

Biennial-Sized Spending in a Supplemental Year: Comparing the Senate- and House-Passed Budgets

Briefly

The Senate- and House-passed supplemental operating budgets would spend almost all of the \$13.8 billion surplus in funds subject to the outlook. Compared to the enacted 2021–23 biennial budget, appropriations would increase by 7.7% in the Senate-passed budget and by 10.6% in the House-passed budget. Compared to 2019–21, revised 2021–23 appropriations would increase by 23.3% in the Senate-passed budget and by 26.6% in the House-passed budget.

Both budgets would reduce revenues slightly. The Senate would direct more of the surplus to reserves than the House, but even the Senate's effort falls short of reaching pre-pandemic levels of reserves.

Given the economic uncertainty and the recent Superior Court ruling that the capital gains tax is unconstitutional, the Legislature should reevaluate its spending priorities and put more into the rainy day fund this year.

Since the 2021–23 biennial budget was adopted last year, the revenue forecast has increased by \$10.129 billion (through 2023–25) and the maintenance level (the cost of continuing current services, adjusted for inflation and enrollment) has decreased. As a result, we estimate that the surplus in funds subject to the outlook (NGFO) is about \$13.8 billion over the outlook period. On top of that, the ending balance of the budget stabilization account (BSA, or the rainy day fund) will be about \$1.25 billion in 2023–25, there is \$1 billion in a shadow reserve account (the Washington rescue plan transition account, or WRPTA), and the state has \$1.3 billion in remaining general federal relief funds.

The Senate and House have each passed supplemental operating budgets for 2021–23. Both would substantially increase NGFO appropriations. Compared to the enacted 2021–23 biennial budget, appropriations would increase by 7.7% in the Senate-passed budget and by 10.6% in the House-passed budget. Compared to 2019–21, revised 2021–23 appropriations would increase by 23.3% in the Senate-passed budget and by 26.6% in the House-passed budget. (Note that the Senate-passed budget would spend down the remaining general federal relief, while the House would spend just \$331.7 million of it. This brief focuses on NGFO spending.)

NGFO

Under the four-year balanced budget requirement, a positive ending balance is required in both the current and following biennium for “funds subject to the outlook.” This is a synthetic “account” that rolls up the general fund–state (the state’s primary budget account) with the education legacy trust account, the opportunity pathways account, and the workforce education investment account. It is also called the near general fund–outlook, or NGFO.

