Washington Research Council

Policy Brief

March 6, 2014 PB 14-10

House- and Senate-Passed 2014 Supplementals are Mostly Similar, but Present Distinct Options

Briefly

The House- and Senate-passed 2014 supplemental operating budgets diverge on taxes, teacher COLAs and maintenance level estimates.

Table: 2013-15 NGFS+ Balance Sheet (Dollars in Millions)

	Senate Passed	*House Passed*
Beginning Balance	156	156
Revenue		
November Revenue Forecast	33,576	33,576
February 2014 Forecast	60	60
February 2014 Passed		
Revenue Legislation	**(10)**	**105**
Budget Driven Revenue	**7**	**(0)**
Child and Family Reinvestment Account Revision		**4**
Total Revenue	*33,633*	*33,745*
Other Resource Changes		
Transfer to Budget Stabilization Acct.	(312)	(312)
Previously Enacted Transfers	421	418
Prior Period Adjustments	41	41
February 2014 Passed		
Transfers	**51**	**1**
Other Changes	**(4)**	
Total Other Resource Changes	*197*	*147*
Total Resources	*33,987*	*34,049*
Spending		
Enacted Appropriations	33,642	33,642
Projected Reversions	(140)	(140)
February 2014 Passed		
Maintenance Level Changes	**45**	**91**
Policy Level Changes	**55**	**150**
Appropriations in Other Legislation	**5**	**5**
Total Spending	*33,607*	*33,748*
Unrestricted Ending Fund Balance	*380*	*300*
Budget Stabilization Account Balance	*582*	583
Total Reserves	*962*	*883*

The Senate and the House have each now passed 2014 supplemental operating budgets. As passed, both supplemental budgets would appropriate more than originally proposed. The House supplemental had originally been accompanied by a separate proposal for new education spending; that new spending is now part of the supplemental. The House version would increase near general fund–state plus opportunity pathways (NGFS+) spending for 2013–15 to $33.748. The Senate version would increase NGFS+ spending for 2013–15 to $33.607 billion.

(For more on the 2013–15 operating budget, see "2013–15 Operating Budget Mostly Avoids New Taxes, Prioritizes Education." For details of the 2014 supplementals as proposed, see "Senate Ways and Means Chair's Proposed 2014 Supplemental Increases Education Spending, Reduces Taxes" and "House Appropriations Chair's Proposed 2014 Supplemental Largely Tracks Senate Proposal.")

Balance Sheet

Revenues. As passed by the House, the supplemental would narrow the extracted fuel tax exemption to apply only to biomass fuel (oil refineries currently take the exemption for refinery fuel gas), apply the sales tax to bottled water, increase the tax rate for prescription drug resellers, and change the sales tax exemption for out-of-state residents to a refund program. Together, these would increase revenues by $99.8 million in 2013–15. (These revenue proposals had previously been part of the House Democrats' separate education proposal.) The House version would also apply the tobacco products tax to e-cigarettes

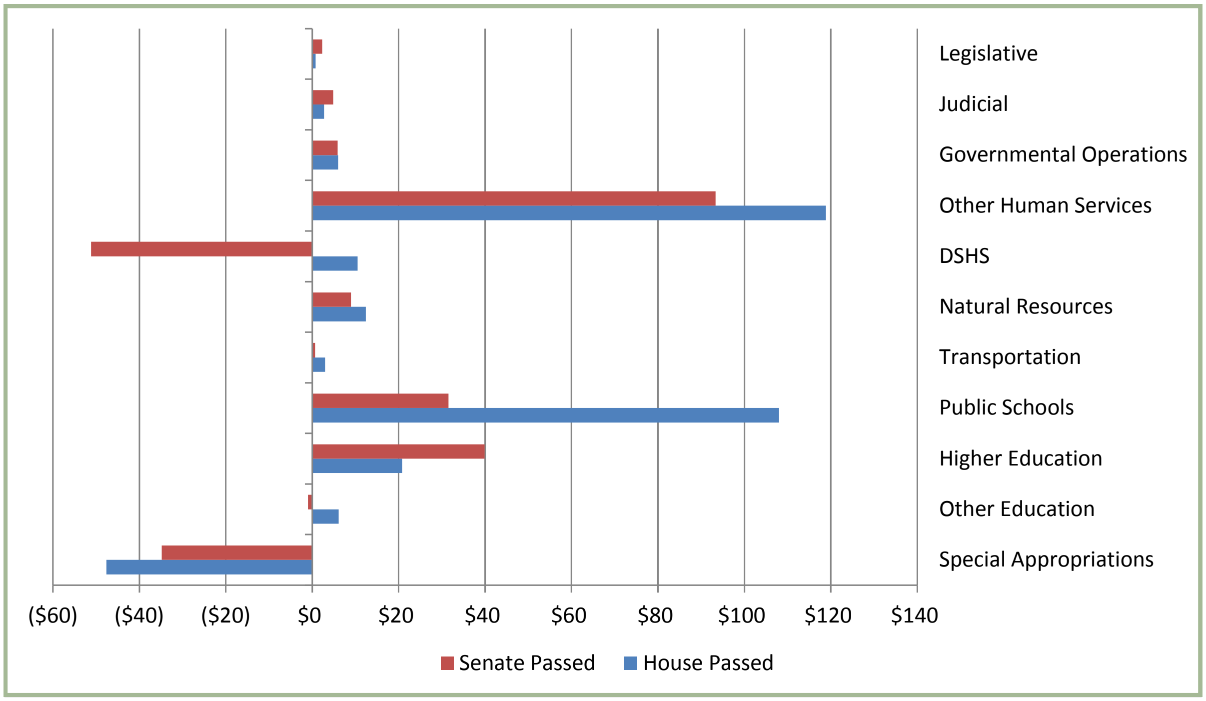

Chart: Comparing Senate- and House-Passed Supplementals (Dollars in Millions)

