

2015–17 Operating Budget: Spending Priorities

Briefly

- A better economy is expected to bring in an additional \$3 billion in revenue.
- The House-passed budget increases spending by more than \$5 billion over 2013–15.
- The Senate-passed budget increases spending by more than \$4 billion over 2013–15.
- Policy changes in both budgets increase spending for public schools by over half a billion dollars.
- Neither budget funds I-1351's \$2 billion class size reductions for grades 4–12.
- The House spends \$45 million more than the Senate on K–3 class size reduction and adds more funds for counselors and family engagement.
- The House freezes tuition, the Senate reduces it.
- The Senate spends over \$40 million more on higher education.
- The House funds collective bargaining agreements; the Senate provides a general wage increase.
- Both houses add funds for employee health care premiums.
- The Senate saves \$50 million by reducing spousal health benefits and the Medicare subsidy for employees.
- Both budgets fund the I-732 cost-of-living adjustment.
- Both budgets reduce spending on non-DSHS human services.

Thanks to an improving economy, the revenues available for the 2015–17 biennium are expected to increase by \$2.9

billion over 2013–15, to \$37.1 billion. But spending needs and wants increase apace. Both the House and the Senate have passed 2015–17 operating budgets. They are about \$1 billion apart. Both budgets include significant increases to education spending, while essentially ignoring Initiative 1351. (The resources with which these spending increases would be paid will be discussed in a forthcoming policy brief.)

Spending Summary

Maintenance level changes (the cost of continuing current services) increase near general fund–state plus opportunity pathways (NGFS+) spending by \$5.336 billion over the 2013–15 biennium. (These include the cost of implementing

Table 1: NGFS+ Budget Areas (Percent of Total)

	2013-15	2015-17	
		House Passed	Senate Passed
Legislative	0.42%	0.41%	0.39%
Judicial	0.72%	0.69%	0.66%
Governmental Operations	1.38%	1.36%	1.26%
Other Human Services	18.37%	15.54%	16.16%
DSHS	17.03%	16.45%	16.33%
Natural Resources	0.80%	0.85%	0.71%
Transportation	0.21%	0.20%	0.20%
Public Schools	45.16%	47.35%	47.38%
Higher Education	9.17%	8.93%	9.28%
Other Education	0.61%	1.03%	0.84%
Special Appropriations	6.14%	7.18%	6.78%

the class size reductions required by I-1351.)

The House has passed a 2015–17 budget bill (ESHB 1106) that would increase NGFS+ spending by \$5.168 billion over the 2013–15 biennium, to \$38.962 billion. (That’s \$30.4 million less than proposed by Gov. Inslee.) Net policy level changes would reduce spending by \$168.5 million from maintenance level.

The Senate-passed budget bill (ESSB 5077) would spend \$37.958 billion, an increase of \$4.164 billion over 2013–15. Net policy level changes would reduce spending by \$1.172 billion from maintenance level.

Removing the \$2.043 billion policy reduction that both budgets make related to Initiative 1351 (see below), total NGFS+ policy changes increase spending by \$1.9 billion in the House and by \$870.9 million in the Senate.

Although the House would increase spending by \$1.004 billion more than the Senate, the spending details of their budgets are largely similar; compensation is a major exception.

Public Schools

Including maintenance and policy level changes, the House budget would increase spending for public schools by \$3.184 billion over 2013–15. The Senate budget would increase spending by \$2.722 billion.

The passage of Initiative 1351 last November poses a significant challenge for budget writers. (For more on I-1351, which reduces class sizes for grades K–12, see [“Initiative 1351 Class Size Reduction: A \\$4.7 Billion Unfunded Mandate with Dubious Educational Merit.”](#)) The Legislature was already required to reduce class sizes for grades K–3, pursuant to the Supreme Court’s McCleary decision. Implementing I-1351’s class size reductions for grades 4–12 would require additional spending of \$2.043 billion in 2015–17. (As noted above, this is captured as part of maintenance level.)

