

Agency 10% Budget Reduction Proposals

Introduction

This document is a summary of the larger cuts **proposed by the agencies** this year, plus the addition of obviously eligible items in areas where agencies declined to submit a decision package, such as K-12.

This is not a proposal – it's more intended to be a resource for members on what specific reduction items contain. The text is a little turgid at times; sorry.

In addition to the agency proposals you will see the information from the across-the-board proportional exercise – what's excluded from consideration for constitutional or federal reasons.

Finally, the spreadsheet showing an illustration of what would happen if we cut \$2 billion, with cuts made proportionally to each part of the reducible budget.

K-12

Amounts that can't be reduced include basic education. Of the amount remaining, more than 60% is levy equalization. Other items that are assumed to be reducible include testing, all-day K, enhanced staffing ratio, gifted, ESDs, etc. Arguments can be made that some of these are also basic education or required by federal law.

Levy Equalization - \$474 million: All funding is eliminated effective January 1, 2012. Savings for the second six months of FY 2012 are \$166 million and \$308 million in FY 2013. SPI Superintendent Randy Dorn says that cutting levy equalization, when it is being relied upon to fund basic education costs is a cut to basic education. Everyone else disagrees with him.

All Day Kindergarten - \$62.9 million: According to SPI, "Full day kindergarten is identified in RCW 28A.150.220 as part of the minimum instructional program of basic education offered by school districts. This statute and the implementation schedule referenced in this statute are clear in identifying these instructional hours as a part of basic education."

Readiness to Learn - \$4.9 million: This program provides substantial support to students (pre-school through grade 8) and their families who are significantly at-risk by combining school and community-based resources as a means to reduce barriers to learning, bolster student engagement, and ensure that all children are able to attend school, ready to learn. Supports include: Intensive outreach for families; Tutoring and mentoring services; Mental health and substance abuse services; Case management; Parent support and education; Transportation and financial support; Health services; Food, clothing, housing, and employment assistance; Individual, group, and community activities and services; Gang diversion and/or Extended learning and enrichment. It serves a fair number of districts but is not a state-wide program.

Math and Science Professional Development - \$7 million: These funds are provided to Educational Service Districts to ensure that educators are best prepared to help students meet academic standards.

Higher Education

All of higher education can generally be reduced (there are, perhaps, some minor exceptions in financial aid).

Reduce State Need Grant - \$21.9 million: The State Need Grant provides financial aid to students whose family income is at or below 70 percent of the state's median income. For a family of four, the current standard of 70% is \$57,000/year. The SNG provides more at lower income levels and phases out as follows:

Median Family Income Range	% of Award
0-50%	100%
51%-55%	70%
56-60%	65%
61-65%	60%
66%-70%	50%

University/college reductions - \$199.3 million: Each university and college has submitted reduction proposals that would reduce expenditures by 10%. In their submissions, they have cited that these reductions will impair student access, time to degree, and quality and scope of offerings.

Health Care Authority

Of the HCA budget, the 83% used here represents the cost of mandatory services to populations Washington is currently required to cover. The remaining 17% is "optional" services and client populations. Client groups include the BHP, the replacement to disability lifeline medical, health care for undocumented children and ticket-to-work. Services include prescription drugs, maternity support services, dental for pregnant women and the disabled, take charge, etc. Elimination of some of these items will directly result in increased costs elsewhere in the budget.

Basic Health Plan Elimination - \$48.4 million: By the end of this biennium, the approximate 35,000 persons enrolled in the program would no longer receive services. Federal Medicaid matching funds are also lost.

Disability Lifeline/ADATSA Elimination - \$109.9 million: Approximately 20,000 DL/ADATSA recipients would no longer be eligible. Federal Medicaid matching funds are also lost.

Non-citizen Children's Health Elimination - \$34 million: The Children's Health Insurance Program covers about 23,000 children who are not citizens.

Maternity Support Services Elimination - \$20.9 million: After being reduced 30 percent in the original budget, this program is eliminated. It provides preventive health care services for pregnant and postpartum women that include professional observation, assessment, education, intervention and counseling by interdisciplinary teams of community health nurses, nutritionists, and behavioral health specialists.

Hospital Disproportionate Share/CPE - \$60.1 million: This reduction has three parts. (1) Small and non-rural disproportionate share payments are eliminated effective January 1, 2012. The state operates disproportionate share programs as a way to maximize federal revenue and ensure continued operation of those hospitals most heavily impacted by charity and Medicaid caseloads. (2) Critical Access Hospital Payment Methodology is reduced. The payment methodology will be changed to one that is used with most other hospitals and is effective July 1, 2012. (3) Reduce Certified Public Expenditure Hold Harmless Grants take effect on July 2, 2012. This program is one of the later iterations in

allowing additional federal revenues. It primarily impacts public hospitals, most notably, Harborview.

