



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Economic Services Administration
Post Office Box 45070 Olympia WA 98504-5070

October 27, 2009

To Tribal Chairs:

As a valued partner in our service to those in need, I am writing to explain our budget reduction options for the state fiscal year 2011 that were included in the Department of Social and Health Services' submittal last week to the Governor's Office of Financial Management.

For the last several months we have all watched with great concern the growing fiscal problems facing Washington State due to the state of the economy and deceleration in revenue for state government. OFM asked the Department and other state agencies to take all steps necessary to control expenditures, and provide them with 2% reduction options for the current biennium that would be sustainable beyond 2009 - 11.

In accordance with these instructions, last week the Department submitted its reduction proposals. The Governor will consider these proposals as she begins building her supplemental 2011 budget request to address the long-term fiscal challenges facing the state. The Legislature will work on adjusting the budget when it reconvenes in January.

The reduction proposals that would impact Economic Services are summarized below. In developing these reduction options, we carefully weighed the alternatives available to us to reduce state General Fund spending by 2%.

2% ADMINISTRATIVE REDUCTION

The ESA budget for 2009-11 that was passed earlier this year by the Legislature included an administrative reduction of 237.5 FTEs and \$51 million. The reductions reflect the effects of the 2008 hiring freeze and the 1% reductions directed by the Governor (216 FTEs), as well as a reduction of 21.5 FTEs added by the Legislature.

We expect to lose an additional 87 positions with the 2% reduction.

We are taking a number of steps to achieve both the existing FTE reductions and the additional 2% reduction, including a 10% reduction in headquarters staff, a 6% reduction in Regional Administration, increasing supervisory spans of control, and consolidating regional business staffing.

About half of the \$51 million reduction has or will be taken in non-staff areas, including extending life cycles for equipment purchases; reducing employee travel and training; and reducing leased facility costs. We are also reducing county legal resource costs for child support enforcement services.

To achieve staff reductions, we have been able to minimize layoffs through an aggressive use of voluntary retirement incentives, not filling positions that became vacant, and letting temporary

positions lapse. However, given the magnitude of the administrative reductions before us, we will not be able to avoid more layoffs.

In making any layoff decisions, we will strive to protect the quality of the services we provide to our clients. Our highest priority is to preserve as many line staff positions as possible.

PROPOSAL TO REDUCE GA GRANTS

The 2009-11 budget included a \$59 million reduction in funding for GA-U cash grants and Medical Care Services. We do not anticipate achieving all the savings that were assumed in the budget, especially in light of the caseload growth we are experiencing in the program.

In the short-term, we will need to take steps to be fiscally responsible. Because the General Assistance program is defined in statute, we are limited in our ability to control program costs through policy changes. However, there are some changes within our authority that we can and must take to reduce program expenditures this biennium.

We are planning several changes to the program with a May 1, 2010 start date. This date will allow the Legislature sufficient time during next year's legislative session to examine the budget and consider other means for addressing the fiscal challenges facing the program.

These changes include either a 3% or 4% grant reduction, which would reduce monthly grants by about \$10 and bring a savings of about \$3 million a year. The maximum monthly GA grant for one person is now \$339. A 3% grant reduction would bring it down to \$329.

We also propose closely aligning GA-U incapacity criteria with federal disability criteria, by eliminating Administrative Review Teams and changing the way we consider social and vocational factors when making incapacity determinations. This change would impact about 600 applicants per month and save an estimated \$12.5 million during the biennium.

These changes are needed for the Department to stay within the 2009-11 budget we have been given for the program.

To reach the 2% reduction target, we are proposing an additional 11% GA grant reduction, on top of the smaller grant reduction needed for us to stay within budget. With an 11% additional grant reduction, the maximum one-person GA grant would be about \$292 a month. This would save about \$8.5 million a year.

PROPOSAL FOR GA-U TIME LIMIT

To achieve savings of about \$7.1 million a year, the Department proposes limiting eligibility for GA-U to 9 months out of every 24 months. The time limit would not apply to GA-X cases.

This change would result in about 8,000 fewer people receiving GA-U each month, starting in April 2011 (assuming a July 2010 implementation date). Legislation is needed to implement a time limit for GA-U cash grants.

PROPOSAL TO MOVE OFR TO DCS

Because of the highly effective and efficient payment processing work done by our Division of Child Support (DCS), the Department included in its budget recommendations to OFM a shared services proposal to move the Office of Financial Recovery (OFR) to DCS.

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Currently an office in the DSHS Financial Services Administration, OFR recovers funds that are used by agency programs to meet current expenditures and provide financial aid, medical care and other services. Revenue comes from estate recoveries, drug rebates, and client and vendor overpayments. In Fiscal Year 2008, OFR recovered over \$455 million.

DCS is a recognized national leader in child support collections and the division uses innovative business processes and state of the art technology to efficiently collect and distribute child support payments. In SFY 2008, DCS collected a record \$705 million in child support.

This move would leverage DCS's infrastructure and expertise, and allow the Department to attain economies of scale in its payment processing functions.

LOOKING AHEAD - FURTHER REDUCTIONS ARE POSSIBLE

There is the possibility of deeper reductions, given the poor revenue forecast and fragile state of Washington's economy.

The cuts we may have to make will be difficult and very hard, as they could affect thousands of our state's most needy citizens. If this is the case, it is important that we work closely with our community partners to carry out these changes in ways that are least harmful to those affected.

We will continue to update you on budget developments in the weeks and months ahead. Thank you so much for your commitment to the people we serve.

Sincerely,



Troy Hutson
Assistant Secretary for Economic Services

cc: Susan N. Dreyfus
Tracy Guerin