Washington Research Council

Policy Brief

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House-Passed Budget Would Increase 2019–21 Appropriations by $1.178 billion—21.0 Percent Above 2017–19

Briefly

The House has passed a 2020 supplemental operating budget that would increase 2019–21 appropriations from funds subject to the outlook plus the workforce education investment account (NGFO+WEIA) by $1.178 billion. If adopted, revised 2019–21 appropriations would increase by 21.0 percent over 2017–19.

The House- and Senate-passed operating budgets are very similar. Neither would increase taxes or use the rainy day fund. (That said, since passage of the House and Senate budgets, the House and Senate have each passed legislation that would appropriate $100 million from the rainy day fund for coronavirus response.) Both budgets focus on homelessness and human services. Both barely balance over four years. Revised 2019–21 appropriations in either budget would represent the largest percentage increase in at least 40 years (accounting for inflation).

But the House budget would spend more and set aside less for use in future biennia, making it the less sustainable of the two budgets.

NGFO Plus WEIA

In recent years, legislative fiscal committee staffs have based budget presentations on a synthetic "account" that rolls up the general fund–state (the state's primary budget account) with the education legacy trust account and the opportunity pathways account, because they believe that it better reflects the entire budget situation. Previously called the near general fund–state plus opportunity pathways (NGFS+), this roll-up is now more simply called "funds subject to the outlook" or the near general fund–outlook (NGFO). (Under the four-year balanced budget requirement, a positive ending balance is required in both the current and following biennium on an NGFO basis.)

In 2019, the Legislature created the workforce education investment account (WEIA) to fund higher education programs. As these programs would typically be funded through the NGFO, it is appropriate for budget transparency purposes to roll up the WEIA with the NGFO (though the WEIA is not presently included in the four-year balanced budget requirement).

The House has passed a 2020 supplemental operating budget that would increase 2019–21 appropriations from funds subject to the outlook plus the workforce education investment account (NGFO+WEIA) by $1.178 billion. If adopted, revised 2019–21 appropriations would increase by 21.0 percent over 2017–19.

The Senate has also passed a 2020 supplemental operating budget, which we wrote about in "Senate-Passed Budget Would Increase 2019–21 Appropriations by $1.132 billion–20.9 Percent Above 2017–19." Another policy brief, "Comparing the 2020 Supplemental Operating Budgets," provides a side-by-side comparison of the two budgets.

NGFO Balance Sheet

Revenues. Revenue legislation assumed in the House-passed budget would reduce NGFO revenues by $50.3 million in 2019–21. That includes a reduction of $30.0 million from a tax deferral for the Washington State Convention Center (HB 2032) and a reduction of $7.1 million from mitigation payments to manufacturing and warehousing communities hurt by the streamlined sales and use tax agreement (HB 1948).

Other Resources. The budget would transfer a net of $13.3 million from the NGFO to other funds in 2019–21, including $19.3 million from the general fund–state (GFS) to the disaster response account and $6.0 million from the gambling revolving account to the GFS.

Spending. The House-passed budget would increase 2019–21 NGFO appropriations by $1.205 billion. Of that, $143.7 million is for maintenance level changes (the cost of continuing current services) and $1.061 billion is new policy. (Spending from the WEIA, not shown in the balance sheet, would increase by $14.8 million—all for maintenance level changes.) Including estimated reversions (appropriations not spent), NGFO spending would be $53.400 billion.

Reserves. The proposal would leave an unrestricted ending balance of $595 million. The budget stabilization account (BSA, or the rainy day fund) balance would be $2.180 billion and total reserves would be $2.775 billion.

Spending Details

The spending details discussed below are new policy changes only, in terms of funds subject to the outlook plus the workforce education investment account (NGFO+WEIA), unless otherwise noted.

Table: NGFO Balance Sheet (Dollars in Millions)

	2019-21
Beginning Balance	1,981
Revenue	
Feb. 2020 Revenue Forecast	52,339
House-Passed Budget	
Revenue Legislation	**(50)**
Budget Driven Revenue	**(7)**
Total Revenue	*52,282*
Other Resource Changes	
Transfer to Budget Stabilization Account	(505)
Other Enacted Fund Transfers	209
Prior Period Adjustments	41
House-Passed Budget	
Fund Transfers	**(13)**
Total Other Resource Changes	*(268)*
Total Resources	*53,995*
Spending	
Enacted 2019-21 Appropriations	52,499
Actual/Assumed Reversions	(303)
House-Passed Budget	
Maintenance Level Changes	**144**
Policy Changes	**1,061**
Total Spending	*53,400*
Unrestricted Ending Fund Balance	595
Budget Stabilization Account Balance	1,618
Transfers from GFS and Interest Earnings	561
Projected BSA Ending Fund Balance	2,180
Total Reserves	*2,775*

Note: Details may not sum due to rounding.

Housing and Homelessness. The House-passed budget would increase spending for housing and homelessness by $234.2 million. This includes $75.0 million that would be appropriated to a new permanent supportive housing assistance account, to be used for grants to support operation, maintenance, and service costs of permanent supportive housing projects. Of the $75.0 million, $15.0 million would be appropriated annually (beginning in FY 2021)—so $60.0 million would be appropriated after 2019–21.

