervisors	139	11	
Marine Engineers Beneficial Association, Licensed	2,926	366	
Marine Engineers Beneficial Association, Unlicensed	1,357	319	
Ferry Agents, Supervisors, and Project Administrators Association **	325	0	
Intl Union of the Pacific, Marine Division, Intl Longshore & Warehouse Union	10,879	1,586	
Washington State Patrol Troopers' Association	8,805	2,160	
Arbitration Awards Total	***26,192***	***4,951***	***31,143***
Agreements Negotiated by Higher Education Institutions			
EWU			
WFSE BU 1	1,366	1,007	
WFSE BU 2	178	111	
University of Washington			
SEIU 925	3,115	13,245	
WFSE	2,469	5,207	
UW Police Officers' Association	224	46	
WFSE - UW Police Management Association	87	21	
Washington State University			
Police Guild	100	29	
WFSE	784	593	
Yakima Valley College	276	296	
Agreements Negotiated by Higher Education Institutions Total	***8,599***	***20,555***	***29,154***
Non State Employees			
WA State Residential Care Council	19,021		
Negotiated Agreements Total	***19,021***		***19,021***
Arbitration Awards			
SEIU 775 NW	87,380		
SEIU 925	10,319		
Arbitration Awards Total	***97,699***		***97,699***

** Did not participate in the health care coalition of unions under 47.64

EXHIBIT NO. 15

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 18, 2008

TO: Vern Rosbach, President, FASPAA
Dennis Conklin, Regional Director, IBU
Captain Mike Murray, Vice President, MM&P Local 6
Karol Kingery, Branch Agent, MEBA
Jeff Duncan, WSF Representative, MEBA
Shannon Halme, Union Representative, OPEIU Local 8
Sergio Salinas, President, SEIU Local 6
David Rolf, President, SEIU Local 775
Kim Cook, President, SEIU Local 925
Robert Scott, Business Representative, Metal Trades
Ron Rupke, President, WSPLA
Tommie Pillow, President, WSPTA
Jack Arntzen, President, WSRCC

FROM: Diane Leigh, Director
Labor Relations Office

RE: Financial Feasibility of 2009 – 2011 Collective Bargaining Agreement

This letter is to notify you that the director of the Office of Financial Management has determined the agreements agreed to by the parties and the interest arbitration awards are not feasible financially for the state. Attached is a copy of a memorandum to the Governor from the Director, Office of Financial Management notifying her of his findings. Legislation will be submitted along with the Governor's 2009 – 2011 proposed budget that subjects arbitration awards to be certified as feasible financially for the state by the director, Office of Financial Management.

Attachment

cc: LRO Negotiators

EXHIBIT NO. 16

Proposed 2009–2011
Budget & Policy Highlights

GOVERNOR CHRIS GREGOIRE

Protecting Our Values During Tough Times

December 2008

Office of the Governor

Table of Contents

2009–11 PROPOSED BUDGET

BUDGET AND POLICY OVERVIEW

No. 82577-7
JSF925 0450

"My budget protects our values during these tough times"

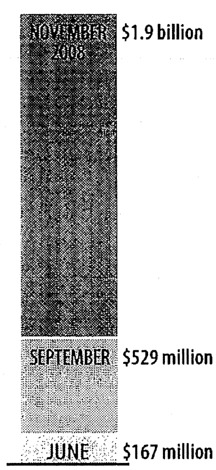
Our state is facing significant economic turmoil. The deepening national recession is already the longest in a quarter century and has resulted in severe budget shortfalls in states across the nation. People are losing their jobs — unemployment has risen from 4.6 percent to 6.3 percent over the past year. Our state is not immune and our revenue — largely reliant on a sales tax — is down dramatically, resulting in the largest budget gap in state history.

We took responsible steps to address potential economic challenges. In 2007, I proposed a constitutionally protected "rainy day fund" to help us prepare for future downturns. My proposal was adopted by the Legislature and a vote of the people. We immediately began putting money in this account, which now sits at just under $430 million. I also left a large surplus in the budget at the conclusion of the 2008 legislative session, which, when combined with the rainy day fund, totaled $850 million, one of the largest in state history.

But we are in no ordinary recession. No one could have predicted the reckless decisions in credit and financial markets that gave us this severe economic crisis that began on Wall Street and has spread to Main Street. The large surplus and rainy day fund we created have been swamped by the revenue shortfalls from the second half of 2008.

Washington is not alone. Today, 42 other states are looking at shortfalls. When all is said and done, states are likely to face more than $100 billion in budget shortfalls this fiscal year and into the next budget cycle.

This drastic decrease in revenue has created a tremendous challenge for us in constructing the state budget. Since the November forecast, revenue has been predicted to decline significantly while the cost of providing services such as basic education and medical assistance has risen sharply over the past two years. Increases are also expected in caseloads, or the number of people we need to serve. The result is an approximately $5.7 billion shortfall for 2009–11, which is a little more than the entire budgets of our higher education institutions and the Department of Corrections combined.



Washington's Revenue Problem
$2.6 billion lost during 2008

We cannot cut the almost 60 percent of the budget devoted to items we are required to provide, such as basic education, federally mandated Medicaid, pensions and debt service. This forces us to balance the budget through cuts in the remaining 40 percent of the budget.

In writing the budget for 2009–11, we began with one basic premise: Now is not the time to raise taxes on our residents and businesses. These are hard times for us all. Our families are tightening their belts, and that's what government must do. The state must squeeze every ounce of value out of each taxpayer dollar.

A wise man once told me that I needed to love my budget since I was going to be spending so much time on it. There is no way I can love this budget. We have to give up or shrink too much. There is something for everyone to not like in this budget. But I believe we have faced the challenge, made the tough choices and lived within our means. I am glad to discuss these choices with my fellow citizens and the Legislature.

Now is the time for us to work together — Democrats and Republicans, program advocates and citizens, all levels of government. If you don't like a cut in funding, tell me. But then tell me where you would cut funding — in other words, help me to find the solution. This is a difficult challenge for all of us. The budget is a work in progress, and my proposal is the first step in a long process that will continue in the Legislature in the coming months.

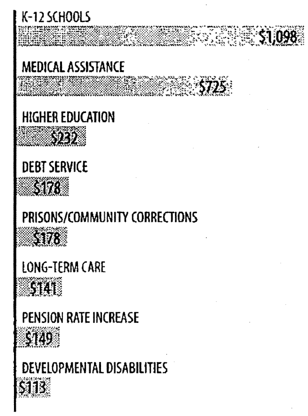
We are up to this challenge. Let us find opportunity in adversity to bring reform that will make us stronger. I am confident we will succeed if we all pledge to come together as a community, neighbor-to-neighbor, and help each other.

Chris

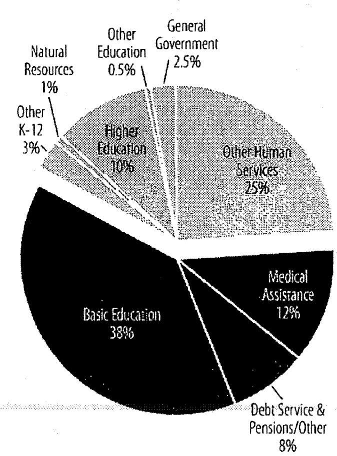
Governor Chris Gregoire

$3 Billion in Spending Increases from Rising Caseloads and Enrollments

Near General Fund-State, in millions



58% of the Budget is Off Limits



SMARTER BUDGETING: PRIORITIES OF GOVERNMENT

In these tough times, Governor Gregoire used the Priorities of Government process to build her budget. This process is different from budgeting as usual, which adds to or cuts from an existing budget. Priorities of Government was launched in the spring with a government-wide assessment of services with two purposes:

- Establish a clear set of results that citizens expect from state government.
- Reprioritize state spending to focus on services that matter most in achieving those results.

The first step required state agencies to rank their activities among three categories: low, medium or high, when compared to the agency's mission.

The second step involved 10 multi-agency teams that were charged with looking beyond their own agencies' borders for the means to maintain or improve high-priority services despite budget constraints.

To accomplish this, the teams had to:

- View state government as a single, integrated enterprise.
- Achieve results, at lower cost, through innovative budget solutions.
- Reprioritize spending, eliminate programs or consolidate similar programs in different agencies.

In the final step, the teams delivered recommendations that prioritized state agency services. These recommendations were reviewed by a guidance team and then forwarded to Governor Gregoire for her consideration as she shaped this budget.

"The Governor's budget makes some tough choices. Her decision to avoid increasing taxes during a recession is to be applauded. Washington state's competitive position depends on sound tax policy and this is a step in the right direction."

Bruce Kendall, Chair
Washington Economic Development Commission

FOCUSING ON SERVICES THAT MATTER MOST

In constructing the budget for 2009–11, Governor Gregoire began with one basic premise: Now is not the time to raise taxes on our residents and businesses. State government must live within its means and construct a budget that emphasizes our most important priorities by protecting families and kids the best we can.

Five primary values represent the top priorities of the budget. These values guided Governor Gregoire's decisions when making tough choices with no new taxes:

1. We must ensure a solid foundation for our future, and that means investing in and protecting our children.
2. We must maintain the safety of our communities.
3. Government must partner with our communities to support and protect our most vulnerable.
4. We must lay the foundation for a strong quality of life and economy for the 21st century.
5. We are one state and it will take all of us working together to get through these tough times.

Woven within each of these values is an emphasis on our children. We must make sure our children are safe in their homes, have high-quality health care and are provided with an education that will equip them with the skills and opportunity they need to succeed in the economy we are building for tomorrow.

We are still preparing more than 8,200 low-income kids for school through early childhood education because it is the best investment we can make for our children. We are still educating 1 million students in grades K-12 because education is the foundation for their future. We are still providing higher education and job training for 300,000 people, because these services are our economic future. We are still ensuring that more than 650,000 kids receive health care. We are still protecting our communities' safety. We are still helping 74,000 seniors and vulnerable individuals. We are still preserving and protecting our environment, with a particular focus on Puget Sound. These investments keep us true to our primary values and will keep our state moving forward.

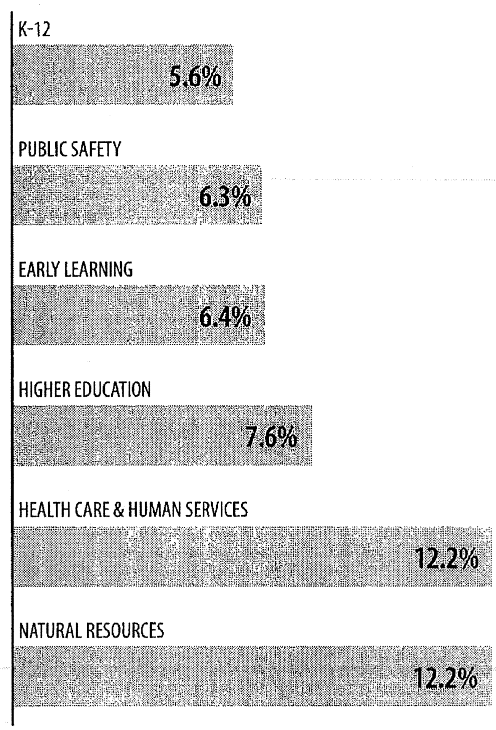
No. 82577-7
JSF925 0453

CUTS IN EACH BUDGET AREA

The budget cuts needed to close a $6 billion shortfall require reductions across all of state government. But Governor Gregoire used the values she shares with Washingtonians to guide where the reductions would be the smallest. Though the pain of these reductions will be felt by all, the Governor is committed to minimizing the effects felt by children.

Because education is the foundation for our future, cuts in this area were smaller. Other programs that affect children were also reduced less, including health care and child protective services. Public safety programs also received smaller reductions.

Percentage Cut from Maintenance Level by Area
Proposed 2009–11 Budget and Supplemental Budget



WHY COULDN'T WE GIVE SALARY INCREASES TO STATE WORKERS, TEACHERS AND CARE WORKERS?

Specific laws govern the granting of cost-of-living adjustments or raises to teachers, state employees and care workers.

These hardworking individuals provide immeasurably valuable services to the people of our state. They teach our kids, protect us from dangerous offenders, guard against environmental degradation and provide critical social services to our most vulnerable residents. They are well deserving of adjustments to maintain the value of their salaries.

Unfortunately, we had no choice but to put their raises on hold. The cost of these salary increases would be about $678 million over the next two years. We looked hard at whether we could afford these increases during these difficult times, and saw we could not.

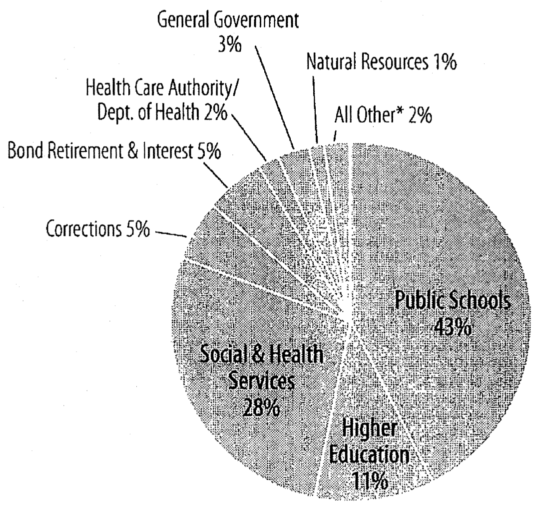
Forgoing the raises allowed us to keep classes smaller in our K-12 schools and protect early learning and teachers' jobs, as well as avoid even deeper cuts to services for our most vulnerable and health care for children and families.

Governor Gregoire has the highest regard for our teachers, state employees and those who serve the most vulnerable. She is hopeful that our economic situation will improve quickly so funding for salary increases becomes available in the state budget.

Proposed Budget Expenditures

Near General Fund-State: Operating

Distribution of 2009–11 Near General Fund-State Expenditures

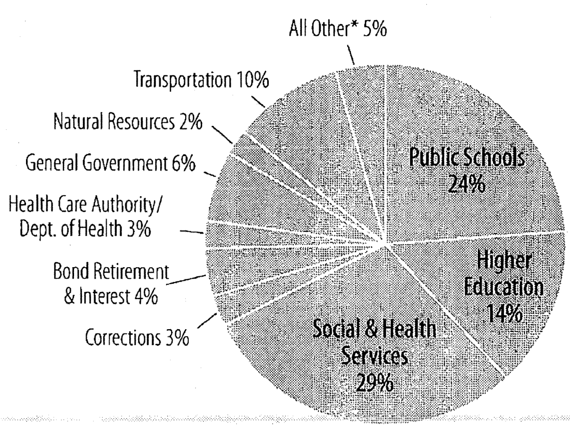


Category	Dollars in Millions
Public Schools	$14,232
Higher Education	3,588
Social & Health Services	9,246
Corrections	1,809
Bond Retirement & Interest	1,805
Health Care Authority/ Dept. of Health	653
General Government	948
Natural Resources	451
All Other*	777
TOTAL	**$33,509**

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

All Funds: Operating Plus Transportation Capital

Distribution of 2009–11 All Funds Expenditures



Category	Dollars in Millions
Public Schools	$15,782
Higher Education	9,523
Social & Health Services	19,348
Corrections	1,822
Bond Retirement & Interest	2,850
Health Care Authority/ Dept. of Health	1,637
General Government	4,206
Natural Resources	1,515
Transportation	6,507
All Other*	2,957
TOTAL	**$66,147**

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

Source: Office of Financial Management

No. 82577-7
JSF925 0455

Washington's Economic Outlook

"The credit squeeze has hurt Washington's economy and revenue collections. Relative to the nation, our state's downturn will be modest. However, the effect on state revenues will be far more severe than warranted by the depth or duration of our downturn because this is a consumer-led recession. Consumer spending has to recover for state revenues to recover."

Dr. Arun Raha, Executive Director
Washington Economic and Revenue Forecast Council

The Present

Washington's economy began to slow in 2008 due to the bursting real estate, financial and commodities bubbles that affected local, national and international economies. However, throughout Governor Gregoire's first term, Washington's economy outperformed that of the nation. Since 2005, Washington has gained almost 214,000 jobs, a growth rate of about 8.1 percent. The state's strong growth was aided by significant expansion in the aerospace industry, very strong growth in the housing sector and an increase in disposable household income from home mortgage refinancing.

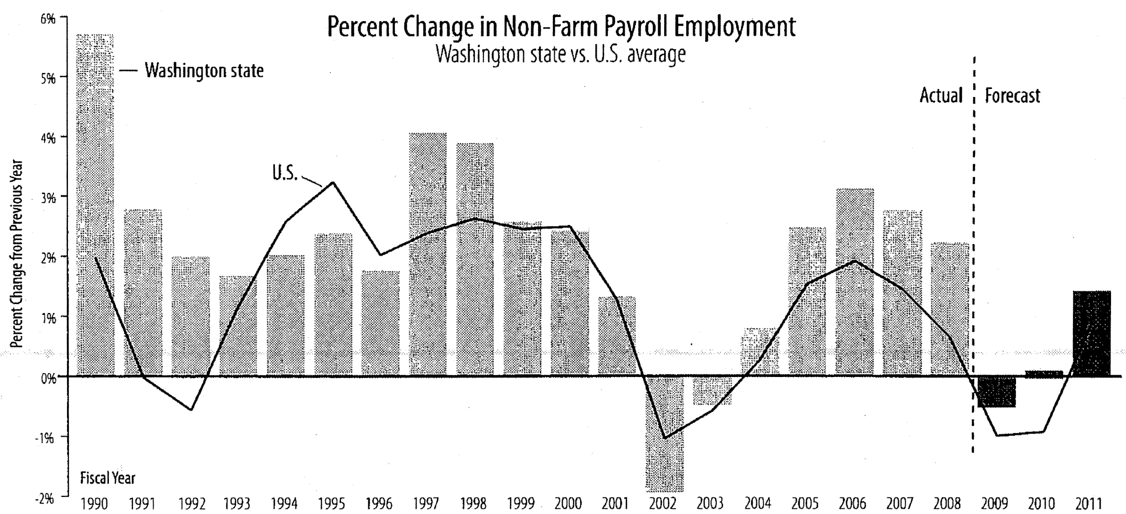
Washington has a strong economic foundation. This includes a vital export base; robust, knowledge-based businesses in technological, professional, health and financial sectors; and a high quality of life that continues to attract new residents.

Washington labor markets have weakened at the end of 2008. Fortunately, they have not experienced the longer and more severe retrenchment that has taken place at the national level. Washington's non-farm employment grew at a rate of 2.7 percent in 2007 and 2.1 percent in 2008, more than double the national rate. Personal income grew at a rate of 6.8 percent in 2008. The aerospace industry continued to expand with an employment increase of 8.3 percent in 2008. Employment in all other manufacturing sectors fell by 0.3 percent. Our unemployment rate averaged 4.7 percent in 2008, the lowest since 2000, although the rate rose to 6.3 percent in November 2008.

The Future

Washington's economy is expected to experience some retrenchment during the next two years. Washington's economic forecast for 2009 and 2010 shows the state's economy battling recessionary forces. The November 2008 forecast by the state Economic and Revenue Forecast Council projected that growth in non-farm employment will likely decrease by 0.4 percent in 2009 and remain flat in 2010. These growth rates are similar to the employment change following the 2001 recession. However, they are notably higher than the likely national growth rate for non-farm employment of -1.0 percent in 2009 and -0.9 percent in 2010.

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, the puncture of the housing market bubble and a growing sense of consumer frugality. Construction employment will also be fragile as the residential and commercial markets adjust to excess inventory and credit market restructuring. Construction payrolls will likely decline by 7.1 percent in 2009 and 3.9 percent in 2010.



Source: Office of Financial Management

No. 82577-7
JSF925 0456

Proposed 2009–11 Budget: Balance Sheet

Including Proposed 2009 Supplemental Budget

General Fund-State, Dollars in Millions

	2007–09	2009–11
Resources		
Beginning balance	781	183
November revenue forecast	28,627	30,070
Fund transfers/budget-driven revenue	188	731
	29,595	**30,984**
Consolidation of Health Services, Water Quality, VRDE accounts	1,723	1,503
	31,318	**32,487**
Expenditures		
2007–09 appropriations/2009–11 maintenance level	29,838	33,307
Governor Proposed 2009 Supplemental		
Caseload/enrollment updates	111	
Costs and services adjustments	89	
Expenditure reductions	(626)	
	29,412	
Additions		418
Backfill of Near GF-S accounts		197
Cuts		(3,343)
		30,579
Consolidation of Health Services, Water Quality, VRDE accounts	1,692	1,500
	31,104	**32,079**
Balances		
GF-S balance	183	408
Budget Stabilization (Rainy Day) Account balance	432	100
	615	**508**

Note: Legislation is being proposed that would merge the Health Services, Water Quality, and Violence Reduction and Drug Enforcement accounts into the General Fund, effective July 1, 2009. This revision does not contribute to solving the projected deficit, but will add $1.5 billion to both the expenditure and revenue amounts for the GF-S. For comparative purposes, the merger of these funds is shown in both biennia.

Proposed 2009-11 Budget: Balance Sheet Detail for Revenues

General Fund-State, Dollars in Millions

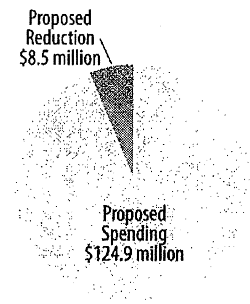
Fund Transfers	**FY 2009**	**2009–11**
2008 enacted fund transfers	147.0	
Statutory fund transfer to the Budget Stabilization (Rainy Day) Account	(124.0)	(268.0)
Treasurers Service Fund	10.0	20.0
Fiscal Year 2008 reversions	60.3	
Eliminate Health Services Account transfer from GF-S	53.0	
Increase in Education Legacy Account transfer	11.0	
Transfer Reading Achievement Account balance	1.7	
Pension Stabilization Account interest transfer	3.0	
Family Leave Account	4.5	
Excess streamlined sales tax set-aside	8.6	
Water Quality Account	4.4	24.2
Retirement Expense Account	6.2	
Public Safety and Education Account	3.0	
Waste, Recycling and Litter Account		4.0
State Toxics Control Account		13.0
Local Toxics Control Account		75.0
Use of bonds to replace lottery cash in the capital budget		204.0
Use of Budget Stabilization Account		609.3
	188.6	**681.4**

Budget Driven Revenue		
Loss of liquor revenues due to transfer of expenditures	(0.9)	(1.5)
Additional liquor revenues		12.9
Department of Revenue enforcement		38.2
	(0.9)	**49.6**
	$187.7	**$731**

Education

EARLY LEARNING

Believing in the primacy of early learning opportunities as a means to build a foundation for our children and our state's future, Governor Gregoire established the Department of Early Learning three years ago. This agency leads in the development of education for our youngest citizens and provides support for parents as their children's first and most important teachers. In the intervening years, the state has taken important steps to ready children for success in school and in life. The agency is also improving the safety and quality of early learning and child care programs in the state through more oversight and by strengthening child care licensing rules. This proposed budget continues progress in offering services for our youngest learners and supporting those who provide for their care and education.



Goals

» Preserve high-quality early learning programs for young children.

» Maintain safe and healthy environments for children in child care settings.

What We Invest In

Early Childhood Education and Assistance Program
Funding covers 8,226 slots for 3-year-olds and 4-year-olds at an average rate of $6,674 for high-quality pre-kindergarten programs through the state's Early Childhood Education and Assistance Program.
($112.9 million General Fund-State)

Quality Rating and Improvement System
The Department of Early Learning and the private-public partnership Thrive by Five, Washington continue work to pilot a Quality Rating and Improvement System. This system improves the quality of early care and education programs and provides parents with information they need to choose high-quality child care.
($1 million GF-S)

Quality improvement specialists
Five quality improvement specialists are funded to help maintain safety and health standards in 7,534 state-licensed early learning homes and centers. The specialists will work with 90 federally funded licensors.
($870,000 GF-S)

How We Achieve Savings

Suspension of the Career and Wage Ladder, which creates incentives for child care teachers to advance their education and professional development. *($3.0 million GF-S)*

Suspension of funding for the Family, Friends and Neighbors program that provides interactive learning opportunities to young children and their families. *($2.0 million GF-S)*

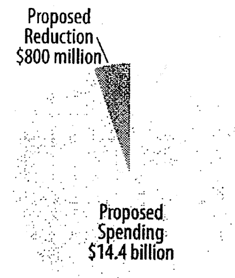
No. 82577-7
JSF925 0459

Elimination of state funds for the Child Care Resource and Referral Network. The network will continue to receive $5.5 million in federal funding to operate local referral hot lines and provide training, and $700,000 in federal funding for the Washington Scholars Program. *($1.7 million GF-S)*

Other reductions including pension changes. *($1.8 million GF-S and other funds)*

K-12 EDUCATION

Among all the functions of state government, providing funding for basic education is paramount. Individually and collectively, our more than 1 million students embody the promise of a brighter, more prosperous future for families and communities across the state. Despite declining state revenues, it is imperative that we continue to invest in the education of our children. Economic revitalization truly starts in the classroom.



Under Governor Gregoire's leadership, significant progress has been made in classroom instruction, teacher preparation and learning assistance. Despite areas of reduction or suspension, her proposed budget continues in that direction.

Goals

- » Maintain basic education funding for schools.
- » Prioritize programs that demonstrate links to research-based best practices.
- » Maintain programs focused on improving student achievement and closing the achievement gap.
- » Retain focus on the quality of instruction.
- » Provide state and regional infrastructure to effectively manage the K-12 system.

What We Invest In

K-12 basic education services *($12.2 billion General Fund-State)*, **including:**

- Special education services. *($1.3 billion GF-S)*
- Pupil transportation. *($628.0 million GF-S)*
- Learning Assistance Program. *($207.2 million GF-S)*

Several programs outside the K-12 basic education area, including:

- Initiative 728 for class size reductions, early learning, professional development and extended learning opportunities. *($732.9 million Student Achievement Fund)*
- Levy equalization. *($360.8 million GF-S)*
- K-4 class size enhancements. *($260.0 million GF-S)*
- All-day kindergarten for lowest income schools. *($81.0 million Education Legacy Trust Account)*
- Professional development days targeted at implementing new math and science standards. *($69.9 million GF-S)*

In addition, a number of targeted grant and technical assistance programs will continue through the 2009–11 biennium, including those that:

- Improve student achievement and close the achievement gap, which includes the focused assistance program for schools with large percentages of struggling students, as well as diagnostic assessments. *($20.4 million GF-S, $4.4 million Education Legacy Trust Account)*
- Support the quality of instruction, including alternative routes to teacher certification, National Board bonuses and the Leadership Academy. *($66.6 million GF-S, $2.1 million Education Legacy Trust Account)*
- Support the foundational math and science effort, including school district math and science coaches, Educational Service District math and science experts, math and science standards and curriculum development, after-school math assistance and the LASER science program. *($10.2 million GF-S, $7.3 million Education Legacy Trust Account)*
- Support student health and safety through school breakfast and lunch programs, nurse corps and training for school safety personnel. *($13.2 million GF-S)*
- Provide school district financial technical assistance. The Office of the Superintendent of Public Instruction predicts that more school districts with declining fund balances could become subject to state oversight. A group of experts is created through the Educational Service Districts to help school districts with financial planning and monitoring. The OSPI will coordinate this technical assistance. *($3.0 million GF-S)*

Services at School for the Deaf and School for the Blind
Specialized instruction is provided for approximately 200 students at the School for the Deaf and School for the Blind. *($30.9 million GF-S)*

How We Achieve Savings

Elimination of lower-priority programs, including multi-year pilot programs and specialized programs that do not have wide impacts across the state, such as the civics curriculum pilot project, LEAP bilingual pilot, accountability institutes, math helping corps and reading corps. *($22.5 million GF-S)*

Suspension of 21 percent of Initiative 728 funds. *($178.0 million Student Achievement Fund)*

Reduction in levy equalization, which provides a state match to local school districts with higher-than-average tax rates to raise a local levy (those districts are more "property poor" than average). For calendar years 2010 and 2011, allocations for levy equalization are reduced by 33 percent. This timing allows school districts to phase in the reductions over two school years. *($125.4 million GF-S)*

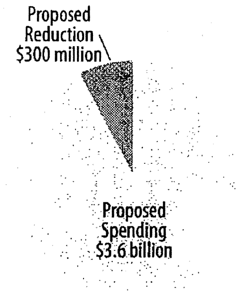
Refocus two state-funded professional development days on implementing new math and science standards. Separate grant funding for math and science professional development is eliminated. *($39.7 million Education Legacy Trust Account)*

Suspension of Initiative 732 funds for teacher and other K-12 employee salary increases. *($349.2 million GF-S)*

Elimination, reduction or suspension of grant programs that provide support services such as readiness to learn, building bridges grants, after-school grants and school safety plan grants. *($48.3 million GF-S)*

Other reductions including pension changes. *($36.9 million GF-S and other funds)*

HIGHER EDUCATION



Washington's public colleges and universities are the economic engine that drives the state's economy and will drive our recovery. Students with college degrees earn more over their lifetimes, report working in more fulfilling jobs and contribute stability to their communities.

Employers look for trained and skilled workers. Our higher education institutions fill this need by graduating students ready to join the work force and contribute to society. Yet even with 100,000 students in the four-year college system and 200,000 in the community and technical college system, demand for enrollments continues to top state funding. Governor Gregoire's proposed budget reduces state support for public colleges and universities, but maintains current enrollment levels. Tuition increases are consistent with established state policies that place limits on annual tuition growth. Student financial aid will increase to help keep tuition affordable for needy students.

Goals

» Preserve access to higher education by maintaining enrollment levels.

» Maintain affordability for lower-income students by increasing financial aid grants to reflect higher tuition rates.

» Acknowledge the diverse missions of the two-year and four-year institutions.

» Maintain flexibility for state colleges and universities while establishing targets in vital areas such as high-demand fields.

What We Invest In

Overall funding for two research universities and four regional universities and college
More than 100,000 students seeking a baccalaureate, graduate or professional degree are served at the state's public college and universities. *($1.5 billion General Fund-State, $143.0 million Education Legacy Trust Account)*

Overall funding for the community and technical college system
More than 200,000 students are served in this system, many of whom enroll to upgrade their jobs skills or quickly retool for a new career. *($1.4 billion GF-S, $95.1 million Education Legacy Trust Account)*

Student financial aid
Student financial aid programs, including the State Need Grant program, will increase to match higher tuition rates. The overall growth of financial aid programs is modified by making incremental changes to eligibility and grant amounts for students from families with higher incomes.
($376.6 million GF-S, $79.8 million Education Legacy Trust Account)

What We Authorize

The governing boards of the state college and universities are authorized to raise tuition for resident undergraduate students consistent with tuition caps established in state policy. A lower cap is applied to tuition at the community and technical colleges. On average, tuition can increase by about $450 per year at the research institutions, $310 per year at the regional college and universities, and $125 per year at the community and technical colleges. *($162.6 million local funds)*

No. 82577-7
JSF925 0462

How We Achieve Savings

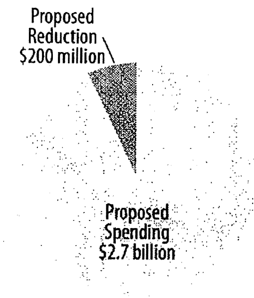
Reductions, across the board, of 13 percent for the research and regional institutions and 6 percent for the community and technical colleges. Higher education institutions are given the flexibility to determine how best to implement this reduction. Effects on campus could include fewer course offerings, larger class sizes, reductions in faculty positions and fewer support services for students. Each institution must report on a number of specific outcome measures important to state policy goals, such as graduating/educating students in fields crucial to work force development, math and science, and skills training. The lower rate of reduction for the community and technical colleges is in recognition of their unique mission in job training and skills development essential to the state's economic recovery. *($341.9 million GF-S)*

Suspension of Initiative 732 funds for faculty and staff in the community and technical colleges. *($33.8 million GF-S)*

No. 82577-7
JSF925 0463

Public Safety

The protection of persons and property is one of the core missions of state government. A multi-pronged approach is used to maintain public safety: prevention, preparedness and response. Governor Gregoire's administration has made a priority of keeping Washingtonians safe by holding felons accountable for their actions, working to reduce repeat criminal activity and helping former offenders to become law-abiding members of society. She has also presided over the largest expansion of the state correctional system to house offenders and worked with the law enforcement community to enact protections against sex offenders.



Goals

» Incarcerate and rehabilitate adult and juvenile offenders.

» Respond to and prevent crime and vehicle collisions.

» Provide disaster preparedness and response.

» Increase traffic safety.

What We Invest In

Holding felons accountable
Communities are kept safer by holding felons accountable for their actions. The Department of Corrections incarcerates more than 18,000 inmates in 15 major institutions located across the state.
($1.3 billion General Fund-State, $7.8 million other fund sources)

Community Supervision
Community supervision and work-release programs help ensure a successful reentry into communities for offenders upon their release from incarceration. The Department of Corrections provides supervision and treatment to 13,000 highest-risk offenders, as well as nearly 700 work release opportunities to help offenders find jobs and build skills so they can become productive members of their communities.
($241.7 million GF-S, $24.3 million other fund sources)

Civil commitment of sexually violent predators
The Office of the Attorney General is responsible for investigating, filing and prosecuting all sexually violent predator cases in 38 of the state's 39 counties. *($5.8 million Legal Services Revolving Account)*

Offender reentry
Evidence-based programs now in place at the Department of Corrections are improving outcomes for offenders and reducing recidivism rates. Program goals are validated by the fact that both the state violent crime rate and the property crime rate are at their lowest point in the past 15 years. *($61.9 million GF-S)*

Assistance for victims of crime
Medical, legal and financial assistance are available to victims of crime who have suffered physical or mental trauma. *($61.4 million other fund sources)*

No. 82577-7
JSF925 0464

Training for local law enforcement officers

Training for 1,700 new law enforcement officers is provided through the Basic Law Enforcement Academy. Topics include criminal law, criminal procedures, patrol procedures, crisis management, communications, community policing, ethics, defensive tactics, traffic and firearms.
($16.3 million Public Safety and Education Account, $460,000 Municipal Criminal Justice Assistance Account)

State Crime Laboratory

The Washington State Patrol operates crime laboratories in Seattle, Tacoma, Marysville, Spokane, Kelso, Kennewick and Tumwater. The laboratories provide forensic services for criminal justice agencies in the state.
($22.2 million GF-S, $7.0 million Violence Reduction and Drug Enforcement Account, $4.7 million State Patrol Highway Account, $11.6 million other fund sources)

Criminal records management

The Washington State Patrol maintains databases of interest to law enforcement officers and criminal justice agencies throughout the state. Databases include fingerprint-based criminal history record information, sex/kidnapping offender registration and missing persons data.
($13.4 million GF-S, $6.9 million Fingerprint Identification Account, $3.0 million State Patrol Highway Account, $100,000 other fund sources)

Investigative assistance for criminal enforcement

This Washington State Patrol division provides investigative coordination, support and training for law enforcement agencies throughout the state. Services provided include SWAT (Special Weapons and Tactics team) responses to tactical incidents and clandestine drug labs, recovery of evidence that may exist on various media, and training on gang enforcement and trends.
($10.8 million GF-S, $9.2 million GF-F, $3.2 million State Patrol Highway Account, $2.5 million other fund sources)

Highway traffic enforcement

Roadways are made safer through the enforcement of traffic laws, investigation of collisions and assistance to motorists in need. Enforcement emphasis on drinking drivers, aggressive driving, speeding motorists and people not wearing seat belts is maintained. Emphasis already is paying dividends: The overall trend for vehicle fatalities is declining, with the 2007 vehicle fatality rate the lowest the state has ever recorded.
($225.1 million State Patrol Highway Account-State, $11.0 million GF-S, $2.9 million other fund sources)

Enhanced 911

The Military Department manages the Enhanced 911 program with a number of community partners and others to ensure that state residents have access to emergency assistance. More than 90 percent of the Enhanced 911 funds are "passed through" or provide direct support to local jurisdictions.
($39.4 million Enhanced 911 Account)

Disaster preparedness and response

The Military Department's Emergency Management Division administers Homeland Security grant funds and disaster relief funds after a federal declaration of a major disaster or emergency, and coordinates the state's efforts to recover from disasters. Nearly 90 percent of the funding is passed through to individuals and local jurisdictions.
($6.3 million GF-S, $103 million GF-F, $72.5 million Disaster Response and Nisqually Earthquake accounts)

Flood control infrastructure

Bond authorization has been secured for the state's portion of the Chehalis-Centralia Flood Control Project. The project is a partnership among local governments, the state of Washington and the federal government. *($50 million capital)*

Prevent, prepare for and fight wildfires

Education and assistance make it more likely that homeowners will build defensible space around at-risk homes. This space helps prevent fires and makes them less damaging. Training prepares crews to attack fires when small to keep them from becoming threats to public safety and land resources.
($37.6 million GF-S, $42.9 million other fund sources)

Enforcement of consumer protection laws

The Office of the Attorney General enforces state laws, recommends changes in state law and provides education to protect consumers and legitimate businesses from unfair or deceptive trade practices.
($7.9 million GF-S, $2 million other fund sources)

How We Achieve Savings

Elimination of supervision for misdemeanants and low-risk felony offenders. Supervision of these offenders has not been proven effective in reducing recidivism. Supervision in the community custody program in the Department of Corrections will be intensified for the remaining offenders. This item includes:

- Elimination of supervision for misdemeanants. *($31.7 million GF-S)*
- Discontinuation of community supervision for low-risk offenders, except for sex offenders and violent offenders. *($9.9 million GF-S)*
- Setting of community custody sentence lengths at 12 months. *($27.2 million GF-S)*

Closure of the Naselle Youth Camp. The Juvenile Rehabilitation Administration now has the residential capacity to house 835 youth. The November 2008 residential caseload forecast projects a drop in population, lowering the number of beds needed to 658 by Fiscal Year 2011. *($12.9 million GF-S)*

Reduction of funding to expand evidence-based programs. Evidence-based programs, such as family functional therapy and aggression replacement therapy, have not been fully put into place in the Juvenile Rehabilitation Administration and the courts. *($8.7 million GF-S, $1.4 million Reinvesting in Youth Account-State)*

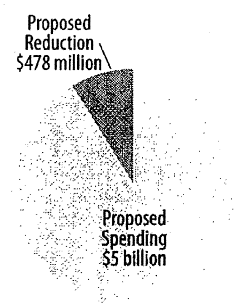
Reduction of chemical dependency treatment funding for adult outpatient and residential services. This will eliminate addiction treatment to 13,000 low-income patients and reduce detoxification services for 2,700 low-income patients. *($11.4 million GF-S)*

Authorization of early release for elderly and ill offenders. We will allow early release for elderly and ill adult offenders who are chronically or terminally ill and 55 years or older. Offenders serving time on a violent or sex offense charge are excluded. *($1.5 million GF-S)*

Deportation of non-citizen offenders with property or drug offenses to their country of origin.
($9.1 million GF-S)

Other reductions including pension changes. *($87.6 million GF-S and other funds)*

Human Services



As a society, we recognize the importance of taking care of the most vulnerable among us. Whether it's children whose families are unable or unwilling to take care of them, or severely disabled adults, Washington citizens endeavor to help with food, shelter and physical safety resources. Governor Gregoire's proposed budget serves Washington's children and most vulnerable citizens with essential services as it achieves administrative efficiencies and promotes greater self-sufficiency.