Non-Emergent Adult Dental Elimination - \$11.7 million: In the original budget, dental services were eliminated for all adults with the exception of pregnant women; those who are residents of nursing homes, including a nursing home wing of a state veteran facility; or those institutionalized in a DDD facility; and those on a Developmental Disability or Long-Term Care waiver. These groups would now lose their coverage.

Interpreter Services Elimination - \$4.8 million: Interpreter Services is an optional service provided by the Medicaid program to Limited English Proficiency (LEP) clients to assist them while receiving eligible services. Title VI of the Civil Rights Act of 1964 requires equal access for these individuals when they apply for or receive assistance through federally financed programs. The Washington Medicaid program has historically paid for these services for many years, although not required by federal law. If the state does not pay for these services, the obligation shifts to the medical providers, however, the state retains the responsibility to ensure that services provided meet federal requirements.

Adult Pharmacy Benefits - \$127.5 million: Adult outpatient prescription drugs provided by a retail pharmacy (for both fee-for-service and managed care plans), will be suspended for eighteen months, effective January 1, 2012. These prescriptions will continue to be covered for Long Term Care clients who are under the supervision of Aging and Disability Services Administration (ADSA) and coverage will still be provided for medications administered in the physician's office and the outpatient hospital setting. Approximately 500,000 adults, mostly seniors and people with disabilities, will lose access to their prescription drugs.

Department of Social and Health Services

If clients request services and meet the financial and functional eligibility standard for a nursing home placement, the state must provide that service. A client may choose other alternatives such as adult family homes or in-home care (typically at lower per client costs).

If clients request services and meet the financial and functional eligibility standard for a RHC placement, the

state must provide that service. A client may choose other alternatives such as adult family homes or in-home care (typically at lower per client costs).

The state must meet certain standards in caring for clients in the state hospitals and must set the rates paid to Medicaid community mental health managed care entities within a range approved by the federal government.

Major eligibility/Program Reductions - \$273.9 million: This reduction impacts a number of program areas. It would:

- Reduce by 17,000, the number of clients receiving long-term care services by increasing the nursing home “level of care.” This means that people would have to have a more severe condition before they could be admitted to a nursing home.
- About 3,000 developmentally disabled clients would lose Medicaid personal care by increasing the eligibility for assistance with activities of daily living
- About 5,700 developmentally disabled clients would lose eligibility by increased the threshold for waiver services
- Two wards at Western State Hospital (52 patients) would close because patients who do not have a primary psychiatric diagnosis (traumatic brain injury or dementia) would be moved to community settings
- Additional transitions of persons from Western State Hospital to the community (about 120 people or 4 wards)
- Reduce number of regional support networks from 13 to between four and six

Alcohol and Substance Abuse Reductions - \$72.6 million: Eliminates all General Fund-State funded alcohol and substance abuse services for intensive residential treatment, involuntary residential treatment, long-term residential treatment, recovery house beds and adult drug courts. County grants are reduced by 87%.

Involuntary Treatment Changes - \$22.6 million: The Legislature passed 2SHB 3076 in the 2010 legislative session to revamp the state’s involuntary treatment laws, so that a person can get into treatment before there is a crisis. This proposal would delay implementation of those changes.

RSN Payments - \$13.6 million: Regional support networks receive Medicaid capitation rates set within an actuarially sound rate range. This reduction will bring all rates to the lower bound of rate ranges and eliminates funding within rates for respite, clubhouses and supported employment.

Suspend Individual and Family Services - \$8.4 million: Effective January 2012, the state-only program that provides about 2,000 Medicaid eligible families with assistance in caring for their family with DD is suspended. Services include respite care, therapies, adaptive equipment, training; support and counseling, medical, dental and nursing services that are not covered by Medicaid.

Nursing Home Add-ons Elimination - \$8 million: The low wage worker add-on that was established in 2008 is eliminated, as well as a 10% direct care rate add-on established by the 2011 Legislature using provider safety net assessment funds.

TANF/WorkFirst Reductions - \$32 million: Effective January 1, 2012, a 2 percent TANF grant reduction would go into place. Also, funding is reduced to reflect a lifetime limit for TANF of 48 months instead of 60 months, beginning May 2012.

Aged, Blind, Disabled and Pregnant Women Assistance Elimination - \$29.7 million: This is the remaining “GAU or DL” grant program, since the Housing and Essential Needs Requirement program was established earlier this year. Approximately 15,500 cases would lose support.

