The County Executive's budget development process began in early June. At that time, the projected 2011 difference between the General Fund revenue forecast and the cost of continuing current programs was approximately $60 million. Most agencies receiving General Fund support had been asked to identify spending cuts and/or revenue increases of 12 percent, including 3 percent from efficiency improvements. Non-General Fund agencies were typically asked to find 3 percent efficiencies.

Figure 13 provides an overview of how the 2011 General Fund Proposed Budget was balanced. The most significant changes were:

- About $19 million was saved because of forecast changes between the original 2011 budget estimate made in September 2009 and the final forecast made in September 2010. By far the largest forecast change was a much lower expected rate of inflation due to the continued weakness in the economy.
- About $13 million had to be added to the General Fund cover reserves for costs that are likely to occur in 2011 but will not be appropriated in the Proposed Budget. This includes the innovation and labor incentive reserves described previously and set-asides for risk management.
- About $47 million was obtained from expenditure cuts ($40 million) and revenue increases ($7 million). The vast majority of reductions came from law, safety, and justice (LSJ) agencies because these comprise more than 75 percent of the General Fund. The revenue increases are mostly focused on expanding contract services provided to other governments (mostly cities) and small increases in fees.

CLOSING THE $60 MILLION GENERAL FUND DEFICIT

Figure 13

Cumulative Changes to Address 2011 General Fund Deficit	Impact on Deficit
Projected 2011 Status Quo Deficit - based on 2010 Adopted Deficit [a]	**59.2**
Forecast Change (Adjusts for Forecast Changes from 9/09 to 9/10) [b]	**(19.1)**
Financial Plan Reserve Updates [c]	
Risk Mitigation Reserve	14.0
Parks Partnership	(0.4)
Alder Transition Reserve	(1.5)
Changes to Other Reserves and Designations	1.2
Addition of Innovation and Customer Service Fund	0.5
Addition of Labor Incentive Reserve	1.5
Elimination of OPEB reserve	(4.0)
Elimination of Green River Flood Mitigation Reserve	(1.0)
Increase in Outyear Deficit Reduction Reserve	3.0
Labor Reserve Changes	
Addition of COLA Reserve	4.9
Decrease in Salary and Wage Reserve	(7.3)
Program Changes (includes new revenues and expenditure reductions)	
Legislative Agencies	(2.4)
Executive Agencies	(1.4)
Executive Services	(2.3)
GF Transfers (PE and CIP)	(1.1)
Public Health GF Transfer	(3.3)
Elections	(0.7)
Assessments	(1.7)
Additional General Government	(0.6)
LSJ	(33.9)
Central Rate Changes from Status Quo Levels [d]	
Reductions to Existing Central Rates	(7.1)
New Central Rates	6.5
Additional Changes	
Green River Debt Service Payments moved to 2012	**(3.4)**
Technical Expenditure Reductions	**(1.8)**
Technical Revenue Decreases	**2.6**
Reduction in 6% Reserve Requirement	**(0.7)**
Increase in Ending Fund Balance over Reserve Requirement	**0.1**
Remaining General Fund Deficit	**(0.0)**
Projected 2012 Deficit [e]	**22.7**

Notes:

[a] The 2010 Adopted budget includes a projection of the 2011 deficit based on assumptions for fund balance, revenues, and expenditures developed in Sept. 2009. This projection assumes the current level of service updated for 2011 costs. The majority of the increases are in labor costs, including benefits, retirement and salary adjustments. There are also increases in central rates costs, which are also driven by labor costs. The budget process addresses the increased cost of services throughout the year as new forecasts become available. The difference between the cost and revenue projections from 2009 to 2010 are captured in the "forecast change". The initial planning also adjusts reserve levels for known upcoming costs. In May, OMBs updated deficit projection was $58 million.

[b] The forecast change from 2009 to 2010 is based on updated revenue forecasts from OEFA, updated agency level revenue forecasts, change in projected fund balance and lower CPI and COLA forecasts. The 2009 forecast for 2011 assumed 3.8% inflation, 3.42% COLA, and 13.3% benefit growth. The current proposal assumes 1.67% inflation, 12.5% benefits growth, and a portion of COLA at 2% has been removed from expenditures and placed in separate reserve.

[c] Financial plan reserve updates are measured from assumed 2011 levels in the 2010 adopted financial plan.

[d] Central rate changes are measured against 2011 planning levels. The total central rate change from 2010 to 2011 is an increase of $13.4 million, primarily due to an increase in labor costs.

[e] The projected 2012 deficit assumes 5.1% blended expenditure inflation applied to proposed service levels. Revenue projections are based on OEFA forecasts and agency level forecasts. The projection assumes reserves of $56.0 million in 2012.

The General Fund spending cuts include about $1.6 million in efficiencies, which allow programs to be continued at a lower cost. An additional $5.2 in non-General Fund efficiencies are reflected in the 2011 Proposed Budget. A few examples of these efficiencies are shown in Figure 14.