Goals

» Protect vulnerable populations.

» Preserve access to essential services.

» Maintain safety.

» Maintain core state services.

» Promote cost effectiveness.

» Promote self-sufficiency.

» Maintain evidence-based programs.

» Maintain some prevention activities.

What We Invest In

Child welfare services
Protecting children is primarily the responsibility of families. The state intervenes to protect children only when families are unable to. When children must be removed due to abuse or neglect, they are provided with foster care. We provide services that build on family strengths to prevent out-of-home placements and reunify families when placement occurs. Services include counseling, assessments and child care.
($352.2 million General Fund-State, $179 million GF-F)

Adoption support services
Placing children in permanent homes is a top priority. More than 11,000 families with adopted children receive a cash payment to cover their needs. Adopted children may also receive evaluation and counseling services, and families may access child care and respite services. *($90.0 million GF-S, $82.0 million GF-F)*

Adolescent services
Adolescents who run away from home or are in conflict with their parents have safe alternatives from the streets. Services include short-term stays in crisis residential centers where counseling with a family reunification emphasis is provided. Youth may access the responsible living skills program for safe housing and services to successfully transition to independent living. *($16.8 million GF-S, $18.2 million GF-F)*

In-home services for the elderly and people with developmental disabilities
Washington is a leader in long-term care services that allow 30,000 individuals to remain independent by providing care in their homes rather than in an institutional setting. More than 12,000 individuals with developmental disabilities receive Medicaid personal care services to assist with activities of daily living such as bathing, dressing and eating. *($955.0 million GF-S, $979.2 million GF-F)*

Residential services for the elderly or physically disabled
Nursing homes serve 10,800 Medicaid clients. Adult family homes and boarding homes offer an alternative for the 10,500 elderly or other individuals with disabilities who cannot remain in their own homes but do not need nursing home care. *($503.7 million GF-S, $685.7 million GF-F)*

Residential services for people with developmental disabilities
Residential habilitation centers provide services for 1,000 clients with developmental disabilities. Supported living, boarding homes, adult family homes and state-operated residences provide an alternative for the 5,400 clients no longer able to remain in their own homes and who choose to live in the community.
($486.6 million GF-S, $550.4 million GF-F)

Place additional individuals with developmental disabilities on the Medicaid waiver. The 2,500 clients with developmental disabilities who receive employment and day services paid solely with state funds are transitioned to the Medicaid waiver if they are Medicaid eligible. This makes them eligible for more services, but federal funding reduces costs to the state. *($12.8 million GF-S, $14.8 million GF-F)*

Employment and day services for individuals with developmental disabilities
About 9,400 adults receive assistance to find and maintain employment. *($85.3 million GF-S, $63.2 million GF-F)*

In-patient and out-patient mental health services
The state provides crisis intervention and inpatient treatment services to individuals in acute mental health distress who are gravely disabled, or a danger to themselves or others. The state also funds intensive, community-based outpatient treatment services to Medicaid-eligible individuals with significant disabilities through partnerships with Regional Support Networks. *($881.0 million GF-S, $664.0 million GF-F)*

Child support collections for TANF
Child support is collected for more than 380,000 families each month. Mirroring changes in federal law, families receiving Temporary Assistance for Needy Families (TANF) cash assistance may now keep a portion of the child support funds collected by the state. Child support collected for families not on TANF go directly to the family. *($27.3 million GF-S)*

WorkFirst grant and services
Temporary Assistance to Needy Families (TANF) grants are provided to more than 53,000 families through the WorkFirst program. Parents participate in activities that help them prepare for work and achieve self-sufficiency. Post-TANF career services help families maintain employment.
($464.0 million GF-S, $828.0 million GF-F)

Food programs
More than 642,000 clients now receive food stamps. Recently expanded eligibility for the state's Basic Food Program is maintained for households with incomes below 200 percent of the federal poverty level. Funding for the state's food bank programs also is maintained. An additional $5 million will expand the Emergency Food Assistance Program, which provides funding and food for distribution to local food banks and meal providers. *($76.6 million GF-S, $50.5 million GF-F)*

Initiative 1029 background checks and training
Although the higher training requirement of Initiative 1029 is suspended for two years, its most important feature — new federal background checks for home care workers — is being implemented. Computer system preparation work is included to prepare for the training and certification requirements that will take effect in the 2011–13 biennium. *($1.2 million GF-S, $1.2 million GF-F)*

How We Achieve Savings

Discontinuation of the Adult Day Health program. This primarily Medicaid-funded program serves about 1,900 elderly and adults with developmental disabilities. As of June 30, 2009, the federal government will no longer provide matching funds. *($20.3 million GF-S, $20.3 million GF-F)*

Elimination of funding for child welfare pilots to provide additional training for foster parents caring for high-needs children. *($2.6 million GF-S)*

Elimination of secure crisis residential centers. High-cost placements are eliminated and lower-cost residential services for adolescents in conflict are retained. These services include Hope beds, semi-secure crisis residential services and responsible living skills placements. *($9.4 million GF-S)*

Reduction of nursing home reimbursement rates. Medicaid nursing home rates are adjusted every two years. As of July 1, 2009, the average rate is projected to increase 2.5 percent. From that point, rates are reduced 7.5 percent, so the net reduction will be 5 percent. *($46.2 million GF-S, $42.6 million GF-F)*

Consolidation of residential habilitation centers. Yakima Valley School is closed. The 98 residents will be transferred to community residential settings, private nursing homes or another institution.
($1.0 million GF-S, $600,000 GF-F)

Reduction of funding for mental health services through local Regional Support Networks. The non-Medicaid rate is by reduced by 7.4 percent and the Medicaid rate by 3.2 percent. *($30.5 million GF-S)*

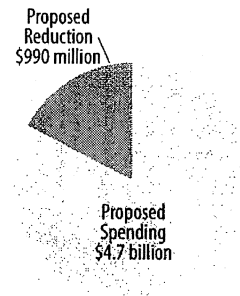
Elimination of grants to individuals in the General Assistance-Unemployable program. Monthly grants are no longer provided to approximately 21,000 individuals in the GA-U program and 6,500 clients in the Alcoholism and Drug Addiction Treatment and Support Act program. Effects of this action will be partially offset by $20 million provided for additional emergency housing and $40 million to community clinics.
($160.6 million GF-S)

Increase of accountability in the WorkFirst program. Reductions in Temporary Assistance to Needy Families (TANF) caseloads are expected by streamlining the sanction process and by helping parents move to work more quickly. *($30.4 million GF-S)*

Other reductions including pension changes. *($177.0 million GF-S and other funds)*

Health Care

Affordable heath care is integral to keeping our families secure, businesses competitive and our state strong. Governor Gregoire's first term was marked with progress in making high-quality health care available to more Washington children and families. Other advances were made in prescription drug savings, better patient safety and more stringent licensing oversight. The Governor's budget continues her commitment to protecting the public's health by providing the most essential services to those most in need.



Goals

» Improve the public's health.

» Minimize future health care costs through prevention and appropriate treatment.

» Improve the quality of the health care system.

» Improve or maintain access to health care.

What We Invest In

Health care for Washingtonians
We continue to provide access to health care for low-income Washington residents. The Medicaid program uses state and federal funds to provide more than 300,000 adults with services that include dental, vision and hearing benefits. *($2.0 billion General Fund-State)*

Apple Health for Kids
More than 600,000 children are enrolled in the Apple Health for Kids program. This program will offer subsidized coverage to all children whose family incomes are less than 250 percent of the federal poverty level, with those more than 200 percent continuing to pay a portion of the premium. *($1.5 billion GF-S)*

Basic Health Plan
Other state residents will be served through state-only programs such as the Basic Health Plan. *($341.0 million GF-S)*

Safety net
Community clinics, which offer primary care and emergency services for all members of the community, are infused with additional funds to offset reductions in the General Assistance-Unemployable program and the Basic Health Plan. *($40.0 million GF-S)*

Public health
Preventing and reducing communicable diseases keep Washingtonians healthier. Funding crucial to local public health is maintained at existing levels. *($68.0 million GF-S)*

Health care system investments
These programs support our health care delivery system in these areas:

- Inpatient and outpatient hospital services. *($2.0 billion all fund sources)*
- Prescription drugs and vaccines. *($920 million all fund sources)*
- Services through health clinics. *($644 million all fund sources)*
- Managed care premiums. *($2.9 million all fund sources)*
- Health care professionals. *($1.1 million all fund sources)*

How We Achieve Savings

Reduction of funding for the Basic Health Plan by 42 percent. The Health Care Authority will reduce enrollment in the Basic Health Plan. It will also restructure the program to allow coverage for as many people as possible. *($252.0 million GF-S)*

Apple Health for Kids. Funding to provide subsidized health care coverage to children whose family incomes are between 250 percent and 300 percent of the federal poverty level will be suspended. *($6.1 million GF-S, $7.9 million GF-F)*

Elimination of medical coverage for the General Assistance-Unemployable program. Medical coverage continues for the aged, blind and disabled, and those clients who meet the criteria for Social Security disability. *($251.3 million GF-S)*

Reduction of rates paid to managed care companies. The 1 percent reduction to managed care rates starting January 2009 will continue through the biennium. Funds set aside for 2.5 percent growth in premiums will be suspended, for a total reduction of $86.9 million. *($37.7 million GF-S, $49.2 million GF-F)*

Modification of hospital rates. Rates paid to hospitals, excluding psychiatric hospitals, are reduced by 4 percent for inpatient and outpatient services. *($46.9 million GF-S, $53.9 million GF-F)*

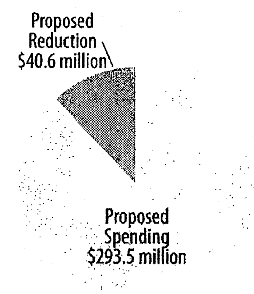
Elimination of the universal vaccine program. The state will no longer purchase vaccines for children not covered by Medicaid. *($49.6 million GF-S)*

Implementation of pharmacy purchasing initiatives. Savings derive from increasing the use of generic drugs in state health programs by 20 percent. Additional savings accrue from consolidating drug purchasing and reducing coverage for some drugs. *($108.6 million GF-S, $280.8 million GF-F)*

Other reductions including pension changes. *($237.8 million GF-S and other funds)*

Natural Resources

Washington state's natural resources are among the most precious gifts we leave to our children. The diversity of our natural resources is unique. Our mountains, forests, deserts, rivers, coastal waters, farms and prairies — and the species they support — are irreplaceable assets for all to enjoy.



Governor Gregoire has launched initiatives to protect and preserve the health of our natural resources. With the creation of the Puget Sound Partnership, development of a biofuels industry, reduction of greenhouse gas emissions and emphasis given to the creation of green jobs, the Governor has set the state on a path that will ensure a healthier resource base for all Washingtonians to cherish now and into the future. The primary aims of her proposed budget are water quality protection, habitat restoration and climate change mitigation.

Goals

» Preserve, maintain and restore the state's natural systems and landscapes.

» Establish safeguards and standards to prevent harm to the state's natural resources.

» Improve the state's air, water, land, habitat and population of fish and wildlife.

» Achieve sustainable use of public resources.

» Provide access to cultural and recreational opportunities.

What We Invest In

Puget Sound
The Puget Sound Action Agenda outlines strategies needed to recover the Sound. The Governor's proposed budget funds key activities in the Action Agenda's four priority areas: protect functioning ecosystems, restore habitat, prevent contamination, and align state, federal, local and tribal agency actions. *($284.7 million total fund sources: $16.6 million operating, $268.1 million capital).* Portions of the first three items below are part of the Puget Sound Partnership funding package:

Hatchery production
Fishing opportunities are managed differently to protect wild salmon and maintain fish production at 81 hatcheries, based on recommendations of the Hatchery Scientific Review Group. Capital funding is also provided to the Fish and Wildlife Commission for hatchery modifications to improve wild fish passage and water quality. *($17.0 million General Fund-State, $28.3 million other fund sources, $13.9 million capital)*

Water quality protection
The quality of Washington's waters is protected and preserved through regulation of single-point and diffuse-source water pollution and storm water. Other funded strategies at the Department of Ecology and Washington State Conservation Commission include providing technical and financial assistance to local governments and private landowners; protecting wetlands, watersheds, coastal areas and shorelines; and developing water quality cleanup plans.
($27.2 million GF-S, $58.9 million other fund sources, $159 million capital)

Toxics prevention and cleanup
The state protects human health and the environment through prevention, management and cleanup of toxins. These efforts by the Department of Ecology include cleaning up legacy toxic waste sites, managing radioactive waste at the Hanford Nuclear Reservation, and preventing and responding to oil spills. *($92,000 GF-S, $135.6 million other fund sources, $62.2 million capital)*

Climate change commitment
Washington is leading the nation in creating 21st century green-collar jobs. We invest in energy efficiency and renewable energy and harness the market to limit carbon emissions. We also provide transportation choices to reduce dependence on foreign oil. With these investments, Washington is laying the foundation to reduce our emissions, create jobs and thrive in a low-carbon economy. *($1.6 million GF-S, $1.7 million other fund sources, $11.5 million transportation, $10.0 million capital)*

Air quality protection
Emission regulation, planning and technical assistance by the Department of Ecology will protect air quality. *($18.7 million GF-S, $12.4 million other fund sources, $1.0 million capital)*

Water rights management
Funding is provided to the Department of Ecology to manage water resources through allocating water rights (though at a lower funding level during 2009–11), setting stream flows and supporting local governments as they manage water quantity issues. *($34.9 million GF-S, $6.6 million other fund sources, $14.6 million capital)*

Safe food supply and growing environment
The Department of Agriculture inspects and monitors food processing and storage facilities to protect human health against threats such as mad cow disease and crop diseases. Certifying the quality of Washington's produce promotes access to markets around the world. *($17.9 million GF-S, $59.2 million other fund sources)*

Public recreation opportunities
State park operations are funded at the Parks and Recreation Commission.
($92.5 million GF-S, $64.6 million Parks Renewal and Stewardship Account, $6.7 million capital)

How We Achieve Savings

Closure of state fish hatcheries that are inefficient, redundant with nearby hatcheries or inconsistent with scientific recommendations. *($6.6 million GF-S, $1.7 million other fund sources)*

Closure of 13 state parks that no longer fit the mission of the Parks system and one environmental learning center in poor condition. Closure of other state parks during off-peak winter months. *($5.2 million GF-S)*

Reduction of local watershed management technical and financial assistance.
($2.3 million GF-S, $2.9 million other fund sources)

Elimination of funding for geologic hazard studies on slope stability, tsunami evacuation routes and other hazards. *($2.4 million GF-S)*

Reduction in funding for water resource management, including processing of water rights permits. *($2.2 million GF-S)*

Other reductions including pension changes. *($21.9 million GF-S and other funds)*

Government Efficiency

Citizens have high expectations of their state government to be as responsive and effective as it is lean. Tough economic times demand that state agencies look carefully for every opportunity to improve services while they reduce costs. Governor Gregoire is taking advantage of the current economic downturn to critically examine every part of state government to ensure that essential services are delivered as efficiently as possible. The Governor will announce her initiatives to reform government in January 2009.

Goals

- » Coordinate government efforts to improve the effectiveness of economic investments.
- » Return unemployed, underemployed or injured workers to work.
- » Regulate the economy to ensure fairness, security and efficiency.
- » Provide a capable work force to execute government functions.
- » Provide tools and resources to execute government functions.
- » Provide data, information and analysis to support decision making and government accountability.
- » Safeguard and manage public funds.

What We Invest In

Administration of elections
The Secretary of State has used $68 million in grant funding from the federal Help America Vote Act of 2002 to develop a voter registration database, update voting processes and procedures, and increase voting accessibility, in addition to other activities. To ensure continued transparency and accessibility in the voting process, the state invests in the operation and maintenance of these systems. *($1.3 million General Fund-State)*

Performance audits
The Office of the State Auditor conducts independent performance audits of agencies in the executive, judicial and legislative branches of government. These audits can identify opportunities for improvement, efficiencies and savings throughout the state. Authority was granted pursuant to voter approval of Initiative 900 in the 2005 election. *($27.4 million Performance Audits of Government Account-Non-appropriated)*

Audits of state and local governments
The Office of the State Auditor audits the financial statements of 168 state agencies, boards and commissions using a risk-based approach to focus on public resources at highest risk of loss or misappropriation. It also independently audits nearly 2,400 local governments at least every three years, with the exception of self-insurance plans, which are audited on a two-year cycle. Bond rating agencies rely on state government audits in performing their assessments.
($12.7 million Auditing Services Revolving Account, $39.6 million Municipal Revolving Account-Non-appropriated)

Motor pool
The state motor pool manages and maintains 1,380 vehicles assigned to agencies on a permanent basis for staff use as well as a vehicle trip fleet for short-term rental. Washington boasts the highest number of hybrid vehicles of any state fleet in the country. The state provides fleet services at 38 percent below market rate. *($32 million General Administration Services Account-Non-appropriated)*

Liquor Control Board
The Liquor Control Board provides for the controlled distribution of alcohol products sought by qualified customers through state-owned liquor stores or by contracted stores in less populated areas. Liquor and tobacco agents enforce state tax laws and applicable federal statutes related to cigarettes and other tobacco products. Ten new stores will be opened in the 2009–11 biennium. *($241.1 million other fund sources)*

How We Achieve Savings

Closure of the Visitor Center by the Department of General Administration and reduction of several GA services, including those related to real estate and management of public and historic facilities. *($1.7 million General Administration Services Account)*

Elimination of non-electronic publications, withdrawal from the multi-state tax audit program and discontinuation of the use of 1-800 numbers, all in the Department of Revenue. *($1.1 million GF-S)*

Reduction of state pass-through funding for Washington Information Network 211, a private non-profit organization that provides social service referral services. *($1.0 million GF-S)*

Suspension of state grants to Washington public broadcasters through the Department of Community, Trade and Economic Development. *($3.3 million GF-S)*

Elimination of funds to the Department of Community, Trade and Economic Development for Dispute Resolution Centers. *($1.9 million GF-S)*

Reduction of Growth Management Act funding for technical assistance to local governments through the Department of Community, Trade and Economic Development. Grant funding is maintained at current levels. *($1.2 million GF-S)*

Elimination of funding to train National Guard members as firefighters as these individuals have been deployed overseas. *($188,000 GF-S)*

Walking the Talk: Government Accountability

During the past three years, Governor Gregoire has met on a regular basis with state agency leadership to ensure that taxpayer dollars are spent wisely. Agency directors explain the results of their spending in sessions of the Government Management Accountability and Performance (GMAP) program. The Governor and key staff work directly with individual cabinet members to identify problems, establish goals and measure results using hard data.

In the Gregoire administration, it hasn't been enough to talk the talk — state agencies must walk the talk. With ever-tighter budgets, GMAP holds agencies accountable for their spending and promotes process improvements and efficiencies that create better results. Some of the improvements generated by GMAP include:

- Saving more than $85 million since 2005 through the purchase of generic prescription drugs for state-sponsored health care programs.
- Improving the state's response in child abuse cases and substantially reducing re-abuse. Social workers respond within 24 hours to reports of suspected abuse 95 percent of the time — up from 65 percent in 2004. As a result, repeat abuse cases have declined by more than 30 percent.
- Reducing the rate of traffic fatalities. Our state highways are safer than they've ever been, despite more drivers on the roads. In 2007, fatalities per vehicle mile traveled reached an all-time low of 1 per 100 million.

Transportation

Keeping Washington's travelers safe, and moving people and freight forward, continue to be Governor Gregoire's top transportation priorities. Washington's transportation system of roads, highways, rail, bridges and ferries offers unique challenges. Yet the benefits are remarkable: Washington's freight systems support 1 million jobs in freight-dependent industry sectors that produce more than $434 billion in gross business income across the country.

In Washington, the Governor wants to capitalize on the potential to boost our economy with shovel-ready projects that keep people and goods moving safely and efficiently. We will put paychecks in the pockets of Washington's working families and make critical investments in the state's transportation infrastructure. The Governor will launch her economic stimulus package in January 2009 with a number of ready-to-go transportation projects.

The ferry system is not sustainable in its current form. A long-range plan will address the future of the ferry system while cutting runs now to help keep it functioning in the short term.

Due to increasing construction costs and decreasing gas tax revenue caused by volatile oil prices, which made gas prices spike, the Washington State Department of Transportation continues to recalibrate budgets and timelines for a number of projects.

Goals

» Support and improve transportation system safety.

» Reduce preventable loss of life, injury or property.

» Maintain and preserve investments in transportation systems.

» Improve the predictable movement of people and goods.

» Provide modal choices.

» Provide accountability.

What We Invest In

Transportation system maintenance and preservation
We continue to reduce the maintenance backlog by focusing on high-priority maintenance needs such as traffic signals, bridges, regulatory signs, intelligent transportation systems, pavement patching and repair, cable guardrail, pavement markers and culverts *($359.0 million multiple fund sources)*. Preservation of the transportation infrastructure is also a high priority, with 314 asphalt and concrete pavement projects *($393.0 million multiple fund sources)* and 169 bridge preservation projects *($233.0 million multiple fund sources)*.

Congestion relief
Washington continues to address congestion through a number of activities, including:

- **Making the transportation system operate more efficiently** through installation of ramp meters on Interstate 5 to increase vehicle throughput, improvements to the reversible lanes on I-5 and I-90, and real-time traffic management. *($54.0 million multiple fund sources)*

- **Managing demand** through the purchase of approximately 460 vans to expand vanpooling, increase in park and ride lot capacity by about 1,000 spaces and assistance to local governments and employers to reduce the number of commute trips each weekday morning. *($70.0 million multiple fund sources)*

- **Adding capacity** strategically through capital improvement projects, such as those listed later in this section. *($1.0 billion multiple fund sources)*

Improving pedestrian safety and safe routes to schools
The state provides grant funds for 102 projects to improve pedestrian and bicycle safety, provide students with safe routes to schools, and reduce the nearly 400 fatal and injury collisions involving pedestrians and bicyclists that occur each year in Washington. *($19.3 million multiple fund sources)*

Using audit recommendations
By centralizing human resource services, the number of employees is reduced with no loss of program quality or responsiveness. This saves an estimated $935,000 over the next three biennia.
(Puget Sound Ferry Operations Account-State)

Ferries
The Washington State Department of Transportation has accepted a bid for the construction of a new 64-car vessel to serve the Port Townsend-Keystone run. Until it is launched in summer 2010, service is provided by a ferry on loan from Pierce County. The Ferries Division is developing a long-range plan to guide services and investments through 2030. The draft plan is scheduled to be released in December 2008, and will be followed by 10 public hearings in ferry-served communities. A final plan is due January 30, 2009.

Alaskan Way Viaduct and related projects
The Alaskan Way Viaduct could be subject to damage in the event of an earthquake, and its failure could cause injury or loss of life. This aging structure is of enormous economic importance to both the region and to the country as it provides access to Seattle's preeminent port. A partnership among the state of Washington, city of Seattle and King County has reviewed options for the replacement of the center section of the Viaduct. A final decision will be made by the end of 2008.
($2.8 billion total estimated project cost, from multiple fund sources; to date, more than $1.0 billion has been spent or committed)

- **State Route 99/South Holgate Street to South King Street - Viaduct replacement**
  This project replaces a portion of the existing Alaskan Way Viaduct and will improve earthquake resistance and maintain or improve the mobility for people and goods. Work includes a new interchange in the vicinity of Royal Brougham Way and a railway grade separation structure at South Atlantic Street. Also included are improvements to local bike/pedestrian facilities, signage, illumination, drainage and utilities. *($549.0 million total estimated project cost, multiple fund sources)*

- **SR 519/Interstate 90 to SR 99 intermodal access project – interchange improvements**
  SR 519 is an important thoroughfare for cars, freight and pedestrians in Seattle's Sodo (south of downtown) district that connects I-90 and I-5 with the Port of Seattle and Colman Ferry Dock. A railroad crossing here causes congestion. This project calls for additional improvements to reduce pedestrian, car and truck congestion as well as increase safety and freight mobility.
  ($85.0 million total estimated project cost, multiple fund sources)

State Route 520 bridge
This year, Governor Gregoire reduced by four years the time it was estimated it would take to replace the economically vital State Route 520 bridge that links Seattle and the thriving east side of Lake Washington. At her urging, the Washington State Department of Transportation has designed a way to build a new bridge by fall 2014. The full SR 520 corridor improvements will be complete by 2016. To help accomplish the accelerated construction timeline, a Tacoma facility will jump-start the building of smaller pontoons in 2009. In 2010, a new facility in Grays Harbor will be operating, and by 2011, building the larger pontoons for the new bridge. *($239.0 million has been provided in 2009–11; total estimated cost at least $3.8 billion)*

I-90/Snoqualmie Pass East – Hyak to Keechelus Dam - corridor improvements
This project will increase capacity by adding lanes to I-90 east of Snoqualmie Pass to reduce congestion. It will also improve safety by replacing concrete pavement that is past due for replacement, including some sections that are at least 75 years old. A new snowshed will reduce delays associated with avalanches. *($595.0 million total estimated project cost, multiple fund sources)*

U.S. 395/North Spokane Corridor – U.S. 2 to Wandermere and U.S. 2 lowering - new alignment
U.S. 2 will be lowered from the vicinity of Farwell Road to Deadman Creek to accommodate the North Spokane Corridor interchange with U.S. 2. This will include the realignment of Shady Slope Road and construction of eight bridges. This segment is part of a larger Corridor program estimated to cost in the range of $3.0 billion. *($151.0 million total estimated project cost, multiple fund sources)*

SR 500/St. Johns Boulevard - build interchange
The intersection at SR 500 and St. Johns Boulevard in Vancouver has been identified as a high collision location. Removing the intersection and replacing it with an interchange will reduce the number of collisions. *($52.0 million total estimated project cost, multiple fund sources)*

I-5/SR 16 Interchange - rebuild interchange
This Tacoma-area project to reconstruct the interchanges at I-5 and SR 16 will boost motorist safety and relieve congestion. The project includes replacing the bridges over Nalley Valley, constructing freeway connections, reconstructing all of the ramp roadways and structures, and preparing for HOV lanes on I-5 and SR 16. *($313.0 million total estimated project cost, multiple fund sources)*

How We Achieve Savings

Redirection of regional mobility grants to other commute reduction activities.
($30.0 million Multimodal Account)

Redirection of Trip Reduction Performance Program funding to other commute reduction activities.
($1.5 million Multimodal Account)

Elimination of the Sidney-San Juans ferry route by the end of September 2009.
($9.2 million Puget Sound Ferry Operations Account)

Reduction of ferry service on the Pt. Defiance-Tahlequah runs by switching from a 48-auto passenger vessel to a 34-auto passenger vessel. *($1.3 million Puget Sound Ferry Operations Account)*

Capital Construction & Local Assistance

Washington's economic recovery depends upon protecting and growing construction jobs, training unemployed and dislocated workers, and helping businesses weather the economic storm. In the longer term, it is equally important to focus on the fundamentals that contribute to a robust economy: roads and ports to get our products to market and workers to work, a globally competitive work force, a culture that encourages entrepreneurship, and an environmental legacy that makes Washington a special place to live and do business.

To immediately help Washington families, the Governor pressed agencies to release $300 million in federal funds for distressed fishing communities. She also sought early disbursement of $130 million to help less-fortunate Washington families with home heating costs. The Governor has called on Congress to pass a second economic recovery package to get the country's economy moving again. She is playing a pivotal role in identifying construction-ready public works projects in the state for this purpose. Governor Gregoire is working with business, labor and community leaders on creative options for the state to take to bolster economic recovery for release in January 2009. To help jump-start Washington's economy, Governor Gregoire is proposing a $3.8 billion capital budget.

These essential investments will both put people to work and create facilities and infrastructure to put Washington on the road to long-term economic prosperity. Investments will be made in higher education, natural resources, general government, human services and housing, K-12 education and other community projects.

Goals

» Give students room to learn.

» Protect and improve our communities.

» Protect our environment.

» Promote economic prosperity.

What We invest In

K-12 and higher education
The state funds all K-12 projects needed to match local funds. We provide space for students to learn and maintenance for current facilities at public colleges and universities across the state. *($1.20 billion capital)*

Natural resources
Funds are provided to support environmental cleanup and pollution, protect fish and wildlife and support state parks. *($780.0 million capital)*

Local governments and organizations grants
Grants are used by local governments and organizations for community projects such as sewer and water systems and youth recreation facilities. *($688.0 million capital)*

Human services
Funds are provided for services to the public to ensure public safety by incarcerating offenders. *($197.0 million capital)*

Housing and community projects
Grants to local communities help with the construction of critical local projects that improve the quality of life of residents across the state. *($116.0 million capital)*

EXHIBIT NO. 17

PROPOSED 2009-11 OPERATING APPROPRIATIONS BILL

Governor Chris Gregoire
December 18, 2008

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0377.3/09 3rd draft

ATTY/TYPIST: LL:seg

BRIEF DESCRIPTION: Making 2009-2011 operating appropriations.

AN ACT Relating to fiscal matters; amending RCW 28A.300.380, 28A.400.205, 28A.405.415, 28A.415.250, 28A.415.315, 28A.500.030, 28A.500.040, 28A.505.220, 28B.50.465, 28B.50.468, 28B.105.110, 41.48.060, 43.08.190, 43.10.180, 70.93.180, 74.08A.340, 74.31.060, 79.64.040, 79.105.150, and 84.52.0531; reenacting and amending RCW 43.135.045 and 70.105D.070; creating new sections; making appropriations; providing an expiration date; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** (1) A budget is hereby adopted and, subject to the provisions set forth in the following sections, the several amounts specified in parts I through IX of this act, or so much thereof as shall be sufficient to accomplish the purposes designated, are hereby appropriated and authorized to be incurred for salaries, wages, and other expenses of the agencies and offices of the state and for other specified purposes for the fiscal biennium beginning July 1, 2009, and ending June 30, 2011, except as otherwise provided, out of the several funds of the state hereinafter named.

(2) Unless the context clearly requires otherwise, the definitions in this section apply throughout this act.

(a) "Fiscal year 2010" or "FY 2010" means the fiscal year ending June 30, 2010.

(b) "Fiscal year 2011" or "FY 2011" means the fiscal year ending June 30, 2011.

(c) "FTE" means full time equivalent.

(d) "Lapse" or "revert" means the amount shall return to an unappropriated status.

(e) "Provided solely" means the specified amount may be spent only for the specified purpose. Unless otherwise specifically authorized in this act, any portion of an amount provided solely for a specified purpose which is not expended subject to the specified conditions and limitations to fulfill the specified purpose shall lapse.

PART I
GENERAL GOVERNMENT

NEW SECTION. **Sec. 101. FOR THE HOUSE OF REPRESENTATIVES**

General Fund--State Appropriation (FY 2010) $37,608,000
General Fund--State Appropriation (FY 2011) $38,189,000
TOTAL APPROPRIATION $75,797,000

NEW SECTION. **Sec. 102. FOR THE SENATE**

General Fund--State Appropriation (FY 2010) $27,666,000
General Fund--State Appropriation (FY 2011) $29,995,000
TOTAL APPROPRIATION $57,661,000

NEW SECTION. **Sec. 103. FOR THE JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE**

General Fund--State Appropriation (FY 2010) $3,094,000
General Fund--State Appropriation (FY 2011) $3,170,000
TOTAL APPROPRIATION $6,264,000

NEW SECTION. **Sec. 104. FOR THE LEGISLATIVE EVALUATION AND ACCOUNTABILITY PROGRAM COMMITTEE**

General Fund--State Appropriation (FY 2010) $1,915,000
General Fund--State Appropriation (FY 2011) $2,101,000

TOTAL APPROPRIATION $4,106,000

NEW SECTION. **Sec. 105. FOR THE OFFICE OF THE STATE ACTUARY**

General Fund--State Appropriation (FY 2010) $25,000
General Fund--State Appropriation (FY 2011) $25,000
Department of Retirement Systems Expense
Account--State Appropriation $3,626,000
TOTAL APPROPRIATION $3,676,000

NEW SECTION. **Sec. 106. FOR THE JOINT LEGISLATIVE SYSTEMS COMMITTEE**

General Fund--State Appropriation (FY 2010) $10,168,000
General Fund--State Appropriation (FY 2011) $12,781,000
TOTAL APPROPRIATION $22,949,000

NEW SECTION. **Sec. 107. FOR THE STATUTE LAW COMMITTEE**

General Fund--State Appropriation (FY 2010) $5,117,000
General Fund--State Appropriation (FY 2011) $5,554,000
TOTAL APPROPRIATION $10,671,000

NEW SECTION. **Sec. 108. FOR THE REDISTRICTING COMMISSION**

General Fund--State Appropriation (FY 2011) $663,000

NEW SECTION. **Sec. 109. LEGISLATIVE AGENCIES.** In order to achieve operating efficiencies within the financial resources available to the legislative branch, the executive rules committee of the house of representatives and the facilities and operations committee of the senate by joint action may transfer funds among the house of representatives, senate, joint legislative audit and review committee, legislative evaluation and accountability program committee, legislative transportation committee, office of the state actuary, joint legislative systems committee, and statute law committee.

NEW SECTION. **Sec. 110. FOR THE SUPREME COURT**

General Fund--State Appropriation (FY 2010) $7,735,000
General Fund--State Appropriation (FY 2011) $7,917,000
TOTAL APPROPRIATION $15,652,000

NEW SECTION. **Sec. 111. FOR THE LAW LIBRARY**

General Fund--State Appropriation (FY 2010)	$2,338,000
General Fund--State Appropriation (FY 2011)	$2,345,000
TOTAL APPROPRIATION	$4,683,000

NEW SECTION. **Sec. 112. FOR THE COURT OF APPEALS**

General Fund--State Appropriation (FY 2010)	$17,777,000
General Fund--State Appropriation (FY 2011)	$18,206,000
TOTAL APPROPRIATION	$35,983,000

NEW SECTION. **Sec. 113. FOR THE COMMISSION ON JUDICIAL CONDUCT**

General Fund--State Appropriation (FY 2010)	$1,130,000
General Fund--State Appropriation (FY 2011)	$1,183,000
TOTAL APPROPRIATION	$2,313,000

NEW SECTION. **Sec. 114. FOR THE ADMINISTRATOR FOR THE COURTS**

General Fund--State Appropriation (FY 2010)	$33,243,000
General Fund--State Appropriation (FY 2011)	$33,429,000
Public Safety and Education Account--State Appropriation (FY 2010)	$24,551,000
Public Safety and Education Account--State Appropriation (FY 2011)	$24,374,000
Equal Justice Subaccount of the Public Safety and Education Account--State Appropriation (FY 2010)	$3,175,000
Equal Justice Subaccount of the Public Safety and Education Account--State Appropriation (FY 2011)	$3,175,000
Judicial Information Systems Account--State Appropriation	$43,879,000
TOTAL APPROPRIATION	$165,826,000

NEW SECTION. **Sec. 115. FOR THE OFFICE OF PUBLIC DEFENSE**

General Fund--State Appropriation (FY 2010)	$18,746,000
General Fund--State Appropriation (FY 2011)	$17,748,000
Public Safety and Education Account--State Appropriation (FY 2010)	$7,084,000
Public Safety and Education Account--State Appropriation (FY 2011)	$7,028,000
Equal Justice Subaccount of the Public Safety and	

Education Account--State Appropriation (FY 2010) $1,259,000
Equal Justice Subaccount of the Public Safety and
Education Account--State Appropriation (FY 2011) $2,254,000
TOTAL APPROPRIATION $54,119,000

The appropriations in this section are subject to the following conditions and limitations: The amounts provided from the public safety and education account appropriations include funding for expert and investigative services in death penalty personal restraint petitions.