Both chambers opt not to fund that additional spending, reducing policy level spending by \$2.043 billion. This skews the amounts of policy level changes (and it is removed in the chart on page 3 to better reflect the spending each budget provides for K–12). Amending I-1351 in this way will require a two-thirds vote of the Legislature or re-submission to voters in November.

Not including the I-1351 policy reduction, spending for public schools would increase by \$971 million in the House and by \$508 million in the Senate. Of that \$462 million difference, \$373 million is due to compensation differences (see page 4). Other differences include:

Table 2: NGFS+ Balance Sheet (Dollars in Millions)

	<i>House Passed</i>	<i>Senate Passed</i>
Beginning Balance	810	860
Revenue		
February 2015 Revenue Forecast	37,124	37,124
2015 Proposal		
Revenue Legislation	1,468	38
Tax Preferences		(114)
Budget Driven Revenue	2	42
<i>Total Revenue</i>	<i>38,594</i>	<i>37,090</i>
Other Resource Changes		
Transfer to Budget Stabilization Acct.	(366)	(366)
Other	41	41
2015 Proposal		
Transfers to Budget Stabilization Acct.	(0)	
Fund Transfers	97	377
Marijuana Regulation		296
<i>Total Other Resource Changes</i>	<i>(229)</i>	<i>348</i>
<i>Total Resources</i>	<i>39,176</i>	<i>38,299</i>
Spending		
2015 Proposal		
Maintenance Level	39,130	39,130
I-1351 Policy Change	(2,043)	(2,043)
Other Net Policy Changes	1,874	871
<i>2015-17 Appropriations</i>	<i>38,962</i>	<i>37,958</i>
Assumed Reversions	(140)	(140)
<i>Total Spending</i>	<i>38,822</i>	<i>37,818</i>
Unrestricted Ending Fund Balance	354	480
Budget Stabilization Account Balance	891	891
<i>Total Reserves</i>	<i>1,245</i>	<i>1,372</i>

Chart: NGFS+ Policy Changes (Dollars in Millions)

