



# Policy Brief

PB 99:17

March 31, 1999

## Supplemental Budget Duels

### BRIEFLY

Senate Democrats are pushing for a bigger supplemental budget after a compromise proposal stalled in the House.

House Republicans are the first in the Legislature to propose the next biennial budget.

Last week, the state Senate sent the House a second supplemental budget, taking proposed spending for the biennium ending June 30, 1999 to the maximum permitted under the GFS limit set by Initiative 601.

The impetus for the second Senate supplemental was a \$159 million boost in estimated state revenues. The additional money showed up in the March revenue forecast, which increased estimated general fund state (GFS) revenue by \$65 million for the 1997-1999 budget period and \$94 million for the 1999-2001 biennium. Senate budget writers said that the new money should be put to use and swiftly passed their second supplemental budget.

Meanwhile, the House supplemental, described earlier in the Research Council's March 17 Policy Brief (PB 99:15), remains stalled. The plan identified as the House supplemental budget actually represents simply a bipartisan agreement between the co-chairs of the Appropriations Committee. That agreement fell apart as Democratic leadership held out for more spending. House Republicans continue to use the compromise agreement in their budget planning and it's unlikely that they will endorse the higher spending proposed by the Senate.

A clear Democratic objective in the supplemental budget is to spend to the maximum allowed by Initiative 601, an objective achieved by the second Senate supplemental, in order to maximize budget authority for the 1999-2001 biennium. Roughly, each dollar of supplemental spending increases the spending limit for the succeeding biennium by two dollars.

Even as the supplemental budget awaits resolution, the House continues work on the biennial budget for 1999-2001. Republicans presented their version of a general fund budget for the next biennium last week. Democrats will offer their response this week. The public will then have a clear view of the parties' priorities and negotiations can move forward in earnest.

Consider how the House and the second Senate supplemental budgets set the 1999-2001 spending limit.

In preparing their proposed 1999-2001 budget, House Republicans assumed passage of a \$34.9 million supplemental, which would bring biennial spending for 1997-1999 to \$19.12 billion. Using that base, the spending limit for 1999-2001 would be \$20.57 billion. The Senate,

### 1999 Supplemental Operating Budget

(Dollars in Millions)

|                             | Governor  | Senate I  | House     | Senate II |
|-----------------------------|-----------|-----------|-----------|-----------|
| Policy Adjustment (Adds)    | \$91.00   | \$102.60  | \$94.90   | \$136.70  |
| Caseload/Enrollment Changes | (\$18.40) | (\$51.90) | (\$60.00) | (\$64.80) |
| Net 1999 Supplemental       | \$72.60   | \$50.80   | \$34.90   | \$71.90   |

Source: Senate Ways & Means Committee

building on a 1997-1999 supplemental budget of \$71.9 million, estimates a spending limit of \$20.65 billion for 1999-2001.

That is, the Senate supplemental budget allows \$85 million more to be spent in the next biennium. And of course, the difference compounds in succeeding budget periods.

As the parties continue to work on a budget agreement, here's an overview of the supplemental budgets proposed so far:

- In early January, Governor Locke proposed a supplemental budget that lifted spending for the current biennium by \$72.6 million.
- The Senate passed a \$50.8 million supplemental January 27.
- House appropriations committee co-chairs in early March supported a \$34.9 million supplemental.
- March 22 the Senate came back with a \$71.9 million offer.

The second Senate supplemental, like the governor's initial budget, spends the maximum allowed under Initiative 601. The minor difference between the two reflects different estimates of the limit, with the Senate estimate being more accurate.

One of the stories this session is the savings available because school enrollments and social service caseloads are lower than expected when the 1997-1999 budget was adopted last biennium. Budget writers forecast expenditure requirements based on demand for education and various social service programs. When actual demand is below the forecast, the state does not need to spend the money appropriated.

For example, public school enrollment for the 1998-1999 school year is some 5,000 below estimates, saving the state about \$15 million. Similar savings accrue to the state as a result of lower caseloads in human service programs. Since the legislature had access to more current data than did the governor, the "savings" identified from caseloads and enrollment, as well as other miscellaneous cost avoidance, is greater.

All of the players – the Governor, the House, and the Senate – offset the enrollment/caseload savings with new spending in their various supplemental budget proposals. This spending, called "policy adjustments," ranges from the governor's \$91 million original proposal to the Senate's \$137 million. Included in policy adjustments are such items as school construction (included in all proposals) and funding for county fairs (all proposals).

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