

# CITY OF SEATTLE 2011 STATE LEGISLATIVE BULLETIN

April 18, 2011

Number 14

#### Weekly Overview

This will be the final week of the regular session, and it is clear the Legislature will not adopt a final budget before the session is scheduled to end. Legislative leaders and the Governor are working out the details and timing for a special session to address the budget and other bills.

Last week the Senate released its versions of the operating and capital budgets, and the operating budget passed the Ways and Means Committee late Friday. More details are below. One significant difference between the two chambers is that, unlike the House, the Senate does not assume \$300 million in revenue from the privatization of the state liquor distribution system.

Because they are going into special session, we are hearing that the Legislature would like to adjourn sine die on Thursday or Friday, which means all policy bills not related to the budget must pass both houses in the same form before then. Bills that die this session could be resurrected during the special session, however.

### Areas of Primary Focus

**Budget:** Last week the Senate released, held hearings on, and then passed out of the Senate Ways & Means Committee its proposed operating budget. The Senate also released its capital budget proposal last week. We outline several key areas of the Senate operating budget below, and attached to this week's bulletin is a matrix prepared by the Association of Washington Cities outlining key differences between the budgets released by the Governor, House, and Senate.

The House capital budget passed out of the House Capital Budget Committee last week and is awaiting a vote on the House floor.

The leadership of the House and Senate Transportation Committees continued to meet this week for negotiations on the transportation budgets, and an agreement seems close, so action on the transportation budget is likely soon.

Summary of key items in the Senate operating budget:

- <u>State-Local Shared Revenue</u>: As far as direct general fund hits to the City, the Senate, like the House, did not sweep local liquor profits or any other state-local shared revenue account, which is good news. However, like the House, the Senate operating budget cut all state-local shared revenues by 3.4% in the coming biennium, so the City, like many other interested parties, will experience some cuts due to this difficult budget climate.
- <u>Education</u>: The Senate operating budget makes many of the same deep cuts to education and higher education as the House to achieve billions in savings.
- <u>Human Services</u>: Many of the cuts to human services in the Senate budget are even deeper than in the House version particularly to Disability Lifeline (formerly GA-U), Basic Health, public health (MSS and other important programs), children's health, etc.
- Capital Budget
  - MTCA: As in the House, it does not appear that any funding was swept into the general fund by the Senate; it appears that the local remedial action grant program was funded at \$63.8 million (similar to the level passed by the House Capital Budget Committee last week) and an additional \$20 million was allocated for Puget Sound clean up. In addition, \$50 million is provided for storm water projects (compared to \$46 million in the House Capital Budget), and some of this funding is prioritized for early adopters (like the City of Seattle).
  - **Housing Trust Fund**: \$30 million appropriated. (House version was \$60 million; the Governor's budget was at \$40 million.)

**<u>Transit Funding</u>**: The short-term transit funding bill, <u>ESSB 5457</u>, passed the House 51-46 on Tuesday, April 12<sup>th</sup>. The bill was amended on the House floor to remove the requirement that the King County Council approve the new congestion charge by a 2/3 vote. On Friday, April 15<sup>th</sup>, the Senate refused to concur in House amendments, and asked the House for conference thereon. Senators Haugen, White, and King were appointed to the Conference Committee. The House has not yet appointed conferees.

**Fiscal Flexibility:** <u>HB 1953</u>, concerning county and city additional real estate excise tax authority, was passed from Senate Rules to the floor for a second reading on April 6<sup>th</sup>. On Friday, April 8<sup>th</sup>, it passed the Senate, 28-20. Since the bill passed the Senate in the same form that it passed the House, it will soon be sent to the Governor. Seattle supports this legislation because it will provide cities and counties the flexibility to use real estate excise taxes for the maintenance and operation of capital facilities and additional capital projects.

**<u>Criminal Justice</u>**: <u>SSB 5545</u> passed to the House Rules Committee on March 24<sup>th</sup> and is still there. The House companion bill, <u>SHB 1874</u>, will be the bill that passes. It is prime-sponsored by Rep. Mary Lou Dickerson, and passed the Senate on Friday, April 8<sup>th</sup>, 49-0. A committee striking amendment was adopted in the Senate, so differences between the two chambers still need to be reconciled. Seattle supports this legislation because it would give law enforcement additional tools to fight human trafficking and sexual exploitation of children by allowing law enforcement to intercept and record a conversation with the consent of only one party when there is probable cause to believe the conversation involves the commercial sexual abuse of a minor.