NEW SECTION. **Sec. 116. FOR THE OFFICE OF CIVIL LEGAL AID**

General Fund--State Appropriation (FY 2010) $7,361,000
General Fund--State Appropriation (FY 2011) $7,612,000
Public Safety and Education
Account--State Appropriation (FY 2010) $2,326,000
Public Safety and Education
Account--State Appropriation (FY 2011) $2,380,000
Equal Justice Subaccount of the Public Safety and
Education Account--State Appropriation (FY 2010) $927,000
Equal Justice Subaccount of the Public Safety and
Education Account--State Appropriation (FY 2011) $927,000
Violence Reduction and Drug Enforcement
Account--State Appropriation (FY 2010) $1,494,000
Violence Reduction and Drug Enforcement
Account--State Appropriation (FY 2011) $1,493,000
TOTAL APPROPRIATION $24,520,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $40,000 of the general fund--state appropriation for fiscal year 2010 and $40,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to continue support for the existing agricultural dispute resolution system funded through the office of civil legal aid for disputes between farmers and farm workers.

(2) An amount not to exceed $40,000 of the general fund--state appropriation for fiscal year 2010 and an amount not to exceed $40,000 of the general fund--state appropriation for fiscal year 2011 may be used to provide telephonic legal advice and assistance to otherwise

eligible persons who are sixty years of age or older on matters authorized by RCW 2.53.030(2)(a) through (k) regardless of household income or asset level.

NEW SECTION. **Sec. 117. FOR THE OFFICE OF THE GOVERNOR**

General Fund--State Appropriation (FY 2010)	$6,409,000
General Fund--State Appropriation (FY 2011)	$6,426,000
Economic Development Strategic Reserve Account--State Appropriation	$6,500,000
TOTAL APPROPRIATION	$19,335,000

NEW SECTION. **Sec. 118. FOR THE LIEUTENANT GOVERNOR**

General Fund--State Appropriation (FY 2010)	$733,000
General Fund--State Appropriation (FY 2011)	$754,000
General Fund--Private/Local Appropriation	$90,000
TOTAL APPROPRIATION	$1,577,000

NEW SECTION. **Sec. 119. FOR THE PUBLIC DISCLOSURE COMMISSION**

General Fund--State Appropriation (FY 2010)	$2,469,000
General Fund--State Appropriation (FY 2011)	$2,492,000
TOTAL APPROPRIATION	$4,961,000

NEW SECTION. **Sec. 120. FOR THE SECRETARY OF STATE**

General Fund--State Appropriation (FY 2010)	$22,265,000
General Fund--State Appropriation (FY 2011)	$22,449,000
General Fund--Federal Appropriation	$8,149,000
Archives and Records Management Account--State Appropriation	$8,978,000
Department of Personnel Service Account--State Appropriation	$766,000
Local Government Archives Account--State Appropriation	$11,842,000
Election Account--Federal Appropriation	$29,723,000
TOTAL APPROPRIATION	$102,172,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $4,101,000 of the general fund--state appropriation for fiscal year 2010 is provided solely to reimburse counties for the state's share of primary and general election costs and the costs of conducting

mandatory recounts on state measures. Counties shall be reimbursed only for those odd-year election costs that the secretary of state validates as eligible for reimbursement.

(2)(a) $1,932,000 of the general fund--state appropriation for fiscal year 2010, and $2,095,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for contracting with a nonprofit organization to produce gavel-to-gavel television coverage of state government deliberations and other events of statewide significance during the 2009-2011 biennium. The funding level for each year of the contract shall be based on the amount provided in this subsection. The nonprofit organization shall be required to raise contributions or commitments to make contributions, in cash or in kind, in an amount equal to forty percent of the state contribution. The office of the secretary of state may make full or partial payment once all criteria in this subsection have been satisfactorily documented.

(b) The legislature finds that the commitment of on-going funding is necessary to ensure continuous, autonomous, and independent coverage of public affairs. For that purpose, the secretary of state shall enter into a contract with the nonprofit organization to provide public affairs coverage.

(c) The nonprofit organization shall prepare an annual independent audit, an annual financial statement, and an annual report, including benchmarks that measure the success of the nonprofit organization in meeting the intent of the program.

(d) No portion of any amounts disbursed pursuant to this subsection may be used, directly or indirectly, for any of the following purposes:

(i) Attempting to influence the passage or defeat of any legislation by the legislature of the state of Washington, by any county, city, town, or other political subdivision of the state of Washington, or by the congress, or the adoption or rejection of any rule, standard, rate, or other legislative enactment of any state agency;

(ii) Making contributions reportable under chapter 42.17 RCW; or

(iii) Providing any: (A) Gift; (B) honoraria; or (C) travel, lodging, meals, or entertainment to a public officer or employee.

NEW SECTION. **Sec. 121. FOR THE GOVERNOR'S OFFICE OF INDIAN AFFAIRS**

General Fund--State Appropriation (FY 2010) $275,000
General Fund--State Appropriation (FY 2011) $286,000
TOTAL APPROPRIATION $561,000

The appropriations in this section are subject to the following conditions and limitations: The office shall assist the department of personnel on providing the government-to-government training sessions for federal, state, local, and tribal government employees. The training sessions shall cover tribal historical perspectives, legal issues, tribal sovereignty, and tribal governments. Costs of the training sessions shall be recouped through a fee charged to the participants of each session. The department of personnel shall be responsible for all of the administrative aspects of the training, including the billing and collection of the fees for the training.

NEW SECTION. **Sec. 122. FOR THE COMMISSION ON ASIAN PACIFIC AMERICAN AFFAIRS**

General Fund--State Appropriation (FY 2010) $262,000
General Fund--State Appropriation (FY 2011) $251,000
TOTAL APPROPRIATION $513,000

NEW SECTION. **Sec. 123. FOR THE STATE TREASURER**

State Treasurer's Service Account--State
Appropriation $15,755,000

NEW SECTION. **Sec. 124. FOR THE STATE AUDITOR**

General Fund--State Appropriation (FY 2010) $735,000
General Fund--State Appropriation (FY 2011) $746,000
State Auditing Services Revolving
Account--State Appropriation $12,728,000
TOTAL APPROPRIATION $14,209,000

The appropriations in this section are subject to the following conditions and limitations: Audits of school districts by the division of municipal corporations shall include findings regarding the accuracy of: (1) Student enrollment data; and (2) the experience and education of the district's certified instructional staff, as reported to the superintendent of public instruction for allocation of state funding.

No. 82577-7
JSF925 0490

NEW SECTION. **Sec. 125. FOR THE CITIZENS' COMMISSION ON SALARIES FOR ELECTED OFFICIALS**

General Fund--State Appropriation (FY 2010) $163,000
General Fund--State Appropriation (FY 2011) $232,000
TOTAL APPROPRIATION $395,000

NEW SECTION. **Sec. 126. FOR THE ATTORNEY GENERAL**

General Fund--State Appropriation (FY 2010) $5,192,000
General Fund--State Appropriation (FY 2011) $5,515,000
General Fund--Federal Appropriation $4,026,000
Public Safety and Education Account--State Appropriation (FY 2010) $1,202,000
Public Safety and Education Account--State Appropriation (FY 2011) $1,243,000
New Motor Vehicle Arbitration Account--State Appropriation $1,354,000
Legal Services Revolving Account--State Appropriation . . $222,583,000
Tobacco Prevention and Control Account--State Appropriation $270,000
TOTAL APPROPRIATION $241,385,000

The appropriations in this section are subject to the following conditions and limitations:

(1) The attorney general shall report each fiscal year on actual legal services expenditures and actual attorney staffing levels for each agency receiving legal services. The report shall be submitted to the office of financial management and the fiscal committees of the senate and house of representatives no later than ninety days after the end of each fiscal year. As part of its by agency report to the legislative fiscal committees and the office of financial management, the office of the attorney general shall include information detailing the agency's expenditures for its agency-wide overhead and a breakdown by division of division administration expenses.

(2) Prior to entering into any negotiated settlement of a claim against the state that exceeds five million dollars, the attorney general shall notify the director of financial management and the chairs of the senate committee on ways and means and the house of representatives committee on ways and means.

NEW SECTION. **Sec. 127. FOR THE CASELOAD FORECAST COUNCIL**

General Fund--State Appropriation (FY 2010) $784,000
General Fund--State Appropriation (FY 2011) $786,000
TOTAL APPROPRIATION $1,570,000

NEW SECTION. **Sec. 128. FOR THE DEPARTMENT OF COMMUNITY, TRADE, AND ECONOMIC DEVELOPMENT**

General Fund--State Appropriation (FY 2010) $60,826,000
General Fund--State Appropriation (FY 2011) $62,107,000
General Fund--Federal Appropriation $251,707,000
General Fund--Private/Local Appropriation $14,707,000
Public Safety and Education Account--State Appropriation (FY 2010) $5,313,000
Public Safety and Education Account--State Appropriation (FY 2011) $5,262,000
Public Works Assistance Account--State Appropriation $3,018,000
Tourism Development and Promotion Account--State Appropriation $1,004,000
Drinking Water Assistance Administrative Account--State Appropriation $439,000
Lead Paint Account--State Appropriation $18,000
Building Code Council Account--State Appropriation $1,190,000
Home Security Fund Account--State Appropriation $16,718,000
Affordable Housing for All Account--State Appropriation . . $11,900,000
Independent Youth Housing Account--State Appropriation $83,000
Financial Fraud and Identity Theft Crimes Investigation and Prosecution Account--State Appropriation $678,000
Low-Income Weatherization Assistance Account--State Appropriation $8,387,000
Manufacturing Innovation and Modernization Account--State Appropriation $246,000
Community and Economic Development Fee Account--State Appropriation $1,844,000
Washington Housing Trust Account--State Appropriation $26,873,000
Manufactured Housing Account--State Appropriation $1,000
Public Facility Construction Loan Revolving Account--State Appropriation $761,000
TOTAL APPROPRIATION $473,084,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $1,987,000 of the general fund--state appropriation for fiscal year 2010 and $1,987,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a contract with the Washington technology center for work essential to the mission of the Washington technology center and conducted in partnership with universities.

(2) Repayments of outstanding loans granted under RCW 43.63A.600, the mortgage and rental assistance program, shall be remitted to the department, including any current revolving account balances. The department shall collect payments on outstanding loans, and deposit them into the state general fund. Repayments of funds owed under the program shall be remitted to the department according to the terms included in the original loan agreements.

(3) $100,000 of the general fund--state appropriation for fiscal year 2010 and $100,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to implement section 3(2) of Z-0375/09 (land use and transportation planning for marine container ports). If the bill is not enacted by June 30, 2009, the amounts provided in this subsection shall lapse.

NEW SECTION. **Sec. 129. FOR THE ECONOMIC AND REVENUE FORECAST COUNCIL**

General Fund--State Appropriation (FY 2010) $795,000
General Fund--State Appropriation (FY 2011) $752,000
TOTAL APPROPRIATION $1,547,000

The appropriations in this section are subject to the following conditions and limitations: The economic and revenue forecast council, in its quarterly revenue forecasts, shall forecast the total revenue for the state general fund and near general fund, as those funds are determined by the legislative evaluation and accountability program committee.

NEW SECTION. **Sec. 130. FOR THE OFFICE OF FINANCIAL MANAGEMENT**

General Fund--State Appropriation (FY 2010) $21,437,000
General Fund--State Appropriation (FY 2011) $20,837,000
General Fund--Federal Appropriation $23,603,000
General Fund--Private/Local Appropriation $1,271,000

State Auditing Services Revolving Account--State Appropriation $25,000
Economic Development Strategic Reserve Account--State Appropriation $280,000
TOTAL APPROPRIATION $67,453,000

NEW SECTION. **Sec. 131. FOR THE OFFICE OF ADMINISTRATIVE HEARINGS**

Administrative Hearings Revolving Account--State Appropriation $33,753,000

NEW SECTION. **Sec. 132. FOR THE DEPARTMENT OF PERSONNEL**

General Fund--State Appropriation (FY 2010) $39,000
General Fund--State Appropriation (FY 2011) $39,000
Department of Personnel Service Account--State Appropriation $24,176,000
Higher Education Personnel Services Account--State Appropriation $1,785,000
TOTAL APPROPRIATION $26,039,000

The appropriations in this section are subject to the following conditions and limitations: The department shall coordinate with the governor's office of Indian affairs on providing the government-to-government training sessions for federal, state, local, and tribal government employees. The training sessions shall cover tribal historical perspectives, legal issues, tribal sovereignty, and tribal governments. Costs of the training sessions shall be recouped through a fee charged to the participants of each session. The department shall be responsible for all of the administrative aspects of the training, including the billing and collection of the fees for the training.

NEW SECTION. **Sec. 133. FOR THE WASHINGTON STATE LOTTERY**

Lottery Administrative Account--State Appropriation $27,994,000

NEW SECTION. **Sec. 134. FOR THE COMMISSION ON HISPANIC AFFAIRS**

General Fund--State Appropriation (FY 2010) $280,000
General Fund--State Appropriation (FY 2011) $289,000
TOTAL APPROPRIATION $569,000

NEW SECTION. **Sec. 135. FOR THE COMMISSION ON AFRICAN-AMERICAN AFFAIRS**

General Fund--State Appropriation (FY 2010) $270,000
General Fund--State Appropriation (FY 2011) $273,000
TOTAL APPROPRIATION $543,000

NEW SECTION. **Sec. 136. FOR THE DEPARTMENT OF RETIREMENT SYSTEMS--OPERATIONS**

Department of Retirement Systems Expense
Account--State Appropriation $49,501,000

NEW SECTION. **Sec. 137. FOR THE DEPARTMENT OF REVENUE**

General Fund--State Appropriation (FY 2010) $104,018,000
General Fund--State Appropriation (FY 2011) $105,691,000
Timber Tax Distribution Account--State Appropriation $5,950,000
Waste Reduction/Recycling/Litter
Control--State Appropriation $131,000
Waste Tire Removal Account--State Appropriation $2,000
Real Estate Excise Tax Grant Account--State
Appropriation $1,050,000
State Toxics Control Account--State Appropriation $88,000
Oil Spill Prevention Account--State Appropriation $20,000
TOTAL APPROPRIATION $216,950,000

NEW SECTION. **Sec. 138. FOR THE STATE INVESTMENT BOARD**

State Investment Board Expense Account--State
Appropriation $30,040,000

The appropriation in this section is subject to the following conditions and limitations:

(1) $2,471,000 of the state investment board expense account--state appropriation is provided solely for development of a risk management information system, with the intent that further expenditures for this project be made only by appropriation.

(2) The state investment board shall include funding for any future salary increases authorized under RCW 43.33A.100 in the agency's budget request submitted in accordance with chapter 43.88 RCW in advance of granting related salary increases. The biennial salary survey required under RCW 43.33A.100 shall also be provided to the office of financial

management and to the fiscal committees of the legislature as part of the state investment board's biennial budget submittal, and shall include the total amount of compensation increases proposed, as well as recommended salary ranges.

<u>NEW SECTION.</u> **Sec. 139. FOR THE BOARD OF TAX APPEALS**

General Fund--State Appropriation (FY 2010) $1,411,000
General Fund--State Appropriation (FY 2011) $1,419,000
TOTAL APPROPRIATION $2,830,000

<u>NEW SECTION.</u> **Sec. 140. FOR THE MUNICIPAL RESEARCH COUNCIL**

General Fund--State Appropriation (FY 2010) $201,000
General Fund--State Appropriation (FY 2011) $199,000
County Research Services Account--State Appropriation $940,000
City and Town Research Services--State Appropriation $4,945,000
TOTAL APPROPRIATION $6,285,000

<u>NEW SECTION.</u> **Sec. 141. FOR THE OFFICE OF MINORITY AND WOMEN'S BUSINESS ENTERPRISES**

OMWBE Enterprises Account--State Appropriation $3,652,000

<u>NEW SECTION.</u> **Sec. 142. FOR THE DEPARTMENT OF GENERAL ADMINISTRATION**

General Fund--State Appropriation (FY 2010) $3,393,000
General Fund--State Appropriation (FY 2011) $3,391,000
General Fund--Federal Appropriation $3,661,000
General Administration Service Account--State
Appropriation $36,617,000
TOTAL APPROPRIATION $47,065,000

The appropriations in this section are subject to the following conditions and limitations: $2,706,000 of the general fund--state appropriation for fiscal year 2010 and $2,706,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the temporary emergency food assistance program. Emphasis will be placed on meeting the nutritional needs of infants, seniors, and other special needs clients.

NEW SECTION. **Sec. 143. FOR THE DEPARTMENT OF INFORMATION SERVICES**

General Fund--Federal Appropriation $704,000
Public Safety and Education Account--State
Appropriation (FY 2010) $1,005,000
Public Safety and Education Account--State
Appropriation (FY 2011) $1,004,000
Data Processing Revolving Account--State Appropriation . . . $7,865,000
TOTAL APPROPRIATION $10,578,000

NEW SECTION. **Sec. 144. FOR THE INSURANCE COMMISSIONER**

General Fund--Federal Appropriation $1,949,000
Insurance Commissioners Regulatory Account--State
Appropriation $46,805,000
TOTAL APPROPRIATION $48,754,000

NEW SECTION. **Sec. 145. FOR THE BOARD OF ACCOUNTANCY**

Certified Public Accountants' Account--State
Appropriation $3,034,000

NEW SECTION. **Sec. 146. FOR THE FORENSIC INVESTIGATION COUNCIL**

Death Investigations Account--State Appropriation $286,000

The appropriation in this section is subject to the following conditions and limitations: $250,000 of the death investigation account appropriation is provided solely for providing financial assistance to local jurisdictions in multiple death investigations. The forensic investigation council shall develop criteria for awarding these funds for multiple death investigations involving an unanticipated, extraordinary, and catastrophic event or those involving multiple jurisdictions.

NEW SECTION. **Sec. 147. FOR THE HORSE RACING COMMISSION**

Horse Racing Commission Operating Account--State
Appropriation $5,153,000
Horse Racing Commission Washington Bred Owners' Bonus
Fund Account--Private/Local Appropriation $1,924,000
TOTAL APPROPRIATION $7,077,000

NEW SECTION. **Sec. 148. FOR THE LIQUOR CONTROL BOARD**

Liquor Control Board Construction and Maintenance
Account--State Appropriation $8,817,000
Liquor Revolving Account--State Appropriation $198,993,000
TOTAL APPROPRIATION $207,810,000

NEW SECTION. **Sec. 149. FOR THE BOARD FOR VOLUNTEER FIREFIGHTERS**

Volunteer Firefighters' and Reserve Officers'
Administrative Account--State Appropriation $1,059,000

NEW SECTION. **Sec. 150. FOR THE UTILITIES AND TRANSPORTATION COMMISSION**

Public Service Revolving Account--State Appropriation . . . $31,555,000
Pipeline Safety Account--State Appropriation $3,209,000
Pipeline Safety Account--Federal Appropriation $1,546,000
TOTAL APPROPRIATION $36,310,000

NEW SECTION. **Sec. 151. FOR THE MILITARY DEPARTMENT**

General Fund--State Appropriation (FY 2010) $10,315,000
General Fund--State Appropriation (FY 2011) $10,412,000
General Fund--Federal Appropriation $149,380,000
Enhanced 911 Account--State Appropriation $39,615,000
Disaster Response Account--State Appropriation $16,580,000
Disaster Response Account--Federal Appropriation $53,310,000
Military Department Rent and Lease Account--State
Appropriation $615,000
Military Department Active State Service Account--Federal
Appropriation $200,000
Worker and Community Right-to-Know Account--State
Appropriation $345,000
Nisqually Earthquake Account--State Appropriation $469,000
Nisqually Earthquake Account--Federal Appropriation $2,142,000
TOTAL APPROPRIATION $283,383,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $16,580,000 of the disaster response account--state appropriation and $53,310,000 of the disaster response account--federal appropriation may be spent only on disasters declared by the governor

and with the approval of the office of financial management. The military department shall submit a report quarterly to the office of financial management and the legislative fiscal committees detailing information on the disaster response account, including: (a) The amount and type of deposits into the account; (b) the current available fund balance as of the reporting date; and (c) the projected fund balance at the end of the 2009-2011 biennium based on current revenue and expenditure patterns.

(2) $469,000 of the Nisqually earthquake account--state appropriation and $2,142,000 of the Nisqually earthquake account--federal appropriation are provided solely for response and recovery costs associated with the February 28, 2001, earthquake. The military department shall submit a report quarterly to the office of financial management and the legislative fiscal committees detailing earthquake recovery costs, including: (a) Estimates of total costs; (b) incremental changes from the previous estimate; (c) actual expenditures; (d) estimates of total remaining costs to be paid; and (e) estimates of future payments by biennium. This information shall be displayed by fund, by type of assistance, and by amount paid on behalf of state agencies or local organizations. The military department shall also submit a report quarterly to the office of financial management and the legislative fiscal committees detailing information on the Nisqually earthquake account, including: (a) The amount and type of deposits into the account; (b) the current available fund balance as of the reporting date; and (c) the projected fund balance at the end of the 2009-2011 biennium based on current revenue and expenditure patterns.

(3) $85,000,000 of the general fund--federal appropriation is provided solely for homeland security, subject to the following conditions:

(a) Any communications equipment purchased by local jurisdictions or state agencies shall be consistent with standards set by the Washington state interoperability executive committee;

(b) The department shall submit a quarterly report to the office of financial management and the legislative fiscal committees detailing the governor's domestic security advisory group recommendations; homeland security revenues and expenditures, including estimates of total federal funding for the state; incremental changes from the previous estimate, planned and actual homeland security expenditures by the state and local governments with this federal funding; and matching or accompanying state or local expenditures; and

(c) The department shall submit a report by December 1st of each year to the office of financial management and the legislative fiscal committees detailing homeland security revenues and expenditures for the previous fiscal year by county and legislative district.

(4) $500,000 of the general fund--state appropriation for fiscal year 2010 and $500,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the military department to contract with the Washington information network 2-1-1 to operate a statewide 2-1-1 system. The department shall provide the entire amount for 2-1-1 and shall use any of the funds for administrative purposes.

NEW SECTION. **Sec. 152. FOR THE PUBLIC EMPLOYMENT RELATIONS COMMISSION**

General Fund--State Appropriation (FY 2010) $3,203,000
General Fund--State Appropriation (FY 2011) $3,244,000
Department of Personnel Service Account--State
Appropriation $3,370,000
TOTAL APPROPRIATION $9,817,000

NEW SECTION. **Sec. 153. FOR THE GROWTH MANAGEMENT HEARINGS BOARD**

General Fund--State Appropriation (FY 2010) $1,861,000
General Fund--State Appropriation (FY 2011) $1,877,000
TOTAL APPROPRIATION $3,738,000

NEW SECTION. **Sec. 154. FOR THE STATE CONVENTION AND TRADE CENTER**

State Convention and Trade Center Account--State
Appropriation $60,127,000
State Convention and Trade Center Operating
Account--State Appropriation $58,047,000
TOTAL APPROPRIATION $118,174,000

(End of part)

PART II
HUMAN SERVICES

NEW SECTION. **Sec. 201. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES.** (1) Appropriations made in this act to the department of social and health services shall initially be allotted as required by this act. Subsequent allotment modifications shall not include transfers of moneys between sections of this act except as expressly provided in this act, nor shall allotment modifications permit moneys that are provided solely for a specified purpose to be used for other than that purpose.

(2) The department of social and health services shall not initiate any services that require expenditure of state general fund moneys unless expressly authorized in this act or other law. The department may seek, receive, and spend, under RCW 43.79.260 through 43.79.282, federal moneys not anticipated in this act as long as the federal funding does not require expenditure of state moneys for the program in excess of amounts anticipated in this act. If the department receives unanticipated unrestricted federal moneys, those moneys shall be spent for services authorized in this act or in any other legislation providing appropriation authority, and an equal amount of appropriated state general fund moneys shall lapse. Upon the lapsing of any moneys under this subsection, the office of financial management shall notify the legislative fiscal committees. As used in this subsection, "unrestricted federal moneys" includes block grants and other funds that federal law does not require to be spent on specifically defined projects or matched on a formula basis by state funds.

(3) The appropriations to the department of social and health services in this act shall be expended for the programs and in the amounts specified in this act.

(4) The department is authorized to develop an integrated health care program designed to slow the progression of illness and disability and better manage medicaid expenditures for the aged and disabled population. Under this Washington medicaid integration partnership (WMIP), the department may combine and transfer such medicaid funds appropriated under sections 204, 206, 208, and 209 of this act as may be necessary to finance a unified health care plan for the WMIP program

enrollment. The WMIP pilot projects shall not exceed a daily enrollment of 6,000 persons, nor expand beyond one county, during the 2009-2011 biennium. The amount of funding assigned to the pilot projects from each program may not exceed the average per capita cost assumed in this act for individuals covered by that program, actuarially adjusted for the health condition of persons enrolled in the pilot project, times the number of clients enrolled in the pilot project. In implementing the WMIP pilot projects, the department may: (a) Withhold from calculations of "available resources" as set forth in RCW 71.24.025 a sum equal to the capitated rate for individuals enrolled in the pilots; and (b) employ capitation financing and risk-sharing arrangements in collaboration with health care service contractors licensed by the office of the insurance commissioner and qualified to participate in both the medicaid and medicare programs. The department shall conduct an evaluation of the WMIP, measuring changes in participant health outcomes, changes in patterns of service utilization, participant satisfaction, participant access to services, and the state fiscal impact.

(5) The appropriations to the department of social and health services in this act shall be expended for the programs and in the amounts specified in this act. However, after May 1, 2010, unless specifically prohibited by this act, the department may transfer general fund--state appropriations for fiscal year 2010 among programs after approval by the director of financial management.

NEW SECTION. **Sec. 202. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--CHILDREN AND FAMILY SERVICES PROGRAM**

General Fund--State Appropriation (FY 2010) $334,701,000
General Fund--State Appropriation (FY 2011) $343,701,000
General Fund--Federal Appropriation $487,177,000
General Fund--Private/Local Appropriation $400,000
Public Safety and Education Account--
State Appropriation (FY 2010) $3,001,000
Public Safety and Education Account--
State Appropriation (FY 2011) $3,004,000
Domestic Violence Prevention Account--
State Appropriation $1,154,000
TOTAL APPROPRIATION $1,173,138,000

NEW SECTION. **Sec. 203. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--JUVENILE REHABILITATION PROGRAM**

General Fund--State Appropriation (FY 2010)	$101,476,000
General Fund--State Appropriation (FY 2011)	$98,194,000
General Fund--Federal Appropriation	$5,452,000
General Fund--Private/Local Appropriation	$1,901,000
Washington Auto Theft Prevention Authority Account--State Appropriation	$196,000
Juvenile Accountability Incentive Account--Federal Appropriation	$2,807,000
TOTAL APPROPRIATION	$210,026,000

NEW SECTION. **Sec. 204. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--MENTAL HEALTH PROGRAM**

General Fund--State Appropriation (FY 2010)	$408,629,000
General Fund--State Appropriation (FY 2011)	$461,763,000
General Fund--Federal Appropriation	$588,997,000
General Fund--Private/Local Appropriation	$81,416,000
TOTAL APPROPRIATION	$1,540,805,000

The appropriations in this subsection are subject to the following conditions and limitations:

(1) $121,125,000 of the general fund--state appropriation for fiscal year 2010 and $120,952,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for persons and services not covered by the medicaid program. These funds shall be distributed proportionally to each regional support network's percentage of the total state population.

(2) From the general fund--state appropriations in this subsection, the secretary of social and health services shall assure that regional support networks reimburse the aging and disability services administration for the general fund--state cost of medicaid personal care services that enrolled regional support network consumers use because of their psychiatric disability.

(3) The department is authorized to continue to contract directly, rather than through contracts with regional support networks, for children's long-term inpatient facility services.

(4) The state psychiatric hospitals may use funds appropriated in

this subsection to purchase goods and supplies through hospital group purchasing organizations when it is cost-effective to do so.

<u>NEW SECTION.</u> **Sec. 205. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--DEVELOPMENTAL DISABILITIES PROGRAM**

General Fund--State Appropriation (FY 2010) $420,308,000
General Fund--State Appropriation (FY 2011) $497,698,000
General Fund--Federal Appropriation $956,286,000
General Fund--Private/Local Appropriation $22,441,000
TOTAL APPROPRIATION $1,896,733,000

The appropriations in this subsection are subject to the following conditions and limitations:

(1) Individuals receiving family support or high school transition payments as supplemental security income (SSI) state supplemental payments shall not become eligible for medical assistance under RCW 74.09.510 due solely to the receipt of SSI state supplemental payments.

(2) The developmental disabilities program is authorized to use funds appropriated in this section to purchase goods and supplies through direct contracting with vendors when the program determines it is cost-effective to do so.

<u>NEW SECTION.</u> **Sec. 206. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--AGING AND ADULT SERVICES PROGRAM**

General Fund--State Appropriation (FY 2010) $632,791,000
General Fund--State Appropriation (FY 2011) $771,501,000
General Fund--Federal Appropriation $1,646,047,000
General Fund--Private/Local Appropriation $19,592,000
Traumatic Brain Injury Account--State Appropriation $2,800,000
TOTAL APPROPRIATION $3,072,731,000

The appropriations in this section are subject to the following conditions and limitations:

(1) For purposes of implementing chapter 74.46 RCW, the weighted average nursing facility payment rate shall not exceed $157.12 for fiscal year 2010 and $157.37 for fiscal year 2011.

(2) Within amounts appropriated in this section, the department is authorized to expand the number of boarding homes and adult family homes that receive exceptional care rates for persons with Alzheimer's disease and related dementias who might otherwise require nursing home

care. The department may expand the number of licensed boarding home facilities that specialize in caring for such conditions by up to 100 beds. The department shall be authorized to provide adult family homes that specialize in caring for such conditions with exceptional care rates for up to 50 beds. The department will develop standards for adult family homes to qualify for such exceptional care rates in order to enhance consumer choice.

NEW SECTION. **Sec. 207. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--ECONOMIC SERVICES PROGRAM**

General Fund--State Appropriation (FY 2010) $441,032,000
General Fund--State Appropriation (FY 2011) $443,972,000
General Fund--Federal Appropriation $1,178,947,000
General Fund--Private/Local Appropriation $27,920,000
TOTAL APPROPRIATION $2,091,871,000

(1) The appropriations in this section are subject to the following conditions and limitations: $323,750,000 of the general fund--state appropriation for fiscal year 2010, $323,308,000 of the general fund--state appropriation for fiscal year 2011, and $733,276,000 of the general fund--federal appropriation are provided solely for all components of the WorkFirst program. Within the amounts provided for the WorkFirst program, the department may provide assistance using state-only funds for families eligible for temporary assistance for needy families.

(2) The department shall continue the three percent grant increase to the temporary assistance for needy families grant standard in effect during the 2007-2009 biennium.

NEW SECTION. **Sec. 208. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--ALCOHOL AND SUBSTANCE ABUSE PROGRAM**

General Fund--State Appropriation (FY 2010) $82,349,000
General Fund--State Appropriation (FY 2011) $82,588,000
General Fund--Federal Appropriation $138,261,000
General Fund--Private/Local Appropriation $632,000
Public Safety and Education Account--State
Appropriation (FY 2010) $3,146,000
Public Safety and Education Account--State
Appropriation (FY 2011) $3,145,000

Criminal Justice Treatment Account--State
Appropriation $17,748,000
Problem Gambling Account--State Appropriation $1,460,000
TOTAL APPROPRIATION $329,329,000

<u>NEW SECTION.</u> **Sec. 209. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--MEDICAL ASSISTANCE PROGRAM**

General Fund--State Appropriation (FY 2010) $1,668,910,000
General Fund--State Appropriation (FY 2011) $2,126,709,000
General Fund--Federal Appropriation $4,692,875,000
General Fund--Private/Local Appropriation $12,911,000
Emergency Medical Services and Trauma Care Systems
Trust Account--State Appropriation $15,076,000
Tobacco Prevention and Control Account--
State Appropriation $3,766,000
TOTAL APPROPRIATION $8,520,247,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Based on quarterly expenditure reports and caseload forecasts, if the department estimates that expenditures for the medical assistance program will exceed the appropriations, the department shall take steps including but not limited to reduction of rates or elimination of optional services to reduce expenditures so that total program costs do not exceed the annual appropriation authority.

(2) In determining financial eligibility for medicaid-funded services, the department is authorized to disregard recoveries by Holocaust survivors of insurance proceeds or other assets, as defined in RCW 48.104.030.

(3) In accordance with RCW 74.46.625, $6,000,000 of the general fund--federal appropriation is provided solely for supplemental payments to nursing homes operated by public hospital districts. The public hospital district shall be responsible for providing the required nonfederal match for the supplemental payment, and the payments shall not exceed the maximum allowable under federal rules. It is the legislature's intent that the payments shall be supplemental to and shall not in any way offset or reduce the payments calculated and provided in accordance with part E of chapter 74.46 RCW. It is the legislature's further intent that costs otherwise allowable for rate-

setting and settlement against payments under chapter 74.46 RCW shall not be disallowed solely because such costs have been paid by revenues retained by the nursing home from these supplemental payments. The supplemental payments are subject to retrospective interim and final cost settlements based on the nursing homes' as-filed and final medicare cost reports. The timing of the interim and final cost settlements shall be at the department's discretion. During either the interim cost settlement or the final cost settlement, the department shall recoup from the public hospital districts the supplemental payments that exceed the medicaid cost limit and/or the medicare upper payment limit. The department shall apply federal rules for identifying the eligible incurred medicaid costs and the medicare upper payment limit.

(4) $5,402,000 of the general fund--federal appropriation, $2,701,000 of the general fund--state appropriation for fiscal year 2010, and $2,701,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for grants to rural hospitals. The department shall distribute the funds under a formula that provides a relatively larger share of the available funding to hospitals that (a) serve a disproportionate share of low-income and medically indigent patients and (b) have relatively smaller net financial margins, to the extent allowed by the federal medicaid program.

(5) $10,546,000 of the general fund--state appropriation for fiscal year 2010, $10,546,000 of the general fund--state appropriation for fiscal year 2011, and $19,725,000 of the general fund--federal appropriation are provided solely for grants to nonrural hospitals. The department shall distribute the funds under a formula that provides a relatively larger share of the available funding to hospitals that (a) serve a disproportionate share of low-income and medically indigent patients and (b) have relatively smaller net financial margins, to the extent allowed by the federal medicaid program.

(6) The department shall continue the inpatient hospital certified public expenditures program for the 2009-11 biennium. The program shall apply to all public hospitals, including those owned or operated by the state, except those classified as critical access hospitals or state psychiatric institutions. The department shall submit reports to the governor and legislature by November 1, 2009, and by November 1, 2010, that evaluate whether savings continue to exceed costs for this

program. If the certified public expenditures (CPE) program in its current form is no longer cost-effective to maintain, the department shall submit a report to the governor and legislature detailing cost-effective alternative uses of local, state, and federal resources as a replacement for this program. During fiscal year 2010 and fiscal year 2011, hospitals in the program shall be paid and shall retain (a) one hundred percent of the federal portion of the allowable hospital cost for each medicaid inpatient fee-for-service claim payable by medical assistance; and (b) one hundred percent of the federal portion of the maximum disproportionate share hospital payment allowable under federal regulations. Inpatient medicaid payments shall be established using an allowable methodology that approximates the cost of claims submitted by the hospitals. Payments made to each hospital in the program in each fiscal year of the biennium shall be compared to a baseline amount. The baseline amount will be determined by the total of (a) the inpatient claim payment amounts that would have been paid during the fiscal year had the hospital not been in the CPE program, and (b) disproportionate share hospital payment amounts paid to and retained by each hospital during fiscal year 2005 that pertain to fiscal year 2005. If payments during the fiscal year exceed the hospital's baseline amount, no additional payments will be made to the hospital except the federal portion of allowable disproportionate share hospital payments for which the hospital can certify allowable match. If payments during the fiscal year are less than the baseline amount, the hospital will be paid a state grant equal to the difference between payments during the fiscal year and the applicable baseline amount. Payment of the state grant shall be made in the applicable fiscal year and distributed in monthly payments. The grants will be recalculated and redistributed as the baseline is updated during the fiscal year. The grant payments are subject to an interim settlement within eleven months after the end of the fiscal year. A final settlement shall be performed. To the extent that either settlement determines that a hospital has received funds in excess of what it would have received as described in this subsection, the hospital must repay the excess amounts to the state when requested. $46,985,000 of the general fund--state appropriation for fiscal year 2010, of which $6,570,000 is appropriated in section 204(1) of this act and the balance in this section, and $45,349,000 of the general fund--state appropriation for fiscal year 2011, of which $1,500,000 is appropriated in section 204(1) of this act and the balance in this section, are provided solely for state grants for the participating hospitals.

