

Reforms and Resets: Selected Actions to Retool State Government

CUT \$10.5 BILLION FROM CURRENT AND PROJECTED SPENDING

Slashed nearly \$10.5 billion in past three years

These reductions have put greater pressure on the state's safety net and forced all of government to do more with less. Among a host of actions, we have:

- Cut more than 60,000 working poor adults from the state Basic Health Plan.
- Closed three prisons and eliminated more than 1,200 positions in the Department of Corrections, including community corrections officers.
- Reduced Temporary Assistance for Needy Family grants by 15 percent.
- Decreased state funding for four-year universities by more than 40 percent, and community and technical colleges by 20 percent.
- Eliminated funding to reduce class size and increase teacher pay.
- Adopted the Discover Pass program to help pay for our state parks system.

Status: Completed

MADE WASHINGTON A BETTER PLACE TO DO BUSINESS, GROW JOBS

Enacted largest workers' compensation reforms in a century

The bipartisan package of reforms will protect workers and help them get back to work, support businesses and save \$1.1 billion over the next four years. This is possible through actuarial reductions in future liabilities which, in turn, should help keep rates lower than they would have been.

Status: To be implemented January 2012

Saved businesses \$300 million with unemployment insurance reform

A bipartisan package helped businesses — especially small businesses — avoid a 36 percent increase in unemployment insurance rates. This will save businesses \$300 million in the first year.

Status: Implemented for 2011 and subsequent rates; permanently restructured formulas

Offered amnesty period on tax penalties

The first-ever amnesty period on back taxes brought in \$343 million and gave a fresh start to more than 8,000 Washington businesses — 78 percent of them small businesses.

Status: Completed April 30, 2011

Implemented a moratorium on all non-essential rules except for public health and safety

All non-critical rulemaking was suspended to provide a more predictable regulatory and policy environment, conserve resources for small businesses and local governments, promote economic recovery and allow agencies to target staff resources on direct service delivery.

Status: Effective Nov. 17, 2010, through 2012

INSTITUTED SPENDING CONTROLS

Created a constitutionally protected Rainy Day Fund

The fund ensures that a budget reserve is available to help provide a cushion when the economy contracts.

Status: Completed

Restricted state debt

The State Finance Committee was directed to lower the state debt limit from 8.75 percent in 2016 to 7.75 percent by 2022 to restrain state borrowing. A citizen commission will recommend a new and even tighter debt policy for the state.

Status: In progress

MADE STATE GOVERNMENT MORE ACCOUNTABLE

Made government operations more transparent and accountable

The creation of the award-winning Government Management Accountability and Performance program and use of performance audits have led to more transparent, efficient and results-driven state services.

Status: In progress

Instituted performance-based contracting

An executive order requires Cabinet agencies to ensure that all new and renewed contracts meet performance-based contracting standards. For the first quarter of the fiscal year, state agencies reported that more than 99 percent of all new or renewed contracts are performance based, and nearly 100 percent of completed contracts have met their performance-based conditions.

Status: In progress

Made the workings of state government more understandable

By requiring the use of “Plain Talk” by state agencies, the public can more easily interact with state government and understand its operation.

Status: In progress

MANAGED LABOR COSTS:

WASHINGTON IS ONE OF JUST 6 STATES TO USE ALL 4 STRATEGIES (LAYOFFS, FURLOUGHES, PAY CUTS & BENEFIT REDUCTIONS) TO SLASH EMPLOYEE COSTS

Shrank state workforce

In 2001, Washington had 5.9 million residents and more than 64,000 state general government employees. In fiscal year 2011, our state was home to more than 6.8 million residents and about 62,000 state employees. Put another way: We have nearly 1 million more people being served by 2,000 fewer state employees. Over the past three years, we have reduced the state workforce by more than 6,400 employees.

Status: Ongoing

Reduced management

Nearly 1,000 management positions — or 11 percent — were eliminated from state government.

Status: Completed

Furloughed state employees

Legislation directed temporary layoffs (furloughs) of state employees for up to 10 days, with exemptions for certain employees, such as those working in public safety.

Status: Completed

Reduced state employee salaries

In the first cut of its kind since at least the 1960s, when the state created the current personnel system, the salaries of public servants were cut — not frozen — by 3 percent for two years.

Status: Implemented July 2011

Held down ferry system and employee costs

The Governor signed legislation that eliminates baseball-style arbitration as the default arbitration process, and allows the arbitrator or arbitration panel the ability to consider whether the state can afford to pay the award. The law also requires that the Office of Financial Management certify both negotiated and arbitrated settlements as financially feasible before inclusion in the Governor's budget.

Status: Implemented April 1, 2010

Increased state employee share of health insurance costs

Workers agreed to pay a 25 percent larger share of health insurance costs, from 12 percent to 15 percent — more than ever before even while state employee salaries lag private sector salaries for comparable positions.

Status: To be implemented January 2012

Saved taxpayers \$20 million in health care costs

Thanks to a campaign by the Public Employees Benefit Board, 6,200 ineligible dependents were removed from coverage, leading to annual savings of \$20 million.

Status: Completed

Cut unfunded liability in half in older pension plans

Future automatic benefit increases will end in closed pension plans, which will save taxpayers \$344 million over the next two years and \$7.6 billion over the next 25 years. Washington is one of the top 5 best-funded pension systems in the country.

Status: Completed July 2011

Helped stabilize the state pension system

The elimination of gain sharing, which used above-average investments returns to increase pension benefits, will save an estimated \$120.3 million in 2013–15. Savings to all employers (including schools and local governments) are estimated at \$206.4 million over the same period.