**Education:** E2SHB 1776, prime-sponsored by Representative David Frockt, would establish a unified set of licensing requirements for child care centers operated in public buildings. On April 5<sup>th</sup>, the bill passed the Senate, 49-0. Committee striking amendments were adopted in the Senate and a floor amendment was also adopted to require the Department of Early Learning to consult with the fire marshal's office. On Wednesday, April 13<sup>th</sup>, the House concurred in the Senate amendments, and final passage was 71-25. The bill now heads to the Governor.

Seattle also supports <u>2SHB 1510</u> and <u>2SSB 5427</u>, regarding an assessment of students in state-funded full-day kindergarten. The Senate version of the bill passed out of the House Rules Committee on April 5<sup>th</sup>, and on Monday April 11<sup>th</sup> it passed the House, 57-39. The House version did not pass the Senate Committee on Early Learning & K-12 Education before policy cutoff.

In addition, on Tuesday the Senate amended a House education bill, <u>E2SHB 1443</u>, to include key elements of an education policy bill that died earlier in the session. Among other things, this bill now includes provisions that require districts to take factors other than seniority into account when making layoffs.

#### Other Issues of Significant Interest

**Medical Cannabis:** E2SSB 5073, which clarifies laws surrounding the medical use of cannabis, passed the House, 54-43, on Monday April 11<sup>th</sup>. Seattle supports this legislation and sent a joint letter from the Mayor, all nine Councilmembers, and the City Attorney. For several weeks, Seattle has been working closely with Rep. Cody and Sen. Kohl-Welles and participating in stakeholder discussions to try to find agreement on amendment language and also coordinate strategy in support of the bill. John Schochet from the City Attorney's office has been integral to these discussions and has made several trips to Olympia to attend meetings in person. In its current form, the bill will provide much-needed clarity to law enforcement and give local governments the ability to regulate medical cannabis dispensaries. Gov. Gregoire is now expressing concerns about the bill. We will continue to work with all parties involved to pass this important legislation.

**Public Records:** <u>SHB 1899</u>, which relates to penalties for public records violations, passed the Senate, 49-0, on Tuesday, April 6<sup>th</sup>. A committee striker was adopted in the Senate, so differences between the chambers need to be reconciled. The bill gives a range of monetary penalties that may be assessed, from a minimum of \$0 up to \$100 per day. The range under current law is \$5-\$100 per day, so having an option of \$0 is a significant step forward. Seattle supports this legislation.

**Flood Control District**: <u>ESB 5638</u> and <u>EHB 1969</u> would exempt the King County Flood Control District from certain limitations on regular property tax levies. Seattle supports this legislation because a portion of the property taxes that would be collected if this bill passes are slated to help fund the seawall replacement and other critical projects. The Senate passed the House version on April 11<sup>th</sup> by a 42-5 vote. The bill now heads back to the House for concurrence. The Senate version had a hearing in House Ways & Means on April 13<sup>th</sup> and may be voted out of committee this week.

**Stadium Taxes:** <u>SHB 1997</u>, providing economic development by funding tourism promotion, workforce housing, art and heritage programs, and community development, had a hearing in the Senate Ways & Means Committee on Wednesday March 30<sup>th</sup>. On Friday, April 1<sup>st</sup>, executive action was scheduled, but the report on the motion to move the bill out of committee did not receive sufficient signatures. A more limited version of the bill focused on Arts & Heritage, <u>SSB 5834</u>, had a public hearing in House Ways & Means on March 14<sup>th</sup>, but has not been voted out of committee. Although the bills failed to pass out of the fiscal committees before cutoff, proponents indicated that they plan to explore ways to revive the legislation, and an amendment to the House operating budget was adopted in the House Ways & Means Committee on Wednesday, April 6<sup>th</sup>, that makes SHB 1997 necessary to implement the budget, so the bill is back alive and exempt from cutoffs.

<u>Vulnerable Roadway Users</u>: Seattle supports this legislation because it creates a new infraction and penalties for drivers who injure vulnerable roadway users. The Senate version, <u>SSB 5326</u>, passed the House 61-32 on Friday, April 1. The bill was amended in committee and on the floor of the House, so differences between the chambers need to be reconciled before the bill can be sent to the Governor. The House version, <u>SHB 1339</u>, was not voted out of committee before the policy committee cutoff on March 25<sup>th</sup>.

