



PB 95:10
MARCH 30, 1995

House increases spending \$1 billion, \$665 million below Governor's plan

House Republicans introduced their proposed 1995-97 General Fund Budget Monday, March 20 and passed it early Saturday morning, March 25. The GOP budget, called "the ultimate political statement" by Majority Leader Dale Foreman, stands in sharp contrast to the spending plan submitted by Gov. Lowry in January (See *Policy Brief 95:3*, January 30, 1995).

The budget proposes General Fund - State spending of \$17.3 billion, an increase of \$1 billion from 1993-95 levels and nearly \$650 million below the Lowry budget and the Initiative 601 spending limit. Because the I-601 limit is adjusted to

reflect actual spending, the House proposal would reduce the spending limit for succeeding biennia. House analysts estimate this will result in about \$2.5 billion less general fund spending over the next three biennia.

Challenging Republican budgetwriters was their commitment to tax and fee reductions, a major component of their *Contract with Washington*. By the time the spending proposal was presented, the House had passed a total of \$738.5 million in tax and fee cuts (see Table 1).

The major reductions, for a combined total of \$667 million, were in three areas:

- a sales tax exemption for manufacturing and R&D machinery and equipment (\$187 m.);
- a 10 percent reduction in the state property tax levy (\$184 m.);
- an elimination of the 1993 B&O tax increases, which primarily affected service businesses (\$296 m.).

By spending less than the governor, the House largely pays for the tax cuts, leaving an ending balance of \$302 million, about \$122 million below the estimated beginning balance for the

biennium (after adjustments are made for expected supplemental appropriations and reversions).

Table 2 (see page 2) compares the House GOP proposal with both the 1993-95 estimated expenditures and the governor's budget proposal. Key aspects of the budget to consider include the following:

Pay. Most state employees, public school teachers, and higher education faculty receive a flat rate increase of \$100 a month. Community college faculty and prison officers receive salary increases of 4 percent in the first and 3 percent in the second year of the biennium.

Table 1

House Budget GF-S Revenues and Expenditures (Dollars in millions)

Beginning Balance	\$575
Supplemental Appropriations	(179)
Reversions	28
Adjusted Balance	\$424
March 1995 Forecast	\$17,945
Less:	
Tax and Fee Reductions	(738)
Other Adjustments	(50)
Total Available	\$17,581
Proposed GF Spending	\$17,279
Ending Balance	\$302

Health insurance. State and school employees are required to pay \$32 of their monthly health care premiums.

Competitive strategies. The budget projects savings of nearly \$28 million through privatization and contracting out, including operation of the new Coyote Ridge prison, custodial services, food inspection, maintenance services at state parks, and use of vouchers for certain services for the developmentally disabled.

Public schools. An "attendance incentive" ties funding to student attendance. The current average absentee rate is 11 days. The budget penalizes districts for absenteeism above 7 days, projecting general fund savings of \$122 million. Administrator salary allocations are cut 9.5 percent, for a savings of \$18.5 million, and reductions are made in funding for in-service training and payments to staff while on leave to participate in union activity. Special education funding increases \$125 million; significantly, a \$60 million reduction stemming from changes in the funding formula based on a recent legislative program evaluation is offset by \$117 million more funding caused by enrollment growth and a . Educational Service District (ESD) funding is reduced 5 percent. Funding for education reform drops \$10.5 million, a 14 percent reduction from the 1993-95 level. The Complex Needs and Magnet School programs are eliminated (\$8.3 million savings).

Higher Education. As of the 1993-95 biennium, tuition and building fees have not been a general fund resource; instead, they are placed in individual accounts to be used by the corresponding higher education institution. The budget

Table 2
General Fund - State Expenditures
Expenditures by Function

	1993-95 Est.	Governor Proposed 1995-97	House Proposed 1995-97	Dollar Change 93-95 to House	Dollar Change House - Gov.	Percent Change 93-95 to House	Percent Change House - Gov.
General Government							
Legislative	\$101,047	\$104,999	\$106,620	\$5,573	\$1,621	5.52%	1.54%
Judicial	55,228	58,207	54,684	(544)	(3,523)	-0.99	-6.05
Governmental Ops	309,068	305,268	302,125	(6,943)	(3,143)	-2.25	-1.03
Sub-Total	465,343	468,474	463,429	(1,914)	(5,045)	-0.41	-1.08
Human Services							
Social & Health Svcs.	4,040,136	4,805,920	4,535,963	495,827	(269,957)	12.27	-5.62
Other Human Services	836,373	893,985	870,363	33,990	(23,622)	4.06	-2.64
Sub-Total	4,876,509	5,699,905	5,406,326	529,817	(293,579)	10.86	-5.15
Natural Resources	262,066	237,877	206,779	(55,287)	(31,098)	-21.10	-13.07
Transportation	17,923	19,284	28,253	10,330	8,969	57.64	46.51
Education							
Public Schools	7,756,565	8,499,260	8,160,944	404,379	(338,316)	5.21	-3.98
Higher Education	1,859,943	1,862,612	1,839,788	(20,155)	(22,824)	-1.08	-1.23
All Other Education	44,529	46,000	45,572	1,043	(428)	2.34	-0.93
Sub-Total	9,661,037	10,407,872	10,046,304	385,267	(361,568)	3.99	-3.47
All Other	922,515	1,083,965	1,128,145	205,630	44,180	22.29	4.08
Total Expenditures	\$16,205,393	\$17,917,377	\$17,279,236	\$1,073,843	\$(638,141)	6.63%	-3.56%



anticipates base tuition increases of 5 percent each year of the biennium, as directed by Second Substitute House Bill 1909. (The Evergreen State College is directed to increase tuition 28 percent.) The state appropriation is reduced \$48.5 million, the amount of the increases in base tuition rates.

Welfare. Significant reductions are made in income assistance programs. The House version of welfare reform, 2SHB1481, is estimated to reduce state costs \$17.1 million by limiting stays on public assistance, stressing work, and barring grant increases for additional children. Eligibility standards for the General Assistance-Unemployable program are tightened and recipients can receive benefits for no more than 12 months within a three-year period, for an estimated savings of \$43 million. Changes in delivery of long term care are estimated to result in \$26 million in savings. The largest budget increases are in medical assistance, where caseloads are expected to climb from 641,000 in FY 95 to 810,000 by FY 97, causing costs to climb \$74 million. Changes in the matching ratio affecting federal assistance cost the state more than \$150 million in additional spending in the House budget.

Agency Reduction/Elimination. Under the House budget, the State Energy Office and the Puget Sound Water Quality are eliminated. The State Shorelines Program and state funding for solid waste management programs in the Department of Ecology are eliminated.

Budget Debate Will Dominate Waning Weeks of Session

The House budget sets the stage for what may be the critical debate of the 1995 legislative session. A Senate budget proposal was introduced March 29. The House and Senate proposals will be compared in an upcoming Policy Brief.

###