Figure 15 shows the 2011 Proposed General Fund budgets by agency. It also shows the percentage reduction each agency has from the cost of continuing 2010 services. These include efficiencies, program reductions, staffing cuts, and revenue changes (e.g., additional contracts for jail beds). The largest percentage reductions (12 percent) are proposed for administrative offices, such as the Executive's Office and County Council agencies. Law, safety, and justice agencies have an average cut of 9.5 percent.

Specific changes are described in detail in the Proposed Budget, but some of the more significant examples of program reductions include:

- The Sheriff's Office will eliminate 71 positions, including 28 layoffs of deputies. This will reduce services in the unincorporated areas, including a 20 percent reduction in patrol services. The Sheriff's Office will continue to place a priority on responding to 911 calls but will have to cut back on detectives, storefronts, school resource officers, and other programs.
- The Prosecuting Attorney's Office will eliminate 22 deputy prosecutors, which will require cases to be dropped, postponed, or filed at less serious charges. A corresponding reduction will be made to public defense services.
- The Superior Court will close three of its four Family Court Services programs. These programs provide alternatives to traditional courts for families who often are not represented by lawyers.
- The Maleng Regional Justice Center in Kent will no longer accept prisoners for booking. Instead, many people arrested for crimes in the south part of King County would have to be transported to the King County Corrections Facility in Seattle, taking officers off the street for longer periods of time.

2011 General Fund (GF) Proposed Budget Figure 15

Agency Name	2011 Proposed Expenditures	% Reductions from Status Quo [1]
Assessments	21,243,286	8.2%
Board of Appeals	656,332	12.0%
Boundary Review Board	336,789	2.9%
Cable Communications	297,723	12.2%
Charter Review Commission	280,000	n/a
CIP GF Transfers	9,754,629	10.2%
Council Administration	8,045,321	12.0%
County Auditor	1,530,258	12.0%
County Council	5,042,483	12.0%
County Executive	327,411	2.6%
Elections	17,655,974	11.2%
Executive Contingency	100,000	n/a
Executive Services - Administration	3,249,777	15.2%
Federal Lobbying	368,000	n/a
Finance - GF	2,830,672	32.6%
General Government GF Transfer	3,073,373	-53.6%
Hearing Examiner	544,113	12.0%
Human Resources Management	5,284,671	3.0%
Human Services GF Transfers	0	n/a
Internal Support	9,949,401	9.8%
King County Civic Television	563,909	12.0%
Membership and Dues	161,250	65.7%
Office of Economic and Financial Analysis	345,604	-3.8%
Office of Labor Relations	2,077,697	0.3%
Office of Law Enforcement Oversight	335,344	12.0%
Office of the Executive	3,281,866	12.8%
Ombudsman/Tax Advisor	1,091,162	12.0%
Office of Performance, Strategy and Budget	6,521,872	12.0%
Physical Environment GF Transfers	2,773,339	-8.2%
Public Health GF Transfers	24,464,977	12.1%
Real Estate Services	3,777,421	15.6%
Records and Licensing Services	7,449,127	6.1%
State Auditor	807,296	n/a
Adult and Juvenile Detention	124,619,031	10.0%
District Court	27,410,038	10.2%
Drug Enforcement Forfeits	1,091,572	n/a
FMD/Security Screeners	0	n/a
Inmate Welfare	1,137,412	n/a
Jail Health Services	24,623,674	4.8%
Judicial Administration	18,526,087	9.9%
Office of Emergency Management	1,357,979	0.5%
Office of the Public Defender	36,598,164	9.1%
PAO Antiprofiteering	119,897	0.0%
Prosecuting Attorney	55,590,780	9.1%
Sheriff	138,319,982	9.5%
Superior Court	41,047,970	10.0%
Law, Safety and Justice Only	470,442,586	9.5%
Totals	614,663,663	9.6%
Assumed 0.5% Underexpenditure [2]	(1,899,239)	
2011 Proposed General Fund Expenditures	612,764,424	

[1] These figures represent the % reduction in the 2011 budget from the projected 2011 cost to provide the same services as were provided in 2010. Both expenditure reductions and revenues (e.g. higher contract revenues) are reflected. The figures are adjusted to remove the effects of transfers among agencies, such as the transfer of security screeners to the Sheriff's Office.

[2] The General Fund Financial Plan assumes a 0.5% underexpenditure for non revenue backed expenditure levels.