**Limousine Regulations:** <u>SSB 5502</u> would provide Seattle with the authority and additional resources to enforce limousine laws. On Wednesday, April 6<sup>th</sup>, the bill passed the House, 81-15, with adopted amendments that we are comfortable with. The bill is now in the Senate awaiting a concurrence vote. Currently, there are several locations in Seattle where some limousine operators are operating more like taxicabs than limousines, and the City does not have the legal authority to take action.

**Taxicab Lease Rate Caps:** ESHB 1367 would make all taxicab, limousine, and for-hire vehicle businesses and operators subject to mandatory industrial insurance. Seattle supports the underlying legislation, but we opposed three sections in the original bill that would have limited the City's ability to cap the lease rates taxi owners charge taxi operators and the consumer rates charged by taxis. We use our current authority to help ensure that taxi drivers earn a living wage and that taxis are affordable. Representative David Frockt offered a floor amendment to address our concerns, it was adopted, and the bill subsequently passed the House unanimously. The Senate then passed the bill, 39-8, with minor amendments, and on Wednesday April 13<sup>th</sup>, the House concurred in the Senate amendments, and passage on the House floor was 95-1. The bill now heads to the Governor.

**Private Carriers in Transit Lanes**: <u>SSB 5836</u> would allow private transportation carriers like employer shuttles and aeroporters to use transit-only lanes. While Seattle supports providing incentives for people to use these forms of transit, we are concerned that the current version of the bill will limit our ability to ensure the smooth and timely flow of public transit in transit-only lanes. We worked with stakeholders to develop mutually agreeable amendments that address our concerns and the bill was passed out of the House Transportation Committee on Wednesday, March 30<sup>th</sup>, with amendments that the City of Seattle supported. On Tuesday, April 6<sup>th</sup>, the bill passed the House, 96-1, with only the negotiated committee amendment adopted. However, on Wednesday April 13<sup>th</sup>, the Senate refused to concur in the House amendments, and asked the House to recede from its amendments. Further negotiations with interested stakeholders are underway and could result in a new amendment that is offered on the floor or worked out through a conference committee.

**Regulating Underground Utilities:** E2SHB 1634 aims to improve pipeline safety in Washington by changing dig law practices. Seattle and a number of cities opposed this bill because we had serious concerns with several provisions. Senator Sharon Nelson, Vice Chair of the Senate Environment, Water & Energy Committee, worked with us and other stakeholders to try to resolve the cities' concerns before the bill was voted on in the Senate. Through this work, we were able to find a mutually agreed upon solution that allowed us and other cities to move from "Opposed "to "Neutral" on the bill. The bill then passed the Senate, 49-0 on Tuesday, April 6<sup>th</sup>. And on Wednesday, April 13<sup>th</sup>, the House concurred in Senate amendments, and the bill passed the House 97-0. The bill now heads to the Governor. We owe a huge "thank you" to Senator Nelson for her time, help, and thoughtful attention in negotiating an agreement on changes to the bill that ameliorate the fiscal impacts to Seattle Public Utilities.

**Phosphorus in Fertilizer:** ESHB 1489, which would limit the use of fertilizer containing phosphorus in order to protect water, passed the Senate on Friday, March 25<sup>th</sup>, by a vote of 32-16. The House concurred in the Senate amendments, and on Friday, April 1<sup>st</sup>, the bill passed the House by a vote of 56-37. The bill was signed on Tuesday, April 6<sup>th</sup> by the House Speaker and on Wednesday, April 7<sup>th</sup> by the Senate President. On Thursday, April 14<sup>th</sup>, the Governor signed the bill into law, and it is now Chapter 73, 2011 Laws PV, effective January 1, 2013.

**Houseboats**: <u>SHB 1783</u>, which would place some limits on regulation of houseboats, passed the Senate on April 7<sup>th</sup>, 47-2. An amendment was adopted on the Senate floor that represents a negotiated agreement with houseboat advocates, state agencies, and the City of Seattle. The House concurred with the Senate amendments and passed the bill, 65-32, on Thursday, April 14<sup>th</sup>. The bill now heads to the Governor.