Chart 1: How the Senate Would Use the Surplus

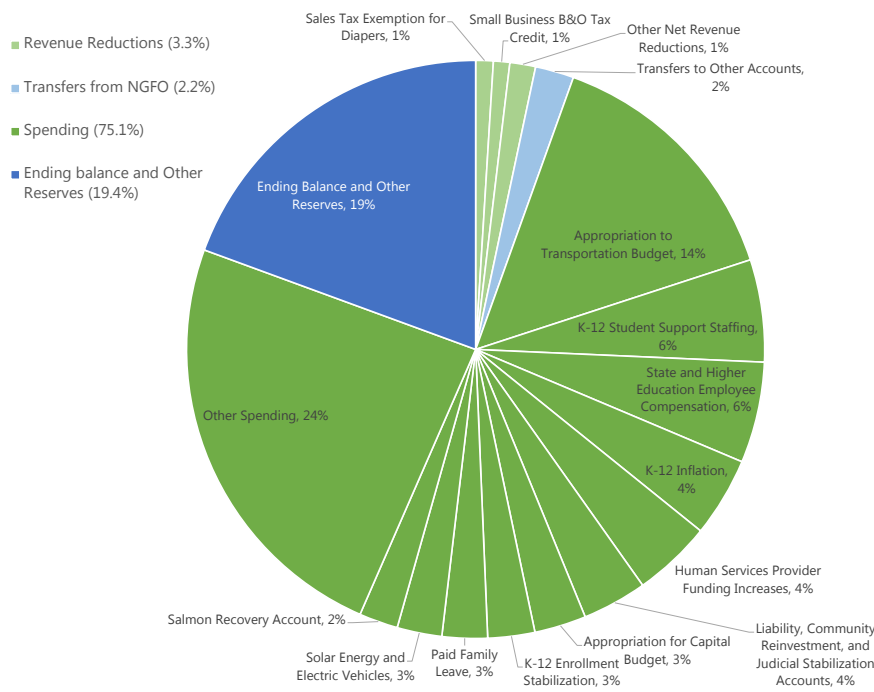
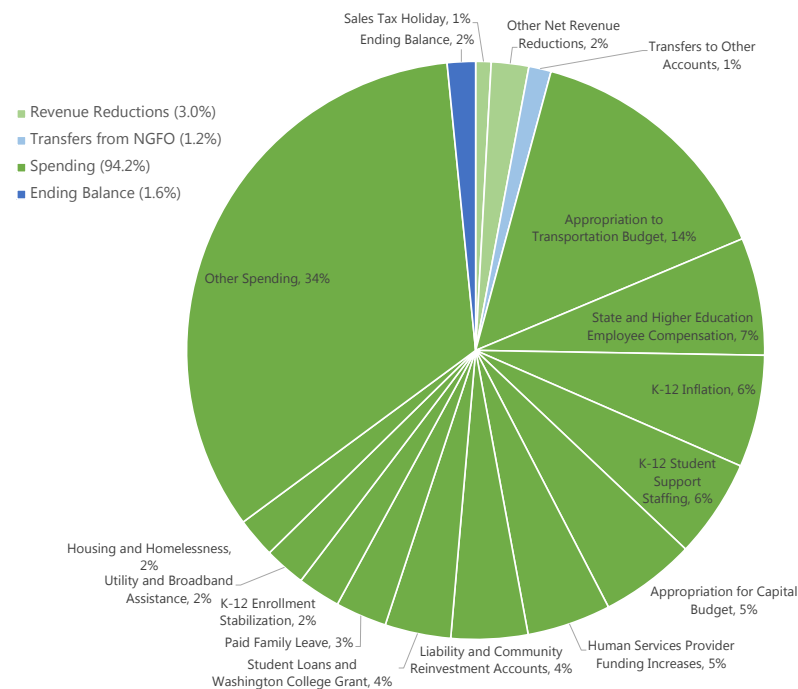


