



PB 97:5

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1997-1999 GENERAL FUND STATE BUDGET SUMMARY

Lawmakers are moving toward final passage of the 1997-99 General Fund State (GFS) budget, the spending plan most commonly considered to be “the state budget.” Differences between the budgets passed by the House and Senate will be resolved in a conference committee with representatives from each chamber.

Here we sketch the major differences between the various budget proposals. Later *Policy Briefs* will present the capital, supplemental, and transportation budgets that will be adopted in the closing weeks of this legislative session.

Just \$103 million separate the House and Senate budgets and early resolution of the differences seems likely. As the table below indicates, both legislative budgets spend less than Gov. Locke proposed. The adopted GFS budget for the current biennium is about \$17.6 billion, although that may change with passage of a supplemental budget for 1995-97. The increases proposed, then, amount to 9.2% for the governor, 8.4% for the Senate and 7.8% for the House.

| Dollars Expressed in Thousands | Governor Proposed | Legislature | | |
|------------------------------------|----------------------|-------------------|-------------------|-----------------------------------|
| | | Senate Passed | House Passed | Difference Senate vs. House |
| Legislative | 114,716 | 112,824 | 112,713 | 111 |
| Judicial | 65,785 | 59,853 | 59,803 | 50 |
| Governmental Operations | 340,283 | 340,746 | 338,740 | 2,006 |
| Department of Social and Health | 4,983,192 | 4,957,848 | 4,903,114 | 54,734 |
| All Other Human Services | 990,784 | 991,112 | 977,944 | 13,168 |
| Natural Resources and Recreation | 235,771 | 233,282 | 236,258 | (2,976) |
| Transportation | 23,838 | 36,577 | 24,285 | 12,292 |
| Public Schools | 8,959,160 | 8,878,587 | 8,860,280 | 18,307 |
| Higher Education | 2,207,547 | 2,191,122 | 2,192,925 | (1,803) |
| All Other Education | 49,745 | 49,857 | 49,205 | 652 |
| All Other Expenditures and Special | 1,267,486 | 1,245,297 | 1,238,926 | 6,371 |
| Total | 19,238,307 | 19,097,105 | 18,994,193 | 102,912 |



The governor's budget presumes a spending limit under I-601 of about \$19.247 billion which, in part, reflects the increased 1995-97 spending including the governor's proposed supplemental budget. The legislative budgets assume little increase in current biennial projections, but recognizes the effect of changes in federal funding. The baseline 601 limit, with no supplemental and before accounting for federal legislation, was \$19.057.

Compensation: The largest area of overall, statewide, disagreement between the three budgets involves salaries and benefits. Governor Locke proposed a 2.5% salary increase for public school and state employees (except for higher education employees, discussed below) effective July 1, 1997 and another 2.5% effective July 1, 1998. The governor's salary package would cost the state just under \$294 million. For the same group of employees, the Senate and House propose a single 3.0% increase effective July 1, 1997 at a cost of about \$239 million.

The Senate and House assume a lower cost for state employee health benefits than does the governor. Governor Locke proposes an increase of \$11.648 million, the House \$7.080 million, and the Senate \$8.473. The governor assumes a maximum monthly contribution for insurance benefit premiums of \$325.56 for FY 1998 and \$343.15 for FY 1999. The House and Senate assume a maximum contribution rate of \$316.86 and \$331.62 for the two years respectively.

Inflation: The three budget proposals include no adjustment for general inflation. Expenditure increases resulting from inflation are expected to be made up from operational efficiencies.

Major Budget Items: Other areas accounting for the majority of the differences between the proposals are discussed below.