**Cottage Food Operations:** ESSB 5748, which enacts labeling requirements on cottage food operations and exempts them from certain regulations and permitting laws, passed the House, 92-0, on Thursday, April 7<sup>th</sup>. Several amendments were adopted in the House, so the bill now goes back to the Senate, where it awaits further action. Seattle supports this and other legislation that would allow value-added home processing and selling of low-risk food items.

**Mutual Aid:** <u>SHB 1585</u> would allow local governments to provide aid when another city or county in Washington has experienced an emergency and requests assistance. This bill passed the Senate 47-0 on Friday, April 1<sup>st</sup>. The bill was signed by the House Speaker on April 6<sup>th</sup> and the Senate President on April 7<sup>th</sup>, and was delivered to the Governor on Monday, April 11<sup>th</sup>. <u>ESHB 1406</u>, establishing the intrastate building safety mutual aid system, passed the Senate 48-0 on April 5<sup>th</sup>. This bill was not amended in the Senate, so it is on its way to the Governor as soon as the Speaker of the House and President of the Senate sign it. Seattle supports efforts to allow this type of coordinated assistance and supports both of these bills.

**Film Tax Incentive**: 2SSB 5539, concerning Washington's motion picture competitiveness, is still in Senate Rules. The House version, <u>SHB 1554</u>, is in the House Ways & Means Committee. Seattle supports this legislation because it will continue a program of incentives for the motion picture industry in Washington State, which is crucial to the health of Seattle's film industry. These bills would be necessary to implement the budget.

## Looking Ahead

This last week of session will be quite busy as legislators scramble to work out differences on policy bills and continue negotiations on the budget. We expect the Senate to pass its version of the budget this week, but it will be considerably different from the House version, so a special session is already certain. It is not clear, however, when the special session will begin, and what issues, other than the budget, will be on the table.



#### DRAFT 2011-13 State Budget Impacts on Cities

This summary describes some of the impacts to cities in the Governor and House proposed 2011-2013 budgets. For more information visit the Office of Financial Management's website: www.ofm.wa.gov/budget11/default.asp

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Issue	Governor's Budget (HB 1087)	House Budget (SHB 1087)	Senate Budget (ESHB 1087)
State-shared revenues			
Liquor Revolving Account	\$72.7 million appropriated for this account.	\$69.3 M appropriated; city distributions go from 40% to 38.6% (a 3.4% reduction - transferred to state general	Same as House
Liquor Excise Tax Account	\$54.3 million appropriated.	\$52.2 M appropriated; amount to state goes from 65% to 66.19% (a 3.4% reduction - transferred to state general fund)	Same as House
Streamlined Sales Tax Mitigation	\$49.8 million is provided for distribution to local taxing jurisdictions negatively impacted by sourcing.	to state general fund)	Same as House
Municipal Criminal Justice Assistance Account	\$27.9 million appropriated for this account.	\$26.9 M appropriated (a 3.4% reduction - transferred to state general fund)	Same as House
City-County Assistance Account	\$17.9 million is provided for the City-County Assistance Account. One half of account is distributed to low-tax base cities and the other half to low-tax base counties.	\$16.6 M appropriated; however percentage of state REET dedicated goes from \$1.6% to 1.546% (a 3.4% reduction - transferred to state general fund)	Same as House
Annexation Sales Tax Credit	Left intact.	Left intact.	Left intact.
Programs			
Basic Health Plan	This program was eliminated.	under medicade waiver for BHP beginning 3/1/11. After 6/30/11 enrolment will be capped at approx. 41,200 clients.	New admissions to the state-subsidized Basic Health Plan will continue to be frozen through the end of the 2011-13 biennium. As a result, enrollment in the program is expected to decrease by about 5,000 persons per year, to an average of 39,000 people per month in fiscal year 2012, and an average of 34,000 per month in fiscal year 2013.
Disability Lifeline	The Disability Lifeline grant for the temporarily unemployable is eliminated.		The Senate budget reforms the Disability Lifeline cash program. First, the cash benefit for the Disability Lifeline-Unemployable (DL-U) clients is eliminated, but is replaced with giving homeless DL- U clients priority for housing resources funded by the Home Security Fund in Department of Commerce.
Training for Law Enforcement	\$6.3 million provided.		Funding is reduced to reflect a 25% partial reimbursement of the BLEA costs for law enforcement agencies that send cadets for training