(7) The department is authorized to use funds appropriated in this section to purchase goods and supplies through direct contracting with vendors when the department determines it is cost-effective to do so.

NEW SECTION. **Sec. 210. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--VOCATIONAL REHABILITATION PROGRAM**

General Fund--State Appropriation (FY 2010) $10,690,000

General Fund--State Appropriation (FY 2011) $10,512,000

General Fund--Federal Appropriation $78,998,000

Telecommunications Devices for the Hearing and Speech Impaired--State Appropriation $1,981,000

TOTAL APPROPRIATION $102,181,000

NEW SECTION. **Sec. 211. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--SPECIAL COMMITMENT PROGRAM**

General Fund--State Appropriation (FY 2010) $54,230,000

General Fund--State Appropriation (FY 2011) $53,533,000

TOTAL APPROPRIATION $107,763,000

NEW SECTION. **Sec. 212. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--ADMINISTRATION AND SUPPORTING SERVICES PROGRAM**

General Fund--State Appropriation (FY 2010) $35,882,000

General Fund--State Appropriation (FY 2011) $37,740,000

General Fund--Federal Appropriation $59,669,000

General Fund--Private/Local Appropriation $1,526,000

TOTAL APPROPRIATION $134,817,000

NEW SECTION. **Sec. 213. FOR THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES--PAYMENTS TO OTHER AGENCIES PROGRAM**

General Fund--State Appropriation (FY 2010) $57,271,000

General Fund--State Appropriation (FY 2011) $57,312,000

General Fund--Federal Appropriation $53,572,000

TOTAL APPROPRIATION $168,155,000

NEW SECTION. **Sec. 214. FOR THE STATE HEALTH CARE AUTHORITY**

General Fund--State Appropriation (FY 2010)	$210,463,000
General Fund--State Appropriation (FY 2011)	$225,649,000
General Fund--Federal Appropriation	$4,191,000
State Health Care Authority Administration Account-- State Appropriation	$31,456,000
Medical Aid Account--State Appropriation	$530,000
TOTAL APPROPRIATION	$472,289,000

NEW SECTION. **Sec. 215. FOR THE HUMAN RIGHTS COMMISSION**

General Fund--State Appropriation (FY 2010)	$3,417,000
General Fund--State Appropriation (FY 2011)	$3,441,000
General Fund--Federal Appropriation	$1,326,000
TOTAL APPROPRIATION	$8,184,000

NEW SECTION. **Sec. 216. FOR THE BOARD OF INDUSTRIAL INSURANCE APPEALS**

Worker and Community Right-to-Know Account-- State Appropriation	$20,000
Accident Account--State Appropriation	$18,584,000
Medical Aid Account--State Appropriation	$18,584,000
TOTAL APPROPRIATION	$37,188,000

NEW SECTION. **Sec. 217. FOR THE CRIMINAL JUSTICE TRAINING COMMISSION**

General Fund--State Appropriation (FY 2010)	$306,000
General Fund--State Appropriation (FY 2011)	$306,000
Death Investigations Account--State Appropriation	$148,000
Public Safety and Education Account--State Appropriation (FY 2010)	$24,155,000
Public Safety and Education Account--State Appropriation (FY 2011)	$23,501,000
Municipal Criminal Justice Assistance Account-- State Appropriation	$460,000
Washington Auto Theft Prevention Authority Account-- State Appropriation	$13,844,000
TOTAL APPROPRIATION	$62,720,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $4,657,000 of the public safety and education account--state appropriation for fiscal year 2010 and $3,850,000 of the public safety and education account--state appropriation for fiscal year 2011 are provided solely for 21 additional basic law enforcement academies in fiscal year 2010 and 20 additional basic law enforcement academies in fiscal year 2011.

(2) $1,191,000 of the public safety and education account--state appropriation for fiscal year 2010 and $1,191,000 of the public safety and education account--state appropriation for fiscal year 2011 are provided solely for the Washington association of sheriffs and police chiefs to continue to develop, maintain, and operate the jail booking and reporting system (JBRS) and the statewide automated victim information and notification system (SAVIN).

(3) $5,000,000 of the public safety and education account--state appropriation for fiscal year 2010 and $5,000,000 of the public safety and education account--state appropriation for fiscal year 2011 are provided to the Washington association of sheriffs and police chiefs solely to verify the address and residency of all registered sex offenders and kidnapping offenders under RCW 9A.44.130. The Washington association of sheriffs and police chiefs shall:

(a) Enter into performance-based agreements with units of local government to ensure that registered offender address and residency are verified:

(A) For level I offenders, every twelve months;

(B) For level II offenders, every six months; and

(C) For level III offenders, every three months.

For the purposes of this subsection, unclassified offenders and kidnapping offenders shall be considered at risk level I unless in the opinion of the local jurisdiction a higher classification is in the interest of public safety.

(b) Collect performance data from all participating jurisdictions sufficient to evaluate the efficiency and effectiveness of the address and residency verification program.

(c) Submit a report on the effectiveness of the address and residency verification program to the governor and the appropriate committees of the house of representatives and senate by December 31, each year.

The Washington association of sheriffs and police chiefs may retain up to three percent of the amount provided in this subsection for the cost of administration. Any funds not disbursed for address and residency verification or retained for administration may be allocated to local prosecutors for the prosecution costs associated with failing to register offenses.

NEW SECTION. **Sec. 218. FOR THE DEPARTMENT OF LABOR AND INDUSTRIES**

General Fund--State Appropriation (FY 2010) $8,910,000
General Fund--State Appropriation (FY 2011) $8,979,000
General Fund--Federal Appropriation $100,000
Public Safety and Education Account--State
    Appropriation (FY 2010) $15,585,000
Public Safety and Education Account--State
    Appropriation (FY 2011) $16,739,000
Public Safety and Education Account--Federal
    Appropriation $10,000,000
Asbestos Account--State Appropriation $889,000
Electrical License Account--State Appropriation $42,088,000
Farm Labor Revolving Account--Private/Local Appropriation . . . $28,000
Worker and Community Right-to-Know Account--
    State Appropriation $1,995,000
Public Works Administration Account--State Appropriation . . $5,797,000
Manufactured Home Installation Training Account--
    State Appropriation $142,000
Accident Account--State Appropriation $247,211,000
Accident Account--Federal Appropriation $13,622,000
Medical Aid Account--State Appropriation $249,352,000
Medical Aid Account--Federal Appropriation $3,186,000
Manufactured Housing Account--State Appropriation $8,000
Plumbing Certificate Account--State Appropriation $1,706,000
Pressure Systems Safety Account--State Appropriation $3,817,000
        TOTAL APPROPRIATION $630,154,000

NEW SECTION. **Sec. 219. FOR THE INDETERMINATE SENTENCE REVIEW BOARD**

General Fund--State Appropriation (FY 2010) $1,959,000
General Fund--State Appropriation (FY 2011) $1,972,000
TOTAL APPROPRIATION $3,931,000

NEW SECTION. **Sec. 220. FOR THE DEPARTMENT OF VETERANS AFFAIRS**

General Fund--State Appropriation (FY 2010) $12,875,000
General Fund--State Appropriation (FY 2011) $11,308,000
General Fund--Federal Appropriation $47,213,000
General Fund--Private/Local Appropriation $35,684,000
Veterans Innovations Program Account--State Appropriation $150,000
Veteran Estate Management Account--Private/Local Appropriation $1,078,000
Charitable, Educational, Penal, and Reformatory Institutions Account--State Appropriation $10,000
TOTAL APPROPRIATION $108,318,000

NEW SECTION. **Sec. 221. FOR THE HOME CARE QUALITY AUTHORITY**

General Fund--State Appropriation (FY 2010) $1,504,000
General Fund--State Appropriation (FY 2011) $1,500,000
TOTAL APPROPRIATION $3,004,000

NEW SECTION. **Sec. 222. FOR THE DEPARTMENT OF HEALTH**

General Fund--State Appropriation (FY 2010) $122,338,000
General Fund--State Appropriation (FY 2011) $94,921,000
General Fund--Federal Appropriation $474,860,000
General Fund--Private/Local Appropriation $139,147,000
Hospital Data Collection Account--State Appropriation $336,000
Health Professions Account--State Appropriation $73,337,000
Aquatic Lands Enhancement Account--State Appropriation $604,000
Emergency Medical Services and Trauma Care Systems Trust Account--State Appropriation $12,615,000
Safe Drinking Water Account--State Appropriation $2,742,000
Drinking Water Assistance Account--Federal Appropriation $19,585,000
Waterworks Operator Certification--State Appropriation . . . $1,527,000

Drinking Water Assistance Administrative Account--
State Appropriation $326,000
State Toxics Control Account--State Appropriation $3,625,000
Medical Test Site Licensure Account--State Appropriation . . $2,128,000
Youth Tobacco Prevention Account--State Appropriation . . . $1,512,000
Public Health Supplemental Account--Private/Local
Appropriation $3,527,000
Accident Account--State Appropriation $297,000
Medical Aid Account--State Appropriation $48,000
Tobacco Prevention and Control Account--
State Appropriation $52,908,000
Biotoxin Account--State Appropriation $1,165,000
TOTAL APPROPRIATION $1,007,548,000

The appropriations in this section are subject to the following conditions and limitations: The department of health shall not initiate any services that will require expenditure of state general fund moneys unless expressly authorized in this act or other law. The department may seek, receive, and spend, under RCW 43.79.260 through 43.79.282, federal moneys not anticipated in this act as long as the federal funding does not require expenditure of state moneys for the program in excess of amounts anticipated in this act. If the department receives unanticipated unrestricted federal moneys, those moneys shall be spent for services authorized in this act or in any other legislation that provides appropriation authority, and an equal amount of appropriated state moneys shall lapse. Upon the lapsing of any moneys under this subsection, the office of financial management shall notify the legislative fiscal committees. As used in this subsection, "unrestricted federal moneys" includes block grants and other funds that federal law does not require to be spent on specifically defined projects or matched on a formula basis by state funds.

NEW SECTION. **Sec. 223. FOR THE DEPARTMENT OF CORRECTIONS**

(1) ADMINISTRATION AND SUPPORT SERVICES

General Fund--State Appropriation (FY 2010) $54,783,000
General Fund--State Appropriation (FY 2011) $55,697,000
Public Safety and Education Account--State
Appropriation (FY 2010) $1,488,000

Public Safety and Education Account--State
Appropriation (FY 2011) $1,498,000
TOTAL APPROPRIATION $113,466,000

(2) CORRECTIONAL OPERATIONS

General Fund--State Appropriation (FY 2010) $664,381,000
General Fund--State Appropriation (FY 2011) $679,521,000
General Fund--Federal Appropriation $4,050,000
Washington Auto Theft Prevention Authority
Account--State Appropriation $3,760,000
TOTAL APPROPRIATION $1,351,712,000

The appropriations in this subsection are subject to the following conditions and limitations:

(a) The department may expend funds generated by contractual agreements entered into for mitigation of severe overcrowding in local jails. Any funds generated in excess of actual costs shall be deposited in the state general fund. Expenditures shall not exceed revenue generated by such agreements and shall be treated as a recovery of costs.

(b) The Harborview medical center shall provide inpatient and outpatient hospital services to offenders confined in department of corrections facilities at a rate no greater than the average rate that the department has negotiated with other community hospitals in Washington state.

(3) COMMUNITY SUPERVISION

General Fund--State Appropriation (FY 2010) $117,217,000
General Fund--State Appropriation (FY 2011) $124,489,000
Public Safety and Education Account--State
Appropriation (FY 2010) $9,552,000
Public Safety and Education Account--State
Appropriation (FY 2011) $9,702,000
TOTAL APPROPRIATION $260,960,000

The appropriations in this subsection are subject to the following conditions and limitations: For the acquisition of properties and facilities, the department of corrections is authorized to enter into financial contracts, paid for from operating resources, for the purposes indicated and in not more than the principal amounts indicated, plus financing expenses and required reserves pursuant to chapter 39.94 RCW. This authority applies to the following: Lease-develop with the option to purchase or lease-purchase work release beds in facilities throughout the state for $8,561,000.

(4) CORRECTIONAL INDUSTRIES

General Fund--State Appropriation (FY 2010) $2,578,000
General Fund--State Appropriation (FY 2011) $2,570,000
TOTAL APPROPRIATION $5,148,000

(5) INTERAGENCY PAYMENTS

General Fund--State Appropriation (FY 2010) $42,641,000
General Fund--State Appropriation (FY 2011) $43,737,000
TOTAL APPROPRIATION $85,378,000

NEW SECTION. **Sec. 224. FOR THE DEPARTMENT OF SERVICES FOR THE BLIND**

General Fund--State Appropriation (FY 2010) $2,549,000
General Fund--State Appropriation (FY 2011) $2,579,000
General Fund--Federal Appropriation $17,488,000
General Fund--Private/Local Appropriation $20,000
TOTAL APPROPRIATION $22,636,000

NEW SECTION. **Sec. 225. FOR THE SENTENCING GUIDELINES COMMISSION**

General Fund--State Appropriation (FY 2010) $1,370,000
General Fund--State Appropriation (FY 2011) $1,374,000
TOTAL APPROPRIATION $2,744,000

NEW SECTION. **Sec. 226. FOR THE EMPLOYMENT SECURITY DEPARTMENT**

General Fund--State Appropriation (FY 2010) $57,000
General Fund--State Appropriation (FY 2011) $57,000
General Fund--Federal Appropriation $266,274,000
General Fund--Private/Local Appropriation $33,829,000
Unemployment Compensation Administration
Account--Federal Appropriation $259,802,000
Administrative Contingency Account--State
Appropriation $28,830,000
Employment Service Administrative Account--
State Appropriation $42,071,000

TOTAL APPROPRIATION $630,920,000

The appropriations in this subsection are subject to the following conditions and limitations:

(1) $19,216,000 of the unemployment compensation administration account--federal appropriation is provided from amounts made available to the state by section 903(d) of the social security act (Reed Act). This amount is authorized to continue current unemployment insurance functions.

(2) $32,067,000 of the unemployment compensation administration account--federal appropriation is provided from amounts made available to the state by section 903(d) of the social security act (Reed Act). This amount is authorized to fund the replacement of the unemployment insurance tax information system (TAXIS) for the employment security department.

(End of part)

PART III

NATURAL RESOURCES

NEW SECTION. **Sec. 301. FOR THE COLUMBIA RIVER GORGE COMMISSION**

General Fund--State Appropriation (FY 2010)	$471,000
General Fund--State Appropriation (FY 2011)	$477,000
General Fund--Federal Appropriation	$30,000
General Fund--Private/Local Appropriation	$1,068,000
TOTAL APPROPRIATION	$2,046,000

NEW SECTION. **Sec. 302. FOR THE DEPARTMENT OF ECOLOGY**

General Fund--State Appropriation (FY 2010)	$63,265,000
General Fund--State Appropriation (FY 2011)	$61,558,000
General Fund--Federal Appropriation	$82,824,000
General Fund--Private/Local Appropriation	$16,710,000
Special Grass Seed Burning Research Account--State Appropriation	$14,000
Reclamation Account--State Appropriation	$3,718,000
Flood Control Assistance Account--State Appropriation	$3,961,000
Waste Reduction/Recycling/Litter Control--State Appropriation	$14,664,000
State Drought Preparedness Account--State Appropriation	$118,000
State and Local Improvements Revolving Account (Water Supply Facilities)--State Appropriation	$431,000
Freshwater Aquatic Algae Control Account--State Appropriation	$509,000
Water Rights Tracking System Account--State Appropriation	$116,000
Site Closure Account--State Appropriation	$706,000
Wood Stove Education and Enforcement Account--State Appropriation	$616,000
Worker and Community Right-to-Know Account--State Appropriation	$1,689,000
State Toxics Control Account--State Appropriation	$102,909,000
State Toxics Control Account--Private/Local	

Appropriation $387,000
Local Toxics Control Account--State Appropriation $25,863,000
Water Quality Permit Account--State Appropriation $35,012,000
Underground Storage Tank Account--State
Appropriation $3,342,000
Biosolids Permit Account--State Appropriation $1,422,000
Hazardous Waste Assistance Account--State
Appropriation $5,999,000
Air Pollution Control Account--State Appropriation $3,188,000
Oil Spill Prevention Account--State Appropriation $10,794,000
Air Operating Permit Account--State Appropriation $2,639,000
Freshwater Aquatic Weeds Account--State
Appropriation $1,703,000
Oil Spill Response Account--State Appropriation $7,078,000
Metals Mining Account--State Appropriation $14,000
Water Pollution Control Revolving Account--State
Appropriation $471,000
Water Pollution Control Revolving Account--Federal
Appropriation $1,957,000
TOTAL APPROPRIATION $453,677,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $170,000 of the oil spill prevention account--state appropriation is provided solely for a contract with the University of Washington's sea grant program to continue an educational program targeted to small spills from commercial fishing vessels, ferries, cruise ships, ports, and marinas.

(2) $240,000 of the woodstove education and enforcement account--state appropriation is provided solely for citizen outreach efforts to improve understanding of burn curtailments, the proper use of wood heating devices, and public awareness of the adverse health effects of woodsmoke pollution.

(3) $3,000,000 of the general fund--private/local appropriation is provided solely for contracted toxic-site cleanup actions at sites where multiple potentially liable parties agree to provide funding.

(4) $3,600,000 of the local toxics account--state appropriation is provided solely for the standby emergency rescue tug stationed at Neah

Bay. Federal legislation is anticipated to establish a permanent, industry-funded tug at the entrance of the Strait of Juan de Fuca by July 1, 2010.

(5) $811,000 of the state toxics account--state appropriation is provided solely for oversight of toxic cleanup at facilities that treat, store, and dispose of hazardous wastes.

(6) $1,456,000 of the state toxics account--state appropriation is provided solely for toxic cleanup at sites where willing parties negotiate prepayment agreements with the department and provide necessary funding.

(7) $558,000 of the state toxics account--state appropriation and $3,000,000 of the local toxics account--state appropriation are provided solely for grants and technical assistance to Puget Sound-area local governments engaged in updating shoreline master programs.

(8) $950,000 of the state toxics control account--state appropriation is provided solely for measuring water and habitat quality to determine watershed health and assist salmon recovery, beginning in fiscal year 2011.

(9) RCW 70.105.280 authorizes the department to assess reasonable service charges against those facilities that store, treat, incinerate, or dispose of dangerous or extremely hazardous waste that involves both a nonradioactive hazardous component and a radioactive component. Service charges may not exceed the costs to the department in carrying out the duties in RCW 70.105.280. The current service charges do not meet the costs of the department to carry out its duties. Pursuant to RCW 43.135.055 and 70.105.280, the department is authorized to increase the service charges no greater than 15 percent for fiscal year 2010 and no greater than 12 percent for fiscal year 2011.

NEW SECTION. **Sec. 303. FOR THE STATE PARKS AND RECREATION COMMISSION**

General Fund--State Appropriation (FY 2010)	$47,412,000
General Fund--State Appropriation (FY 2011)	$47,006,000
General Fund--Federal Appropriation	$7,584,000
General Fund--Private/Local Appropriation	$87,000
Winter Recreation Program Account--State Appropriation	$1,562,000
Off Road Vehicle Account--State Appropriation	$241,000

Snowmobile Account--State Appropriation $4,845,000
Aquatic Lands Enhancement Account--State Appropriation $366,000
Public Safety and Education Account--State
Appropriation (FY 2010) $23,000
Public Safety and Education Account--State
Appropriation (FY 2011) $24,000
Parks Renewal and Stewardship Account--State
Appropriation $42,750,000
Parks Renewal and Stewardship Account--
Private/Local Appropriation $300,000
TOTAL APPROPRIATION $152,200,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $79,000 of the general fund--state appropriation for fiscal year 2010 and $79,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a grant for the operation of the Northwest avalanche center.

(2) $50,000 of the general fund--state appropriation for fiscal year 2010 is provided solely for moving costs and information technology infrastructure changes associated with moving staff from the department of archaeology and historic preservation into the state parks and recreation commission's Tumwater headquarters building.

NEW SECTION. **Sec. 304. FOR THE RECREATION AND CONSERVATION FUNDING BOARD**

General Fund--State Appropriation (FY 2010) $1,389,000
General Fund--State Appropriation (FY 2011) $1,399,000
General Fund--Federal Appropriation $10,431,000
General Fund--Private/Local Appropriation $250,000
Aquatic Lands Enhancement Account--State Appropriation $278,000
Firearms Range Account--State Appropriation $39,000
Recreation Resources Account--State Appropriation $2,823,000
NOVA Program Account--State Appropriation $1,062,000
TOTAL APPROPRIATION $17,671,000

The appropriations in this section are subject to the following conditions and limitations: The recreation and conservation office, under the direction of the salmon recovery funding board, shall assess watershed and regional-scale capacity issues relating to the support and implementation of salmon recovery. The assessment shall examine priority setting and incentives to further promote coordination to ensure that effective and efficient mechanisms for delivery of salmon recovery funding board funds are being utilized. The salmon recovery funding board shall distribute its operational funding to the appropriate entities based on this assessment.

NEW SECTION. **Sec. 305. FOR THE ENVIRONMENTAL HEARINGS OFFICE**

General Fund--State Appropriation (FY 2010) $1,106,000
General Fund--State Appropriation (FY 2011) $1,103,000
TOTAL APPROPRIATION $2,209,000

NEW SECTION. **Sec. 306. FOR THE CONSERVATION COMMISSION**

General Fund--State Appropriation (FY 2010) $7,704,000
General Fund--State Appropriation (FY 2011) $7,728,000
General Fund--Federal Appropriation $1,179,000
TOTAL APPROPRIATION $16,611,000

NEW SECTION. **Sec. 307. FOR THE DEPARTMENT OF FISH AND WILDLIFE**

General Fund--State Appropriation (FY 2010) $44,577,000
General Fund--State Appropriation (FY 2011) $43,583,000
General Fund--Federal Appropriation $51,945,000
General Fund--Private/Local Appropriation $37,671,000
Off Road Vehicle Account--State Appropriation $419,000
Aquatic Lands Enhancement Account--State
Appropriation $6,722,000
Public Safety and Education Account--State
Appropriation (FY 2010) $269,000
Public Safety and Education Account--State
Appropriation (FY 2011) $325,000
Recreational Fisheries Enhancement--State
Appropriation $3,653,000
Warm Water Game Fish Account--State Appropriation $2,892,000
Eastern Washington Pheasant Enhancement Account--
State Appropriation $755,000
Aquatic Invasive Species Enforcement Account--
State Appropriation $204,000
Aquatic Invasive Species Prevention Account--

State Appropriation $845,000
Wildlife Account--State Appropriation $62,869,000
Wildlife Account--Federal Appropriation $34,769,000
Wildlife Account--Private/Local Appropriation $10,064,000
Game Special Wildlife Account--State Appropriation $2,388,000
Game Special Wildlife Account--Federal Appropriation $8,929,000
Game Special Wildlife Account--Private/Local
Appropriation $487,000
Wildlife Rehabilitation Account--State Appropriation $270,000
Regional Fisheries Salmonid Recovery Account--
Federal Appropriation $5,001,000
Oil Spill Prevention Account--State Appropriation $889,000
Oyster Reserve Land Account--State Appropriation $918,000
TOTAL APPROPRIATION $320,444,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $294,000 of the aquatic lands enhancement account--state appropriation is provided solely for the implementation of hatchery reform recommendations defined by the hatchery scientific review group.

(2) $400,000 of the general fund--state appropriation for fiscal year 2010 and $400,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a state match to support the Puget Sound nearshore partnership between the department and the U.S. army corps of engineers.

(3) $536,000 of the general fund--state appropriation for fiscal year 2010 and $603,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the department to implement a pilot project with the Confederated Tribes of the Colville Reservation to develop expanded recreational fishing opportunities on Lake Rufus Woods and its northern shoreline and to conduct joint enforcement of lake fisheries on Lake Rufus Woods and adjoining waters, pursuant to state and tribal intergovernmental agreements developed under the Columbia River water supply program. For the purposes of the pilot project:

(a) A fishing permit issued to a nontribal member by the Colville Tribes shall satisfy the license requirement of RCW 77.32.010 on the waters of Lake Rufus Woods and on the north shore of Lake Rufus Woods;

(b) The Colville Tribes have agreed to provide to holders of its nontribal member fishing permits a means to demonstrate that fish in their possession were lawfully taken in Lake Rufus Woods;

(c) A Colville tribal member identification card shall satisfy the license requirement of RCW 77.32.010 on all waters of Lake Rufus Woods;

(d) The department and the Colville Tribes shall jointly designate fishing areas on the north shore of Lake Rufus Woods for the purposes of enhancing access to the recreational fisheries on the lake; and

(e) The Colville Tribes have agreed to recognize a fishing license issued under RCW 77.32.470 or RCW 77.32.490 as satisfying the nontribal member fishing permit requirements of Colville tribal law on the reservation portion of the waters of Lake Rufus Woods and at designated fishing areas on the north shore of Lake Rufus Woods;

(4) Prior to submitting its 2011-2013 biennial operating and capital budget request related to state fish hatcheries to the office of financial management, the department shall contract with the hatchery scientific review group (HSRG) to review this request. This review shall: (a) Determine if the proposed requests are consistent with HSRG recommendations; (b) prioritize the components of the requests based on their contributions to protecting wild salmonid stocks and meeting the recommendations of the HSRG; and (c) evaluate whether the proposed requests are being made in the most cost effective manner. The department shall provide a copy of the HSRG review to the office of financial management with their agency budget proposal.

(5) Within existing funds, the department shall continue implementing its capital program action plan dated September 1, 2007, including the purchase of the necessary maintenance and support costs for the capital programs and engineering tools. The department shall report to the office of financial management and the appropriate committees of the legislature, its progress in implementing the plan, including improvements instituted in its capital program, by September 30, 2011.

(6) $100,000 of the general fund--state appropriation for fiscal year 2010 and $100,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for removal of derelict gear in Washington waters.

NEW SECTION. **Sec. 308. FOR THE DEPARTMENT OF NATURAL RESOURCES**

General Fund--State Appropriation (FY 2010)	$44,176,000
General Fund--State Appropriation (FY 2011)	$44,980,000
General Fund--Federal Appropriation	$26,087,000
General Fund--Private/Local Appropriation	$1,373,000
Forest Development Account--State Appropriation	$54,871,000
Off Road Vehicle Account--State Appropriation	$4,284,000
Surveys and Maps Account--State Appropriation	$2,558,000
Aquatic Lands Enhancement Account--State Appropriation	$7,277,000
Resources Management Cost Account--State Appropriation	$96,431,000
Surface Mining Reclamation Account--State Appropriation	$3,514,000
Disaster Response Account--State Appropriation	$5,000,000
Forest and Fish Support Account--State Appropriation	$8,000,000
Aquatic Land Dredged Material Disposal Site Account--State Appropriation	$1,339,000
Natural Resources Conservation Areas Stewardship Account--State Appropriation	$34,000
State Toxics Control Account--State Appropriation	$80,000
State Forest Nursery Revolving Account--State Appropriation	$6,000
Air Pollution Control Account--State Appropriation	$573,000
NOVA Program Account--State Appropriation	$982,000
Derelict Vessel Removal Account--State Appropriation	$1,755,000
Agricultural College Trust Management Account--State Appropriation	$2,654,000
TOTAL APPROPRIATION	$305,974,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $1,355,000 of the general fund--state appropriation for fiscal year 2010 and $1,299,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for deposit into the agricultural college trust management account and are provided solely to manage approximately 70,700 acres of Washington State University's agricultural college trust lands.

(2) $11,378,000 of the general fund--state appropriation for fiscal year 2010, $11,378,000 of the general fund--state appropriation for fiscal year 2011, and $5,000,000 of the disaster response account--state appropriation are provided solely for emergency fire suppression. None of the general fund and disaster response account amounts provided in this subsection may be used to fund agency indirect and administrative expenses. Agency indirect and administrative costs shall be allocated among the agency's remaining accounts and appropriations.

(3) $5,000,000 of the forest and fish support account--state appropriation is provided solely for adaptive management, monitoring, and participation grants to tribes. If federal funding for this purpose is reinstated, the amount provided in this subsection shall lapse.

(4) $600,000 of the derelict vessel removal account--state appropriation is provided solely for removal of derelict and abandoned vessels that have the potential to contaminate Puget Sound.

NEW SECTION. **Sec. 309. FOR THE DEPARTMENT OF AGRICULTURE**

General Fund--State Appropriation (FY 2010)	$12,727,000
General Fund--State Appropriation (FY 2011)	$12,534,000
General Fund--Federal Appropriation	$11,623,000
General Fund--Private/Local Appropriation	$198,000
Aquatic Lands Enhancement Account--State Appropriation	$2,568,000
State Toxics Control Account--State Appropriation	$4,290,000
Water Quality Permit Account--State Appropriation	$62,000
TOTAL APPROPRIATION	$44,002,000

The appropriations in this section are subject to the following conditions and limitations: $350,000 of the aquatic lands enhancement account appropriation is provided solely for funding to the Pacific county noxious weed control board to eradicate remaining spartina in Willipa Bay.

NEW SECTION. **Sec. 310. FOR THE WASHINGTON POLLUTION LIABILITY REINSURANCE PROGRAM**

Pollution Liability Insurance Program Trust Account--State Appropriation	$643,000

NEW SECTION. **Sec. 311. FOR THE PUGET SOUND PARTNERSHIP**

General Fund--State Appropriation (FY 2010)	$3,989,000
General Fund--State Appropriation (FY 2011)	$3,663,000
General Fund--Federal Appropriation	$3,624,000
Aquatic Lands Enhancement Account--State Appropriation	$500,000
State Toxics Control Account--State Appropriation	$682,000
TOTAL APPROPRIATION	$12,458,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $305,000 of the general fund--state appropriation for fiscal year 2010 and $170,000 of the state toxics control account--state appropriation for fiscal year 2010 are provided solely for measuring water and habitat quality to determine watershed health and assist salmon recovery.

(2) Within the amounts appropriated in this section, the Puget Sound partnership shall provide independent advice and assessment of the state's oil spill prevention, preparedness, and response programs to the departments of ecology and fish and wildlife, including review of existing activities and recommendations for any necessary improvements.

(End of part)

PART IV
TRANSPORTATION

NEW SECTION. **Sec. 401. FOR THE DEPARTMENT OF LICENSING**

General Fund--State Appropriation (FY 2010)	$1,846,000
General Fund--State Appropriation (FY 2011)	$2,096,000
Architects' License Account--State Appropriation	$773,000
Cemetery Account--State Appropriation	$244,000
Professional Engineers' Account--State Appropriation	$3,619,000
Real Estate Commission Account--State Appropriation	$10,115,000
Master License Account--State Appropriation	$13,362,000
Uniform Commercial Code Account--State Appropriation	$3,119,000
Real Estate Education Account--State Appropriation	$276,000
Real Estate Appraiser Commission Account--State Appropriation	$1,352,000
Business and Professions Account--State Appropriation	$12,762,000
Real Estate Research Account--State Appropriation	$320,000
Funeral Directors And Embalmers Account--State Appropriation	$609,000
Geologists' Account--State Appropriation	$53,000
Derelict Vessel Removal Account--State Appropriation	$31,000
TOTAL APPROPRIATION	$50,577,000

NEW SECTION. **Sec. 402. FOR THE STATE PATROL**

General Fund--State Appropriation (FY 2010)	$41,967,000
General Fund--State Appropriation (FY 2011)	$41,002,000
General Fund--Federal Appropriation	$11,440,000
General Fund--Private/Local Appropriation	$1,238,000
Death Investigations Account--State Appropriation	$6,060,000
Public Safety and Education Account--State Appropriation (FY 2010)	$1,525,000
Public Safety and Education Account--State Appropriation (FY 2011)	$1,531,000
Enhanced 911 Account--State Appropriation	$609,000
County Criminal Justice Assistance Account--State Appropriation	$3,149,000
Municipal Criminal Justice Assistance Account--State	

Appropriation $1,258,000
Fire Service Trust Account--State Appropriation $131,000
Disaster Response Account--State Appropriation $8,002,000
Fire Service Training Account--State Appropriation $8,738,000
Aquatic Invasive Species Enforcement Account--State
Appropriation $54,000
State Toxics Control Account--State Appropriation $509,000
Fingerprint Identification Account--State Appropriation . . $7,390,000
TOTAL APPROPRIATION $134,603,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $200,000 of the fire service training account--state appropriation is provided solely for two FTEs in the office of the state director of fire protection to exclusively review K-12 construction documents for fire and life safety in accordance with the state building code. It is the intent of this appropriation to provide these services only to those districts that are located in counties without qualified review capabilities.

(2) $8,000,000 of the disaster response account--state appropriation is provided solely for Washington state fire service resource mobilization costs incurred in response to an emergency or disaster authorized under RCW 43.43.960 and 43.43.964.

(End of part)

PART V
EDUCATION

NEW SECTION. **Sec. 501. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION**

General Fund--State Appropriation (FY 2010) $30,647,000
General Fund--State Appropriation (FY 2011) $29,095,000
General Fund--Federal Appropriation $77,858,000
TOTAL APPROPRIATION $137,600,000

The appropriations in this section are subject to the following conditions and limitations:

(1) A maximum of $21,370,000 of the general fund--state appropriation for fiscal year 2010, $19,556,000 of the general fund--state appropriation for fiscal year 2011, and $21,478,000 of the general fund--federal appropriation is for state agency operations.

(a) $12,578,000 of the general fund--state appropriation for fiscal year 2010 and $12,123,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the operation and expenses of the office of the superintendent of public instruction. Within the amounts provided in this subsection, the superintendent shall recognize the extraordinary accomplishments of four students who have demonstrated a strong understanding of the civics essential learning requirements to receive the Daniel J. Evans civic education award. The students selected for the award must demonstrate understanding through completion of at least one of the classroom-based civics assessment models developed by the superintendent of public instruction, and through leadership in the civic life of their communities. The superintendent shall select two students from eastern Washington and two students from western Washington to receive the award, and shall notify the governor and legislature of the names of the recipients.

(i) Of the amounts provided in this subsection (1)(a), $169,000 of the general fund--state appropriation for fiscal year 2010 and $167,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to the office of the superintendent of public instruction to coordinate school district financial health technical assistance provided to local school districts by educational service districts.

(ii) Within the amounts provided in this subsection (1)(a), the superintendent of public instruction is to conduct the following activity to identify efficiencies in the organization and structure of school districts. The superintendent shall make recommendations for a streamlined school district consolidation process, develop appropriate criteria, and provide needed statutory changes to meet the following goals: Reduce operating costs; reduce administrative duplication; and create efficiencies to offer better programmatic opportunities to students. Recommendations shall also include specific proposals for realigned school districts. The superintendent of public instruction shall report to the governor and the appropriate legislative committees by November 1, 2009.

(b) $815,000 of the general fund--state appropriation for fiscal year 2010 and $815,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the operation and expenses of the state board of education, including basic education assistance activities.

(c) $5,247,000 of the general fund--state appropriation for fiscal year 2010 and $5,247,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to the professional educator standards board for the following:

(i) $1,141,000 in fiscal year 2010 and $1,141,000 in fiscal year 2011 are for the operation and expenses of the Washington professional educator standards board, including administering the alternative routes to certification program, pipeline for paraeducators conditional scholarship loan program, and the retooling to teach math conditional loan program;

(ii) $3,431,000 of the general fund--state appropriation for fiscal year 2010 and $3,431,000 of the general fund--state appropriation for fiscal year 2011 are for conditional scholarship loans and mentor stipends provided through the alternative routes to certification program administered by the professional educator standards board. Of the amounts provided in this subsection (1)(d)(ii):

(A) $500,000 each year is provided solely for conditional scholarships to candidates seeking an endorsement in special education, math, science, or bilingual education;

(B) $2,372,000 for fiscal year 2010 and $2,372,000 for fiscal year 2011 are for the expansion of conditional scholarship loans and mentor stipends for individuals enrolled in alternative route state partnership programs and seeking endorsements in math, science, special education or bilingual education;

(C) Remaining amounts in this subsection (1)(c)(ii) shall be used to continue existing alternative routes to certification programs; and

(D) Candidates seeking math and science endorsements under (A) and (B) of this subsection shall receive priority for funding;

(iii) $231,000 of the general fund--state appropriation for fiscal year 2010 and $231,000 of the general fund--state appropriation for fiscal year 2011 are for the recruiting Washington teachers program;

(iv) $200,000 of the general fund--state appropriation for fiscal year 2010 and $200,000 of the general fund--state appropriation for fiscal year 2011 are for $4,000 conditional loan stipends for paraeducators participating in the pipeline for paraeducators program; and

(v) $244,000 of the general fund--state appropriation for fiscal year 2010 and $244,000 of the general fund--state appropriation for fiscal year 2011 are for conditional stipends for certificated teachers pursuing a mathematics or science endorsement under the retooling to teach mathematics or science program. The conditional stipends shall be for endorsement exam fees as well as stipends for teachers who must also complete coursework.