Chart 2: How the House Would Use the Surplus

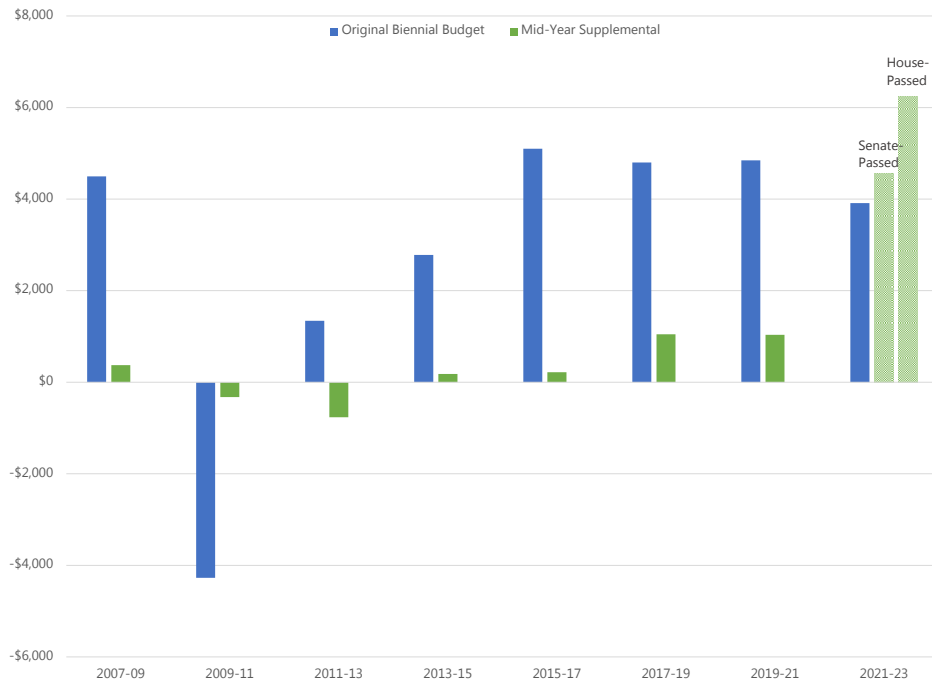


Both budgets would use most of the NGFO surplus on new spending—75.1% in the Senate and 94.2% in the House. Revenue reductions would use just 3.3% of the surplus in the Senate and 3.0% in the House. The Senate would set aside more of the surplus than the House for reserves—19.4% compared to 1.6% in the House. (See charts 1 and 2.) Reserves include the unrestricted ending balance and appropriations to the WRPTA and a new strategic enterprise resource planning technology account, from which nothing would be appropriated. (The shares of the NGFO surplus that would be put in reserves are on top of the \$1.25 billion that would be in the BSA under both proposals. Neither would deposit more in the BSA than is required by the constitution.)

Tables 1 and 2 (on pages 3 and 4) compare the overall differences between the two proposals and major policy differences.

Both the proposals are enormous compared to other supplemental budgets. As chart 3 (on page 3) shows, the net spending increase in the House budget is bigger than in any other biennial budget, going back to at least 2007-09. The Senate budget's increase is on par with many of

Chart 3: Net Change in NGFO Spending by Budget (Dollars in Millions, Adjusted for Inflation)



the biennial budgets.

At the same time, the BSA balance in the two budgets is not up to pre-pandemic levels. Looking at total reserves, the Senate budget does return reserves to pre-pandemic levels, but that’s only by including the WRPTA and the strategic enterprise resource planning technology account.

Given the current economic uncertainty and the recent Superior Court ruling that the capital gains tax is unconstitutional (which would reduce resources by about \$1.2 billion over the outlook period), the Legislature should reevaluate its spending priorities and put more into the BSA this year.

Table 1: Overall Differences Between the Proposals and Revenue Details (NGFO, Unless Otherwise Noted)

	Senate Passed (2/25)	House Passed (2/26)
NGFO Revenue Legislation	-\$78 million in 2021-23, -\$355 million in 2023-25	-\$188 million in 2021-23, -\$195 million in 2023-25
NGFO Fund Transfers	-\$1.704 billion in 2021-23, -\$599 million in 2023-25	-\$136 million in 2021-23, -\$40 million in 2023-25
NGFO Appropriations	\$63.634 billion	\$65.308 billion
Maintenance Level	\$57.911 billion	\$57.911 billion
New Policy Spending	\$5.724 billion	\$7.397 billion
Unrestricted NGFO Ending Fund Balance	\$237 million in 2021-23, \$179 million in 2023-25	\$31 million in 2021-23, \$220 million in 2023-25
BSA Balance	\$608 million in 2021-23, \$1.247 billion in 2023-25	\$607 million in 2021-23, \$1.247 billion in 2023-25
WRPTA Balance	\$2.5 billion in 2021-23, \$3 billion in 2023-25	\$1 billion
Revenue Details	Sales tax exemption for diapers, -\$12.9 million in 2021-23 and -\$39.5 million in 2023-25 • Small business B&O tax credit, -\$13.0 million in 2021-23 and -\$118.1 million in 2023-25 • B&O tax deduction for credit card processing, -\$20.0 million in 2021-23 and -\$55.0 million in 2023-25	Sales tax holiday, -\$119.3 million in 2021-23