Agency Name	Title	Proposed Expenditures	Brief Description
Facilities Management Internal Service (FMD)	Energy Conservation Projects	($849,000)	FMD will implement numerous energy conservation initiatives, expanding heating and cooling set points, reducing HVAC operating hours and reorganizing server rooms.
Superior Court	On Call Jurors	($322,332)	With the new jury system, jurors will be on-call and will report to jury rooms when needed instead of reporting on first day of service and waiting until needed. The Court will save on mileage and per diem reimbursements and jurors will spend less time in the courthouse waiting to be called to service.
Elections	Eliminate use of fresh ballot stock	($30,000)	Elections implemented a cost saving process improvement by eliminating the use of fresh ballot stock for duplication.
Jail Health Services	Medication Packaging Return on Investment	($205,156)	Jail Health Services will implement a new automatic medication packaging system that will streamline the dispensing process in the pharmacies and the medication preparation process for nurses.

Figure 14

- The District and Superior courts will reduce the use of probation, meaning offenders would receive less supervision after serving their sentences.
- Public Health will reduce a range of programs, including home visits to expectant mothers and some appointments at the Eastgate health clinic for low-income adults.
- All General Fund support for human service programs will be eliminated. In 2007, the General Fund provided over $21 million for human services, but the amounts have been cut back in each subsequent year because of revenue shortfalls.
- The Parks Division will receive only $50,000 from the General Fund in 2011, with this money devoted solely to the Enumclaw Fair. Beginning in 2011, Parks operations will be entirely supported by a voter-approved property tax levy and fee revenues.
- Approximately $923,000 of General Fund will be provided to continue agriculture, forestry, and related programs.

Executive Constantine will propose a specific list of program reductions that would be restored if the voters approve the 0.2 percent sales tax in November. The list will include all cuts in criminal justice programs plus restoration of funding for human services programs that support the criminal justice system. In addition, a funding plan will be proposed to replace the decrepit Youth Services Center courthouse.

Executive Constantine's 2011 Proposed General Fund budget relies almost entirely on sustainable changes. Thus, under current forecasts, the General Fund deficits for 2012 and 2013 are estimated at $22.7 million and $16.4 million, respectively, despite higher anticipated costs for debt service, health care, and pension contributions. Deficits of these magnitudes can be handled by continuing to obtain 3 percent productivity improvements each year.

"Only by innovating and adapting can we continue protecting basic services, promote equity and social justice, and renew our commitment to people, environment, economy and infrastructure."

-Executive Constantine
March 2010
100 Day Speech

Most non-General Fund agencies did not have the same budget challenges for 2011. However, both the Department of Development and Environmental Services (DDES) and Public Health's Environmental Health Services Division have seen plummeting demand for permits because of the collapse of the housing market. DDES is proposing to eliminate 31.5 full-time equivalent (FTE) positions for 2011 to address with the resulting revenue shortfalls. This means that half of the Department's positions will have been eliminated in the last three years. Because of similar revenue decreases, Public Health will cut 12.75 positions in October 2010 and is proposing to cut four more for 2011.

DDES is also proposing a fundamental restructuring of its permits to improve customer service and create incentives for efficiency. Most permits have been based on an hourly service charge, which means applicants cannot be certain of their costs. For 2011, DDES is proposing to establish fixed fees for 90 percent of its permits. A surcharge of 5 percent of the fee would be imposed for four years to rebuild reserves and support improved technology. DDES has also reinstated a program to issue many permits over the counter and without appointments. Public Health is also proposing increases in some fees to maintain staffing and service levels.

The other notable fee change in the 2011 Proposed Budget is an increase in the surface water management (SWM) fee. This fee provides money for capital investments to prevent flooding and improve drainage. It also pays for water quality monitoring activities. The SWM fee was last increased in 2007 and is now well below the median of those charged in the region. The Proposed Budget is based on an increase in the annual residential fee from $111 to $143, slightly below the regional median. Commercial fees would increase proportionately. The resulting revenue would be used to make new capital investments and maintain monitoring programs.

As noted previously, changes to the 2011 budget for the Roads Division will be handled separately through a mid-biennium ordinance. Significant reductions in spending are expected.

General Fund and Non General Fund	
Agency	**FTEs Eliminated[1]**
Legislative Agencies [2]	0.00
County Executive	(5.50)
OIRM	(2.00)
Sheriff	(81.00)
DDES	(31.50)
DNRP	(27.43)
Executive Services	(15.49)
Prosecutor	(33.00)
Superior Court	(41.55)
District Court	(7.00)
Dept of Judicial Admin.	(21.50)
Assessments	(18.00)
Public Health	(89.22)
Adult & Juvenile Detention	(71.71)
DCHS	(15.33)
Elections	(1.00)
Grants	(1.20)
Total FTEs Eliminated	**(462.43)**

[1] Represents all FTEs eliminated including program changes and annexations.
[2] FTE reductions for legislative agencies will be determined by the County Council.

Figure 16

Figure 16 shows the number of FTE positions being eliminated by each agency. About 462 FTEs being eliminated, of which approximately 190 will result in layoffs. The others are vacant because of the effects of a year-long hiring freeze. This table excludes 76.6 new FTEs (typically supported by grant or similar revenues) and 168 FTEs being transferred from one agency to another.