Public Schools: Of the nearly \$9 billion (about 47% of proposed 1997-99 GS-S spending), 77% is in the general apportionment passed through to local school districts. Only minor differences mark the approaches taken by the House, Senate and Governor. The House provides funding for Alternative Education Programs, 2nd Grade Reading Training Grants and the Superintendent/Principal Internship Program. The Governor provided start-up funds for the Alternative Education Program. While the Senate did not address those programs, it did provide additional funding to reduce the staff:class size ratio for 4th grade from 1:21.7 to 1:20. Neither the House nor the governor proposed this adjustment. The House and Senate generally agree on funding for Education Reform, and neither differ markedly from the governor in funding levels.

Higher Education: The Washington Research Council has recently published *Policy Briefs* (PB 97:3 and PB 97:4) addressing the enrollment, access, and cost challenges facing the higher education system. The following full-time equivalent enrollment (FTE) assumptions are contained in the three budget proposals. (The FY 1996 budget assumed 194,649.)

Higher Education Enrollments

| | <u>FY 1998</u> | <u>FY 1999</u> |
|----------------|----------------|----------------|
| Governor Locke | 196,636 | 200,959 |
| House | 197,524 | 201,164 |
| Senate | 197,196 | 201,100 |



The House and Senate differ on their approaches to tuition and financial aid, with the House emphasizing institutional flexibility in setting tuition and relying relatively more on Education Opportunity Grants and work study.

Baseline compensation increases follow the pattern indicated above for state employees, i.e., the governor proposing two annual increases of 2.5% and the legislature proposing a single 3.0% increase. The governor's proposal would cost the GFS \$73 million; the legislature's, \$58 million. Health benefits also follow the general pattern: the governor proposes \$13.1 million; the House, \$6.1 million; and the Senate, \$7.4 million.

In addition, however, funding is provided for targeted salary increases for faculty members. The major difference between the governor and the legislature is in the source of funding for these increases. The governor pays for them from the general fund, setting aside more than \$22.5 million. The legislature allows about \$28 million of increased tuition revenue to be used for special compensation, with the House and Senate providing an additional \$2.7 million and \$6.4 million respectively from GFS for faculty recruitment and retention.

Department of Social and Health Services: The Senate budget is \$54.7 million above the House budget. The major policy differences are associated with welfare reform, a complex of issues including food programs for legal aliens, eligibility for general assistance, child care, and the state's maintenance of effort requirements under the Temporary Assistance to Needy Families (TANF) program.

Basic Health Plan: In his 1997 supplemental budget, the governor proposed an \$87.5 million GFS appropriation in support of the Health Services Account (HSA) to "provide continued funding of the Basic Health Plan, Medicaid coverage for children, and other health services." The HSA is a dedicated account outside the general fund (see Washington Research Council *Special Report* "Too Much Earmarking, Dedicating Funds," July 31, 1996). The account relies heavily on cigarette and alcohol taxes. As demand for services funded by the HSA, particularly the state's Basic Health Plan, have grown, revenues have not kept pace. In addition to his supplemental request, the governor proposed a \$20.5 million GFS appropriation to the HSA for the 1997-99 biennium.

For the coming biennium, Governor Locke assumed an average monthly BHP enrollment of 133,000; the House, 132,500; and the Senate, 135,000. Current average enrollment is 130,700.

The Senate and House seek to address the revenue lag and increase enrollment by adjusting premium and benefit levels, rather than rely on the levels of GFS support advocated by the governor.

Transportation: In the 1993-95 biennium, expenditures and activities within the Washington State Patrol were shifted from the operating budget to the transportation budget, which provides most transportation funding. The transferred activities included the governor's air travel, the License Fraud Unit, Special Services Unit, Crime Laboratories, the ACCESS computer system, Identification Unit, Executive Protection Unit, and a portion of agency administration. The Senate's 1997-99 budget returns the activities, funding and responsibilities to the operating budget, once again consolidating GFS operating activities into a single budget document.

1997 Supplemental and Capital Budgets: The Senate has not yet addressed the 1997 Operating Supplemental Budget presented by Governor Locke. The House has not yet addressed the 1997 Capital Supplemental Budget.

As negotiations proceed, the Washington Research Council will provide additional analyses of key budget issues. Please call for more information.