(d) $1,503,000 of the general fund--state appropriation for fiscal year 2010 and $144,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for replacement of the apportionment and grant payment system, which includes the processes that collect school district budget and expenditure information, staffing characteristics, and the student enrollments that drive the funding process.

(e) $1,227,000 of the general fund--state appropriation for fiscal year 2010 and $1,227,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the creation of a statewide data base of longitudinal student information. This amount is conditioned on the department satisfying the requirements in section 902 of this act.

(f) During the 2009-11 biennium, to the maximum extent possible, in adopting new agency rules or making any changes to existing rules or policies related to the fiscal provisions in the administration of part

V of this act, the office of the superintendent of public instruction shall attempt to request approval through the normal legislative budget process.

(2) $9,587,000 of the general fund--state appropriation for fiscal year 2010, $9,587,000 of the general fund--state appropriation for fiscal year 2011, and $55,890,000 of the general fund--federal appropriation are provided solely for statewide programs.

(a) HEALTH AND SAFETY

(i) $2,541,000 of the general fund--state appropriation for fiscal year 2010 and $2,541,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a corps of nurses located at educational service districts, as determined by the superintendent of public instruction, to be dispatched to the most needy schools to provide direct care to students, health education, and training for school staff.

(ii) $96,000 of the general fund--state appropriation for fiscal year 2010 and $96,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the school safety center in the office of the superintendent of public instruction subject to the following conditions and limitations:

(A) The safety center shall: Disseminate successful models of school safety plans and cooperative efforts; provide assistance to schools to establish a comprehensive safe school plan; select models of cooperative efforts that have been proven successful; act as an information dissemination and resource center when an incident occurs in a school district either in Washington or in another state; coordinate activities relating to school safety; review and approve manuals and curricula used for school safety models and training; and develop and maintain a school safety information web site.

(B) The school safety center advisory committee shall develop a training program, using the best practices in school safety, for all school safety personnel.

(iii) $100,000 of the general fund--state appropriation for fiscal year 2010 and $100,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a school safety training program provided by the criminal justice training commission. The commission, in collaboration with the school safety center advisory committee, shall provide the school safety training for all school administrators and school safety personnel, including school safety personnel hired after the effective date of this section.

(iv) $9,670,000 of the general fund--federal appropriation is provided for safe and drug free schools and communities grants for drug and violence prevention activities and strategies.

(b) TECHNOLOGY

$1,939,000 of the general fund--state appropriation for fiscal year 2010 and $1,939,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for K-20 telecommunications network technical support in the K-12 sector to prevent system failures and avoid interruptions in school utilization of the data processing and video-conferencing capabilities of the network. These funds may be used to purchase engineering and advanced technical support for the network.

(c) GRANTS AND ALLOCATIONS

(i) $1,329,000 of the general fund--state appropriation for fiscal year 2010 and $1,329,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to expand the special services pilot project to include up to seven participating districts. The office of the superintendent of public instruction shall allocate these funds to the district or districts participating in the pilot program according to the provisions of RCW 28A.630.016.

(ii) $31,000 of the general fund--state appropriation for fiscal year 2010 and $31,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for operation of the Cispus environmental learning center.

(iii) $800,000 of the general fund--state appropriation for fiscal year 2010 and $800,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the Washington state achievers scholarship program. The funds shall be used to support community involvement officers that recruit, train, and match community volunteer mentors with students selected as achievers scholars.

(iv) $175,000 of the general fund--state appropriation for fiscal year 2010 and $175,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for incentive grants for districts and pilot projects to develop preapprenticeship programs. Incentive grant awards up to $10,000 each shall be used to support the program's design, school/business/labor agreement negotiations, and recruiting high school students for preapprenticeship programs in the building trades and crafts.

(v) $2,576,000 of the general fund--state appropriation for fiscal year 2010 and $2,576,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the dissemination of the Navigation 101 curriculum to all districts, including disseminating electronic student planning tools and software for analyzing the impact of the implementation of Navigation 101 on student performance, and grants to at least one hundred school districts each year for the implementation of the Navigation 101 program. The implementation grants will be limited to a maximum of two years and the school districts selected shall represent various regions of the state and reflect differences in school district size and enrollment characteristics.

<u>NEW SECTION.</u> **Sec. 502. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR GENERAL APPORTIONMENT**

General Fund--State Appropriation (FY 2010) $5,099,869,000
General Fund--State Appropriation (FY 2011) $5,128,882,000
TOTAL APPROPRIATION $10,228,751,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Each general fund fiscal year appropriation includes such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(2) Allocations for certificated staff salaries for the 2009-10 and 2010-11 school years shall be determined using formula-generated staff units calculated pursuant to this subsection. Staff allocations for small school enrollments in (e) through (g) of this subsection shall be reduced for vocational full-time equivalent enrollments. Staff allocations for small school enrollments in grades K-6 shall be the greater of that generated under (a) of this subsection, or under (d) and (e) of this subsection. Certificated staffing allocations shall be as follows:

(a) On the basis of each 1,000 average annual full-time equivalent enrollments, excluding full-time equivalent enrollment otherwise recognized for certificated staff unit allocations under (d) through (g) of this subsection:

(i) Four certificated administrative staff units per thousand full-time equivalent students in grades K-12;

(ii) Forty-nine certificated instructional staff units per thousand full-time equivalent students in grades K-3;

(iii) Forty-six certificated instructional staff units per thousand full-time equivalent students in grades 4-12; and

(iv) An additional 4.2 certificated instructional staff units for grades K-3 and an additional 7.2 certificated instructional staff units for grade 4. Any funds allocated for the additional certificated units provided in this subsection (iv) shall not be considered as basic education funding;

(A) Funds provided under this subsection (2)(a)(iv) in excess of the amount required to maintain the statutory minimum ratio established under RCW 28A.150.260(2)(b) shall be allocated only if the district documents an actual ratio in grades K-4 equal to or greater than 53.2 certificated instructional staff per thousand full-time equivalent students. For any school district documenting a lower certificated instructional staff ratio, the allocation shall be based on the district's actual grades K-4 certificated instructional staff ratio achieved in that school year, or the statutory minimum ratio established under RCW 28A.150.260(2)(b), if greater;

(B) Districts at or above 51.0 certificated instructional staff per one thousand full-time equivalent students in grades K-4 may dedicate up to 1.3 of the 53.2 funding ratio to employ additional classified instructional assistants assigned to basic education classrooms in grades K-4. For purposes of documenting a district's staff ratio under this section, funds used by the district to employ additional classified instructional assistants shall be converted to a certificated staff equivalent and added to the district's actual certificated instructional staff ratio. Additional classified instructional assistants, for the purposes of this subsection, shall be determined using the 1989-90 school year as the base year;

(C) Any district maintaining a ratio in grades K-4 equal to or greater than 53.2 certificated instructional staff per thousand full-time equivalent students may use allocations generated under this subsection (2)(a)(iv) in excess of that required to maintain the minimum ratio established under RCW 28A.150.260(2)(b) to employ additional basic education certificated instructional staff or classified instructional assistants in grades 5-6. Funds allocated under this subsection (2)(a)(iv) shall only be expended to reduce class size in grades K-6. No more than 1.3 of the certificated instructional funding ratio amount may be expended for provision of classified instructional assistants;

(b) For school districts with a minimum enrollment of 250 full-time equivalent students whose full-time equivalent student enrollment count in a given month exceeds the first of the month full-time equivalent enrollment count by 5 percent, an additional state allocation of 110 percent of the share that such increased enrollment would have generated had such additional full-time equivalent students been included in the normal enrollment count for that particular month;

(c)(i) On the basis of full-time equivalent enrollment in:

(A) Vocational education programs approved by the superintendent of public instruction, a maximum of 0.92 certificated instructional staff units and 0.08 certificated administrative staff units for each 19.5 full-time equivalent vocational students; and

(B) Skills center programs meeting the standards for skills center funding established in January 1999 by the superintendent of public instruction with a waiver allowed for skills centers in current operation that are not meeting this standard until the 2008-09 school year, 0.92 certificated instructional staff units and 0.08 certificated administrative units for each 16.67 full-time equivalent vocational students;

(ii) Vocational full-time equivalent enrollment shall be reported on the same monthly basis as the enrollment for students eligible for basic support, and payments shall be adjusted for reported vocational enrollments on the same monthly basis as those adjustments for enrollment for students eligible for basic support; and

(iii) Indirect cost charges by a school district to vocational-secondary programs shall not exceed 15 percent of the combined basic education and vocational enhancement allocations of state funds;

(d) For districts enrolling not more than twenty-five average annual full-time equivalent students in grades K-8, and for small school plants within any school district which have been judged to be remote and necessary by the state board of education and enroll not more than twenty-five average annual full-time equivalent students in grades K-8:

(i) For those enrolling no students in grades 7 and 8, 1.76 certificated instructional staff units and 0.24 certificated administrative staff units for enrollment of not more than five students, plus one-twentieth of a certificated instructional staff unit for each additional student enrolled; and

(ii) For those enrolling students in grades 7 or 8, 1.68 certificated instructional staff units and 0.32 certificated administrative staff units for enrollment of not more than five students, plus one-tenth of a certificated instructional staff unit for each additional student enrolled;

(e) For specified enrollments in districts enrolling more than twenty-five but not more than one hundred average annual full-time equivalent students in grades K-8, and for small school plants within any school district which enroll more than twenty-five average annual full-time equivalent students in grades K-8 and have been judged to be remote and necessary by the state board of education:

(i) For enrollment of up to sixty annual average full-time equivalent students in grades K-6, 2.76 certificated instructional staff units and 0.24 certificated administrative staff units; and

(ii) For enrollment of up to twenty annual average full-time equivalent students in grades 7 and 8, 0.92 certificated instructional staff units and 0.08 certificated administrative staff units;

(f) For districts operating no more than two high schools with enrollments of less than three hundred average annual full-time equivalent students, for enrollment in grades 9-12 in each such school, other than alternative schools:

(i) For remote and necessary schools enrolling students in any grades 9-12 but no more than twenty-five average annual full-time equivalent students in grades K-12, four and one-half certificated instructional staff units and one-quarter of a certificated administrative staff unit;

(ii) For all other small high schools under this subsection, nine certificated instructional staff units and one-half of a certificated administrative staff unit for the first sixty average annual full time equivalent students, and additional staff units based on a ratio of

0.8732 certificated instructional staff units and 0.1268 certificated administrative staff units per each additional forty-three and one-half average annual full time equivalent students.

Units calculated under (g)(ii) of this subsection shall be reduced by certificated staff units at the rate of forty-six certificated instructional staff units and four certificated administrative staff units per thousand vocational full-time equivalent students;

(g) For each nonhigh school district having an enrollment of more than seventy annual average full-time equivalent students and less than one hundred eighty students, operating a grades K-8 program or a grades 1-8 program, an additional one-half of a certificated instructional staff unit; and

(i) For each nonhigh school district having an enrollment of more than fifty annual average full-time equivalent students and less than one hundred eighty students, operating a grades K-6 program or a grades 1-6 program, an additional one-half of a certificated instructional staff unit.

(3) Allocations for classified salaries for the 2009-10 and 2010-11 school years shall be calculated using formula-generated classified staff units determined as follows:

(a) For enrollments generating certificated staff unit allocations under subsection (2)(e) through (i) of this section, one classified staff unit for each 2.94 certificated staff units allocated under such subsections;

(b) For all other enrollment in grades K-12, including vocational full-time equivalent enrollments, one classified staff unit for each 58.75 average annual full-time equivalent students; and

(c) For each nonhigh school district with an enrollment of more than fifty annual average full-time equivalent students and less than one hundred eighty students, an additional one-half of a classified staff unit.

(4) Fringe benefit allocations shall be calculated at a rate of 15.89 percent in the 2009-10 school year and 15.89 percent in the 2010-11 school year for certificated salary allocations provided under subsection (2) of this section, and a rate of 17.08 percent in the 2009-10 school year and 17.08 percent in the 2010-11 school year for classified salary allocations provided under subsection (3) of this section.

(5) Insurance benefit allocations shall be calculated at the maintenance rate specified in section 504(2) of this act, based on the number of benefit units determined as follows:

(a) The number of certificated staff units determined in subsection (2) of this section; and

(b) The number of classified staff units determined in subsection (3) of this section multiplied by 1.152. This factor is intended to adjust allocations so that, for the purposes of distributing insurance benefits, full-time equivalent classified employees may be calculated on the basis of 1440 hours of work per year, with no individual employee counted as more than one full-time equivalent.

(6)(a) For nonemployee-related costs associated with each certificated staff unit allocated under subsection (2)(a), (b), and (d) through (h) of this section, there shall be provided a maximum of $10,179 per certificated staff unit in the 2009-10 school year and a maximum of $10,455 per certificated staff unit in the 2010-11 school year.

(b) For nonemployee-related costs associated with each vocational certificated staff unit allocated under subsection (2)(c)(i)(A) of this section, there shall be provided a maximum of $24,999 per certificated staff unit in the 2009-10 school year and a maximum of $25,474 per certificated staff unit in the 2010-11 school year.

(c) For nonemployee-related costs associated with each vocational certificated staff unit allocated under subsection (2)(c)(i)(B) of this section, there shall be provided a maximum of $19,395 per certificated staff unit in the 2009-10 school year and a maximum of $19,764 per certificated staff unit in the 2010-11 school year.

(7) Allocations for substitute costs for classroom teachers shall be distributed at a maintenance rate of $607.44 for the 2009-10 and 2010-11 school years per allocated classroom teachers exclusive of salary increase amounts provided in section 504 of this act. Solely for the purposes of this subsection, allocated classroom teachers shall be equal to the number of certificated instructional staff units allocated under subsection (2) of this section, multiplied by the ratio between the number of actual basic education certificated teachers and the number of actual basic education certificated instructional staff reported statewide for the prior school year.

(8) Any school district board of directors may petition the superintendent of public instruction by submission of a resolution adopted in a public meeting to reduce or delay any portion of its basic education allocation for any school year. The superintendent of public instruction shall approve such reduction or delay if it does not impair the district's financial condition. Any delay shall not be for more than two school years. Any reduction or delay shall have no impact on levy authority pursuant to RCW 84.52.0531 and local effort assistance pursuant to chapter 28A.500 RCW.

(9) The superintendent may distribute a maximum of $7,289,000 outside the basic education formula during fiscal years 2010 and 2011 as follows:

(a) For fire protection for school districts located in a fire protection district as now or hereafter established pursuant to chapter 52.04 RCW, a maximum of $567,000 may be expended in fiscal year 2010 and a maximum of $578,000 may be expended in fiscal year 2011;

(b) For summer vocational programs at skills centers, a maximum of $2,385,000 may be expended for the 2010 fiscal year and a maximum of $2,385,000 for the 2011 fiscal year. 20 percent of each fiscal year amount may carry over from one year to the next;

(c) A maximum of $404,000 may be expended for school district emergencies; and

(d) A maximum of $485,000 each fiscal year may be expended for programs providing skills training for secondary students who are enrolled in extended day school-to-work programs, as approved by the superintendent of public instruction. The funds shall be allocated at a rate not to exceed $500 per full-time equivalent student enrolled in those programs.

(10) For purposes of RCW 84.52.0531, the increase per full-time equivalent student is 4.0 percent from the 2008-09 school year to the 2009-10 school year and 4.0 percent from the 2009-10 school year to the 2010-11 school year.

(11) If two or more school districts consolidate and each district was receiving additional basic education formula staff units pursuant to subsection (2)(b) through (h) of this section, the following shall apply:

(a) For three school years following consolidation, the number of basic education formula staff units shall not be less than the number of basic education formula staff units received by the districts in the school year prior to the consolidation; and

(b) For the fourth through eighth school years following consolidation, the difference between the basic education formula staff units received by the districts for the school year prior to consolidation and the basic education formula staff units after consolidation pursuant to subsection (2)(a) through (h) of this section shall be reduced in increments of twenty percent per year.

Sec. 503. 2007 c 522 s 503 (uncodified) is amended to read as follows:

FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--BASIC EDUCATION EMPLOYEE COMPENSATION. (1) The following calculations determine the salaries used in the general fund allocations for certificated instructional, certificated administrative, and classified staff units under section 502 of this act:

(a) Salary allocations for certificated instructional staff units shall be determined for each district by multiplying the district's certificated instructional total base salary shown on LEAP Document 2 by the district's average staff mix factor for certificated instructional staff in that school year, computed using LEAP Document 1; and

(b) Salary allocations for certificated administrative staff units and classified staff units for each district shall be based on the district's certificated administrative and classified salary allocation amounts shown on LEAP Document 2.

(2) For the purposes of this section:

(a) "LEAP Document 1" means the staff mix factors for certificated instructional staff according to education and years of experience, as developed by the legislative evaluation and accountability program committee on December 12, 2008, 05:18 hours; and

(b) "LEAP Document 2" means the school year salary allocations for certificated administrative staff and classified staff and derived and total base salaries for certificated instructional staff as developed by the legislative evaluation and accountability program committee on December 12, 2008, 08:01 hours.

(3)(a) Pursuant to RCW 28A.150.410, the following state-wide salary allocation schedules for certificated instructional staff are established for basic education salary allocations:

K-12 Salary Allocation Schedule For Certificated Instructional Staff

2009-10 School Year

Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 or PHD
0	34,426	35,356	36,319	37,285	40,383	42,378	41,274	44,372	46,369
1	34,889	35,832	36,808	37,816	40,946	42,931	41,733	44,863	46,847
2	35,331	36,283	37,269	38,354	41,476	43,481	42,195	45,316	47,321
3	35,786	36,747	37,743	38,864	41,979	44,033	42,632	45,746	47,801
4	36,232	37,235	38,238	39,397	42,531	44,599	43,091	46,225	48,295
5	36,693	37,701	38,713	39,937	43,059	45,169	43,558	46,681	48,791
6	37,167	38,153	39,200	40,484	43,591	45,713	44,036	47,144	49,264
7	37,999	39,000	40,061	41,415	44,568	46,748	44,932	48,084	50,265
8	39,218	40,273	41,359	42,825	46,021	48,281	46,341	49,538	51,797
9		41,591	42,731	44,250	47,521	49,858	47,765	51,038	53,374
10			44,120	45,749	49,063	51,478	49,265	52,580	54,993
11				47,291	50,677	53,141	50,807	54,194	56,656
12				48,784	52,335	54,872	52,410	55,851	58,389
13					54,034	56,646	54,069	57,550	60,162
14					55,740	58,486	55,778	59,368	62,003
15					57,191	60,008	57,227	60,911	63,615
16 or more					58,334	61,207	58,372	62,129	64,887

K-12 Salary Allocation Schedule For Certificated Instructional Staff

2010-11 School Year

Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 or PHD
0	34,426	35,356	36,319	37,285	40,383	42,378	41,274	44,372	46,369
1	34,889	35,832	36,808	37,816	40,946	42,931	41,733	44,863	46,847
2	35,331	36,283	37,269	38,354	41,476	43,481	42,195	45,316	47,321
3	35,786	36,747	37,743	38,864	41,979	44,033	42,632	45,746	47,801

4	36,232	37,235	38,238	39,397	42,531	44,599	43,091	46,225	48,295
5	36,693	37,701	38,713	39,937	43,059	45,169	43,558	46,681	48,791
6	37,167	38,153	39,200	40,484	43,591	45,713	44,036	47,144	49,264
7	37,999	39,000	40,061	41,415	44,568	46,748	44,932	48,084	50,265
8	39,218	40,273	41,359	42,825	46,021	48,281	46,341	49,538	51,797
9		41,591	42,731	44,250	47,521	49,858	47,765	51,038	53,374
10			44,120	45,749	49,063	51,478	49,265	52,580	54,993
11				47,291	50,677	53,141	50,807	54,194	56,656
12				48,784	52,335	54,872	52,410	55,851	58,389
13					54,034	56,646	54,069	57,550	60,162
14					55,740	58,486	55,778	59,368	62,003
15					57,191	60,008	57,227	60,911	63,615
16 or more					58,334	61,207	58,372	62,129	64,887

(b) As used in this subsection, the column headings "BA+(N)" refer to the number of credits earned since receiving the baccalaureate degree.

(c) For credits earned after the baccalaureate degree but before the masters degree, any credits in excess of forty-five credits may be counted after the masters degree. Thus, as used in this subsection, the column headings "MA+(N)" refer to the total of:

(i) Credits earned since receiving the masters degree; and

(ii) Any credits in excess of forty-five credits that were earned after the baccalaureate degree but before the masters degree.

(4) For the purposes of this section:

(a) "BA" means a baccalaureate degree.

(b) "MA" means a masters degree.

(c) "PHD" means a doctorate degree.

(d) "Years of service" shall be calculated under the same rules adopted by the superintendent of public instruction.

(e) "Credits" means college quarter hour credits and equivalent in-service credits computed in accordance with RCW 28A.415.020 and 28A.415.023.

(5) No more than ninety college quarter-hour credits received by any employee after the baccalaureate degree may be used to determine compensation allocations under the state salary allocation schedule and LEAP documents referenced in this act, or any replacement schedules and documents, unless:

(a) The employee has a masters degree; or

(b) The credits were used in generating state salary allocations before January 1, 1992.

(6) The certificated instructional staff base salary specified for each district in LEAP Document 2 and the salary schedules in subsection (3)(a) of this section include two learning improvement days. A school district is eligible for the learning improvement day funds only if the learning improvement days have been added to the 180- day contract year. If fewer days are added, the additional learning improvement allocation shall be adjusted accordingly. The additional days shall be limited to specific activities identified in RCW 28A.415.360(2), related to math, science, and reading, and shall not be considered part of basic education. Where appropriate, priority shall be given to math and science training. The principal in each school shall assure that the days are used accordingly. The school principal and the district superintendent shall maintain documentation as to their approval of these activities. The total hours of a learning improvement day shall not be less than the length of a full day under the base contract. The superintendent of public instruction shall ensure that school districts adhere to the intent and purposes of this subsection.

(7) The salary allocation schedules established in this section are for allocation purposes only except as provided in RCW 28A.400.200(2) and subsection (6) of this section.

NEW SECTION. **Sec. 504. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR SCHOOL EMPLOYEE COMPENSATION ADJUSTMENTS**

General Fund--State Appropriation (FY 2010)	$35,330,000
General Fund--State Appropriation (FY 2011)	$92,574,000
General Fund--Federal Appropriation	$58,000
TOTAL APPROPRIATION	$127,962,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $127,962,000 is for adjustments to insurance benefit allocations. The maintenance rate for insurance benefit allocations is $732.00 per month for the 2009-10 and 2010-11 school years. The appropriations in this section provide for a rate increase to $774.00 per month for the 2009-10 school year and $831.00 per month for the

2010-11 school year. The adjustments to health insurance benefit allocations are at the following rates:

	School Year	
	2009-10	2010-11
Pupil Transportation (per weighted pupil mile)	$0.38	$0.90
Highly Capable (per formula student)	$2.58	$6.10
Transitional Bilingual Education (per eligible bilingual student)	$6.80	$16.03
Learning Assistance (per formula student)	$1.75	$4.11

(2) The rates specified in this section are subject to revision each year by the legislature.

NEW SECTION. **Sec. 505. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR PUPIL TRANSPORTATION**

General Fund--State Appropriation (FY 2010) $314,588,000
General Fund--State Appropriation (FY 2011) $313,426,000
TOTAL APPROPRIATION $628,014,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Each general fund fiscal year appropriation includes such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(2) A maximum of $878,000 of this fiscal year 2010 appropriation and a maximum of $895,000 of the fiscal year 2011 appropriation may be expended for regional transportation coordinators and related activities. The transportation coordinators shall ensure that data submitted by school districts for state transportation funding shall, to the greatest extent practical, reflect the actual transportation activity of each district.

(3) $5,000 of the fiscal year 2010 appropriation and $5,000 of the fiscal year 2011 appropriation are provided solely for the transportation of students enrolled in "choice" programs. Transportation shall be limited to low-income students who are transferring to "choice" programs solely for educational reasons.

(4) Allocations for transportation of students shall be based on reimbursement rates of $48.27 per weighted mile in the 2009-10 school year and $48.53 per weighted mile in the 2010-11 school year exclusive

of salary and benefit adjustments provided in section 504 of this act. Allocations for transportation of students transported more than one radius mile shall be based on weighted miles as determined by superintendent of public instruction multiplied by the per mile reimbursement rates for the school year pursuant to the formulas adopted by the superintendent of public instruction. Allocations for transportation of students living within one radius mile shall be based on the number of enrolled students in grades kindergarten through five living within one radius mile of their assigned school multiplied by the per mile reimbursement rate for the school year multiplied by 1.29.

(5) $12,500,000 of the general fund--state appropriation for fiscal year 2010 and $12,500,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for temporary assistance to school districts for pupil transportation programs. The office of the superintendent of public instruction, in consultation with the joint legislative audit and review committee and the office of financial management, will develop a method of allocating these funds to school districts. The allocation method shall be based on the findings and analysis of recent transportation reports.

(6) The office of the superintendent of public instruction shall provide reimbursement funding to a school district only after the superintendent of public instruction determines that the school bus was purchased from the list established pursuant to RCW 28A.160.195(2) or a comparable competitive bid process based on the lowest price quote based on similar bus categories to those used to establish the list pursuant to RCW 28A.160.195.

(7) The superintendent of public instruction shall base depreciation payments for school district buses on the five-year average of lowest bids in the appropriate category of bus. In the final year on the depreciation schedule, the depreciation payment shall be based on the lowest bid in the appropriate bus category for that school year.

NEW SECTION. **Sec. 506. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR SCHOOL FOOD SERVICE PROGRAMS**

General Fund--State Appropriation (FY 2010) $3,159,000
General Fund--State Appropriation (FY 2011) $3,159,000
General Fund--Federal Appropriation $280,400,000

TOTAL APPROPRIATION $286,718,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $3,000,000 of the general fund--state appropriation for fiscal year 2010 and $3,000,000 of the general fund--state appropriation for fiscal year 2011 are provided for state matching money for federal child nutrition programs.

(2) $100,000 of the general fund--state appropriation for fiscal year 2010 and $100,000 of the 2011 fiscal year appropriation are provided for summer food programs for children in low-income areas.

(3) $59,000 of the general fund--state appropriation for fiscal year 2010 and $59,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to reimburse school districts for school breakfasts served to students enrolled in the free or reduced price meal program pursuant to chapter 287, Laws of 2005 (requiring school breakfast programs in certain schools).

NEW SECTION. **Sec. 507. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR SPECIAL EDUCATION PROGRAMS**

General Fund--State Appropriation (FY 2010) $644,356,000
General Fund--State Appropriation (FY 2011) $656,881,000
General Fund--Federal Appropriation $434,697,000
Education Legacy Trust Account--State Appropriation $756,000
TOTAL APPROPRIATION $1,736,690,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Funding for special education programs is provided on an excess cost basis, pursuant to RCW 28A.150.390. School districts shall ensure that special education students as a class receive their full share of the general apportionment allocation accruing through sections 502 and 504 of this act. To the extent a school district cannot provide an appropriate education for special education students under chapter 28A.155 RCW through the general apportionment allocation, it shall provide services through the special education excess cost allocation funded in this section.

(2) The superintendent of public instruction shall ensure that:

(a) Special education students are basic education students first;

No. 82577-7
JSF925 0548

(b) As a class, special education students are entitled to the full basic education allocation;

(c) Special education students are basic education students for the entire school day; and

(d) All school districts continue to use the full cost method of excess cost accounting.

(3) Each fiscal year appropriation includes such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(4) The superintendent of public instruction shall distribute state funds to school districts based on two categories: (a) The first category includes (i) children birth through age two who are eligible for the optional program for special education eligible developmentally delayed infants and toddlers, and (ii) students eligible for the mandatory special education program and who are age three or four, or five and not yet enrolled in kindergarten; and (b) the second category includes students who are eligible for the mandatory special education program and who are age five and enrolled in kindergarten and students age six through 21.

(5)(a) For the 2009-10 and 2010-11 school years, the superintendent shall make allocations to each district based on the sum of:

(i) A district's annual average headcount enrollment of students ages birth through four and those five year olds not yet enrolled in kindergarten, as defined in subsection (4) of this section, multiplied by the district's average basic education allocation per full-time equivalent student, multiplied by 1.15; and

(ii) A district's annual average full-time equivalent basic education enrollment multiplied by the funded enrollment percent determined pursuant to subsection (6)(b) of this section, multiplied by the district's average basic education allocation per full-time equivalent student multiplied by 0.9309.

(b) For purposes of this subsection, "average basic education allocation per full-time equivalent student" for a district shall be based on the staffing ratios required by RCW 28A.150.260 and shall not include enhancements, secondary vocational education, or small schools.

(6) The definitions in this subsection apply throughout this section.

(a) "Annual average full-time equivalent basic education enrollment" means the resident enrollment including students enrolled through choice (RCW 28A.225.225) and students from nonhigh districts (RCW 28A.225.210) and excluding students residing in another district enrolled as part of an interdistrict cooperative program (RCW 28A.225.250).

(b) "Enrollment percent" means the district's resident special education annual average enrollment, excluding the birth through age four enrollment and those five year olds not yet enrolled in kindergarten, as a percent of the district's annual average full-time equivalent basic education enrollment.

Each district's general fund--state funded special education enrollment shall be the lesser of the district's actual enrollment percent or 12.7 percent.

(7) At the request of any interdistrict cooperative of at least 15 districts in which all excess cost services for special education students of the districts are provided by the cooperative, the maximum enrollment percent shall be calculated in accordance with subsection (6)(b) of this section, and shall be calculated in the aggregate rather than individual district units. For purposes of this subsection, the average basic education allocation per full-time equivalent student shall be calculated in the aggregate rather than individual district units.

(8) To the extent necessary, $73,668,000 of the general fund--state appropriation and $29,574,000 of the general fund--federal appropriation are provided for safety net awards for districts with demonstrated needs for special education funding beyond the amounts provided in subsection (5) of this section. If the federal safety net awards based on the federal eligibility threshold exceed the federal appropriation in this subsection (8) in any fiscal year, the superintendent shall expend all available federal discretionary funds necessary to meet this need. Safety net funds shall be awarded by the state safety net oversight committee subject to the following conditions and limitations:

(a) The committee shall consider unmet needs for districts that can convincingly demonstrate that all legitimate expenditures for special education exceed all available revenues from state funding formulas. In the determination of need, the committee shall also consider additional available revenues from federal sources. Differences in program costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards. In the determination of need, the committee shall require that districts demonstrate that they are maximizing their eligibility for all state and federal revenues related to services for special education-eligible students. Awards associated with (b) and (c) of this subsection shall not exceed the total of a district's specific determination of need.

(b) The committee shall then consider the extraordinary high cost needs of one or more individual special education students. Differences in costs attributable to district philosophy, service delivery choice, or accounting practices are not a legitimate basis for safety net awards.

(c) Using criteria developed by the committee, the committee shall then consider extraordinary costs associated with communities that draw a larger number of families with children in need of special education services. The safety net awards to school districts shall be adjusted to reflect amounts awarded under (b) of this subsection.

(d) The maximum allowable indirect cost for calculating safety net eligibility may not exceed the federal restricted indirect cost rate for the district plus one percent.

(e) Safety net awards must be adjusted for any audit findings or exceptions related to special education funding.

(f) Safety net awards shall be adjusted based on the percent of potential medicaid eligible students billed as calculated by the superintendent in accordance with chapter 318, Laws of 1999. The state safety net oversight committee shall ensure that safety net documentation and awards are based on current medicaid revenue amounts.

(9) The superintendent of public instruction may adopt such rules and procedures as are necessary to administer the special education funding and safety net award process. Prior to revising any standards, procedures, or rules, the superintendent shall consult with the office of financial management and the fiscal committees of the legislature.

(10) The safety net oversight committee appointed by the superintendent of public instruction shall consist of:

(a) One staff from the office of superintendent of public instruction;

(b) Staff of the office of the state auditor who shall be nonvoting members of the committee; and

(c) One or more representatives from school districts or educational service districts knowledgeable of special education programs and funding.

(11) The office of the superintendent of public instruction shall review and streamline the application process to access safety net funds, provide technical assistance to school districts, and annually survey school districts regarding improvement to the process.

(12) A maximum of $678,000 may be expended from the general fund--state appropriations to fund 5.43 full-time equivalent teachers and 2.1 full-time equivalent aides at children's orthopedic hospital and medical center. This amount is in lieu of money provided through the home and hospital allocation and the special education program.

(13) A maximum of $1,000,000 of the general fund--federal appropriation is provided for projects to provide special education students with appropriate job and independent living skills, including work experience where possible, to facilitate their successful transition out of the public school system. The funds provided by this subsection shall be from federal discretionary grants.

(14) $50,000 of the general fund--state appropriation for fiscal year 2010, $50,000 of the general fund--state appropriation for fiscal year 2011, and $100,000 of the general fund--federal appropriation shall be expended to support a special education ombudsman program within the office of superintendent of public instruction. The purpose of the program is to provide support to parents, guardians, educators, and students with disabilities. The program will provide information to help families and educators understand state laws, rules, and regulations, and access training and support, technical information services, and mediation services. The ombudsman program will provide data, information, and appropriate recommendations to the office of superintendent of public instruction, school districts, educational service districts, state need projects, and the parent and teacher information center. Within the appropriations in this section there is sufficient funding provided to also provide at least a half-time support staff position for the special education ombudsman program.

(15) The superintendent shall maintain the percentage of federal flow-through to school districts at 85 percent. In addition to other

purposes, school districts may use increased federal funds for high-cost students, for purchasing regional special education services from educational service districts, and for staff development activities particularly relating to inclusion issues.

(16) A maximum of $1,200,000 of the general fund--federal appropriation may be expended by the superintendent for projects related to use of inclusion strategies by school districts for provision of special education services.

(17) The superintendent, consistent with federal IDEA reauthorization, shall continue to educate school districts on how to implement a birth-to-three program and review the cost effectiveness and learning benefits of early intervention.

(18) A school district may carry over from one year to the next year up to 10 percent of the general fund--state funds allocated under this program; however, carryover funds shall be expended in the special education program.

NEW SECTION. **Sec. 508. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR EDUCATIONAL SERVICE DISTRICTS**

General Fund--State Appropriation (FY 2010)	$9,650,000
General Fund--State Appropriation (FY 2011)	$9,686,000
TOTAL APPROPRIATION	$19,336,000

The appropriations in this section are subject to the following conditions and limitations:

(1) The educational service districts shall continue to furnish financial services required by the superintendent of public instruction and RCW 28A.310.190 (3) and (4).

(2) $3,355,000 of the general fund--state appropriation in fiscal year 2010 and $3,355,000 of the general fund--state appropriation in fiscal year 2011 are provided solely for regional professional development related to mathematics and science curriculum and instructional strategies. For each educational service district, $372,357 is provided in each fiscal year for professional development activities related to mathematics and science curriculum and instruction. Each educational service district shall use this funding solely for salary and benefits for a certificated instructional staff with expertise in the appropriate subject matter and in professional development delivery, and for travel, materials, and other expenditures

related to providing regional professional development support. The office of superintendent of public instruction shall also allocate to each educational service district additional amounts provided in section 504 of this act for compensation increases associated with the salary amounts and staffing provided in this subsection (2).

(3) The educational service districts, at the request of the state board of education pursuant to RCW 28A.310.010 and 28A.310.340, may receive and screen applications for school accreditation, conduct school accreditation site visits pursuant to state board of education rules, and submit to the state board of education post-site visit recommendations for school accreditation. The educational service districts may assess a cooperative service fee to recover actual plus reasonable indirect costs for the purposes of this subsection.

(4) $1,327,000 of the general fund--state appropriation for fiscal year 2010 and $1,362,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to educational service districts to provide financial technical assistance to school districts, including review of school district budget and revenue conditions, monitoring of fund balances, and support for school districts facing binding conditions, as well as oversight for school districts in binding conditions. These efforts shall be coordinated through and with the office of the superintendent of public instruction.

NEW SECTION. **Sec. 509. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR LOCAL EFFORT ASSISTANCE**

General Fund--State Appropriation (FY 2010) $195,277,000
General Fund--State Appropriation (FY 2011) $165,536,000
TOTAL APPROPRIATION $360,813,000

NEW SECTION. **Sec. 510. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR INSTITUTIONAL EDUCATION PROGRAMS**

General Fund--State Appropriation (FY 2010) $20,127,000
General Fund--State Appropriation (FY 2011) $19,797,000
TOTAL APPROPRIATION $39,924,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Each general fund--state fiscal year appropriation includes

such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(2) State funding provided under this section is based on salaries and other expenditures for a 220-day school year. The superintendent of public instruction shall monitor school district expenditure plans for institutional education programs to ensure that districts plan for a full-time summer program.

(3) State funding for each institutional education program shall be based on the institution's annual average full-time equivalent student enrollment. Staffing ratios for each category of institution shall remain the same as those funded in the 1995-97 biennium.

(4) The funded staffing ratios for education programs for juveniles age 18 or less in department of corrections facilities shall be the same as those provided in the 1997-99 biennium.