Issue	Governor's Budget (HB 1087)	House Budget (SHB 1087)	Senate Budget (ESHB 1087)
Statewide Information and Jail Booking/Reporting Systems	Funding provided to the Washington Association of Sheriffs and Police Chiefs (WASPC) to continue to develop, maintain and operate the jail booking and reporting system and the statewide automated victim information and notification system.	Funding is reduced by 10% for pass-through programs administered by WASPC. Programs administered by the WASPC include Uniform Crime Reporting, retention of sex offender records, the Missing Persons Website, the Victim Information System, the Jail Booking and Reporting System, the Statewide Automated Victim Identification System, the Offender Watch System, and National Incident Based Reporting. The Sex Offender Address Verification Program is exempted from reduction.	Funding from the Washington Auto Theft Prevention Authority Account provided to continue passthrough funds for programs administered by the WASPC is <b>reduced by \$2.5M</b> . Programs administered by WASPC include the Uniform Crime Reporting, retention of sex offender records, Missing Persons, Victim Information System, Jail Booking and Reporting System and Statewide Automated Victim Identification System, Sex Offender Address Verification, Offender Watch System, and National Incident Based Reporting.
Sex Offender Address Registration	Funding provided to WASPC to verify address and residency of registered sex offenders and kidnapping offenders.	see above	See above
Impaired Driver Safety Account	\$1.6 million is provided for quarterly distributions to qualifying cities for the costs of implementing criminal justice legislation including DUI penalties, license suspension, etc.	\$1.6 million is provided for quarterly distributions to qualifying cities for the costs of implementing criminal justice legislation including DUI penalties, license suspension, etc.	Same as House
Drug Task Force	Funding is reduced by \$295,000	Funding for State Drug Task Forces is eliminated	Funding is provided for grants to enforce illegal drug laws in counties that have been historically underserved by federally funded state narcotics task forces. The Washington Association of Sheriffs and Police Chiefs, the
Auto Theft Authority	\$16.5 M to the Criminal Justice Training Commission; \$196,000 provided for DSHS, Juvenile Rehabilitation Program.	For the 2011-13 biennium, funding for the Authority totals \$6.2 million. An additional \$9.8 million in Auto Theft Prevention Account Funds are provided to the Department of Corrections on a one-time basis.	Funding for Authority totals \$6.0M. No transfer to DOC.
Public Health	\$48 million is appropriated for county public health assistance. Specific amounts to public health districts are prescribed.	\$48 million is appropriated for county public health assistance. Specific amounts to public health districts are prescribed.	Same as House
Transitional Housing	Funding for the expansion of the Transitional Housing Operating and Rents (THOR) program is funded at \$7.5 million.	Funding for the expansion of the Transitional Housing Operating and Rents (THOR) program is funded at \$7.5 million.	Funding for the expansion of the Transitional Housing Operating and Rents (THOR) program is funded at \$8.5 million.
Public Defense Grants	Offce of Public Defense funded at \$53.4 M.	Office of Public Defense funded at \$50.5 M. The reduction would require cuts in constitutionally required services, including the pass-thru money to local gov'ts.	Office of Public Defense funded at \$52.9 M
Next Generation 911 Transition	Not included	\$8.4 M is provided from the E911 account to continue upgrades to current 911 telephone system to accommodate Next Gen 911	Same as House
Transfer of MLS from DOL to DOR	Not included	processes and focus on tech improvements and increasing MLS participation at city and local gov't level.	\$14.3 M provided pursuant to SB 5911 DOR to simplify processes and focus on tech improvements and increasing MLS participation at city and local gov't level.
Protecting WA Shorelines	Not included	\$3M from Local Toxics Control Account and \$0.6 M from State Toxics Control Account to support DOE to speed up completion of shoreline master program updates during 2011-13 biennium	Same as house with provision that funding is reduced to \$2.9 M in 2013-15 as jurisdictions complete their SMPs.
			as of April 13, 2011

