

Comparing the Senate- and House-Passed Operating Budgets

Briefly

Compared to the 2022 supplemental, the Senate-passed operating budget proposal would increase 2023–25 appropriations by 8.2% and the House-passed proposal would increase appropriations by 9.4%. Neither the Senate nor the House would increase general taxes. To fund the new, ongoing spending, both proposals—but especially the House’s—would use one-time funds, including reserves.

Last year the Legislature enacted the state’s largest ever supplemental operating budget. As a result, 2021–23 appropriations from funds subject to the outlook (NGFO) increased by a record high 24.3% over 2019–21. By comparison, the 2023–25 operating budget proposals that have been passed by the Senate and the House appear relatively modest. The Senate-passed proposal would increase appropriations by 8.2% and the House-passed proposal would increase appropriations by 9.4%. (From 1993–95 through 2021–23, the average biennial spending growth was 10.1%.)

The Senate would increase NGFO spending by \$5.254 billion and the House would increase spending by \$6.003 billion in 2023–25 (these figures include both maintenance and policy level changes). With the March 2023 revenue forecast, the Legislature has \$3.106 billion more to work with over the six-year budget window than anticipated when the 2022 supplemental budget was adopted.

Neither the Senate nor the House would increase general taxes. To fund the new, ongoing spending, both proposals—but especially the House’s—would use one-time funds:

- Both would transfer funds from the Washington rescue plan transition account (WRPTA, an unrestricted reserve account) to the NGFO (\$800 million in the Senate and \$1.803 billion in the House).
- Both would reduce expenditures on items for which one-time money had been set aside in 2021–23. (For example, the current budget includes \$800 million for an extra payment toward the Teachers’ Retirement System Plan 1 unfunded actuarial accrued liability. The Senate would reduce that payment to \$250 million and the House would repeal it. Additionally, the current budget set aside \$350 million for the paid family and medical leave program, in case it was in deficit at the end of 2021–23. That

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.

amount would be converted to a reserve for the program and reduced to \$225 million in the Senate proposal and to \$200 million in the House proposal.)

- Both would use federal COVID relief money for ongoing programs. (For example, the House would use federal relief funds for special education and both the House and Senate would use federal relief for emergency housing and shelter capacity. The outlooks assume that these programs would be continued with NGFO dollars in 2025–27.)

In both of the proposals, new policy spending is driven by compensation increases for state and non-state employees and rate increases for health care and social service providers. (More details about the spending proposals are in the table on page 4.)

Because there is a great deal of economic uncertainty, legislators should be increasing reserves instead of depleting them. And, as always, they should avoid using one-time funding sources for ongoing spending.

Chart 1: NGFO Spending (Dollars in Billions)

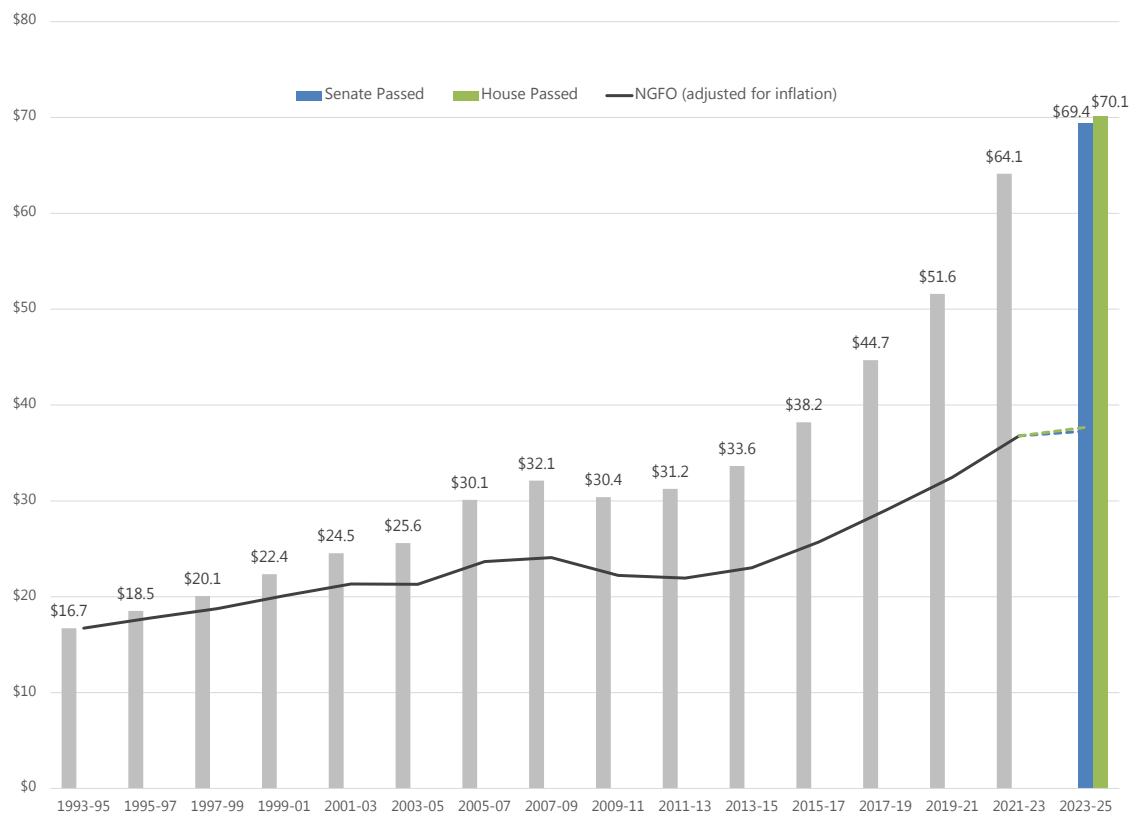


Chart 2: NGFO Policy Changes (Dollars in Millions)