(5) $215,000 of the general fund--state appropriation for fiscal year 2010 and $215,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to maintain at least one certificated instructional staff and related support services at an institution whenever the K-12 enrollment is not sufficient to support one full-time equivalent certificated instructional staff to furnish the educational program. The following types of institutions are included: Residential programs under the department of social and health services for developmentally disabled juveniles, programs for juveniles under the department of corrections, and programs for juveniles under the juvenile rehabilitation administration.

(6) Ten percent of the funds allocated for each institution may be carried over from one year to the next.

<u>NEW SECTION.</u> **Sec. 511. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR PROGRAMS FOR HIGHLY CAPABLE STUDENTS**

General Fund--State Appropriation (FY 2010) $9,485,000
General Fund--State Appropriation (FY 2011) $9,516,000
TOTAL APPROPRIATION $19,001,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Each general fund fiscal year appropriation includes such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(2) Allocations for school district programs for highly capable students shall be distributed at a maximum rate of $404.81 per funded student for the 2009-10 school year and $404.81 per funded student for the 2010-11 school year, exclusive of salary and benefit adjustments pursuant to section 504 of this act. The number of funded students shall be a maximum of 2.314 percent of each district's full-time equivalent basic education enrollment.

(3) $170,000 of the fiscal year 2010 appropriation and $170,000 of the fiscal year 2011 appropriation are provided for the centrum program at Fort Worden state park.

(4) $90,000 of the fiscal year 2010 appropriation and $90,000 of the fiscal year 2011 appropriation are provided for the Washington destination imagination network and future problem-solving programs.

NEW SECTION. **Sec. 512. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR MISCELLANEOUS PURPOSES UNDER THE ELEMENTARY AND SECONDARY SCHOOL IMPROVEMENT ACT AND THE NO CHILD LEFT BEHIND ACT**

General Fund--Federal Appropriation $43,450,000

NEW SECTION. **Sec. 513. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--EDUCATION REFORM PROGRAMS**

General Fund--State Appropriation (FY 2010) $91,038,000
General Fund--State Appropriation (FY 2011) $99,889,000
General Fund--Federal Appropriation $152,626,000
Education Legacy Trust Account--State Appropriation . . . $101,209,000
TOTAL APPROPRIATION $444,762,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $39,108,000 of the general fund--state appropriation for fiscal year 2010, $40,668,000 of the general fund--state appropriation for fiscal year 2011, $1,350,000 of the education legacy trust account--state appropriation, and $15,868,000 of the general fund--federal appropriation are provided solely for development and implementation of the Washington assessments of student learning (WASL), including: (i) Development and implementation of retake assessments for high school students who are not successful in one or more content areas of the WASL; and (ii) development and implementation of alternative assessments or appeals procedures to implement the

certificate of academic achievement. The superintendent of public instruction shall report quarterly on the progress on development and implementation of alternative assessments or appeals procedures. Within these amounts, the superintendent of public instruction shall contract for the early return of 10th grade student WASL results, on or around June 10th of each year.

(2) $3,249,000 of the general fund--state appropriation for fiscal year 2010 and $3,249,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for end-of-course tests in math.

(3) $250,000 of the general fund--state appropriation for fiscal year 2010, $250,000 of the general fund--state appropriation for fiscal year 2011, and $4,400,000 of the education legacy trust account--state appropriation is provided solely for the development and implementation of diagnostic assessments to support the development and implementation of voluntary classroom-based diagnostic assessments and progress monitoring tools for all subject areas included in the WASL by the office of the superintendent of public instruction.

(4) $70,000 of the general fund--state appropriation for fiscal year 2010 and $70,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the second grade assessments.

(5) $1,014,000 of the education legacy trust account appropriation is provided solely for allocations to districts for salaries and benefits for the equivalent of two additional professional development days for fourth and fifth grade teachers during the 2008-09 school year. Districts may use the funding to support additional days for professional development as well as job-embedded forms of professional development.

(6) $1,385,000 of the education legacy trust fund appropriation is provided solely for allocations to districts for salaries and benefits for the equivalent of three additional professional development days for middle and high school math teachers and the equivalent of three additional professional development days for middle and high school science teachers during the 2008-09 school year. Districts may use the funding to support additional days for professional development as well as job-embedded forms of professional development.

(7) $1,856,000 of the education legacy trust fund appropriation is provided solely for allocations to districts for specialized professional development in math for one math teacher and one science

teacher in each middle school and one math teacher and one science teacher in each high school during the 2008-09 school year. The allocations shall be based on five additional professional development days per teacher and an additional allocation per teacher of $1,500 for training costs. In order to generate an allocation under this subsection, a teacher must participate in specialized professional development that leads to the implementation of mathematics and science courses that add new rigor to the math and science course offerings in the school.

(8) $7,472,000 of the education legacy trust account--state appropriation is provided solely for a math and science instructional coaches program. Funding shall be used to provide grants to schools and districts for salaries, benefits, and professional development activities for twenty-five instructional coaches in middle and high school math in each year and twenty-five instructional coaches in middle and high school science in each year; and up to $300,000 may be used by the office of the superintendent of public instruction to administer and coordinate the program. Each instructional coach will receive five days of training at a coaching institute prior to being assigned to serve two schools each. These coaches will attend meetings during the year to further their training and assist with coordinating statewide trainings on math and science.

(9) $139,000 of the general fund--state appropriation for fiscal year 2010 and $139,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for (a) staff at the office of the superintendent of public instruction to coordinate and promote efforts to develop integrated math, science, technology, and engineering programs in schools and districts across the state; and (b) grants of $2,500 to provide twenty middle and high school teachers each year professional development training for implementing integrated math, science, technology, and engineering program in their schools.

(10) $3,079,000 of the general fund--state appropriation for fiscal year 2010 and $3,079,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the Washington state leadership assistance for science education reform (LASER) regional partnership coordinated at the Pacific science center.

(11) $81,020,000 of the education legacy trust account--state appropriation is provided solely for grants for voluntary full-day

kindergarten at the highest poverty schools. The office of the superintendent of public instruction shall provide allocations to districts for recipient schools in accordance with the funding formulas provided in section 502 of this act. Each kindergarten student who enrolls for the voluntary full-day program in a recipient school shall count as one-half of one full-time equivalent student for the purpose of making allocations under this subsection. Although the allocations are formula-driven, the office of the superintendent shall consider the funding provided in this subsection as a fixed amount, and shall limit the number of recipient schools so as to stay within the amounts appropriated each fiscal year in this subsection. The funding provided in this subsection is estimated to provide full-day kindergarten programs for 20 percent of kindergarten enrollment in the 2009-10 school year and 20 percent of kindergarten enrollment in the 2010-11 school year. Funding priority shall be given to schools with the highest poverty levels, as measured by prior year free and reduced priced lunch eligibility rates in each school. Additionally, as a condition of funding, school districts must agree to provide the full-day program to the children of parents who request it in each eligible school. For the purposes of calculating a school district levy base, funding provided in this subsection shall be considered a state block grant program under RCW 84.52.0531.

(a) Of the amounts provided in this subsection, a maximum of $272,000 may be used for administrative support of the full-day kindergarten program within the office of the superintendent of public instruction.

(b) Student enrollment pursuant to this program shall not be included in the determination of a school district's overall K-12 FTE for the allocation of student achievement programs and other funding formulas unless specifically stated.

(12) $2,062,000 of the education legacy trust account--state appropriation is provided solely for grants for three demonstration projects for kindergarten through grade three during the 2008-09 and 2009-10 school years. The purpose of the grants is to implement best practices in developmental learning in kindergarten through third grade.

(13) $800,000 of the general fund--state appropriation for fiscal year 2010 and $1,000,000 of the general fund--state appropriation for

fiscal year 2011 are provided solely for the development of a leadership academy for school principals and administrators. The superintendent of public instruction shall contract with an independent organization to implement a state-of-the-art education leadership academy that will be accessible throughout the state. Semiannually the independent organization shall report on amounts committed by foundations and others to support the development and implementation of this program. Leadership academy partners, with varying roles, shall include the state level organizations for school administrators and principals, the superintendent of public instruction, the professional educator standards board, and others as the independent organization shall identify.

(14) $200,000 of the general fund--state appropriation for fiscal year 2010 and $100,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the professional educator standards board (PESB) to design a teacher induction program that: (a) Meets the needs of new teachers; (b) is based upon research; and (c) is aligned with the state certification system. The final design shall guide beginning teachers through skill development from initial certification (the residency certificate) to preparation for the professional level certificate assessment. The PESB shall consult with organizations in the state of Washington performing related work, including privately funded entities, as well as education and higher education stakeholders. Recommendations shall be reported to the governor and education committees of the senate and house of representatives by October 1, 2010.

(15) $105,765,000 of the general fund--federal appropriation is provided for preparing, training, and recruiting high quality teachers and principals under Title II of the no child left behind act.

(16) $488,000 of the general fund--state appropriation for fiscal year 2010 and $488,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a principal support program. The office of the superintendent of public instruction may contract with an independent organization to administer the program. The program shall include: (a) Development of an individualized professional growth plan for a new principal or principal candidate; and (b) participation of a mentor principal who works over a period of between one and three years with the new principal or principal

candidate to help him or her build the skills identified as critical to the success of the professional growth plan. Within the amounts provided, $25,000 per year shall be used to support additional participation of secondary principals.

(17) $3,046,000 of the general fund--state appropriation for fiscal year 2010 and $3,046,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to the office of the superintendent of public instruction for focused assistance. The office of the superintendent of public instruction shall conduct educational audits of low-performing schools and enter into performance agreements between school districts and the office to implement the recommendations of the audit and the community. Each educational audit shall include recommendations for best practices and ways to address identified needs and shall be presented to the community in a public meeting to seek input on ways to implement the audit and its recommendations.

(18) $1,000,000 of the general fund--state appropriation for fiscal year 2010 and $1,000,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for a high school and school district improvement program modeled after the office of the superintendent of public instruction's existing focused assistance program. The state funding for this improvement program will match an equal amount committed by a nonprofit foundation in furtherance of a jointly funded program.

(19) $125,000 of the general fund--state appropriation for fiscal year 2010 and $125,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the improvement of reading achievement and implementation of research-based reading models.

(20) $30,702,000 of the general fund--federal appropriation is provided for the reading first program under Title I of the no child left behind act.

(21) $1,667,000 of the general fund--state appropriation for fiscal year 2010 and $1,667,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to eliminate the lunch co-pay for students in grades kindergarten through third grade that are eligible for reduced price lunch.

(22) $400,000 of the education legacy trust account--state appropriation is provided solely for the development of mathematics

support activities provided by community organizations in after school programs. The office of the superintendent of public instruction shall administer grants to community organizations that partner with school districts to provide these activities and develop a mechanism to report program and student success.

(23) $5,285,000 of the general fund--state appropriation for fiscal year 2010 and $5,285,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for: (a) The meals for kids program under RCW 28A.235.145 through 28A.235.155; (b) to eliminate the breakfast co-pay for students eligible for reduced price lunch; and (c) for additional assistance for school districts initiating a summer food service program.

(24)(a) $24,595,000 of the general fund--state appropriation for fiscal year 2010 and $31,772,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the following bonuses for teachers who hold valid, unexpired certification from the national board for professional teaching standards and who are teaching in a Washington public school, subject to the following conditions and limitations:

(i) For national board certified teachers, a bonus of $5,105 per teacher per year. National board certified teachers who become public school principals shall continue to receive this bonus for as long as they are principals and maintain the national board certification;

(ii) An additional $5,000 annual bonus shall be paid to national board certified teachers who teach in either: (A) High schools where at least 50 percent of student headcount enrollment is eligible for federal free or reduced price lunch, (B) middle schools where at least 60 percent of student headcount enrollment is eligible for federal free or reduced price lunch, or (C) elementary schools where at least 70 percent of student headcount enrollment is eligible for federal free or reduced price lunch; and

(b) Included in the amounts provided in this subsection are amounts for mandatory fringe benefits.

(25) $600,000 of the general fund--state appropriation for fiscal year 2010 and $600,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the local farms and healthy kids grant program.

(26) $1,133,000 of the general fund--state appropriation for fiscal year 2010 and $1,133,000 of the general fund--state appropriation for fiscal year 2011 are provided solely to allow approved middle and junior high school career and technical education programs to receive enhanced vocational funding. The office of the superintendent of public instruction shall provide allocations to districts for middle and junior high school students in accordance with the funding formulas provided in section 502 of this act. Although the allocations are formula-driven, the office of the superintendent shall consider the funding provided in this subsection as a fixed amount, and shall adjust funding to stay within the amounts provided in this subsection.

(27) $2,750,000 of the general fund--state appropriation for fiscal year 2010 and $2,750,000 of the general fund--state appropriation for fiscal ear 2011 are provided solely for secondary career and technical education grants pursuant to chapter 170, Laws of 2008.

NEW SECTION. **Sec. 514. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR TRANSITIONAL BILINGUAL PROGRAMS**

General Fund--State Appropriation (FY 2010)	$78,674,000
General Fund--State Appropriation (FY 2011)	$81,810,000
General Fund--Federal Appropriation	$45,263,000
TOTAL APPROPRIATION	$205,747,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Each general fund fiscal year appropriation includes such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(2) The superintendent shall distribute a maximum of $911.45 per eligible bilingual student in the 2009-10 school year and $911.45 in the 2010-11 school year, exclusive of salary and benefit adjustments provided in section 504 of this act.

(3) The superintendent may withhold up to 1.5 percent of the school year allocations to school districts in subsection (2) of this section, and adjust the per eligible pupil rates in subsection (2) of this section accordingly, solely for the central provision of assessments as provided in RCW 28A.180.090 (1) and (2).

(4) $70,000 of the amounts appropriated in this section are

No. 82577-7
JSF925 0563

provided solely to track current and former transitional bilingual program students.

(5) The general fund--federal appropriation in this section is provided for migrant education under Title I Part C and English language acquisition, and language enhancement grants under Title III of the elementary and secondary education act.

NEW SECTION. **Sec. 515. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR THE LEARNING ASSISTANCE PROGRAM**

General Fund--State Appropriation (FY 2010) $102,245,000
General Fund--State Appropriation (FY 2011) $104,918,000
General Fund--Federal Appropriation $365,019,000
Education Legacy Trust Account--State Appropriation $47,980,000
TOTAL APPROPRIATION $620,162,000

The appropriations in this section are subject to the following conditions and limitations:

(1) The general fund--state appropriations in this section are subject to the following conditions and limitations:

(a) The appropriations include such funds as are necessary to complete the school year ending in the fiscal year and for prior fiscal year adjustments.

(b) Funding for school district learning assistance programs shall be allocated at maximum rates of $284.47 per funded student for the 2009-10 school year and $285.42 per funded student for the 2010-11 school year exclusive of salary and benefit adjustments provided under section 504 of this act.

(c) A school district's funded students for the learning assistance program shall be the sum of the following as appropriate:

(i) The district's full-time equivalent enrollment in grades K-12 for the prior school year multiplied by the district's percentage of October headcount enrollment in grades K-12 eligible for free or reduced price lunch in the prior school year; and

(ii) If, in the prior school year, the district's percentage of October headcount enrollment in grades K-12 eligible for free or reduced price lunch exceeded forty percent, subtract forty percent from the district's percentage and multiply the result by the district's K-12 annual average full-time equivalent enrollment for the prior school year.

(d) Within amounts appropriated in this section, funding is provided for an additional amount shall be allocated to school districts with high concentrations of poverty and English language learner students pursuant to chapter 328, Laws of 2008.

(2) The general fund--federal appropriation in this section is provided for Title I Part A allocations of the no child left behind act of 2001.

(3) Small school districts are encouraged to make the most efficient use of the funding provided by using regional educational service district cooperatives to hire staff, provide professional development activities, and implement reading and mathematics programs consistent with research-based guidelines provided by the office of the superintendent of public instruction.

(4) A school district may carry over from one year to the next up to 10 percent of the general fund--state or education legacy trust funds allocated under this program; however, carryover funds shall be expended for the learning assistance program.

(5) School districts are encouraged to coordinate the use of these funds with other federal, state, and local sources to serve students who are below grade level and to make efficient use of resources in meeting the needs of students with the greatest academic deficits.

(6) Within amounts appropriated in this section, funding is provided for the extended learning program to provide additional instructional services for eligible students in grades eight, eleven, and twelve during the regular school day, evenings, on weekends, or at other times in order to meet the needs of these students pursuant to chapter 328, Laws of 2008.

NEW SECTION. **Sec. 516. FOR THE SUPERINTENDENT OF PUBLIC INSTRUCTION--FOR STUDENT ACHIEVEMENT PROGRAM**

Student Achievement Account--State
Appropriation (FY 2010) $374,679,000
Student Achievement Account--State
Appropriation (FY 2011) $358,199,000
TOTAL APPROPRIATION $732,878,000

The appropriations in this section are subject to the following conditions and limitations:

(1) Funding for school district student achievement programs shall be allocated at a maximum rate of $364.14 per FTE student for the 2009-10 school year and $364.14 per FTE student for the 2010-11 school year. For the purposes of this section, FTE student refers to the annual average full-time equivalent enrollment of the school district in grades kindergarten through eight for the prior school year, as reported to the office of the superintendent of public instruction by August 31st of the previous school year.

(2) The superintendent of public instruction shall distribute the school year allocation according to the monthly apportionment schedule defined in RCW 28A.510.250.

NEW SECTION. **Sec. 517. K-12 CARRYFORWARD AND PRIOR SCHOOL YEAR ADJUSTMENTS.** State general fund and state student achievement fund appropriations provided to the superintendent of public instruction for state entitlement programs in the public schools in this part V of this act may be expended as needed by the superintendent for adjustments to apportionment for prior fiscal periods. Recoveries of state general fund moneys from school districts and educational service districts for a prior fiscal period shall be made as reductions in apportionment payments for the current fiscal period and shall be shown as prior year adjustments on apportionment reports for the current period. Such recoveries shall not be treated as revenues to the state, but as a reduction in the amount expended against the appropriation for the current fiscal period.

(End of part)

PART VI
HIGHER EDUCATION

NEW SECTION. **Sec. 601.** The appropriations in sections 605 through 611 of this act are subject to the following conditions and limitations:

(1) "Institutions" means the institutions of higher education receiving appropriations under sections 604 through 610 of this act.

(2) The legislature, the office of financial management, and other state agencies need consistent and accurate personnel data from institutions of higher education for policy planning purposes. Institutions of higher education shall report personnel data to the department of personnel for inclusion in the department's data warehouse. Uniform reporting procedures shall be established by the department of personnel for use by the reporting institutions, including provisions for common job classifications and common definitions of full-time equivalent staff. Annual contract amounts, number of contract months, and funding sources shall be consistently reported for employees under contract.

(3) In addition to waivers granted under the authority of RCW 28B.15.910, the governing boards and the state board may waive all or a portion of operating fees for any student. State general fund appropriations shall not be provided to replace tuition and fee revenue foregone as a result of waivers granted under this subsection.

(4) The colleges of education for institutions with appropriations in sections 605 through 610 shall develop a plan, by October 30, 2009, to increase the number of math and science teacher endorsements and certificates granted by the institution. The plan shall address the college's math and science teacher endorsement and certification completion goal for each of the next six years, beginning with the 2010-2011 academic year, and shall be reported to the governor, the higher education coordinating board (HECB) and the professional educator standards board (PESB). Plan components may address: Student advising practices, increase outreach and recruitment efforts, linkages with university mathematics and science departments, and implementation of redesigned, innovative endorsement and certification programs. To accomplish this work, enrollments may need to be shifted from low-need

endorsement and certificate areas to math and science. A report shall be made each October 30th to the HECB and PESB regarding the degree to which plan goals have been met and activities undertaken to support those outcomes.

<u>NEW SECTION.</u> **Sec. 602. PUBLIC BACCALAUREATE INSTITUTIONS.** The tuition fees, as defined in RCW 28B.15.020, charged to students at the state's institutions of higher education may be adjusted by the governing boards of the state universities, regional universities, and The Evergreen State College for the 2009-10 and 2010-11 academic years, including summer sessions, subject to the limitations set forth in this section.

(1) The governing boards of the research universities, regional universities, and The Evergreen State College may implement annual increases no greater than seven percent over tuition fees charged to resident undergraduate students for the prior academic year.

(2) Each of the governing boards of the public four-year institutions is authorized to raise nonresident undergraduate and resident and nonresident graduate and professional tuition pursuant to RCW 28B.15.067.

(3) Each of the governing boards of the public four-year institutions is authorized to raise summer quarter or semester tuition fees for resident and nonresident undergraduate, graduate, and professional students pursuant to RCW 28B.15.067.

<u>NEW SECTION.</u> **Sec. 603. STATE BOARD FOR COMMUNITY AND TECHNICAL COLLEGES.** (1) For the 2009-10 and 2010-11 academic years, the state board for community and technical colleges may increase tuition fees by no more than five percent over tuition fees charged to resident and nonresident students for the prior academic year. For the 2009-11 biennium, the state board for community and technical colleges may increase tuition fees under this subsection differentially based on student credit hour load at their discretion, provided that the overall increase in average tuition revenue per student does not exceed five percent.

(2) The state board for community and technical colleges may increase tuition fees by no more than seven percent over tuition fees

charged for upper division courses in applied baccalaureate programs in the prior academic year.

(3) For the 2009-10 and 2010-11 academic years, the technical colleges may increase tuition fees by no more than five percent over tuition fees charged to full-time resident and nonresident students for the prior academic year, to conform with the percentage increase in community college tuition fees.

NEW SECTION. **Sec. 604. FOR THE STATE BOARD FOR COMMUNITY AND TECHNICAL COLLEGES**

General Fund--State Appropriation (FY 2010) $683,151,000
General Fund--State Appropriation (FY 2011) $686,413,000
Education Legacy Trust Account--State Appropriation $95,135,000
TOTAL APPROPRIATION $1,464,699,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $28,761,000 of the general fund--state appropriation for fiscal year 2010 and $28,761,000 of the general fund--state appropriation for fiscal year 2011 are provided solely as special funds for training and related support services, including financial aid, as specified in RCW 28C.04.390. Funding is provided to support up to 6,200 full-time equivalent students in each fiscal year.

(2) $2,725,000 of the general fund--state appropriation for fiscal year 2010 and $2,725,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for administration and customized training contracts through the job skills program. The state board shall make an annual report by January 1st of each year to the governor and to appropriate policy and fiscal committees of the legislature regarding implementation of this section, listing the scope of grant awards, the distribution of funds by educational sector and region of the state, and the results of the partnerships supported by these funds.

(3) Of the amounts appropriated in this section, $3,500,000 is provided for the student achievement initiative.

(4) The community and technical colleges shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, the colleges must continue to prepare graduates in certain

programs with high employer demand. Community and technical colleges shall produce at least 22,000 completers in job preparatory and apprenticeship programs.

NEW SECTION. **Sec. 605. FOR THE UNIVERSITY OF WASHINGTON**

General Fund--State Appropriation (FY 2010)	$344,798,000
General Fund--State Appropriation (FY 2011)	$334,079,000
Education Legacy Trust Account--State Appropriation	$54,627,000
Accident Account--State Appropriation	$6,797,000
Medical Aid Account--State Appropriation	$6,604,000
Biotoxin Account--State Appropriation	$450,000
TOTAL APPROPRIATION	$747,355,000

The appropriations in this section are subject to the following conditions and limitations; The president and regents shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, each institution must continue to prepare graduates in certain programs with high employer demand. The University of Washington shall produce at least 3,996 graduates in the following programs: Natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

NEW SECTION. **Sec. 606. FOR WASHINGTON STATE UNIVERSITY**

General Fund--State Appropriation (FY 2010)	$218,885,000
General Fund--State Appropriation (FY 2011)	$213,166,000
Education Legacy Trust Account--State Appropriation	$34,698,000
TOTAL APPROPRIATION	$466,749,000

The appropriations in this section are subject to the following conditions and limitations: The president and regents shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, each institution must continue to prepare graduates in certain programs with high employer demand. Washington State University shall produce at least 1,429 graduates in the following programs: Natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

NEW SECTION. **Sec. 607. FOR EASTERN WASHINGTON UNIVERSITY**

General Fund--State Appropriation (FY 2010)	$46,755,000
General Fund--State Appropriation (FY 2011)	$45,307,000
Education Legacy Trust Account--State Appropriation	$16,087,000
TOTAL APPROPRIATION	$108,149,000

The appropriations in this section are subject to the following conditions and limitations: The president and regents shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, each institution must continue to prepare graduates in certain programs with high employer demand. Eastern Washington University shall produce at least 463 graduates in the following programs: Natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

NEW SECTION. **Sec. 608. FOR CENTRAL WASHINGTON UNIVERSITY**

General Fund--State Appropriation (FY 2010)	$45,946,000
General Fund--State Appropriation (FY 2011)	$44,209,000
Education Legacy Trust Account--State Appropriation	$19,076,000
TOTAL APPROPRIATION	$109,231,000

The appropriations in this section are subject to the following conditions and limitations: The president and regents shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, each institution must continue to prepare graduates in certain programs with high employer demand. Central Washington University shall produce at least 274 graduates in the following programs: Natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

NEW SECTION. **Sec. 609. FOR THE EVERGREEN STATE COLLEGE**

General Fund--State Appropriation (FY 2010)	$25,986,000
General Fund--State Appropriation (FY 2011)	$24,813,000
Education Legacy Trust Account--State Appropriation	$5,450,000
TOTAL APPROPRIATION	$56,249,000

NEW SECTION. **Sec. 610. FOR WESTERN WASHINGTON UNIVERSITY**

General Fund--State Appropriation (FY 2010)	$61,219,000
General Fund--State Appropriation (FY 2011)	$59,770,000
Education Legacy Trust Account--State Appropriation	$13,036,000
TOTAL APPROPRIATION	$134,025,000

The appropriations in this section are subject to the following conditions and limitations: The president and regents shall manage budget reductions to minimize the impact to students. In recognition of the fact that higher education is an important driver of economic development, each institution must continue to prepare graduates in certain programs with high employer demand. Western Washington University shall produce at least 534 graduates in the following programs: Natural resources/conservation, computer science, mathematics, engineering, physical sciences, biological sciences, and health professions/clinical sciences.

NEW SECTION. **Sec. 611. FOR THE HIGHER EDUCATION COORDINATING BOARD--POLICY COORDINATION AND ADMINISTRATION**

General Fund--State Appropriation (FY 2010)	$8,571,000
General Fund--State Appropriation (FY 2011)	$8,492,000
General Fund--Federal Appropriation	$4,358,000
TOTAL APPROPRIATION	$21,421,000

The appropriations in this section are subject to the following conditions and limitations: The higher education coordinating board, in coordination with the research and regional colleges and universities, shall review options and develop a recommended approach for implementing a graduated tuition policy. The review shall address related impacts in the state need grant and the guaranteed education tuition (GET) program. Recommendations shall be submitted to the governor and the higher education and ways and means committees of the legislature by October 1, 2009.

NEW SECTION. **Sec. 612. FOR THE HIGHER EDUCATION COORDINATING BOARD--FINANCIAL AID AND GRANT PROGRAMS**

General Fund--State Appropriation (FY 2010)	$193,235,000
General Fund--State Appropriation (FY 2011)	$205,944,000
General Fund--Federal Appropriation	$13,135,000
Education Legacy Trust Account--State Appropriation	$96,262,000

TOTAL APPROPRIATION $508,576,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $181,942,000 of the general fund--state appropriation for fiscal year 2010, $194,648,000 of the general fund--state appropriation for fiscal year 2011, $39,782,000 of the education legacy trust account appropriation for fiscal year 2010, $40,050,000 of the education legacy trust account appropriation for fiscal year 2011, and $2,886,000 of the general fund--federal appropriation are provided solely for student financial aid payments under the state need grant; the state work study program including up to a four percent administrative allowance; the Washington scholars program; and the Washington award for vocational excellence. State need grant, state work study, and the Washington award for vocational excellence programs shall increase grant awards sufficiently to offset the full cost of the resident undergraduate tuition increases authorized under this act.

(2)(a) Within the funds appropriated in this section, eligibility for the state need grant shall include students with family incomes at or below 65 percent of the state median family income (MFI), adjusted for family size. Awards for students with incomes between 51 and 65 percent of the state median shall be prorated at the following percentages of the award amount granted to those with incomes below 51 percent of the MFI: 70 percent for students with family incomes between 51 and 55 percent MFI; 65 percent for students with family incomes between 56 and 60 percent MFI; and 60 percent for students with family incomes between 61 and 65 percent MFI.

(b) The maximum grant awards for students at private four-year colleges shall be held constant from the fiscal year 2009 level for those students with family incomes less than 51 percent of median family income. Grant awards for private school students with family incomes between 51 and 65 percent median family income shall be adjusted from the maximum private school award according to percentages in (a) of this subsection.

(3) $1,500,000 of the general fund--state appropriation for fiscal year 2010 and $1,500,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for the GET ready for math and science program.

(4) $7,400,000 of the education legacy trust account appropriation is provided solely for investment to fulfill the scholarship commitments in the college bound scholarship program.

(5) $1,000,000 of the education legacy trust account--state appropriation is provided solely to encourage more students to teach secondary mathematics and science. $500,000 of this amount is for the future teacher scholarship and conditional loan program. $500,000 of this amount is provided to support state work study positions for students to intern in secondary schools and classrooms.

(6) $4,672,000 of the education legacy trust account--state appropriation is provided solely for the passport to college scholarship program. Funds are provided for student scholarships, provider training, and for incentive payments to the colleges they attend for individualized student support services which may include, but are not limited to, college and career advising, counseling, tutoring, costs incurred for students while school is not in session, personal expenses, health insurance, and emergency services.

(7) $246,000 of the general fund--state appropriation for fiscal year 2010 and $246,000 of the general fund--state appropriation for fiscal year 2011 are for community scholarship matching grants and its administration. To be eligible for the matching grant, nonprofit groups organized under section 501(c)(3) of the federal internal revenue code must demonstrate they have raised at least $2,000 in new moneys for college scholarships after the effective date of this section. Groups may receive no more than one $2,000 matching grant per year and preference shall be given to groups affiliated with scholarship America. Up to a total of $46,000 per year of the amount appropriated in this section may be awarded to a nonprofit community organization to administer scholarship matching grants, with preference given to an organization affiliated with scholarship America.

(8) $500,000 of the general fund--state appropriation for fiscal year 2010 and $500,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for state need grants provided to students enrolled in three to five credit-bearing quarter credits, or the equivalent semester credits. Total state expenditures on this program shall not exceed the amounts appropriated in this subsection.

NEW SECTION. **Sec. 613. FOR THE WORK FORCE TRAINING AND EDUCATION COORDINATING BOARD**

General Fund--State Appropriation (FY 2010)	$1,690,000
General Fund--State Appropriation (FY 2011)	$1,671,000
General Fund--Federal Appropriation	$54,057,000
TOTAL APPROPRIATION	$57,418,000

NEW SECTION. **Sec. 614. FOR THE SPOKANE INTERCOLLEGIATE RESEARCH AND TECHNOLOGY INSTITUTE**

General Fund--State Appropriation (FY 2010)	$1,629,000
General Fund--State Appropriation (FY 2011)	$1,648,000
TOTAL APPROPRIATION	$3,277,000

NEW SECTION. **Sec. 615. FOR THE DEPARTMENT OF EARLY LEARNING**

General Fund--State Appropriation (FY 2010)	$62,223,000
General Fund--State Appropriation (FY 2011)	$62,662,000
General Fund--Federal Appropriation	$222,467,000
TOTAL APPROPRIATION	$347,352,000

The appropriations in this section are subject to the following conditions and limitations:

(1) $56,437,000 of the general fund--state appropriation for fiscal year 2010 and $56,437,000 of the general fund--state appropriation for fiscal year 2011 are provided solely for early childhood education and assistance program services. This appropriation shall fund 8,226 slots per year at an average rate of $6,674 per slot. Of these amounts, $10,284,000 is a portion of the biennial amount of state matching dollars required to receive federal child care and development fund grant dollars.

(2) $500,000 of the general fund--state appropriation for fiscal year 2010 and $500,000 of the general fund--state appropriation for fiscal year 2011 are provided to the department of early learning to contract with Thrive by Five, Washington to pilot a quality rating and improvement system to provide parents with the information they need to choose quality early care and education programs and to improve the quality of early care and education programs.

(3) The department is the lead agency for and recipient of the federal child care and development fund grant. Amounts within this grant shall be used to fund child care licensing, quality initiatives,

agency administration, and other costs associated with child care subsidies. The department shall transfer a portion of this grant to the department of social and health services to partially fund the child care subsidies paid by the department of social and health services on behalf of the department of early learning.

(4) The department shall use child care development fund money to satisfy the federal audit requirement of the improper payments act (IPIA) of 2002. In accordance with the IPIA's rules, the money spent on the audits will not count against the five percent state limit on administrative expenditures.

NEW SECTION. **Sec. 616. FOR THE STATE SCHOOL FOR THE BLIND**

General Fund--State Appropriation (FY 2010)	$6,328,000
General Fund--State Appropriation (FY 2011)	$6,350,000
General Fund--Private/Local Appropriation	$1,959,000
TOTAL APPROPRIATION	$14,637,000

The appropriations in this section are subject to the following conditions and limitations: $135,000 of the general fund--private/local appropriation for fiscal year 2010 and $136,000 of the general fund--private/local appropriation for fiscal year 2011 are provided solely for the operation of a short course program. The school for the blind shall provide this service to the extent it is funded by contracts with school districts and educational service districts.

NEW SECTION. **Sec. 617. FOR THE STATE SCHOOL FOR THE DEAF**

General Fund--State Appropriation (FY 2010)	$9,033,000
General Fund--State Appropriation (FY 2011)	$9,150,000
General Fund--Private/Local Appropriation	$526,000
TOTAL APPROPRIATION	$18,709,000

The appropriations in this section are subject to the following conditions and limitations: $126,000 of the general fund--private/local appropriation for fiscal year 2010 and $168,000 of the general fund--private/local appropriation for fiscal year 2011 are provided solely for the operation of a shared reading video outreach program. The school for the deaf shall provide this service to the extent it is funded by contracts with school districts and educational service districts.

NEW SECTION. **Sec. 618. FOR THE WASHINGTON STATE ARTS COMMISSION**

General Fund--State Appropriation (FY 2010)	$2,505,000
General Fund--State Appropriation (FY 2011)	$2,519,000
General Fund--Federal Appropriation	$1,620,000
General Fund--Private/Local Appropriation	$1,054,000
TOTAL APPROPRIATION	$7,698,000

NEW SECTION. **Sec. 619. FOR THE WASHINGTON STATE HISTORICAL SOCIETY**

General Fund--State Appropriation (FY 2010)	$4,050,000
General Fund--State Appropriation (FY 2011)	$4,160,000
TOTAL APPROPRIATION	$8,210,000

(End of part)

PART VII
SPECIAL APPROPRIATIONS

NEW SECTION. **Sec. 701. FOR THE STATE TREASURER--BOND RETIREMENT AND INTEREST, AND ONGOING BOND REGISTRATION AND TRANSFER CHARGES: FOR DEBT SUBJECT TO THE DEBT LIMIT**

General Fund--State Appropriation (FY 2010) $851,820,000
General Fund--State Appropriation (FY 2011) $896,632,000
State Building Construction Account--State
Appropriation $11,707,000
Columbia River Basin Water Supply Development Account--
State Appropriation $92,000
Hood Canal Aquatic Rehabilitation Bond Account--State
Appropriation $11,000
State Taxable Building Construction Account--State
Appropriation $1,136,000
Gardner-Evans Higher Education Construction Account--
State Appropriation $260,000
Debt-Limit Reimbursable Bond Retirement Account--State
Appropriation $2,619,000
TOTAL APPROPRIATION $1,764,277,000

The appropriations in this section are subject to the following conditions and limitations: The general fund appropriations are for expenditure into the debt-limit general fund bond retirement account. The entire general fund--state appropriation for fiscal year 2010 shall be expended into the debt-limit general fund bond retirement account by June 30, 2010.

NEW SECTION. **Sec. 702. FOR THE STATE TREASURER--BOND RETIREMENT AND INTEREST, AND ONGOING BOND REGISTRATION AND TRANSFER CHARGES: FOR GENERAL OBLIGATION DEBT TO BE REIMBURSED BY ENTERPRISE ACTIVITIES**

State Convention and Trade Center Account--State
Appropriation $14,543,000
Accident Account--State Appropriation $5,171,000
Medical Aid Account--State Appropriation $5,171,000
TOTAL APPROPRIATION $24,885,000

NEW SECTION. **Sec. 703. FOR THE STATE TREASURER--BOND RETIREMENT AND INTEREST, AND ONGOING BOND REGISTRATION AND TRANSFER CHARGES: FOR GENERAL OBLIGATION DEBT TO BE REIMBURSED AS PRESCRIBED BY STATUTE**

General Fund--State Appropriation (FY 2010) $26,463,000
General Fund--State Appropriation (FY 2011) $27,811,000
School Construction and Skill Centers Building
Account--State Appropriation $477,000
Nondebt-Limit Reimbursable Bond Retirement Account--
State Appropriation $141,507,000
TOTAL APPROPRIATION $196,258,000

The appropriations in this section are subject to the following conditions and limitations: The general fund appropriation is for expenditure into the nondebt-limit general fund bond retirement account. The entire general fund--state appropriation for fiscal year 2010 shall be expended into the nondebt-limit general fund bond retirement account by June 30, 2010.