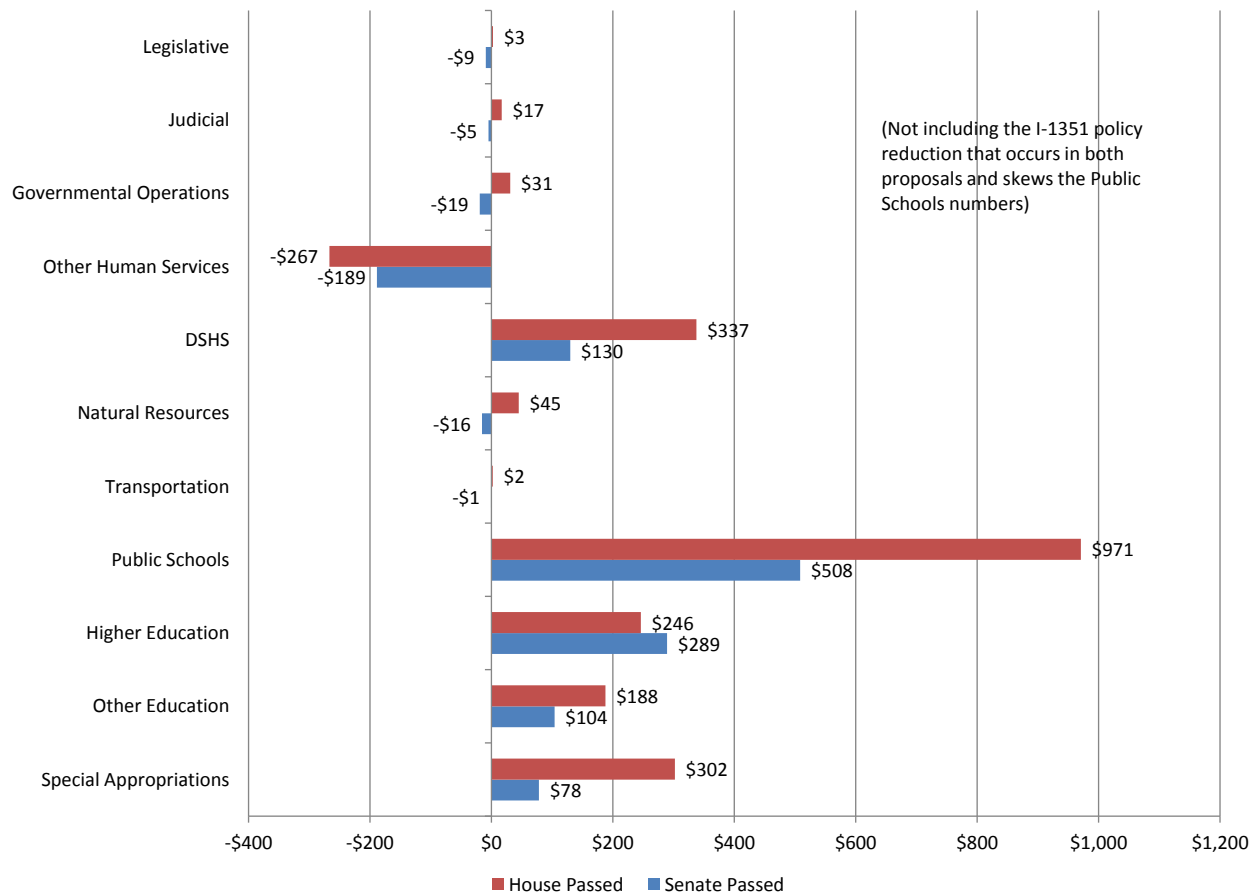


Table 3: Additional Support for Institutions Related to Tuition Policy (Dollars in Millions)

	House	Senate
UW	\$36.7	\$95.8
WSU	\$18.0	\$54.5
EWU	\$6.0	\$9.1
CWU	\$5.4	\$17.9
TESC	\$2.6	\$5.7
WWU	\$8.1	\$27.5
CTCS	\$29.8	\$10.2

- The House would spend \$45.2 million more than the Senate on K–3 class size reduction (which is required to be fully implemented by school year (SY) 2017–18, in the 2017–19 biennium).
- The House would spend \$49.1 million on family engagement coordinators and guidance counselors.
- Both proposals would reduce local effort assistance, but the Senate’s reduction is \$20.1 million greater than the House’s. In the Senate’s proposal, if a school district receives materials, supplies, and operating costs funding above that provided in SY 2014–15, it must reduce its levy base by the same amount in 2016 and 2017.
- The House assumes implementation of HB 2214, which would change high school assessment requirements and is

estimated to reduce spending by \$29.4 million.

Higher Education

The Senate would spend \$43.3 million more than the House on higher education.

The House would provide \$38.0 million more than the Senate for the Opportunity Scholarship, and the House would provide \$53.2 million for the State Need Grant. It would freeze resident undergraduate tuition and provide additional support to institutions.

The Senate assumes implementation of ESSB 5954, the College Affordability Program. It would reduce resident undergraduate tuition to a percentage of the state average wage and provide additional funding to institutions. It would also reduce financial aid programs by

\$74.7 million (reflecting tuition reductions). See table 3 for the differences in spending related to the House and Senate's tuition and additional state support provisions.

Compensation

As noted above, compensation for state and K-12 employees is the source of a significant amount of the spending differences between the two budgets. That said, both budgets increase appropriations for compensation.

In K-12, both budgets fund the Initiative 732 cost-of-living adjustment (COLA). On top of that, the House would provide an additional COLA that would total \$153.6 million. The House would also increase health benefit employer funding rates for K-12 employees (\$207.0 million).

For general government and higher education employee wages, the House would fund the collective bargaining agreements negotiated by the governor, increasing spending by \$233 million. The Senate rejects the collective bargaining agreements; instead, its budget would provide general wage increases of \$1,000 in fiscal years 2016 and 2017 (\$197.0 million). The Senate would provide an additional \$11.0 million for salary increases targeted to recruitment needs.

Both the House and the Senate would increase the employer funding rate for employee health benefits, increasing spending by \$22 million. The Senate would save \$52.7 million by limiting health benefit coverage for spouses and reducing the Medicare subsidy.