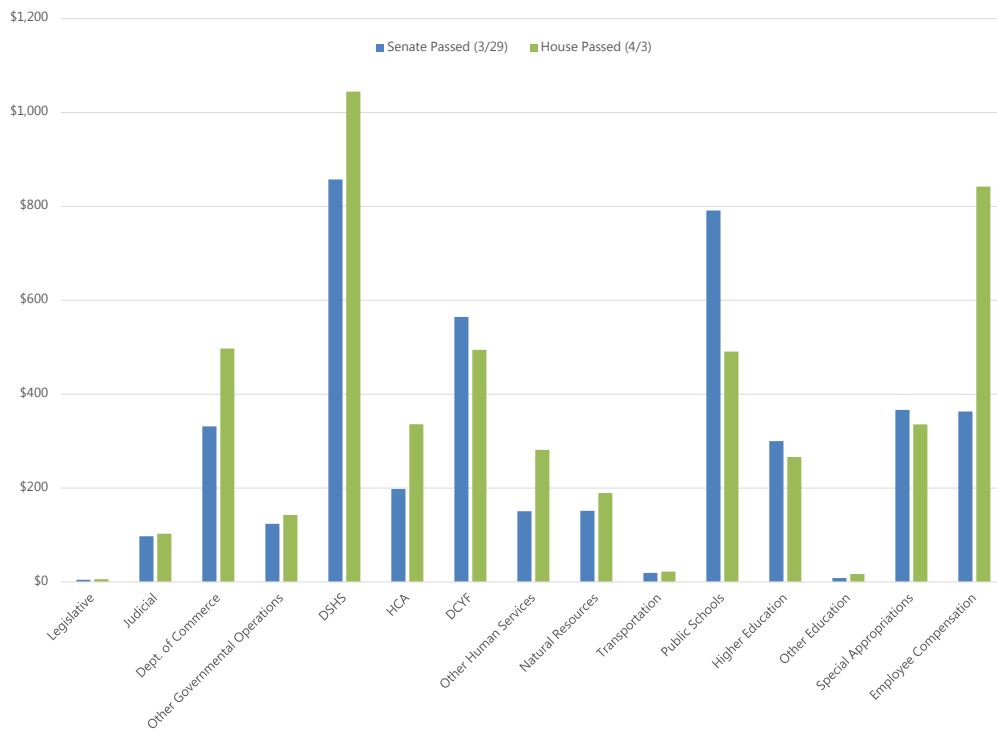


Table 1: Overall Differences Between the Proposals and Resource Details (NGFO and 2023–25, Unless Otherwise Noted)

	Senate Passed (3/29)	House Passed (4/3)
NGFO Revenue Legislation	\$46.5 million in 2023-25, \$48.1 million in 2025-27	\$42.4 million in 2023-25, \$16.1 million in 2025-27
NGFO Fund Transfers	-\$91.9 million in 2021-23, \$944.7 million in 2023-25, \$37.0 million in 2025-27	\$1.711 billion in 2021-23, -\$50.5 million in 2023-25, \$37.0 million in 2025-27
NGFO Appropriations	\$63.413 billion in 2021-23, \$69.379 billion in 2023-25	\$63.321 billion in 2021-23, \$70.128 billion in 2023-25
Maintenance Level	\$65.052 billion	\$65.062 billion
New Policy Spending	\$4.326 billion	\$5.067 billion
Assumed NGFO Reversions	-\$579 million in 2021-23, -\$329 million in 2023-25, -\$342 million in 2025-27	-\$728 million in 2021-23, -\$565 million in 2023-25, -\$391 million in 2025-27
Unrestricted NGFO Ending Fund Balance	\$946 million in 2023-25, \$32 million in 2025-27	\$1.526 billion in 2023-25, \$53 million in 2025-27
BSA Balance	\$1.344 billion in 2023-25, \$2.130 billion in 2025-27	\$1.344 billion in 2023-25, \$2.131 billion in 2025-27
WRPTA Balance	\$1.300 billion	\$297 million
Reserves as a Percent of Resources	10.6% in 2023-25, 9.5% in 2025-27	9.6% in 2023-25, 6.8% in 2025-27
Revenue Details	Changes to the hospital safety net program, \$66.5 million in 2023-25 and \$86.8 million in 2025-27 • Certain insurance premium taxes shifted from GFS to auto theft authority account (SB 5672), -\$8.0 million in 2023-25 and -\$8.2 million in 2025-27	Changes to the hospital safety net program (HB 1850), \$54.2 million in 2023-25 and \$74.8 million in 2025-27 • Allowing the Dept. of Revenue to enter into settlement agreements with holders of unclaimed property (HB 1742), \$28.2 million in 2023-25 and \$29.8 million in 2025-27 • Tax exemptions for freight railroad infrastructure (HB 1371), -\$7.6 million in 2023-25 and -\$24.5 million in 2025-27 • B&O tax deduction for certain Medicaid payments (HB 1812), -\$10.1 million in 2023-25 and -\$12.6 million in 2025-27
Fund Transfer Details	\$800 million from the WRPTA to the general fund-state (GFS) • \$150 million from the Washington student loan account to the workforce education investment account • \$89.8 million from the GFS to the wildfire response, forest restoration, & community resilience account	\$1.803 billion from the WRPTA to the GFS in 2021-23 • \$100 million from the GFS to the wildfire response, forest restoration, & community resilience account