State Food Assistance Elimination - \$17.8 million: The original budget reduced this program by 50 percent. This proposal is to eliminate it entirely. 13,000 clients would lose monthly food assistance support. We are still under a TRO to maintain the program as-is, but the legal reasoning is ridiculous.

Foster Care Reductions - \$11.9 million: Adjustments to Foster Care Funding which eliminate expenditures for programs no longer considered “core” to system performance, and program goals. Programs eliminated include Receiving Care Support Services and elimination of the Pediatric Interim Care Facility.

All other Children’s Program Reductions/Eliminations - \$29.8 million: Additional savings are achieved by continued payment integrity efforts, maximization of federal funding, and continuation of savings and

efficiency measures implemented in previous budget cycles. Programs eliminated included Foster Care Assessment Program, Comprehensive Assessment Program, Continuum of Care Program, Child Advocacy Centers, and research and training services.

Juvenile Rehabilitation Reductions - \$9.9 million: Phased closure of Naselle Youth Camp, consistent with the Department's plan to place youth close to families and community supports (260 youths). Reductions are made to the JRA Residential Caseload, Institution Costs, and Juvenile Court Funding.

Administration, Vocational Rehabilitation and Payments to Other Agencies - \$9.8 million: Elimination of TeamChild, Washington Mentoring Program and Juvenile Detention Alternatives Initiative.

Corrections

The state has to meet certain standards in the incarceration and supervision of inmates. Unless large numbers of inmates are released or no longer supervised, or the costs shifted to other governmental entities, it is difficult to achieve significant savings. The assumption used here is that at least 75% of the current budget is required to incarcerate and supervise higher risk and/or violent offenders.

Eliminate all Community Supervision - \$96.9 million: Eliminates all community supervision, except those offenders on supervision for Interstate cases and special sentencing alternatives. Approximately 7,400 offenders would no longer be supervised.

Early Release of low or moderate risk offenders - \$26.4 million: This reduction would save funds by having those offenders assessed as a low or moderate risk to reoffend be released 120 days early. It excludes offenders convicted of sex offenses. Savings are calculated based on the closure of a minimum security facility.

Convert medium security units to minimum security and close the Walla Walla minimum security unit - \$16.2 million: The Washington State Penitentiary in Walla Walla has a medium security unit in its "Old Main" unit. This would be converted to minimum security. The department currently has over 900 minimum custody offenders housed in higher security level beds.

Eliminate chemical dependency treatment - \$11.1 million: This proposal eliminates chemical dependency treatment in prisons and in the community unless mandated by the court under the Drug Offender Sentencing Alternative (DOSA).

Increase Offender Health Care Co-Pays and Expand Utilization Management Efforts - \$1.8 million: Offender health care co-pays would be increased and offenders who refuse to cooperate with Medicaid eligibility could be charged the full cost of their hospital stay. Utilization management practices have yielded significant savings at the Department since the effort was started three years ago and this effort can be expanded. The Department of Corrections considers this an "efficiency" move and appears to recommend it.

Reduce administrative and central management functions - \$5.3 million: Savings will be achieved by reductions in management, communications, elimination of the Jail Industries Board, and reductions to central service agencies.

Keep unfilled positions vacant - \$4.3 million: Corrections will maintain a vacancy rate in Health Services and Community Corrections equal to 2.8% of their staffing levels.

General Government / Natural Resources

Entities with constitutional responsibilities must be funded at a level sufficient to carry out those responsibilities. This includes the Governor's office and OFM, the Legislature and court system. The assumption is that at least 50% of the current budget is required for that purpose (it is likely much higher).

The assumption is that at least 75% (it is likely much higher) of the current Department of Revenue budget is required to collect revenues (reductions beyond that amount would likely impair revenue collections).

Debt service payments are a contractual obligation of the state. Typically, contracts may not be impaired.

Pension payments are a contractual obligation of the state. Typically, contracts may not be impaired. This assumes that the costs of LEOFF pensions could be shifted to local governments while the state would continue to fund the judicial system.

Although too numerous to list, OFM received 10 percent budget reductions primarily from executive agencies.

Examples of the type of reductions submitted include the following:

Department of Revenue - \$20.9 million: Reductions at this level will result in the loss of General Fund State revenue collections.

Department of Commerce - \$19.5 million: Most of this amount is associated with the Housing and Essential Requirements program (formerly DL, GAU) which was moved to the department.

Department of Ecology - \$9.6 million: Less than a quarter of the department's funding is from the State General Fund. They submitted \$2.6 million in GF-S reductions, and are assuming that they can transfer funding from other accounts to make up the \$9.6 million that 10% reductions represent.

Department of Fish and Wildlife - \$6.8 million: The department's reductions affect hatcheries and fisheries. They just announced that they will retract their proposal to close the Puget Sound Pacific Herring bait fishery.