Table 2: NGFO Policy Changes in Each Proposal

	Senate Passed (2/25)	House Passed (2/26)
Spending Details		
K-12		
Inflation	\$167.6 million in 2021-23, \$446.8 million in 2023-25	\$236.5 million in 2021-23, \$630.2 million in 2023-25
Student Support Staffing	\$173.8 million in 2021-23, \$616.4 million in 2023-25	\$107.9 million in 2021-23, \$653.4 million in 2023-25
Enrollment Stabilization	\$346.5 million in 2021-23, \$16.1 million in 2023-25	\$314.7 million in 2021-23, \$16.1 million in 2023-25
Other	\$27.4 million in 2021-23 and \$8.0 million for learning assistance program hold harmless • \$13.0 million in 2021-23 and \$35.1 million in 2023-25 for transitional kindergarten • \$63,000 in 2021-23 and \$100.1 million in 2023-25 for distinct passenger transportation	\$40.4 million in 2021-23 and \$26.6 million in 2023-25 for additional substitute days
Higher Education		\$300 million in 2021-23 for the Washington student loan program account • \$45.3 million in 2021-23 and \$163.6 million in 2023-25 for Washington College Grant expansion and bridge grants
Housing	\$81.2 million in 2023-25 for right of way response and homelessness outreach	\$150 million in 2021-23 for utility assistance • \$50.0 million in 2021-23 for broadband assistance • \$55.0 million in 2021-23 for eviction prevention rental assistance • \$23.6 million in 2021-23 and \$77.6 million for right of way response and homelessness outreach
Solar Energy/Electric Vehicles	\$190.0 million in 2023-25 for community solar projects • \$156.0 million in 2023-25 for electric vehicle charging and mapping	\$20.0 million in 2021-23 and \$20.0 million in 2023-25 for solar incentives • \$25.0 million in 2021-23 and \$100.0 million in 2023-25 for electric vehicle rebates
COVID Response		\$99.9 million in 2021-23 for vaccinations • \$148.4 million in 2021-23 for activities to contain the spread
Human Services	\$49.6 million in 2021-23 and \$311.3 million in 2023-25 for a working connections child care provider rate increase • \$100.0 million in 2021-23 for behavioral health provider relief • \$126.8 million in 2021-23 and \$18.2 million in 2023-25 for DD and LTC provider rates • \$40.2 million in 2021-23 and \$84.4 million in 2023-25 for DD community residential rates • \$36.9 million in 2021-23 and \$93.3 million in 2023-25 to increase the Aged, Blind or Disabled grant	\$77.2 million in 2021-23 and \$308.9 million in 2023-25 for a working connections child care provider rate increase • \$42.0 million in 2021-23 for behavioral health provider relief • \$202.4 million in 2021-23 and \$58.8 million in 2023-25 for DD and LTC provider rates • \$98.3 million in 2021-23 and \$208.4 million in 2023-25 for DD community residential rates • \$36.6 million in 2021-23 and \$92.7 million in 2023-25 to increase the Aged, Blind or Disabled grant
Natural Resources	\$74.8 million in 2021-23 for a farmers to families food box program • \$100 million in 2021-23 and \$200 million in 2023-25 for the salmon recovery account	\$74.8 million in 2021-23 for a farmers to families food box program • \$50 million in 2021-23 for salmon habitat restoration grants
Employee Compensation	\$293.061 million in 2021-23 and \$486.727 million in 2023-25 (including a 3.25% general wage increase and an increase to PERS and TRS Plans 1 benefits)	\$333.373 million in 2021-23 and \$574.605 million in 2023-25 (including a 3.25% general wage increase and an increase to PERS and TRS Plans 1 benefits)
Paid Family Leave	\$350 million to the extent needed to keep the account out of deficit	\$397 million to minimize the likelihood of a premium surcharge in 2023
Appropriations for Transportation and Capital Budgets	\$2.0 billion in 2021-23 for the multimodal account • \$400 million in 2021-23 for the school seismic safety grant account	\$2.0 billion in 2021-23 for the multimodal account • \$737 million in 2021-23 for the capital community assistance account
Appropriations for Other Accounts	\$125 million in 2021-23 to the community reinvestment account • \$157.5 million in 2021-23 to the judicial stabilization account • \$217 million in 2021-23 to the liability account	\$125 million in 2021-23 and \$250 million in 2023-25 to the community reinvestment account • \$70 million in 2021-23 to the judicial stabilization account • \$217 million in 2021-23 to the liability account
Banked for Future Biennia	\$100 million in 2021-23 and \$400 million in 2023-25 to a new strategic enterprise resource planning technology account	