Table 2: Major Policy Changes in Each Proposal (NGFO and 2023–25, Unless Otherwise Noted)

	Senate Passed (3/29)	House Passed (4/3)
Spending Details		
K-12		
Salary Inflation	\$264.0 million in 2023-25, \$630.2 million in 2025-27	\$261.7 million in 2023-25, \$627.1 million in 2025-27
Special Education Multiplier	\$267.4 million	\$46.5 million (NGFO) plus \$28.6 million (federal relief)
Special Education Cap	\$93.0 million	\$38.5 million (NGFO) plus \$18.6 million (federal relief)
Other	\$100.6 million for pupil transportation • \$59.0 million to expand reimbursements for schools participating in the federal Community Eligibility Provision (CEP, which provides school meals at no cost)	\$30.5 million (NGFO) plus \$28.5 million (federal relief) for CEP expansion • \$25.9 million for free school meals
Higher Education	\$18 million (NGFO) plus \$32 million (federal relief) in 2021-23 and \$50 million (NGFO) plus \$50 million (federal relief) in 2023-25 for UW hospital support	\$100 million in 2021-23 for UW hospital support • Washington student loan program implemented (\$130 million from the Washington student loan account)
Housing	\$15.0 million for the Housing and Essential Needs program • \$55.5 million (NGFO) plus \$55.5 million (federal relief) for emergency housing and shelter capacity • \$56.0 million for permanent supportive housing • \$30.0 million for encampment response and outreach • \$6.4 million to increase contracts for homeless service providers • \$32.0 million for local housing programs	\$26.5 million for the Housing and Essential Needs program • \$76.0 million (NGFO) plus \$76.0 million (federal relief) for emergency housing and shelter capacity • \$15.0 million for permanent supportive housing • \$60.0 million for encampment response and outreach • \$52.5 million to increase contracts for homeless service providers
Dept. of Social and Health Services	\$151.7 million for the adult family home CBA • \$45.2 million for an assisted living facility rate increase • \$50.2 million to expand the Maple Lane facility • \$257.2 million to increase individual provider rates • \$61.9 million for agency provider parity • \$118.6 million to increase nursing home rates • \$59.8 million to increase rates for other providers	\$151.7 million for the adult family home CBA • \$40.4 million for an assisted living facility rate increase • \$48.1 million to expand the Maple Lane facility • \$257.2 million to increase individual provider rates • \$61.9 million for agency provider parity • \$112.2 million to increase nursing home rates • \$114.8 million to increase rates for other providers • \$39.5 million in 2023-25 to eliminate certain recoveries of Aged, Blind, or Disabled payments • \$40.6 million for a cash grant increase
Health Care Authority	\$47.1 million for behavioral health provider rate increases • \$84.1 million to increase rates for other providers	\$96.4 million for behavioral health provider rate increases • \$135.9 million to increase rates for other providers • \$87.6 million to expand Medicaid for uninsured adults
Department of Children, Youth, and Families	\$215.2 million for the family child care CBA • \$56.4 million for an ECEAP rate increase • \$44.6 million to expand ECEAP	\$256.2 million for the family child care CBA • \$39.9 million for an ECEAP rate increase • \$19.3 million to expand ECEAP
Employee Compensation	\$1.131 billion, including general wage increases of 4% for FY 2024 and 3% for FY 2025 and updated health care rates • \$39.7 million to increase pension benefits for certain Plan 1 retirees	\$1.179 billion, including general wage increases of 4% for FY 2024 and 3% for FY 2025 and updated health care rates
Paid Family Leave Reserve	Reduced to \$225 million in 2021-23	Reduced to \$200 million in 2021-23
Extra Payment for Teachers' Retirement System Plan 1 Unfunded Liability	Reduced to \$250 million in 2021-23	Reduced to \$0 in 2021-23
Assumed Savings from Reducing the Unfunded Actuarial Accrued Liabilities	-\$807.7 million in 2023-25	-\$337.0 million in 2023-25
Debt Service on New Bonds	\$59.7 million in 2023-25, \$433.5 million in 2025-27	\$52.2 million in 2023-25, \$524.7 million in 2025-27 (including housing referendum)