NEW SECTION. **Sec. 704. FOR THE STATE TREASURER--BOND RETIREMENT AND INTEREST, AND ONGOING BOND REGISTRATION AND TRANSFER CHARGES: FOR BOND SALE EXPENSES**

General Fund--State Appropriation $2,714,000
State Building Construction Account--State
Appropriation $1,273,000
Columbia River Basin Water Supply Development
Account--State Appropriation $6,000
Hood Canal Aquatic Rehabilitation Bond Account--
State Appropriation $1,000
State Taxable Building Construction Account--State
Appropriation $72,000
Gardner-Evans Higher Education Construction
Account--State Appropriation $18,000
School Construction and Skill Centers Building
Account--State Appropriation $30,000
TOTAL APPROPRIATION $4,114,000

NEW SECTION. **Sec. 705. FOR THE OFFICE OF FINANCIAL MANAGEMENT--FIRE CONTINGENCY**

General Fund--State Appropriation (FY 2010) $4,000,000

General Fund--State Appropriation (FY 2011) $4,000,000
TOTAL APPROPRIATION $8,000,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the disaster response account.

NEW SECTION. **Sec. 706. FOR THE OFFICE OF FINANCIAL MANAGEMENT--DISASTER RESPONSE ACCOUNT**

General Fund--State Appropriation (FY 2010) $8,800,000
General Fund--State Appropriation (FY 2011) $8,800,000
TOTAL APPROPRIATION $17,600,000

The appropriation in this section is subject to the following conditions and limitations: The appropriation is provided solely for expenditure into the disaster response account.

NEW SECTION. **Sec. 707. FOR THE OFFICE OF FINANCIAL MANAGEMENT--EMERGENCY FUND**

General Fund--State Appropriation (FY 2010) $850,000
General Fund--State Appropriation (FY 2011) $850,000
TOTAL APPROPRIATION $1,700,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations in this section are for the governor's emergency fund for the critically necessary work of any agency.

NEW SECTION. **Sec. 708. FOR THE DEPARTMENT OF COMMUNITY, TRADE, AND ECONOMIC DEVELOPMENT--COUNTY PUBLIC HEALTH ASSISTANCE**

General Fund--State Appropriation (FY 2010) $24,000,000
General Fund--State Appropriation (FY 2011) $24,000,000
TOTAL APPROPRIATION $48,000,000

The appropriations in this section are subject to the following conditions and limitations: The director of the department of community, trade, and economic development shall distribute the appropriations to the following counties and health districts in the amounts designated:

Health District	FY 2010	FY 2011	FY 2010-11 Biennium
Adams County Health District	$30,951	$30,951	$61,902
Asotin County Health District	$67,714	$67,714	$135,428
Benton-Franklin Health District	$1,165,612	$1,165,612	$2,331,224
Chelan-Douglas Health District	$184,761	$184,761	$369,522
Clallam County Health and Human Services Department	$141,752	$141,752	$283,504
Southwest Washington Health District	$1,084,473	$1,084,473	$2,168,946
Columbia County Health District	$40,529	$40,529	$81,058
Cowlitz County Health Department	$278,560	$278,560	$557,120
Garfield County Health District	$15,028	$15,028	$30,056
Grant County Health District	$118,595	$118,596	$237,191
Grays Harbor Health Department	$183,870	183,870	$367,740
Island County Health Department	$91,892	$91,892	$183,784
Jefferson County Health and Human Services	$85,782	$85,782	$171,564
Seattle-King County Department of Public Health	$9,531,747	$9,531,747	$19,063,494
Bremerton-Kitsap County Health District	$554,669	$554,669	$1,109,338
Kittitas County Health Department	$92,499	$92,499	$184,998
Klickitat County Health Department	$62,402	$62,402	$124,804
Lewis County Health Department	$105,801	$105,801	$211,602
Lincoln County Health Department	$29,705	$29,705	$59,410
Mason County Department of Health Services	$95,988	$95,988	$191,976
Okanogan County Health District	$63,458	$63,458	$126,916
Pacific County Health Department	$77,427	$77,427	$154,854
Tacoma-Pierce County Health Department	$2,820,590	$2,820,590	$5,641,180
San Juan County Health and Community Services	$37,531	$37,531	$75,062
Skagit County Health Department	$223,927	$223,927	$447,854
Snohomish Health District	$2,258,207	$2,258,207	$4,516,414
Spokane County Health District	$2,101,429	$2,101,429	$4,202,858
Northeast Tri-County Health District	$110,454	$110,454	$220,908
Thurston County Health Department	$600,419	$600,419	$1,200,838
Wahkiakum County Health Department	$13,773	$13,772	$27,545
Walla Walla County-City Health Department	$172,062	$172,062	$344,124
Whatcom County Health Department	$855,863	$855,863	$1,711,726
Whitman County Health Department	$78,733	$78,733	$157,466

Yakima Health District	$623,797	$623,797	$1,247,594
TOTAL APPROPRIATIONS	$24,000,000	$24,000,000	$48,000,000

NEW SECTION. **Sec. 709. BELATED CLAIMS.** The agencies and institutions of the state may expend moneys appropriated in this act, upon approval of the office of financial management, for the payment of supplies and services furnished to the agency or institution in prior fiscal biennia.

NEW SECTION. **Sec. 710. FOR THE DEPARTMENT OF RETIREMENT SYSTEMS--CONTRIBUTIONS TO RETIREMENT SYSTEMS.**

The appropriations in this section are subject to the following conditions and limitations: The appropriations for the law enforcement officers' and firefighters' retirement system shall be made on a monthly basis beginning July 1, 2009, consistent with chapter 41.45 RCW, and the appropriations for the judges and judicial retirement systems shall be made on a quarterly basis consistent with chapters 2.10 and 2.12 RCW.

(1) There is appropriated for state contributions to the law enforcement officers' and firefighters' retirement system:

General Fund--State Appropriation (FY 2010) $17,350,000
General Fund--State Appropriation (FY 2011) $20,150,000
TOTAL APPROPRIATION $37,500,000

(2) There is appropriated for contributions to the judicial retirement system:

General Fund--State Appropriation (FY 2010) $11,570,000
General Fund--State Appropriation (FY 2011) $12,860,000
TOTAL APPROPRIATION $24,430,000

NEW SECTION. **Sec. 711. FOR THE OFFICE OF FINANCIAL MANAGEMENT--EDUCATION TECHNOLOGY REVOLVING ACCOUNT**

General Fund--State Appropriation (FY 2010) $8,000,000
General Fund--State Appropriation (FY 2011) $8,000,000
TOTAL APPROPRIATION $16,000,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations in this section are provided solely for expenditure into the education technology revolving account for the purpose of covering ongoing operational and equipment replacement costs incurred by the K-20 educational network program in providing telecommunication services to network participants.

NEW SECTION. **Sec. 712. FOR THE OFFICE OF FINANCIAL MANAGEMENT--WATER POLLUTION CONTROL REVOLVING ACCOUNT**

General Fund--State Appropriation (FY 2010)	$5,600,000
General Fund--State Appropriation (FY 2011)	$5,600,000
TOTAL APPROPRIATION	$11,200,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the water pollution control revolving account.

NEW SECTION. **Sec. 713. INCENTIVE SAVINGS--FY 2010.** The sum of one hundred twenty-five million dollars or so much thereof as may be available on June 30, 2010, from the total amount of unspent fiscal year 2010 state general fund appropriations, exclusive of amounts expressly placed into unallotted status by this act, is appropriated for the purposes of RCW 43.79.460 in the manner provided in this section.

(1) Of the total appropriated amount, one-half of that portion that is attributable to incentive savings, not to exceed twenty-five million dollars, is appropriated to the savings incentive account for the purpose of improving the quality, efficiency, and effectiveness of agency services, and credited to the agency that generated the savings.

(2) The remainder of the total amount, not to exceed one hundred million dollars, is appropriated to the education savings account.

NEW SECTION. **Sec. 714. INCENTIVE SAVINGS--FY 2011.** The sum of one hundred twenty-five million dollars or so much thereof as may be available on June 30, 2011, from the total amount of unspent fiscal year 2011 state general fund appropriations, exclusive of amounts expressly placed into unallotted status by this act, is appropriated for the purposes of RCW 43.79.460 in the manner provided in this section.

(1) Of the total appropriated amount, one-half of that portion that is attributable to incentive savings, not to exceed twenty-five million

dollars, is appropriated to the savings incentive account for the purpose of improving the quality, efficiency, and effectiveness of agency services, and credited to the agency that generated the savings.

(2) The remainder of the total amount, not to exceed one hundred million dollars, is appropriated to the education savings account.

NEW SECTION. **Sec. 715. FOR THE OFFICE OF FINANCIAL MANAGEMENT--COUNTY SUBSTANCE ABUSE PROGRAMS**

General Fund--State Appropriation (FY 2010) $1,300,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations in this section are provided solely for allocation to counties that are eligible for funding for chemical dependency or substance abuse treatment programs pursuant to RCW 70.96A.325.

NEW SECTION. **Sec. 716. FOR THE OFFICE OF FINANCIAL MANAGEMENT--SMALL AGENCY TECHNOLOGY POOL**

General Fund--State Appropriation (FY 2010) $250,000
General Fund--State Appropriation (FY 2011) $250,000
TOTAL APPROPRIATION $500,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the data processing revolving account for the small agency technology pool.

NEW SECTION. **Sec. 717. FOR THE OFFICE OF FINANCIAL MANAGEMENT--CAPITOL BUILDING CONSTRUCTION ACCOUNT**

General Fund--State Appropriation (FY 2010) $860,000
General Fund--State Appropriation (FY 2011) $860,000
TOTAL APPROPRIATION $1,720,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the capitol building construction account.

NEW SECTION. **Sec. 718. FOR THE OFFICE OF FINANCIAL MANAGEMENT--GENERAL ADMINISTRATION BUILDING TENANT RELOCATION**

General Fund--State Appropriation (FY 2010) $136,000

General Fund--State Appropriation (FY 2011) $3,228,000
State Treasurer's Service Account--State Appropriation $549,000
General Administration Services Account--State
Appropriation $734,000
TOTAL APPROPRIATION $4,647,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for allocation to the current tenants of the general administration building who must relocate for move planning costs, relocation costs, and increased on-going lease costs.

NEW SECTION. **Sec. 719. FOR THE OFFICE OF FINANCIAL MANAGEMENT--EDUCATION LEGACY TRUST ACCOUNT**

General Fund--State Appropriation (FY 2010) $750,000
General Fund--State Appropriation (FY 2011) $2,250,000
TOTAL APPROPRIATION $3,000,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the education legacy trust account.

NEW SECTION. **Sec. 720. FOR THE OFFICE OF FINANCIAL MANAGEMENT--STUDENT ACHIEVEMENT ACCOUNT**

General Fund--State Appropriation (FY 2010) $47,749,000
General Fund--State Appropriation (FY 2011) $143,246,000
TOTAL APPROPRIATION $190,995,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the student achievement account.

NEW SECTION. **Sec. 721. FOR THE OFFICE OF FINANCIAL MANAGEMENT--HEALTH SERVICES ACCOUNT**

General Fund--State Appropriation (FY 2010) $800,000
General Fund--State Appropriation (FY 2011) $2,400,000
TOTAL APPROPRIATION $3,200,000

The appropriations in this section are subject to the following conditions and limitations: The appropriations are provided solely for expenditure into the health services account.

NEW SECTION. **Sec. 722. FOR THE OFFICE OF FINANCIAL MANAGEMENT--BUDGET STABILIZATION ACCOUNT**

Budget Stabilization Account--State Appropriation $609,292,000

The appropriation in this section is subject to the following conditions and limitations: The appropriation is provided solely for expenditure into the state general fund.

(End of part)

PART VIII
OTHER TRANSFERS AND APPROPRIATIONS

NEW SECTION. **Sec. 801. FOR THE STATE TREASURER--STATE REVENUES FOR DISTRIBUTION**

General Fund Appropriation for fire insurance premium distributions $8,268,000
General Fund Appropriation for public utility district excise tax distributions $50,504,000
General Fund Appropriation for prosecuting attorney distributions $6,281,000
General Fund Appropriation for boating safety and education distributions $4,854,000
General Fund Appropriation for other tax distributions $50,000
General Fund Appropriation for habitat conservation program distributions $3,000,000
Death Investigations Account Appropriation for distribution to counties for publicly funded autopsies $2,544,000
Aquatic Lands Enhancement Account Appropriation for harbor improvement revenue distribution $170,000
Timber Tax Distribution Account Appropriation for distribution to "timber" counties $69,288,000
County Criminal Justice Assistance Appropriation $66,374,000
Municipal Criminal Justice Assistance Appropriation $25,622,000
City-County Assistance Account Appropriation for local government financial assistance distribution $23,052,000
Liquor Excise Tax Account Appropriation for liquor excise tax distribution $50,950,000
Streamline Sales and Use Tax Account Appropriation for distribution to local taxing jurisdictions to mitigate the unintended revenue redistribution effect of the sourcing law changes $65,038,000
Columbia River Water Delivery Account Appropriation for the Confederated Tribes of the Colville Reservation $7,308,000
Columbia River Water Delivery Account Appropriation for the Spokane Tribe of Indians $4,676,000

Liquor Revolving Account Appropriation for liquor profits distribution $80,435,000

TOTAL APPROPRIATION $468,428,000

The total expenditures from the state treasury under the appropriations in this section shall not exceed the funds available under statutory distributions for the stated purposes.

<u>NEW SECTION.</u> **Sec. 802. FOR THE STATE TREASURER--FOR THE COUNTY CRIMINAL JUSTICE ASSISTANCE ACCOUNT**

Impaired Driver Safety Account Appropriation $2,351,000

The appropriation in this section is subject to the following conditions and limitations: The amount appropriated in this section shall be distributed quarterly during the 2009-11 biennium in accordance with RCW 82.14.310. This funding is provided to counties for the costs of implementing criminal justice legislation including, but not limited to: Chapter 206, Laws of 1998 (drunk driving penalties); chapter 207, Laws of 1998 (DUI penalties); chapter 208, Laws of 1998 (deferred prosecution); chapter 209, Laws of 1998 (DUI/license suspension); chapter 210, Laws of 1998 (ignition interlock violations); chapter 211, Laws of 1998 (DUI penalties); chapter 212, Laws of 1998 (DUI penalties); chapter 213, Laws of 1998 (intoxication levels lowered); chapter 214, Laws of 1998 (DUI penalties); and chapter 215, Laws of 1998 (DUI provisions).

<u>NEW SECTION.</u> **Sec. 803. FOR THE STATE TREASURER--FOR THE MUNICIPAL CRIMINAL JUSTICE ASSISTANCE ACCOUNT**

Impaired Driver Safety Account Appropriation $1,543,000

The appropriation in this section is subject to the following conditions and limitations: The amount appropriated in this section shall be distributed quarterly during the 2009-11 biennium to all cities ratably based on population as last determined by the office of financial management. The distributions to any city that substantially decriminalizes or repeals its criminal code after July 1, 1990, and that does not reimburse the county for costs associated with criminal cases under RCW 3.50.800 or 3.50.805(2), shall be made to the county in which the city is located. This funding is provided to cities for the costs of implementing criminal justice legislation including, but not limited to: Chapter 206, Laws of 1998 (drunk driving penalties); chapter 207, Laws of 1998 (DUI penalties); chapter 208, Laws of 1998 (deferred prosecution); chapter 209, Laws of 1998 (DUI/license suspension); chapter 210, Laws of 1998 (ignition interlock violations); chapter 211, Laws of 1998 (DUI penalties); chapter 212, Laws of 1998 (DUI penalties); chapter 213, Laws of 1998 (intoxication levels lowered); chapter 214, Laws of 1998 (DUI penalties); and chapter 215, Laws of 1998 (DUI provisions).

NEW SECTION. **Sec. 804. FOR THE STATE TREASURER--FEDERAL REVENUES FOR DISTRIBUTION**

General Fund Appropriation for federal flood control funds
distribution $70,000
General Fund Appropriation for federal grazing fees
distribution $2,296,000
Forest Reserve Fund Appropriation for federal forest
reserve fund distribution $85,200,000
TOTAL APPROPRIATION $87,566,000

The total expenditures from the state treasury under the appropriations in this section shall not exceed the funds available under statutory distributions for the stated purposes.

NEW SECTION. **Sec. 805. FOR THE STATE TREASURER--TRANSFERS.**

State Treasurer's Service Account: For transfer to the
state general fund, $10,000,000 for fiscal year 2010 and
$10,000,000 for fiscal year 2011 . . . .$20,000,000
Waste Reduction, Recycling and Litter Control Account: For
transfer to the state general fund, $2,000,000 for fiscal
year 2010 and $2,000,000 for fiscal year 2011 . . . . . $4,000,000
State Toxics Control Account: For transfer to the state
general fund, $6,500,000 for fiscal year 2010 and
$6,500,000 for fiscal year 2011 . . . . $13,000,000
Local Toxics Control Account: For transfer to the state
general fund, $37,500,000 for fiscal year 2010 and
$37,500,000 for fiscal year 2011 . . . .$75,000,000
Education Construction Account: For transfer to the state
general fund, $102,000,000 for fiscal year 2010 and
$102,000,000 for fiscal year 2011 . . . .$204,000,000

Aquatics Lands Enhancement Account: For transfer to the motor vehicle account, $750,000 for fiscal year 2010 and $750,000 for fiscal year 2011 . . . . $1,500,000

Local Toxics Control Account: For transfer to the oil spill prevention account for fiscal year 2010 . . . .$4,600,000

Drinking Water Assistance Account: For transfer to the drinking water assistance repayment account $28,600,000

Public Works Assistance Account: For transfer to the drinking water assistance account, $4,000,000 for fiscal year 2010 and $4,000,000 for fiscal year 2011 . . . . $8,000,000

Tobacco Settlement Account: For transfer to the state general fund, in an amount not to exceed the actual amount of the annual base payment to the tobacco settlement account $177,843,000

Tobacco Settlement Account: For transfer to the life sciences discovery fund, in an amount not to exceed the actual amount of the strategic contribution supplemental payment to the tobacco settlement account $63,261,000

General Fund: For transfer to the tobacco prevention and control account, $9,845,000 for fiscal year 2010 and $9,712,000 for fiscal year 2011 . . . .$19,557,000

General Fund: For transfer to the streamline sales and use tax account, $31,447,000 for fiscal year 2010 and $33,591,000 for fiscal year 2011 . . . .$65,038,000

State Convention and Trade Center Account: For transfer to the state convention and trade center operations account, $1,000,000 in fiscal year 2010 and $3,100,000 in fiscal year 2011 . . . . $4,100,000

(End of part)

PART IX
MISCELLANEOUS

NEW SECTION. **Sec. 901. EXPENDITURE AUTHORIZATIONS.** The appropriations contained in this act are maximum expenditure authorizations. Pursuant to RCW 43.88.037, moneys disbursed from the treasury on the basis of a formal loan agreement shall be recorded as loans receivable and not as expenditures for accounting purposes. To the extent that moneys are disbursed on a loan basis, the corresponding appropriation shall be reduced by the amount of loan moneys disbursed from the treasury during the 2007-2009 biennium.

NEW SECTION. **Sec. 902. INFORMATION SYSTEMS PROJECTS.** Agencies shall comply with the following requirements regarding information systems projects when specifically directed to do so by this act.

(1) Agency planning and decisions concerning information technology shall be made in the context of its information technology portfolio. "Information technology portfolio" means a strategic management approach in which the relationships between agency missions and information technology investments can be seen and understood, such that: Technology efforts are linked to agency objectives and business plans; the impact of new investments on existing infrastructure and business functions are assessed and understood before implementation; and agency activities are consistent with the development of an integrated, nonduplicative statewide infrastructure.

(2) Agencies shall use their information technology portfolios in making decisions on matters related to the following:

(a) System refurbishment, acquisitions, and development efforts;

(b) Setting goals and objectives for using information technology in meeting legislatively-mandated missions and business needs;

(c) Assessment of overall information processing performance, resources, and capabilities;

(d) Ensuring appropriate transfer of technological expertise for the operation of any new systems developed using external resources; and

(e) Progress toward enabling electronic access to public information.

(3) Each project will be planned and designed to take optimal advantage of Internet technologies and protocols. Agencies shall ensure that the project is in compliance with the architecture, infrastructure, principles, policies, and standards of digital government as maintained by the information services board.

(4) The agency shall produce a feasibility study for information technology projects at the direction of the information services board and in accordance with published department of information services policies and guidelines. At a minimum, such studies shall include a statement of: (a) The purpose or impetus for change; (b) the business value to the agency, including an examination and evaluation of benefits, advantages, and cost; (c) a comprehensive risk assessment based on the proposed project's impact on both citizens and state operations, its visibility, and the consequences of doing nothing; (d) the impact on agency and statewide information infrastructure; and (e) the impact of the proposed enhancements to an agency's information technology capabilities on meeting service delivery demands.

(5) The agency shall produce a comprehensive management plan for each project. The plan or plans shall address all factors critical to successful completion of each project. The plan(s) shall include, but is not limited to, the following elements: A description of the problem or opportunity that the information technology project is intended to address; a statement of project objectives and assumptions; a definition and schedule of phases, tasks, and activities to be accomplished; and the estimated cost of each phase. The planning for the phased approach shall be such that the business case justification for a project needs to demonstrate how the project recovers cost or adds measurable value or positive cost benefit to the agency's business functions within each development cycle.

(6) The agency shall produce quality assurance plans for information technology projects. Consistent with the direction of the information services board and the published policies and guidelines of the department of information services, the quality assurance plan shall address all factors critical to successful completion of the project and successful integration with the agency and state information technology infrastructure. At a minimum, quality assurance plans shall provide time and budget benchmarks against which project progress can be measured, a specification of quality assurance

responsibilities, and a statement of reporting requirements. The quality assurance plans shall set out the functionality requirements for each phase of a project.

(7) A copy of each feasibility study, project management plan, and quality assurance plan shall be provided to the department of information services, the office of financial management, and legislative fiscal committees. The plans and studies shall demonstrate a sound business case that justifies the investment of taxpayer funds on any new project, an assessment of the impact of the proposed system on the existing information technology infrastructure, the disciplined use of preventative measures to mitigate risk, and the leveraging of private-sector expertise as needed. Authority to expend any funds for individual information systems projects is conditioned on the approval of the relevant feasibility study, project management plan, and quality assurance plan by the department of information services and the office of financial management.

(8) Quality assurance status reports shall be submitted to the department of information services, the office of financial management, and legislative fiscal committees at intervals specified in the project's quality assurance plan.

NEW SECTION. **Sec. 903. INFORMATION TECHNOLOGY ENTERPRISE SERVICES.** Agencies may make use of the department of information services when acquiring information technology services, products, and assets.

"Information technology services" means the acquisition, provisioning, or approval of hardware, software, and purchased or personal services provided by the department of information services.

If an information technology enterprise service is provided by the department, or an agency has a specific requirement to acquire hardware, software, or purchased or personal services directly, the agency shall consult with the department of information services.

NEW SECTION. **Sec. 904. VIDEO TELECOMMUNICATIONS.** The department of information services shall act as lead agency in coordinating video telecommunications services for state agencies. As lead agency, the department shall develop standards and common specifications for leased and purchased telecommunications equipment and assist state agencies in developing a video telecommunications expenditure plan. No agency may spend any portion of any appropriation in this act for new video telecommunication equipment, new video telecommunication transmission, or new video telecommunication programming, or for expanding current video telecommunication systems without first complying with chapter 43.105 RCW, including but not limited to, RCW 43.105.041(2), and without first submitting a video telecommunications expenditure plan, in accordance with the policies of the department of information services, for review and assessment by the department of information services under RCW 43.105.052. Prior to any such expenditure by a public school, a video telecommunications expenditure plan shall be approved by the superintendent of public instruction. The office of the superintendent of public instruction shall submit the plans to the department of information services in a form prescribed by the department. The office of the superintendent of public instruction shall coordinate the use of video telecommunications in public schools by providing educational information to local school districts and shall assist local school districts and educational service districts in telecommunications planning and curriculum development. Prior to any such expenditure by a public institution of postsecondary education, a telecommunications expenditure plan shall be approved by the higher education coordinating board. The higher education coordinating board shall coordinate the use of video telecommunications for instruction and instructional support in postsecondary education, including the review and approval of instructional telecommunications course offerings.

NEW SECTION. **Sec. 905. PRINT ASSESSMENTS.** The department of printing shall conduct print assessments of agencies in order to identify opportunities for financial savings and efficiencies and to eliminate redundancies and create consistencies in the printing of state materials. When conducting a print assessment, agencies shall work with the department of printing and provide the necessary information in order for the department to assess costs related to office convenience and production printing, in-house printing facilities and related costs for services, equipment and supplies, and third-party printing costs.

NEW SECTION. **Sec. 906. CENTRAL SERVICES.** The governor shall convene a work group consisting of representatives from the central service agencies and their clients to collaborate on methods for providing commonly needed services to state agencies, including, but not limited to: Human resource management, employee benefits, payroll, accounting, purchasing, information technology, real estate services, facility management, building and grounds maintenance, fleet management, printing services, and office mail distribution. The work group should consider the experience of other states and large organizations and should identify opportunities to improve service delivery, including, but not limited to:

(1) Simplifying processes and gaining efficiencies;

(2) Using a shared, common service model;

(3) Centralizing services or activities which may lead to consolidating or eliminating existing programs or state agencies; and

(4) Revising agencies' authority or governance structures.

The work group shall submit a proposal that improves the delivery of central services to state agencies, including changes to the current governance structure, organizational changes that improves and simplifies service delivery, and any statutory changes that may be necessary to the governor by October 1, 2009.

NEW SECTION. **Sec. 907. NATURAL RESOURCES ORGANIZATIONS.** The governor shall convene a work group consisting of representatives from the natural resource agencies. The work group shall consider the experience of other states and their organizational structures to identify consolidation opportunities to improve service delivery. The work group shall submit a comprehensive written recommendation to the governor and the office of financial management by September 1, 2009.

NEW SECTION. **Sec. 908. EMERGENCY FUND ALLOCATIONS.** Whenever allocations are made from the governor's emergency fund appropriation to an agency that is financed in whole or in part by other than general fund moneys, the director of financial management may direct the repayment of such allocated amount to the general fund from any balance in the fund or funds which finance the agency. No appropriation shall be necessary to effect such repayment.

NEW SECTION. **Sec. 909. STATUTORY APPROPRIATIONS.** In addition to the amounts appropriated in this act for revenues for distribution, state contributions to the law enforcement officers' and fire fighters' retirement system plan 2, and bond retirement and interest including ongoing bond registration and transfer charges, transfers, interest on registered warrants, and certificates of indebtedness, there is also appropriated such further amounts as may be required or available for these purposes under any statutory formula or under chapters 39.94 and 39.96 RCW or any proper bond covenant made under law.

NEW SECTION. **Sec. 910. BOND EXPENSES.** In addition to such other appropriations as are made by this act, there is hereby appropriated to the state finance committee from legally available bond proceeds in the applicable construction or building funds and accounts such amounts as are necessary to pay the expenses incurred in the issuance and sale of the subject bonds.

NEW SECTION. **Sec. 911. VOLUNTARY RETIREMENT, SEPARATION, AND DOWNSHIFTING INCENTIVES.** As a management tool to reduce costs and make more effective use of resources, while improving employee productivity and morale, agencies may implement a voluntary retirement, separation, and/or downshifting incentive program that is cost neutral or results in cost savings, provided that such a program is approved by the director of financial management.

Agencies participating in this authorization may offer voluntary retirement, separation, and/or downshifting incentives and options according to procedures and guidelines established by the office of financial management, in consultation with the department of personnel and the department of retirement systems. The options may include, but are not limited to, financial incentives for: Voluntary separation or retirement, voluntary leave-without-pay, voluntary workweek or work hour reduction, voluntary downward movement, or temporary separation for development purposes. An employee does not have a contractual right to a financial incentive offered pursuant to this section.

Offers shall be reviewed and monitored jointly by the department of personnel and the department of retirement systems. Agencies are required to submit a report by June 30, 2011, to the legislature and the office of financial management on the outcome of their approved incentive program. The report should include information on the details of the program including resulting service delivery changes, agency efficiencies, the cost of the incentive per participant, the total cost to the state, and the projected or actual net dollar savings over the 2009-11 biennium.

NEW SECTION. **Sec. 912. COMPENSATION--NONREPRESENTED EMPLOYEES--INSURANCE BENEFITS.** Appropriations for state agencies in this act are sufficient for nonrepresented state employee health benefits for state agencies, including institutions of higher education are subject to the following conditions and limitations:

(1)(a) The monthly employer funding rate for insurance benefit premiums, public employees' benefits board administration, and the uniform medical plan, shall not exceed $774 per eligible employee for fiscal year 2010. For fiscal year 2011 the monthly employer funding rate shall not exceed $831 per eligible employee.

(b) In order to achieve the level of funding provided for health benefits, the public employees' benefits board shall require any or all of the following: Employee premium copayments, increases in point-of-service cost sharing, the implementation of managed competition, or make other changes to benefits consistent with RCW 41.05.065, but in no case to increase the actuarial value of the plans offered as compared to the comparable plans offered to enrollees in calendar year 2007.

(c) The health care authority shall deposit any moneys received on behalf of the uniform medical plan as a result of rebates on prescription drugs, audits of hospitals, subrogation payments, or any other moneys recovered as a result of prior uniform medical plan claims payments, into the public employees' and retirees' insurance account to be used for insurance benefits. Such receipts shall not be used for administrative expenditures.

(2) The health care authority, subject to the approval of the public employees' benefits board, shall provide subsidies for health benefit premiums to eligible retired or disabled public employees and school district employees who are eligible for medicare, pursuant to RCW 41.05.085. From January 1, 2010, through December 31, 2010, the subsidy shall be $196.61. Starting January 1, 2011, the subsidy shall be $211.35 per month.

(3) Technical colleges, school districts, and educational service districts shall remit to the health care authority for deposit into the public employees' and retirees' insurance account established in RCW 41.05.120 the following amounts:

(a) For each full-time employee, $63.72 per month beginning September 1, 2009, and $72.57 beginning September 1, 2010;

(b) For each part-time employee, who at the time of the remittance is employed in an eligible position as defined in RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit contributions for basic benefits, $61.29 each month beginning September 1, 2009, and $68.62 beginning September 1, 2010, prorated by the proportion of employer fringe benefit contributions for a full-time employee that the part-time employee receives. The remittance requirements specified in this subsection shall not apply to employees of a technical college, school district, or educational service district who purchase insurance benefits through contracts with the health care authority.

NEW SECTION. **Sec. 913. COMPENSATION--REPRESENTED EMPLOYEES OUTSIDE SUPER COALITION--INSURANCE BENEFITS.** The appropriations for state agencies, including institutions of higher education are subject to the following conditions and limitations:

(1)(a) The monthly employer funding rate for insurance benefit premiums, public employees' benefits board administration, and the uniform medical plan, for represented employees outside the super coalition under chapter 41.80 RCW, shall not exceed $774 per eligible employee for fiscal year 2010. For fiscal year 2011 the monthly employer funding rate shall not exceed $831 per eligible employee.

(b) In order to achieve the level of funding provided for health benefits, the public employees' benefits board shall require any or all of the following: Employee premium copayments, increases in point-of-service cost sharing, the implementation of managed competition, or make other changes to benefits consistent with RCW 41.05.065, but in no case to increase the actuarial value of the plans offered as compared to the comparable plans offered to enrollees in calendar year 2007.

(c) The health care authority shall deposit any moneys received on behalf of the uniform medical plan as a result of rebates on prescription drugs, audits of hospitals, subrogation payments, or any other moneys recovered as a result of prior uniform medical plan claims payments, into the public employees' and retirees' insurance account to be used for insurance benefits. Such receipts shall not be used for administrative expenditures.

(2) The health care authority, subject to the approval of the public employees' benefits board, shall provide subsidies for health benefit premiums to eligible retired or disabled public employees and school district employees who are eligible for medicare, pursuant to RCW 41.05.085. From January 1, 2010, through December 31, 2010, the subsidy shall be $196.61. Starting January 1, 2011, the subsidy shall be $211.35 per month.

(3) Technical colleges, school districts, and educational service districts shall remit to the health care authority for deposit into the public employees' and retirees' insurance account established in RCW 41.05.120 the following amounts:

(a) For each full-time employee, $63.72 per month beginning September 1, 2009, and $72.57 beginning September 1, 2010;

(b) For each part-time employee, who at the time of the remittance is employed in an eligible position as defined in RCW 41.32.010 or 41.40.010 and is eligible for employer fringe benefit contributions for basic benefits, $61.29 each month beginning September 1, 2009, and $68.62 beginning September 1, 2010, prorated by the proportion of employer fringe benefit contributions for a full-time employee that the part-time employee receives. The remittance requirements specified in this subsection shall not apply to employees of a technical college, school district, or educational service district who purchase insurance benefits through contracts with the health care authority.

NEW SECTION. **Sec. 914. COMPENSATION--REPRESENTED EMPLOYEES--SUPER COALITION.** Collective bargaining agreements negotiated as part of the super coalition under chapter 41.80 RCW include employer contributions to health insurance premiums at 88% of the cost. Funding rates at this level are currently $774 per month for fiscal year 2010 and $831 per month for fiscal year 2011.

NEW SECTION. **Sec. 915. COMPENSATION--REVISE PENSION CONTRIBUTION RATES.** The appropriations for school districts and state agencies, including institutions of higher education are subject to the following conditions and limitations: Appropriations are adjusted to reflect changes to agency appropriations to reflect savings resulting from changes to pension funding as provided in Z-. . . ./09 (revise pension funding). If the bill is not enacted by June 30, 2009, the amount provided in this section shall lapse.

Sec. 916. RCW 28A.300.380 and 2000 c 84 s 2 are each amended to read as follows:

(1) Except during the 2009-2011 biennium, the superintendent of public instruction shall maintain support for statewide coordination for career and technical student organizations by providing program staff support that is available to assist in meeting the needs of career and technical student organizations and their members and students. The superintendent shall provide at least one full-time equivalent program staff for purposes of implementing this section. The superintendent may provide additional support to the organizations through contracting with independent coordinators.

(2) Career and technical student organizations eligible for technical assistance and other support services under this section are organizations recognized as career and technical student organizations by:

(a) The United States department of education; or

(b) The superintendent of public instruction, if such recognition is recommended by the Washington association for career and technical education.

(3) Career and technical student organizations eligible for technical assistance and other support services under this section include, but are not limited to: The national FFA organization; family, career, and community leaders of America; skillsUSA; distributive education clubs of America; future business leaders of America; and the technology student association.

Sec. 917. RCW 28A.400.205 and 2003 1st sp.s. c 20 s 1 are each amended to read as follows:

(1) School district employees shall be provided an annual salary cost-of-living increase in accordance with this section.

(a) The cost-of-living increase shall be calculated by applying the rate of the yearly increase in the cost-of-living index to any state-funded salary base used in state funding formulas for teachers and other school district employees. Beginning with the 2001-02 school year, and for each subsequent school year, except for the ((~~2003-04~~)) 2009-10 and ((~~2004-05~~)) 2010-11 school years, each school district shall be provided a cost-of-living allocation sufficient to grant this cost-of-living increase.

(b) A school district shall distribute its cost-of-living allocation for salaries and salary-related benefits in accordance with the district's salary schedules, collective bargaining agreements, and compensation policies. No later than the end of the school year, each school district shall certify to the superintendent of public instruction that it has spent funds provided for cost-of-living increases on salaries and salary-related benefits.

(c) Any funded cost-of-living increase shall be included in the salary base used to determine cost-of-living increases for school employees in subsequent years. For teachers and other certificated instructional staff, the rate of the annual cost-of-living increase funded for certificated instructional staff shall be applied to the base salary used with the statewide salary allocation schedule established under RCW 28A.150.410 and to any other salary models used to recognize school district personnel costs.

(2) For the purposes of this section, "cost-of-living index" means, for any school year, the previous calendar year's annual average consumer price index, using the official current base, compiled by the bureau of labor statistics, United States department of labor for the state of Washington. If the bureau of labor statistics develops more than one consumer price index for areas within the state, the index covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items shall be used for the cost-of-living index in this section.

Sec. 918. RCW 28A.405.415 and 2008 c 175 s 2 are each amended to read as follows:

(1) Certificated instructional staff who have attained certification from the national board for professional teaching standards shall receive a bonus each year in which they maintain the certification. The bonus shall be calculated as follows: The annual

No. 82577-7
JSF925 0601

bonus shall be five thousand dollars in the 2007-08 school year. Thereafter, the annual bonus shall increase by inflation, except during the 2009-11 biennium.

(2) Certificated instructional staff who have attained certification from the national board for professional teaching standards shall be eligible for bonuses in addition to that provided by subsection (1) of this section if the individual is in an instructional assignment in a school in which at least seventy percent of the students qualify for the free and reduced-price lunch program.