Additionally, the budget would appropriate $100.0 million to the Housing Trust Fund, to be used for capital projects. It would also appropriate $25.1 million for the consolidated homeless grant (awards are made to local governments and nonprofits) and $20.0 million for the Housing and Essential Needs program.

Human Services. Policy changes would increase appropriations for human services by $471.2 million. In the Department of Children, Youth, and Families (DCYF), the House budget would increase appropriations by $56.4 million to increase Working Connections Child Care (WCCC) rates, $26.3 million to adjust assumed WCCC caseload savings, and $5.0 million to reduce WCCC copays. A federal waiver had allowed flexible use of federal dollars for Washington's family assessment response pathway (an alternative approach for child protective services). The waiver expired last year, so the House budget would increase appropriations by $32.7 million to backfill the expired federal funding and cover prior spending that had exceeded a federal cap.

The House budget would also appropriate $11.9 million to increase the Early Childhood Education and Assistance Program (ECEAP) rate across the board and enhance the ECEAP rate for special needs children, $10.3 million to increase funding for juvenile rehabilitation (as a result of 2019 legislation that provided that juveniles convicted in adult court would be placed in the custody of DCYF until age 25), and $7.2 million for scholarships for early learning providers. Finally, the Early Support for Infants and Toddlers program would be transferred to DCYF from the Office of Superintendent of Public Instruction, so DCYF appropriations would increase by $85.8 million (and there would be a corresponding decrease in appropriations to public schools).

In the Department of Social and Health Services (DSHS), appropriations would increase by $38.4 million for state hospital operations, $16.8 million to increase nursing home rates, $10.6 million to restore funding for non-direct care staff and lease costs in support of adult protective services and Medicaid programs, and $8.9 million to restore nursing home discharge reductions. Across DSHS and the Health Care Authority (HCA), the House budget would save $66.0 million by assuming that the federal government will continue to delay a scheduled reduction in funding for disproportionate share hospitals.

In the HCA, the House budget would appropriate $34.1 million to resolve past unreconciled amounts for rural health centers, $32.0 million to restore savings that will not be realized from program integrity recoveries from managed care plans, and $14.5 million to increase primary care rates. It would save $38.9 million due to updated estimates of marijuana tax revenue, which is used in lieu of the GFS for low-income health and community health centers.

In the Department of Corrections, appropriations would increase by $18.9 million to fund additional staff.

Public Schools. Policy changes would increase funding for public schools by $57.5 million. The House budget would increase appropriations by $51.6 million for counselors in high poverty schools, $50.2 million in one-time funding for local effort assistance, and $14.4 million in one-time funding for certain small school districts. Additionally, the Washington State Institute for Public Policy would be required to study special education in public schools, "in the interest of addressing ongoing concerns about funding and service gaps with future investments."

For pupil transportation, the House budget would appropriate $38.9 million to increase transportation base funding and $29.5 million to backfill fiscal year (FY) 2019 over-expenditures. The Office of Financial Management would be required to report on the K–12 pupil transportation funding system.

The budget would appropriate $14.4 million for two days of paraeducator training, and it would save $71.1 million after adjusting School Employees' Benefits Board rates based on new data from open enrollment.

Other. The House budget would appropriate $41.3 million from the GFS to the WEIA to ensure the WEIA is not in deficit in 2019–21. (This appropriation is not included in the total NGFO+WEIA appropriations increase of $1.178 billion to avoid double counting.)

The House budget would increase appropriations by $17.7 million for a 3 percent benefit increase for retirees of the Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 (EHB 1390). It would appropriate $27.3 million for fire suppression and $14.5 million for foundational public health.

The budget would appropriate $60.0 million to the self-insurance liability account (the state's liability account exists to "pay legal liabilities and defense costs of the state resulting from tortious conduct" (RCW 4.92.130)). Additionally, the Department of Enterprise Services would be required to "study the increase in tort claims filed in general and with a specific focus on the increase in tort claims filed and payouts made against" the DCYF.

Finally, half of unspent FY 2021 appropri-

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(206) 467-7088
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ations attributable to incentive savings (up to $26.7 million) would be appropriated to the savings incentive account "for the purpose of improving the quality, efficiency, and effectiveness of agency services." The funds would be credited to the agency generating the savings. The other half would be appropriated to the education savings account. This policy is assumed to reduce expected reversions for the biennium.

Comment

The House- and Senate-passed operating budgets are very similar. Neither would increase taxes or use the rainy day fund. Both budgets focus on homelessness and human services. Both barely balance over four years (the House-passed budget would leave an unrestricted NGFO ending balance of just $8 million in 2021–23). Revised 2019–21 appropriations in either budget would represent the largest percentage increase in at least 40 years (accounting for inflation).

But the House budget would spend more and set aside less for use in future biennia, making it the less sustainable of the two budgets. Additionally, since passage of the House and Senate budgets, the House and Senate have each passed HB 2965, which would appropriate $100 million from the BSA for coronavirus response.

We don't know when the next recession will occur, and the coronavirus outbreak is increasing economic uncertainty. As we argued in our brief on the Senate budget, the Legislature should moderate its spending in the meantime.

Chart: NGFO+WEIA Spending (Dollars in Billions)