Issue	Governor's Budget (HB 1087)	House Budget (SHB 1087)	Senate Budget (ESHB 1087)
Growth Management Activities		Funding is reduced for the following growth management activities 1) \$200,0000 in grants to the cities of Seattle and Tacoma for coordinating planning with their respective port authorities are discontinued; a grant to the Walla Walla Community College Water Center is reduced by \$260,000 (36%); and 3)growth management grants to local governments are reduced by \$326,000 (15%).	Same as House
Water Rights Processing Program		support is reduced by \$150,000, and new fees are assumed via legislation that would raise \$2.15M per fiscal year beginning in FY 2013. Also, the DOE will shift \$4.15M from the Shoreland's Watershed Planning Program to support the WRPP; \$2M of this amount is to	million from watershed planning activities funded by
Municipal Research and Services Center	Funded at \$6.1 million.	Funded at approx \$5.4M	Same as House
Capital Budget			
Public Works Trust Fund	\$386 million is appropriated for the Public Works Assistance Account (approx. 40 cities at \$220M).	\$321.8 M appropriated for PWAA. Eliminated approx. 11 transportation projects and swapped with approx. 21 non-transportation projects.	\$326 M - funds the Public Works Board adopted list.
Stormwater grants	\$40 million from Local Toxics Control Account to fund grants to local governments to construct new or retrofit inadequate storm water infrastructure	to local governments on a competitive basis for projects that meeting critical stormwater management needs.	\$50 M in statewide stormwater projects provided solely for projects that result in the greatest improvements necessary to meet NPDES requirements for communities least able to pay for those projects or for jurisdictions who are early adopters of new regulations and effective new technology.
Remedial Action Grants	\$52 M for clean-up of contaminated industrial sites statewide that the DOE has ranked in priority order on a "worst first" basis"	\$65.3 M for clean-up of contaminated industrial sites statewide that the DOE has ranked in priority order on a "worst first" basis"	\$63.8 M to Remedial Action Grant Program
Coordinated Prevention Grants	\$26.4 M for local gov't to clean-up toxic sites in Puget Sound, remediation of soils at schools in central WA, and cleanup of contaminated sites in eastern WA.	\$26.4 M for local gov't to clean-up toxic sites in Puget Sound, remediation of soils at schools in central WA, and cleanup of contaminated sites in eastern WA.	\$28.6 M in Coordinated Prevention Grants
Drinking Water Assistance Account	\$97.9 million (\$48 M to PWAA and \$49.9 federal to DOH) to make loans to local governments, and public and private water systems, for projects to protect the state's drinking water facilities and resources.	\$97.9 million (\$48 M to PWAA and \$49.9 federal to DOH) to make loans to local governments, and public and private water systems, for projects to protect the state's drinking water facilities and resources.	Same as House
Community Economic Revitalization Board (CERB)	Provides \$5.0M in economic development infrastructure projects.	Provides \$5.0M in economic development infrastructure projects.	Same as House

Issue	Governor's Budget (HB 1087)	House Budget (SHB 1087)	Senate Budget (ESHB 1087)
Puget Sound restoration and salmon recovery grants	\$62M total: \$50.0M bonds; \$12.0M State Toxics Control Account	\$30 M in state funds and \$60 M in federal expenditure authority are provided for salmon and other species recovery efforts, including programs focused statewide and on the Puget Sound.	\$20M in state funds through Recreation and Conservation Funding Board. \$20.7 M through Dept. of Ecy.
Washington Wildlife & Recreation Program	Program was not funded BUT Puget Sound Wildlife & Recreation Program was created. \$20 million appropriated to the Puget Sound Washington Wildlife and Recreation program to provide grants to acquire or develop sites for wildlife conservation and outdoor recreation. Funding is divided into 11 categories: local and state parks, water access, trails, critical wildlife habitat, farmlands, riparian, state parks development, and state parks restoration.	\$50 M provided for WWRP grants.	WWRP projects listed in two areas: \$20M provided for WWRP grants plus \$16.5M in Jobs for Recreation.
Washington Heritage Grants	\$9.4M is provided.	\$10M is provided to support the capital needs and facilities of 29 heritage organizations, tribal governments, public development authorities, or local government agencies that interpret and preserve Washington's history and heritage.	\$1.2 M to Washington Heritage Grants
Housing Trust Fund	\$12.3 M is appropriated.	\$60 M is appropriated.	\$30 M is appropriated.
Economic Development	Fund is eliminated. \$4.2 million is transferred to the	Same	Same
Strategic Reserve	general fund.		