(3) The amount of the additional bonus under subsection (2) of this section for those meeting the qualifications of subsection (2) of this section is five thousand dollars.

(4) The bonuses provided under this section are in addition to compensation received under a district's salary schedule adopted in accordance with RCW 28A.405.200 and shall not be included in calculations of a district's average salary and associated salary limitations under RCW 28A.400.200.

(5) The bonuses provided under this section shall be paid in a lump sum amount.

Sec. 919. RCW 28A.415.250 and 1993 c 336 s 401 are each amended to read as follows:

The superintendent of public instruction shall adopt rules to establish and, except for fiscal year 2010 and fiscal year 2011, operate a teacher assistance program. For the purposes of this section, the terms "mentor teachers," "beginning teachers," and "experienced teachers" may include any person possessing any one of the various certificates issued by the superintendent of public instruction under RCW 28A.410.010. The program shall provide for:

(1) Assistance by mentor teachers who will provide a source of continuing and sustained support to beginning teachers, or experienced teachers who are having difficulties, or both, both in and outside the classroom. A mentor teacher may not be involved in evaluations under RCW 28A.405.100 of a teacher who receives assistance from said mentor teacher under the teacher assistance program established under this section. The mentor teachers shall also periodically inform their principals respecting the contents of training sessions and other program activities;

(2) Stipends for mentor teachers and beginning and experienced teachers which shall not be deemed compensation for the purposes of salary lid compliance under RCW 28A.400.200: PROVIDED, That stipends shall not be subject to the continuing contract provisions of this title;

(3) Workshops for the training of mentor and beginning teachers;

(4) The use of substitutes to give mentor teachers, beginning teachers, and experienced teachers opportunities to jointly observe and evaluate teaching situations and to give mentor teachers opportunities to observe and assist beginning and experienced teachers in the classroom;

(5) Mentor teachers who are superior teachers based on their evaluations, pursuant to RCW *28A.405.010 through 28A.405.240, and who hold valid continuing certificates;

(6) Mentor teachers shall be selected by the district and may serve as mentors up to and including full time. If a bargaining unit, certified pursuant to RCW 41.59.090 exists within the district, classroom teachers representing the bargaining unit shall participate in the mentor teacher selection process; and

(7) Periodic consultation by the superintendent of public instruction or the superintendent's designee with representatives of educational organizations and associations, including educational service districts and public and private institutions of higher education, for the purposes of improving communication and cooperation and program review.

Sec. 920. RCW 28A.415.315 and 2008 c 65 s 2 are each amended to read as follows:

<u>Except during fiscal year 2010 and fiscal year 2011, t</u>he office of the superintendent of public instruction, in consultation with various groups representing school district classified employees, shall develop and offer a training strand through the summer institutes and the winter conference targeted to classified instructional assistants and designed to help them maximize their effectiveness in improving student achievement.

Sec. 921. RCW 28A.500.030 and 2006 c 372 s 904 are each amended to read as follows:

Allocation of state matching funds to eligible districts for local effort assistance shall be determined as follows:

(1) Funds raised by the district through maintenance and operation levies shall be matched with state funds using the following ratio of state funds to levy funds:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; to

(b) The statewide average twelve percent levy rate.

(2) The maximum amount of state matching funds for districts eligible for local effort assistance shall be the district's twelve percent levy amount, multiplied by the following percentage:

(a) The difference between the district's twelve percent levy rate and the statewide average twelve percent levy rate; divided by

(b) The district's twelve percent levy rate.

(3) Calendar year 2003 allocations and maximum eligibility under this chapter shall be multiplied by 0.99.

(4) From January 1, 2004, to December 31, 2005, allocations and maximum eligibility under this chapter shall be multiplied by 0.937.

(5) From January 1, 2006, to December 31, 2006, allocations and maximum eligibility under this chapter shall be multiplied by 0.9563. Beginning with calendar year 2007, allocations and maximum eligibility under this chapter shall be fully funded at one hundred percent and shall not be reduced.

(6) From July 1, 2009, through December 31, 2009, allocations and maximum eligibility under this chapter shall be multiplied by 0.93.

(7) From January 1, 2010, through December 31, 2011, allocations and maximum eligibility under this chapter shall be multiplied by 0.67.

Sec. 922. RCW 28A.500.040 and 1999 c 317 s 4 are each amended to read as follows:

(1) Local effort assistance funds shall be distributed to qualifying districts as follows:

((~~(1)~~)) (a) Thirty percent in April;

((~~(2)~~)) (b) Twenty-three percent in May;

((~~(3)~~)) (c) Two percent in June;

((~~(4)~~)) (d) Seventeen percent in August;

((~~(5)~~)) (e) Nine percent in October;

((~~(6)~~)) (f) Seventeen percent in November; and

((~~(7)~~)) (g) Two percent in December.

(2) For calendar year 2009, local effort assistance funds shall be distributed to qualifying districts as follows:

(a) Thirty percent in April;

(b) 21.58 percent in May;

(c) 20.42 percent in August;

(d) Nine percent in October;

(e) Seventeen percent in November; and

(f) Two percent in December.

Sec. 923. RCW 28A.505.220 and 2008 c 170 s 401 are each amended to read as follows:

(1) Total distributions from the student achievement fund to each school district shall be based upon the average number of full-time equivalent students in the school district during the previous school year as reported to the office of the superintendent of public instruction by August 31st of the previous school year. The superintendent of public instruction shall ensure that moneys generated by skill center students are returned to skill centers.

(2) The allocation rate per full-time equivalent student shall be three hundred dollars in the 2005-06 school year, three hundred seventy-five dollars in the 2006-07 school year, ((~~and~~)) four hundred fifty dollars in the 2007-08 school year, and three hundred sixty four dollars and fourteen cents in the 2009-10 and 2010-11 school years. For the 2011-12 school year, the allocation rate per full-time equivalent student shall be four hundred fifty dollars adjusted for inflation since the 2007-08 school year. For each subsequent school year, the amount allocated per full-time equivalent student shall be adjusted for inflation as defined in *RCW 43.135.025(8). These allocations per full-time equivalent student from the student achievement fund shall be supported from the following sources:

(a) Distributions from state property tax proceeds deposited into the student achievement fund under RCW 84.52.068; and

(b) Distributions from the education legacy trust account created in RCW 83.100.230.

(3) Any funds deposited in the student achievement fund under RCW 43.135.045 shall be allocated to school districts on a one-time basis

using a rate per full-time equivalent student. These funds are provided in addition to any amounts allocated in subsection (2) of this section.

(4) The school district annual amounts as defined in subsection (2) of this section shall be distributed on the monthly apportionment schedule as defined in RCW 28A.510.250.

Sec. 924. RCW 28B.50.465 and 2003 1st sp.s. c 20 s 3 are each amended to read as follows:

(1) Academic employees of community and technical college districts shall be provided an annual salary cost-of-living increase in accordance with this section. For purposes of this section, "academic employee" has the same meaning as defined in RCW 28B.52.020.

(a) Beginning with the 2001-2002 fiscal year, and for each subsequent fiscal year, except as provided in (d) of this subsection, each college district shall receive a cost-of-living allocation sufficient to increase academic employee salaries, including mandatory salary-related benefits, by the rate of the yearly increase in the cost-of-living index.

(b) A college district shall distribute its cost-of-living allocation for salaries and salary-related benefits in accordance with the district's salary schedules, collective bargaining agreements, and other compensation policies. No later than the end of the fiscal year, each college district shall certify to the college board that it has spent funds provided for cost-of-living increases on salaries and salary-related benefits.

(c) The college board shall include any funded cost-of-living increase in the salary base used to determine cost-of-living increases for academic employees in subsequent years.

(d) Beginning with the 2001-2002 fiscal year, and for each subsequent fiscal year except for the ((~~2003-04~~)) <u>2009-10</u> and ((~~2004-05~~)) <u>2010-11</u> fiscal years, the state shall fully fund the cost-of-living increase set forth in this section.

(2) For the purposes of this section, "cost-of-living index" means, for any fiscal year, the previous calendar year's annual average consumer price index, using the official current base, compiled by the bureau of labor statistics, United States department of labor for the state of Washington. If the bureau of labor statistics develops more

than one consumer price index for areas within the state, the index covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items shall be used for the cost-of-living index in this section.

Sec. 925. RCW 28B.50.468 and 2003 1st sp.s. c 20 s 4 are each amended to read as follows:

(1) Classified employees of technical colleges shall be provided an annual salary cost-of-living increase in accordance with this section. For purposes of this section, "technical college" has the same meaning as defined in RCW 28B.50.030. This section applies to only those classified employees under the jurisdiction of chapter 41.56 RCW.

(a) Beginning with the 2001-2002 fiscal year, and for each subsequent fiscal year, except as provided in (d) of this subsection, each technical college board of trustees shall receive a cost-of-living allocation sufficient to increase classified employee salaries, including mandatory salary-related benefits, by the rate of the yearly increase in the cost-of-living index.

(b) A technical college board of trustees shall distribute its cost-of-living allocation for salaries and salary-related benefits in accordance with the technical college's salary schedules, collective bargaining agreements, and other compensation policies. No later than the end of the fiscal year, each technical college shall certify to the college board that it has spent funds provided for cost-of-living increases on salaries and salary-related benefits.

(c) The college board shall include any funded cost-of-living increase in the salary base used to determine cost-of-living increases for technical college classified employees in subsequent years.

(d) Beginning with the 2001-2002 fiscal year, and for each subsequent fiscal year except for the ((~~2003-2004~~)) 2009-10 and ((~~2004-2005~~)) 2010-11 fiscal years, the state shall fully fund the cost-of-living increase set forth in this section.

(2) For the purposes of this section, "cost-of-living index" means, for any fiscal year, the previous calendar year's annual average consumer price index, using the official current base, compiled by the bureau of labor statistics, United States department of labor for the state of Washington. If the bureau of labor statistics develops more than one consumer price index for areas within the state, the index

covering the greatest number of people, covering areas exclusively within the boundaries of the state, and including all items shall be used for the cost-of-living index in this section.

Sec. 926. RCW 28B.105.110 and 2008 c 329 s 908 are each amended to read as follows:

(1) The GET ready for math and science scholarship account is created in the custody of the state treasurer.

(2) The board shall deposit into the account all money received for the GET ready for math and science scholarship program from appropriations and private sources. The account shall be self-sustaining.

(3) Expenditures from the account shall be used for scholarships to eligible students and for purchases of GET units. Purchased GET units shall be owned and held in trust by the board. Expenditures from the account shall be an equal match of state appropriations and private funds raised by the program administrator. During the ((~~2007-09~~)) 2009-2011 fiscal biennium, expenditures from the account not to exceed five percent may be used by the program administrator to carry out the provisions of RCW 28B.105.090.

(4) With the exception of the operating costs associated with the management of the account by the treasurer's office as authorized in chapter 43.79A RCW, the account shall be credited with all investment income earned by the account.

(5) Disbursements from the account are exempt from appropriations and the allotment provisions of chapter 43.88 RCW.

(6) Disbursements from the account shall be made only on the authorization of the board.

Sec. 927. RCW 41.48.060 and 1991 sp.s. c 13 s 112 are each amended to read as follows:

(1) There is hereby established a special account in the state treasury to be known as the OASI contribution account. Such account shall consist of and there shall be deposited in such account: (a) All contributions and penalties collected under RCW 41.48.040 and 41.48.050; (b) all moneys appropriated thereto under this chapter; (c) any property or securities belonging to the account; and (d) all sums recovered upon the bond of the custodian or otherwise for losses

sustained by the account and all other moneys received for the account from any other source. All moneys in the account shall be mingled and undivided. Subject to the provisions of this chapter, the governor is vested with full power, authority and jurisdiction over the account, including all moneys and property or securities belonging thereto, and may perform any and all acts whether or not specifically designated, which are necessary to the administration thereof and are consistent with the provisions of this chapter. During the 2009-2011 fiscal biennium, moneys in the OASI contribution account may also be transferred into the OASI revolving fund.

(2) The OASI contribution account shall be established and held separate and apart from any other funds of the state and shall be used and administered exclusively for the purpose of this chapter. Withdrawals from such account shall be made for, and solely for (a) payment of amounts required to be paid to the secretary of the treasury pursuant to an agreement entered into under RCW 41.48.030; (b) payment of refunds provided for in RCW 41.48.040(3); and (c) refunds of overpayments, not otherwise adjustable, made by a political subdivision or instrumentality.

(3) From the OASI contribution account the custodian of the fund [account] shall pay to the secretary of the treasury such amounts and at such time or times as may be directed by the governor in accordance with any agreement entered into under RCW 41.48.030 and the social security act.

(4) The treasurer of the state shall be ex officio treasurer and custodian of the OASI contribution account and shall administer such account in accordance with the provisions of this chapter and the directions of the governor and shall pay all warrants drawn upon it in accordance with the provisions of this section and with the regulations as the governor may prescribe pursuant thereto.

Sec. 928. RCW 43.08.190 and 2008 c 329 s 912 are each amended to read as follows:

There is hereby created a fund within the state treasury to be known as the "state treasurer's service fund." Such fund shall be used solely for the payment of costs and expenses incurred in the operation and administration of the state treasurer's office.

Moneys shall be allocated monthly and placed in the state treasurer's service fund equivalent to a maximum of one percent of the trust and treasury average daily cash balances from the earnings generated under the authority of RCW 43.79A.040 and 43.84.080 other than earnings generated from investment of balances in funds and accounts specified in RCW 43.79A.040 or 43.84.092(4). The allocation shall precede the distribution of the remaining earnings as prescribed under RCW 43.79A.040 and 43.84.092. The state treasurer shall establish a uniform allocation rate based on the appropriations for the treasurer's office.

During the ((~~2007-2009~~)) 2009-2011 fiscal biennium, the legislature may transfer from the state treasurer's service fund to the state general fund such amounts as reflect the excess fund balance of the fund.

Sec. 929. RCW 43.10.180 and 2007 c 522 s 951 are each amended to read as follows:

(1) The attorney general shall keep such records as are necessary to facilitate proper allocation of costs to funds and agencies served and the director of financial management shall prescribe appropriate accounting procedures to accurately allocate costs to funds and agencies served. Billings shall be adjusted in line with actual costs incurred at intervals not to exceed six months.

(2) During the ((~~2007-2009~~)) 2009-2011 fiscal biennium, all expenses for administration of the office of the attorney general shall be allocated to and paid from the legal services revolving fund in accordance with accounting procedures prescribed by the director of financial management.

Sec. 930. RCW 43.135.045 and 2007 c 520 s 6035 and 2007 c 484 s 5 are each reenacted and amended to read as follows:

(1) The student achievement fund is hereby created in the state treasury.

(2) The education construction fund is hereby created in the state treasury.

(a) Funds may be appropriated from the education construction fund exclusively for common school construction or higher education construction. During the 2007-2009 fiscal biennium, funds may also be used for higher education facilities preservation and maintenance. During the 2009-2011 fiscal biennium, the legislature may transfer from the education construction fund to the state general fund such amounts as reflect the excess fund balance of the fund.

(b) Funds may be appropriated for any other purpose only if approved by a two-thirds vote of each house of the legislature and if approved by a vote of the people at the next general election. An appropriation approved by the people under this subsection shall result in an adjustment to the state expenditure limit only for the fiscal period for which the appropriation is made and shall not affect any subsequent fiscal period.

(3) Funds from the student achievement fund shall be appropriated to the superintendent of public instruction strictly for distribution to school districts to meet the provisions set out in the student achievement act. Allocations shall be made on an equal per full-time equivalent student basis to each school district.

Sec. 931. RCW 70.93.180 and 2005 c 518 s 939 are each amended to read as follows:

(1) There is hereby created an account within the state treasury to be known as the "waste reduction, recycling, and litter control account". Moneys in the account may be spent only after appropriation. Expenditures from the waste reduction, recycling, and litter control account shall be used as follows:

(a) Fifty percent to the department of ecology, for use by the departments of ecology, natural resources, revenue, transportation, and corrections, and the parks and recreation commission, for use in litter collection programs, to be distributed under RCW 70.93.220. The amount to the department of ecology shall also be used for a central coordination function for litter control efforts statewide, for the biennial litter survey under RCW 70.93.200(8), and for statewide public awareness programs under RCW 70.93.200(7). The amount to the department shall also be used to defray the costs of administering the funding, coordination, and oversight of local government programs for waste reduction, litter control, and recycling, so that local governments can apply one hundred percent of their funding to achieving program goals. The amount to the department of revenue shall be used to enforce compliance with the litter tax imposed in chapter 82.19 RCW;

No. 82577-7
JSF925 0611

(b) Twenty percent to the department for local government funding programs for waste reduction, litter control, and recycling activities by cities and counties under RCW 70.93.250, to be administered by the department of ecology; and

(c) Thirty percent to the department of ecology for waste reduction and recycling efforts.

(2) All taxes imposed in RCW 82.19.010 and fines and bail forfeitures collected or received pursuant to this chapter shall be deposited in the waste reduction, recycling, and litter control account and used for the programs under subsection (1) of this section.

(3) Not less than five percent and no more than ten percent of the amount appropriated into the waste reduction, recycling, and litter control account every biennium shall be reserved for capital needs, including the purchase of vehicles for transporting crews and for collecting litter and solid waste. Capital funds shall be distributed among state agencies and local governments according to the same criteria provided in RCW 70.93.220 for the remainder of the funds, so that the most effective waste reduction, litter control, and recycling programs receive the most funding. The intent of this subsection is to provide funds for the purchase of equipment that will enable the department to account for the greatest return on investment in terms of reaching a zero litter goal.

(4) During the ((~~2005-2007~~)) 2009-2011 fiscal biennium, the legislature may transfer from the waste reduction, recycling, and litter control account to the state general fund such amounts as reflect the excess fund balance of the account. For purposes of subsection (1) of this section, this transfer shall be treated as an expenditure for litter collection.

Sec. 932. RCW 70.105D.070 and 2008 c 329 s 921, 2008 c 329 s 920, 2008 c 329 s 919, and 2008 c 328 s 6009 are each reenacted and amended to read as follows:

(1) The state toxics control account and the local toxics control account are hereby created in the state treasury.

(2) The following moneys shall be deposited into the state toxics control account: (a) Those revenues which are raised by the tax imposed under RCW 82.21.030 and which are attributable to that portion of the rate equal to thirty-three one-hundredths of one percent; (b)

No. 82577-7
JSF925 0612

the costs of remedial actions recovered under this chapter or chapter 70.105A RCW; (c) penalties collected or recovered under this chapter; and (d) any other money appropriated or transferred to the account by the legislature. Moneys in the account may be used only to carry out the purposes of this chapter, including but not limited to the following activities:

(i) The state's responsibility for hazardous waste planning, management, regulation, enforcement, technical assistance, and public education required under chapter 70.105 RCW;

(ii) The state's responsibility for solid waste planning, management, regulation, enforcement, technical assistance, and public education required under chapter 70.95 RCW;

(iii) The hazardous waste cleanup program required under this chapter;

(iv) State matching funds required under the federal cleanup law;

(v) Financial assistance for local programs in accordance with chapters 70.95, 70.95C, 70.95I, and 70.105 RCW;

(vi) State government programs for the safe reduction, recycling, or disposal of hazardous wastes from households, small businesses, and agriculture;

(vii) Hazardous materials emergency response training;

(viii) Water and environmental health protection and monitoring programs;

(ix) Programs authorized under chapter 70.146 RCW;

(x) A public participation program, including regional citizen advisory committees;

(xi) Public funding to assist potentially liable persons to pay for the costs of remedial action in compliance with cleanup standards under RCW 70.105D.030(2)(e) but only when the amount and terms of such funding are established under a settlement agreement under RCW 70.105D.040(4) and when the director has found that the funding will achieve both (A) a substantially more expeditious or enhanced cleanup than would otherwise occur, and (B) the prevention or mitigation of unfair economic hardship; ((~~and~~))

(xii) Development and demonstration of alternative management technologies designed to carry out the hazardous waste management priorities of RCW 70.105.150; and

(xiii) During the 2009-2011 fiscal biennium, shoreline update technical assistance.

(3) The following moneys shall be deposited into the local toxics control account: Those revenues which are raised by the tax imposed under RCW 82.21.030 and which are attributable to that portion of the rate equal to thirty-seven one-hundredths of one percent.

(a) Moneys deposited in the local toxics control account shall be used by the department for grants or loans to local governments for the following purposes in descending order of priority:

(i) Remedial actions;

(ii) Hazardous waste plans and programs under chapter 70.105 RCW;

(iii) Solid waste plans and programs under chapters 70.95, 70.95C, 70.95I, and 70.105 RCW;

(iv) Funds for a program to assist in the assessment and cleanup of sites of methamphetamine production, but not to be used for the initial containment of such sites, consistent with the responsibilities and intent of RCW 69.50.511; and

(v) Cleanup and disposal of hazardous substances from abandoned or derelict vessels, defined for the purposes of this section as vessels that have little or no value and either have no identified owner or have an identified owner lacking financial resources to clean up and dispose of the vessel, that pose a threat to human health or the environment.

(b) Funds for plans and programs shall be allocated consistent with the priorities and matching requirements established in chapters 70.105, 70.95C, 70.95I, and 70.95 RCW, except that any applicant that is a Puget Sound partner, as defined in RCW 90.71.010, along with any project that is referenced in the action agenda developed by the Puget Sound partnership under RCW 90.71.310, shall, except as conditioned by RCW 70.105D.120, receive priority for any available funding for any grant or funding programs or sources that use a competitive bidding process. During the 2007-2009 fiscal biennium, moneys in the account may also be used for grants to local governments to retrofit public sector diesel equipment and for storm water planning and implementation activities.

(c) Funds may also be appropriated to the department of health to implement programs to reduce testing requirements under the federal safe drinking water act for public water systems. The department of health shall reimburse the account from fees assessed under RCW 70.119A.115 by June 30, 1995.

(d) To expedite cleanups throughout the state, the department shall partner with local communities and liable parties for cleanups. The department is authorized to use the following additional strategies in order to ensure a healthful environment for future generations:

(i) The director may alter grant-matching requirements to create incentives for local governments to expedite cleanups when one of the following conditions exists:

(A) Funding would prevent or mitigate unfair economic hardship imposed by the clean-up liability;

(B) Funding would create new substantial economic development, public recreational, or habitat restoration opportunities that would not otherwise occur; or

(C) Funding would create an opportunity for acquisition and redevelopment of vacant, orphaned, or abandoned property under RCW 70.105D.040(5) that would not otherwise occur;

(ii) The use of outside contracts to conduct necessary studies;

(iii) The purchase of remedial action cost-cap insurance, when necessary to expedite multiparty clean-up efforts.

(4) Except for unanticipated receipts under RCW 43.79.260 through 43.79.282, moneys in the state and local toxics control accounts may be spent only after appropriation by statute.

(5) One percent of the moneys deposited into the state and local toxics control accounts shall be allocated only for public participation grants to persons who may be adversely affected by a release or threatened release of a hazardous substance and to not-for-profit public interest organizations. The primary purpose of these grants is to facilitate the participation by persons and organizations in the investigation and remedying of releases or threatened releases of hazardous substances and to implement the state's solid and hazardous waste management priorities. However, during the 1999-2001 fiscal biennium, funding may not be granted to entities engaged in lobbying activities, and applicants may not be awarded grants if their cumulative grant awards under this section exceed two hundred thousand dollars. No grant may exceed sixty thousand dollars. Grants may be

renewed annually. Moneys appropriated for public participation from either account which are not expended at the close of any biennium shall revert to the state toxics control account.

(6) No moneys deposited into either the state or local toxics control account may be used for solid waste incinerator feasibility studies, construction, maintenance, or operation, or, after January 1, 2010, for projects designed to address the restoration of Puget Sound, funded in a competitive grant process, that are in conflict with the action agenda developed by the Puget Sound partnership under RCW 90.71.310.

(7) The department shall adopt rules for grant or loan issuance and performance.

(8) During the ((~~2007-2009~~)) 2009-2011 fiscal biennium, the legislature may transfer from the local toxics control account to ((~~the state toxics control~~)) either the state general fund or the oil spill prevention account, or both such amounts as reflect excess fund balance in the account.

(9) During the ((~~2007-2009~~)) 2009-2011 fiscal biennium, the local toxics control account may also be used for a standby rescue tug at Neah Bay, local government shoreline update grants, public sector diesel equipment retrofit grants, and oil spill prevention, preparedness, and response activities.

(10) During the 2009-2011 fiscal biennium, the legislature may transfer from the state toxics control account to the state general fund such amounts as reflect the excess fund balance in the account.

Sec. 933. RCW 74.08A.340 and 2008 c 329 s 922 are each amended to read as follows:

The department of social and health services shall operate the Washington WorkFirst program authorized under RCW 74.08A.200 through 74.08A.330, 43.330.145, 43.215.545, and 74.25.040, and chapter 74.12 RCW within the following constraints:

(1) The full amount of the temporary assistance for needy families block grant, plus qualifying state expenditures as appropriated in the biennial operating budget, shall be appropriated to the department each year in the biennial appropriations act to carry out the provisions of the program authorized in RCW 74.08A.200 through 74.08A.330, 43.330.145, 43.215.545, and 74.25.040, and chapter 74.12 RCW.

(2)(a) The department may expend funds defined in subsection (1) of this section in any manner that will effectively accomplish the outcome measures defined in RCW 74.08A.410 with the following exception: Beginning with the 2007-2009 biennium, funds that constitute the working connections child care program, child care quality programs, and child care licensing functions.

(b) Beginning in the 2007-2009 fiscal biennium, the legislature shall appropriate and the departments of early learning and social and health services shall expend funds defined in subsection (1) of this section that constitute the working connections child care program, child care quality programs, and child care licensing functions in a manner that is consistent with the outcome measures defined in RCW 74.08A.410.

(c) No more than fifteen percent of the amount provided in subsection (1) of this section may be spent for administrative purposes. For the purpose of this subsection, "administrative purposes" does not include expenditures for information technology and computerization needed for tracking and monitoring required by P.L. 104-193. The department shall not increase grant levels to recipients of the program authorized in RCW 74.08A.200 through 74.08A.330 and 43.330.145 and chapter 74.12 RCW, except as authorized in the omnibus appropriations act for the ((~~2007-2009~~)) 2009-2011 biennium.

(3) The department shall implement strategies that accomplish the outcome measures identified in RCW 74.08A.410 that are within the funding constraints in this section. Specifically, the department shall implement strategies that will cause the number of cases in the program authorized in RCW 74.08A.200 through 74.08A.330 and 43.330.145 and chapter 74.12 RCW to decrease by at least fifteen percent during the 1997-99 biennium and by at least five percent in the subsequent biennium. The department may transfer appropriation authority between funding categories within the economic services program in order to carry out the requirements of this subsection.

(4) The department shall monitor expenditures against the appropriation levels provided for in subsection (1) of this section. The department shall quarterly make a determination as to whether expenditure levels will exceed available funding and communicate its finding to the legislature. If the determination indicates that expenditures will exceed funding at the end of the fiscal year, the

department shall take all necessary actions to ensure that all services provided under this chapter shall be made available only to the extent of the availability and level of appropriation made by the legislature.

Sec. 934. RCW 74.31.060 and 2007 c 356 s 7 are each amended to read as follows:

The traumatic brain injury account is created in the state treasury. Two dollars of the fee imposed under RCW 46.63.110(7)(c) must be deposited into the account. Moneys in the account may be spent only after appropriation, and may be used only to provide a public awareness campaign and services relating to traumatic brain injury under RCW 74.31.040 and 74.31.050, for information and referral services, and for costs of required department staff who are providing support for the council and information and referral services under RCW 74.31.020 and 74.31.030. <u>During the 2009-2011 fiscal biennium, money in the account may also be spent on long term care services.</u> The secretary of the department of social and health services has the authority to administer the funds.

Sec. 935. RCW 79.64.040 and 2007 c 522 s 958 are each amended to read as follows:

(1) The board shall determine the amount deemed necessary in order to achieve the purposes of this chapter and shall provide by rule for the deduction of this amount from the moneys received from all leases, sales, contracts, licenses, permits, easements, and rights-of-way issued by the department and affecting state lands and aquatic lands, provided that no deduction shall be made from the proceeds from agricultural college lands.

(2) Moneys received as deposits from successful bidders, advance payments, and security under RCW 79.15.100, 79.15.080, and 79.11.150 prior to December 1, 1981, which have not been subjected to deduction under this section are not subject to deduction under this section.

(3) Except as otherwise provided in subsection (5) of this section, the deductions authorized under this section shall not exceed twenty-five percent of the moneys received by the department in connection with any one transaction pertaining to state lands and aquatic lands other than second-class tide and shore lands and the beds of navigable

waters, and fifty percent of the moneys received by the department pertaining to second-class tide and shore lands and the beds of navigable waters.

(4) In the event that the department sells logs using the contract harvesting process described in RCW 79.15.500 through 79.15.530, the moneys received subject to this section are the net proceeds from the contract harvesting sale.

(5) During the ((~~2007-2009~~)) 2009-2011 fiscal biennium, the twenty-five percent limitation on deductions set in subsection (3) of this section may be increased up to thirty percent by the board((~~, provided the total amount deducted does not exceed the total appropriations in the operating and capital budgets for the fiscal period. At the end of the fiscal period, any amounts deducted in excess of the appropriations shall be transferred to the appropriate beneficiary distribution accounts~~)).

Sec. 936. RCW 79.105.150 and 2008 c 299 s 28 are each amended to read as follows:

(1) After deduction for management costs as provided in RCW 79.64.040 and payments to towns under RCW 79.115.150(2), all moneys received by the state from the sale or lease of state-owned aquatic lands and from the sale of valuable material from state-owned aquatic lands shall be deposited in the aquatic lands enhancement account which is hereby created in the state treasury. After appropriation, these funds shall be used solely for aquatic lands enhancement projects; for the purchase, improvement, or protection of aquatic lands for public purposes; for providing and improving access to the lands; and for volunteer cooperative fish and game projects. In addition, during the 2009-2011 biennium only, the aquatic lands enhancement account may also be used for hatchery reform. During the 2009-2011 fiscal biennium, the legislature may transfer from the aquatic lands enhancement account to the motor vehicle account such amounts as reflect the excess fund balance of the account.

(2) In providing grants for aquatic lands enhancement projects, the recreation and conservation funding board shall:

(a) Require grant recipients to incorporate the environmental benefits of the project into their grant applications;

(b) Utilize the statement of environmental benefits, consideration, except as provided in RCW 79.105.610, of whether the applicant is a Puget Sound partner, as defined in RCW 90.71.010, whether a project is referenced in the action agenda developed by the Puget Sound partnership under RCW 90.71.310, and except as otherwise provided in RCW 79.105.630, and effective one calendar year following the development and statewide availability of model evergreen community management plans and ordinances under RCW 35.105.050, whether the applicant is an entity that has been recognized, and what gradation of recognition was received, in the evergreen community recognition program created in RCW 35.105.030 in its prioritization and selection process; and

(c) Develop appropriate outcome-focused performance measures to be used both for management and performance assessment of the grants.

(3) To the extent possible, the department should coordinate its performance measure system with other natural resource-related agencies as defined in RCW 43.41.270.

(4) The department shall consult with affected interest groups in implementing this section.

(5) After January 1, 2010, any project designed to address the restoration of Puget Sound may be funded under this chapter only if the project is not in conflict with the action agenda developed by the Puget Sound partnership under RCW 90.71.310.

Sec. 937. RCW 84.52.0531 and 2006 c 119 s 2 are each amended to read as follows:

The maximum dollar amount which may be levied by or for any school district for maintenance and operation support under the provisions of RCW 84.52.053 shall be determined as follows:

(1) For excess levies for collection in calendar year 1997, the maximum dollar amount shall be calculated pursuant to the laws and rules in effect in November 1996.

(2) For excess levies for collection in calendar year 1998 and thereafter, the maximum dollar amount shall be the sum of (a) plus or minus (b) and (c) of this subsection minus (d) of this subsection:

(a) The district's levy base as defined in subsections (3) and (4) of this section multiplied by the district's maximum levy percentage as defined in subsection (5) of this section;

(b) For districts in a high/nonhigh relationship, the high school district's maximum levy amount shall be reduced and the nonhigh school district's maximum levy amount shall be increased by an amount equal to the estimated amount of the nonhigh payment due to the high school district under RCW 28A.545.030(3) and 28A.545.050 for the school year commencing the year of the levy;

(c) For districts in an interdistrict cooperative agreement, the nonresident school district's maximum levy amount shall be reduced and the resident school district's maximum levy amount shall be increased by an amount equal to the per pupil basic education allocation included in the nonresident district's levy base under subsection (3) of this section multiplied by:

(i) The number of full-time equivalent students served from the resident district in the prior school year; multiplied by:

(ii) The serving district's maximum levy percentage determined under subsection (5) of this section; increased by:

(iii) The percent increase per full-time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year divided by fifty-five percent;

(d) The district's maximum levy amount shall be reduced by the maximum amount of state matching funds for which the district is eligible under RCW 28A.500.010.

(3) For excess levies for collection in calendar year 2005 and thereafter, a district's levy base shall be the sum of allocations in (a) through (c) of this subsection received by the district for the prior school year and the amounts determined under subsection (4) of this section, including allocations for compensation increases, plus the sum of such allocations multiplied by the percent increase per full time equivalent student as stated in the state basic education appropriation section of the biennial budget between the prior school year and the current school year and divided by fifty-five percent. A district's levy base shall not include local school district property tax levies or other local revenues, or state and federal allocations not identified in (a) through (c) of this subsection.

(a) The district's basic education allocation as determined pursuant to RCW 28A.150.250, 28A.150.260, and 28A.150.350;

(b) State and federal categorical allocations for the following programs:

(i) Pupil transportation;

(ii) Special education;

(iii) Education of highly capable students;

(iv) Compensatory education, including but not limited to learning assistance, migrant education, Indian education, refugee programs, and bilingual education;

(v) Food services; and

(vi) Statewide block grant programs; and

(c) Any other federal allocations for elementary and secondary school programs, including direct grants, other than federal impact aid funds and allocations in lieu of taxes.

(4) <u>During the 2009-11 biennium, f</u>or levy collections in calendar years 2005 through 2011, in addition to the allocations included under subsection (3)(a) through (c) of this section, a district's levy base shall also include the following:

(a) The difference between the allocation the district would have received in the current school year had RCW 84.52.068 not been amended by chapter 19, Laws of 2003 1st sp. sess.<u>, and had RCW 28A.505.220 not been amended by section 923 of this act,</u> and the allocation the district received in the current school year pursuant to RCW 84.52.068. The office of the superintendent of public instruction shall offset the amount added to a district's levy base pursuant to this subsection (4)(a) by any additional per student allocations included in a district's levy base pursuant to the enactment of an initiative to the people subsequent to June 10, 2004; and

(b) The difference between the allocations the district would have received the prior school year had RCW 28A.400.205 not been amended by chapter 20, Laws of 2003 1st sp. sess. <u>and by section 917 of this act</u> and the allocations the district actually received the prior school year pursuant to RCW 28A.400.205. The office of the superintendent of public instruction shall offset the amount added to a district's levy base pursuant to this subsection (4)(b) by any additional salary increase allocations included in a district's levy base pursuant to the enactment of an initiative to the people subsequent to June 10, 2004.

(5) A district's maximum levy percentage shall be twenty-two

percent in 1998 and twenty-four percent in 1999 and every year thereafter; plus, for qualifying districts, the grandfathered percentage determined as follows:

(a) For 1997, the difference between the district's 1993 maximum levy percentage and twenty percent; and

(b) For 1998 and thereafter, the percentage calculated as follows:

(i) Multiply the grandfathered percentage for the prior year times the district's levy base determined under subsection (3) of this section;

(ii) Reduce the result of (b)(i) of this subsection by any levy reduction funds as defined in subsection (6) of this section that are to be allocated to the district for the current school year;

(iii) Divide the result of (b)(ii) of this subsection by the district's levy base; and

(iv) Take the greater of zero or the percentage calculated in (b)(iii) of this subsection.

(6) "Levy reduction funds" shall mean increases in state funds from the prior school year for programs included under subsections (3) and (4) of this section: (a) That are not attributable to enrollment changes, compensation increases, or inflationary adjustments; and (b) that are or were specifically identified as levy reduction funds in the appropriations act. If levy reduction funds are dependent on formula factors which would not be finalized until after the start of the current school year, the superintendent of public instruction shall estimate the total amount of levy reduction funds by using prior school year data in place of current school year data. Levy reduction funds shall not include moneys received by school districts from cities or counties.

(7) For the purposes of this section, "prior school year" means the most recent school year completed prior to the year in which the levies are to be collected.

(8) For the purposes of this section, "current school year" means the year immediately following the prior school year.

(9) Funds collected from transportation vehicle fund tax levies shall not be subject to the levy limitations in this section.

(10) The superintendent of public instruction shall develop rules and regulations and inform school districts of the pertinent data necessary to carry out the provisions of this section.

NEW SECTION. **Sec. 938.** Section 937 of this act expires January 1, 2012.

NEW SECTION. **Sec. 939.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec. 940.** This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

(End of part)

INDEX PAGE #

--- END ---