If The Reductions Excluded Portions Of The Budget, How Large Would They Need To Be (all based on NGFS + Opp Pathways)?

Assumes Reductions of

2,000.0 million

over the next

18 months

	2011-13 <u>Current Appropriations</u>	Budget For 18 Months <u>Starts Jan 2012</u>	% of Budget That <u>Can't be Reduced</u>	Budget Amounts That <u>"Could" Be Reduced</u>	Reduction <u>Target (\$\$. in Millions)</u>	Red. as % of <u>18 Month Budget</u>	Red. as % of What <u>Could Be Reduced</u>
K-12 Education							
1 K-12 Education (Basic and non-Basic)	13,783.4	10,351.0	93%	724.6	210.3	2%	29%
Higher Education							
2 Community Colleges	1,154.7	864.2	0%	864.2	250.8	29%	29%
3 Four Year Institutions	980.2	735.8	0%	735.8	213.5	29%	29%
4 HECB: Financial Aid	612.9	467.2	0%	467.2	135.6	29%	29%
5 All Other (Workforce, HECB, etc.)	4.8	3.6	0%	3.6	1.0	29%	29%
6 Schools for Deaf & Blind	28.4	21.3	0%	21.3	6.2	29%	29%
7 Early Learning (Mostly ECEAP)	135.1	101.3	0%	101.3	29.4	29%	29%
Total Education (Including K12)	16,699.6	12,544.3		2,918.0	846.8		
General Government & Related Programs							
8 Natural Resources (DFW, DNR, Parks, DOE, etc.)	309.3	231.1	0%	231.1	67.1	29%	29%
9 Department of Corrections	1,635.5	1,215.8	75%	303.9	88.2	7%	29%
10 Legislative Agencies	142.3	107.2	50%	53.6	15.6	15%	29%
11 Judicial Agencies	221.8	166.2	50%	83.1	24.1	15%	29%
12 Commerce	129.8	101.1	0%	101.1	29.3	29%	29%
13 Dept of Revenue	208.6	156.4	75%	39.1	11.3	7%	29%
14 OFM & Governor's Office	47.8	35.8	50%	17.9	5.2	15%	29%
15 44 Other Gen Govt/Related Agencies (Some non-GFS)	201.2	149.8	0%	149.8	43.5	29%	29%
Total General Government & Related	2,896.4	2,163.4		979.7	284.3		
Health & Human Services							
16 Dept of Health (Incl. Public Hlth)	208.5	156.4	0%	156.4	45.4	29%	29%
17 Health Care Authority (BHP + MAA)	4,457.2	3,360.4	83%	571.3	165.8	5%	29%
18 Labor & Industries (primarily Crime Victims Comp)	38.1	28.8	0%	28.8	8.4	29%	29%
19 DSHS - Childrens	605.2	454.2	50%	227.1	65.9	15%	29%
20 DSHS - Long Term Care	1,595.0	1,203.3	75%	300.8	87.3	7%	29%
21 DSHS - Developmental Disabilities	1,012.7	760.2	75%	190.0	55.2	7%	29%
22 DSHS - Mental Health	890.1	668.5	75%	167.1	48.5	7%	29%
23 DSHS - Special Commitment	95.4	71.5	0%	71.5	20.8	29%	29%
24 DSHS - DASA	151.7	113.8	0%	113.8	33.0	29%	29%
25 DSHS - DVR	21.7	16.3	0%	16.3	4.7	29%	29%
26 DSHS - Econ Svcs	1,006.6	753.3	0%	753.3	218.6	29%	29%
27 DSHS - JRA	173.8	130.3	0%	130.3	37.8	29%	29%
28 DSHS - Interagency Pmts (AG, DIS, DOP, GA, etc.)	129.7	96.5	0%	96.5	28.0	29%	29%
29 DSHS - Administrative Svcs	49.7	36.8	0%	36.8	10.7	29%	29%
30 Other HHS (Veterans, etc.)	20.9	15.4	0%	15.4	4.5	29%	29%
Total Health & Human Services	10,456.2	7,865.8		2,875.6	834.5		
31 Debt Service	1,966.5	1,490.1	100%	-	-	0%	n/a
32 Pensions (LEOFF & Judicial)	133.5	101.7	17%	84.8	24.6	24%	29%
33 All Other Spec Approps	51.0	33.3	0%	33.3	9.7	29%	29%
Total	32,203.1	24,198.6	72%	6,891.3	2,000.0	8%	29%

Potential reduction amounts displayed above are for discussion purposes only. Different assumptions result in different reduction amounts. All items in yellow can be modified to reflect different assumptions. All figures in yellow must be positive numbers.