(increasing revenues by $3.4 million). Both the House and the Senate would exclude marijuana from existing tax preferences (increasing revenues by $2.8 million). The Senate would extend the business and occupation tax credit and the sales and use tax deferral for high technology research and development to 2025 (but its use would be limited). This is estimated to reduce revenues by $7.8 million. The Senate would also exempt medical marijuana from the sales and use tax and the retail marijuana excise tax (reducing revenues by $2.0 million) and it would eliminate the 17 percent spirits retail license fee that is imposed when retailers sell liquor to businesses for on-premise consumption (reducing revenues by $1.2 million).

Other Resource Changes. The Senate version would transfer $34.0 million from the life sciences discovery fund to the education legacy trust account.

Spending. Including $5 million for the previously enacted SB 6523 (the Real Hope Act), the House would increase NGFS+ spending by $246.6 million ($73.4 million more than originally proposed) and the Senate would increase NGFS+ spending by $105.5 million ($9.9 million more than originally proposed). Spending to maintain current services (maintenance level) is estimated by the House to total $91.3 million, while it is estimated by the Senate to total $45.1 million. Policy level changes total $150.3 million in the House version and $55.3 million in the Senate version. Both supplementals assume spending reversions totaling $140 million. Altogether, these changes would increase biennial NGFS+ spending to $33.748 billion in the House and increase spending to $33.607 billion in the Senate.

Reserves. As an unrestricted ending fund balance, the House supplemental would leave $300 million and the Senate would leave $380 million. Total reserves would be $883 million under the House version and $962 million under the Senate version.

Spending Details

Public Schools. As passed, the House would increase NGFS+ spending on public schools by $108.0 million. Of that, $58.0 million would be allocated for materials, supplies, and operating costs (MSOC), an increase of about $66 per FTE student, and $51.2 million would fund the Initiative 732 cost-of-living adjustment for school employees. (Smaller amounts are allocated for this purpose in Higher Education and Other Education, for a grand total of $55.5 million.)

The Senate would increase NGFS+ spending on public schools by a net of $31.5 million. Of that, $38.2 million is provided for MSOC (specifically technology), an increase of about $44 per student.

Higher Education. NGFS+ spending would be increased by $21.0 million in the House. NGFS+ spending would be increased by $39.9 million in the Senate, including $25.4 million for the opportunity scholarship program.

Department of Social and Health Services. NGFS+ spending would be increased by a net of $10.5 million in the House and reduced by a net of $51.2 million in the Senate. Both assume large maintenance level reductions (largely due to declining participation in Temporary Assistance for Needy Families (TANF) and other public assistance programs). Both increase child care rates ($20.5 million in the House and $25.5 million in the Senate) and both fund the children's mental health settlement ($8.2 million). The House increases spending by $11.9 million for various community mental health enhancements.

Other Human Services. NGFS+ spending would be increased by $118.9 million in the House and by $93.3 million in the Senate. Both assume large maintenance level increases. Both make changes to the hospital safety net assessment program that would increase spending by $25.0 million. In the Senate, maintaining managed care rates at the 2014 level would reduce spending by $10.7 million.

Other. Both supplementals would reduce spending on state employee health insurance. The House would reduce funding from $763 per employee per month to $658 for 2015, by "utilizing a one-time fund balance and better than expected claims rates," saving $63.8 million. The Senate would reduce funding from $763 to $703, due to "a higher than expected surplus," saving $36.5 million. The House would also increase spending by $10.0 million to restore previously assumed health care savings.

Maintenance Level Questions

As noted above, the House estimates that spending to maintain current services totals $91.3 million, while the Senate estimates that it totals $45.1 million. This exceptionally wide variation illustrates the subjectivity involved in deciding what is or isn't part of maintenance level. Of the total maintenance level difference, 60 percent is from the Economic Services Administration (part of DSHS), which includes the TANF program. The House assumes a $60.3 million reduction for ESA, while the Senate assumes a $87.8 million reduction.

Comment

Aside from the maintenance level differences and the House's inclusion of the I-732 COLAs, these budgets are very similar. But those are two big differences. The COLAs are accompanied by $99.8 million in higher taxes, which the Senate has shown no appetite for. Indeed, the Senate reduces taxes, including by extending a limited version of the high tech R&D credits. Still, despite these differences, lead budget negotiators continue to say that they expect the work will be done on time by March 13.

References

Washington Research Council. 2013. "2013-15 Operating Budget Mostly Avoids New Taxes, Prioritizes Education." PB 13-10. July 12.

——. 2014 "Senate Ways and Means Chair's Proposed 2014 Supplemental Increases Education Spending, Reduces Taxes." PB 14-08. February 25.

——. 2014. "House Appropriations Chair's Proposed 2014 Supplemental Largely Tracks Senate Proposal." PB 14-09. February 27.

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