Status: In progress

Eliminated retire-rehire option

Restrictions now disallow retired public employees who return to work for an institution of higher education to participate in a separate retirement plan offered by the institution. Individuals are no longer allowed to draw full-time retirement benefits and a salary.

Status: To be implemented January 2012

MADE STATE GOVERNMENT MORE EFFICIENT

Initiated Lean principles

For the past two years, in partnership with Boeing and Virginia Mason Hospital, we have begun implementation of Lean process improvements. This year, the Governor issued an executive order for its implementation across all executive Cabinet agencies to drive improvements and savings.

Status: In progress

Eliminated 154 boards and commissions

Nearly one-third of 460 boards and commissions were eliminated, and 22 were restructured, to save taxpayer money and operate more efficiently.

Status: Completed

Implemented shared services to cut down costs, achieve economies of scale

As of Nov. 30, 2011, more than 31,000 users from 29 agencies are using shared email service, server virtualization, small agency human resource services and Motor Pool consolidation. Agencies with fewer than 176 full-time equivalent employees are required to use the Small Agency Client Services division of the Office of Financial Management for their accounting, payroll and budget needs.

Status: In progress

Focused on sustainability programs to save \$3.5 million

As one example, since 2005, we have cut prison overhead costs through such practices as on-site composting at each prison, recycling, and reducing energy and water use.

Status: In progress

Instituted efficiencies in state services

The Governor issued a directive to ensure that state vehicles, cellular communications, home assignment and personnel procedures are used appropriately and efficiently to save taxpayer money.

Status: In progress

SHUTTERED INEFFICIENT AND COSTLY STATE INSTITUTIONS

Closed McNeil Island Corrections Center, Maple Lane School, Pine Lodge Corrections Center, Ahtanum View

The state closed the Corrections Center on McNeil Island; Maple Lane School, a youth treatment facility near Centralia; Pine Lodge, a facility for female offenders near Spokane; and Ahtanum View, a facility in Yakima for elderly offenders. The last major closure occurred in the 1970s. These actions will save \$106 million, eliminate 544 full-time equivalent positions and not entail the early release of a single offender.

Status: Completed 2011

Closed Frances Haddon Morgan and consolidated other residential habilitation centers

For the first time in 18 years, the state closed a residential habilitation center, halted admissions at another and ended admissions of people 16 and younger. The state will invest savings into comprehensive community care so Washingtonians with disabilities can live in their community.

Status: In progress

CONSOLIDATED DUPLICATIVE, OVERLAPPING OR INEFFICIENT OPERATIONS

Consolidated the Health Care Authority and Medicaid Administration

This move combines the state's two largest health care purchasers to promote evidence-based medicine, realign incentives to improve care and cut health care costs in anticipation of federal health care reform. Our goal is to limit the growth of overall health care spending in Washington to 4 percent annually by 2014.

Status: Completed July 2011

Consolidated information technology, office support functions

The single Department of Enterprise Services provides central support functions once offered by five agencies. This list includes property management, and human resources and info technology support. The Consolidated Technology Services consolidates and standardizes information technology and services for all state agencies. And the Office of the Chief Information Officer is patterned after the private sector. These three new agencies represent the biggest reform of state government's structure in nearly 20 years and will save \$18.8 million in the next fiscal year.

Status: Effective October 2011

Consolidated DSHS regional offices, cut other costs

The Department of Social and Health Services flattened management by cutting six service regions to three, which saved \$1.4 million and eliminated 16 full-time equivalent employees in the current biennium. The agency also eliminated one in five managers and cut administrative expenses by 29 percent.

Status: Completed

Reduced the number of environmental hearings boards

The number of environmental hearings boards was cut from five to two without affecting any rights or increasing timelines. We expect long-term savings and efficiencies by co-location of offices, and less confusion by simplifying and clarifying the appeals process.

Status: Completed

Improved delivery of natural resource services

The Governor issued an executive order that directed the state's natural resource agencies to share resources and consolidate regional boundaries. The Puget Sound Partnership and Recreation and Conservation Office have consolidated information technology functions and share communications, fiscal and graphics staff. The departments of Natural Resources and Fish and Wildlife have formal shared services agreements for 30 activities. The Pollution Liability Insurance Agency is co-located with the Department of Ecology, and the Environmental Hearings Board has relocated to the State Parks headquarters. State Parks, DFW and DNR jointly created the Discover Pass and an informational website.

Status: Completed

Closed or consolidated 11 driver licensing offices while improving online services, mail options

The Department of Licensing performed 600,000 fewer manual transactions from state offices. It expects more than 700,000 transactions will be conducted online next year. This will further shrink the need to go to an office while those customers who prefer to visit an office will experience the lowest wait times in years.

Status: Completed

FOUGHT FRAUD THROUGH NEW PROTECTIONS

Created the Office of Fraud and Accountability

The new office in the Department of Social and Health Services is cracking down on inappropriate use of benefits such as food, cash and medical assistance, and improving transparency in the agency.

Status: Implemented May 2011

Ensured only state residents get state driver's licenses

The Department of Licensing is putting protections in place that would deny a driver's license for up to five years, instead of the current one year, if a person commits fraud while attempting to obtain a license or ID card.

Status: In progress

Three agencies working together to fight the underground economy

The Department of Revenue, the Department of Labor and Industries, and the Employment Security Department are partnering in a ground-breaking program to share information to identify fraud in the underground economy. Their efforts are already saving the state millions in lost taxes and workers' compensation premiums.

Status: Completed

**Office of the Governor
December 2011**