



Senate-Passed Budget Would Increase 2019–21 Appropriations by \$1.132 billion—20.9 Percent Above 2017–19

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).

Briefly

Given the forecast revenue increases since the 2019–21 biennial operating budget was enacted last year, the Senate-passed supplemental operating budget would not rely on new taxes and it would not make appropriations from the rainy day fund.

It would increase 2019–21 appropriations from funds subject to the outlook plus the workforce education investment account (NGFO+WEIA) by \$1.132 billion. This would mean that 2019–21 appropriations would increase by 20.9 percent over 2017–19. Accounting for inflation, this is the largest percentage spending increase in at least 40 years.

In a departure from the budgets of the past several years, these appropriations are focused on homelessness and human services rather than on education.

The budget includes some measures that would help temper the probable unsustainability of the large spending increases. Still, it would be better if the Legislature moderated the spending increases in this supplemental budget year.

The February 2020 revenue forecast estimates that 2019–21 revenues will be about \$1.454 billion higher in 2019–21 than anticipated when the Legislature enacted the biennial 2019–21 budget last year. Through the four-year budget window, the Legislature has \$2.158 billion more to work with.

Given these revenue increases, the Senate-passed budget would not rely on new taxes and it would not make appropriations from the rainy day fund. It would increase 2019–21 appropriations from funds subject to the outlook plus the workforce education investment account (NGFO+WEIA) by \$1.132 billion. In a departure from the budgets of the past several years, these appropriations are focused on homelessness and human services rather than on education.

NGFO Balance Sheet

Revenues. New legislation would reduce revenues by \$20.0 million in 2019–21. For example, the budget assumes passage of SHB 1457, which would reduce revenues by \$9.7 million by changing the distribution of revenues from the sales and use tax on aircraft fuel, and SSB 6331, which would increase revenues by \$1.5 million in 2019–21 and by \$45.5 million in 2021–23 by changing the tax treatment of captive insurers.

Other Resource Changes. The budget would transfer \$29.0 million from the NGFO to other accounts, including \$25.0 million to the multimodal transportation account (which was significantly impacted by the passage of I-976 last year).

Spending. The Senate-passed budget would increase original NGFO 2019–21

appropriations by \$1.156 billion. Of that, \$143.4 million is for maintenance level changes (the cost of continuing current services) and \$1.013 billion is new policy. (Spending from the WEIA, not shown in the balance sheet, would decrease by a net of \$1.5 million. Of that, the maintenance level would increase by \$14.8 million, while policy changes would reduce spending by \$16.3 million.) Including estimated reversions, NGFO spending would be \$53.300 billion.

Reserves. The budget would leave an unrestricted NGFO ending balance of \$707 million in 2019–21. It would not make any appropriations from the budget stabilization account (BSA, or the rainy day fund), so the BSA’s balance would be

\$2.180 billion. Total reserves would be \$2.887 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.

Housing and Homelessness. The budget would increase funding for housing and homelessness by \$114.9 million. This includes \$66.4 million for sheltering grants to local governments, \$26.1 million for the Housing and Essential Needs program (targeted to unsheltered individuals and people living in homeless shelters), and \$15.4 million for permanent supportive housing rent assistance.

Human Services. Policy changes for human services would increase appropriations by \$487.6 million. In the Department of Children, Youth, and Families (DCYF), the Senate budget would increase spending by \$17.2 million to increase Working Connections Child Care (WCCC) rates, \$15.5 million to adjust WCCC caseload savings, and \$5.0 million to reduce WCCC copays and increase eligibility. 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 Senate budget would increase appropriations by \$33.7 million to backfill the expired federal funding and cover prior spending that had exceeded a federal cap. 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 \$85.4 million (and there would be a corresponding decrease to public schools appropriations).

In the Department of Social and Health Services, funding would increase by \$38.4 million for state hospital operations, \$24.2 million to increase nursing home rates, and \$9.5 million for nursing

Table: NGFO Balance Sheet (Dollars in Millions)

	<i>2019-21</i>
Beginning Balance	1,981
Revenue	
Feb. 2020 Revenue Forecast	52,339
Senate-Passed Budget Revenue Legislation	(20)
Budget Driven Revenue	(6)
<i>Total Revenue</i>	<i>52,313</i>
Other Resource Changes	
Transfer to Budget Stabilization Account	(505)
Other Enacted Fund Transfers	209
Prior Period & CAFR Adjustments	39
Senate-Passed Budget Fund Transfers	(29)
<i>Total Other Resource Changes</i>	<i>(286)</i>
<i>Total Resources</i>	<i>54,007</i>
Spending	
Enacted 2019-21 Appropriations	52,499
Actual/Assumed Reversions	(354)
Senate-Passed Budget Maintenance Level Changes	143
Policy Changes	1,013
<i>Total Spending</i>	<i>53,300</i>
Unrestricted Ending Fund Balance	707
Budget Stabilization Account Balance	1,618
Transfers from GFS and Interest Earnings	561
Projected BSA Ending Fund Balance	2,180
<i>Total Reserves</i>	<i>2,887</i>

Note: Details may not sum due to rounding.

home services. In the Health Care Authority, appropriations would increase by \$32.0 million to restore savings that will not be realized from program integrity recoveries from managed care plans, \$25.0 million for a managed care rate increase for behavioral health services, \$60.6 million for other managed care rate increases, \$34.1 million to resolve past unreconciled amounts for rural health centers, and \$9.9 million to increase primary care physician rates. The budget would save \$40.6 million due to updated estimates of marijuana tax revenue, which is used in lieu of the general fund-state (GFS) for low-income health and community health centers.

In the Department of Health, the Senate budget would appropriate \$10.0 million to respond to the coronavirus outbreak.

Public Schools. New policy changes would increase appropriations for public schools by a net of \$2.2 million. Appropriations for local effort assistance to school districts would increase by \$45.8 million. (This is a one-time hold harmless payment for calendar year 2020 to account for property values that are higher than had been forecast.) For special education, the budget would add \$11.1 million to change safety net award eligibility and \$9.7 million to increase the multiplier from 1.0075 to 1.0251 for students that spend at least 80 percent of the time in a general education setting (2SSB 6117). 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.”

In pupil transportation, the budget would add \$11.8 million to increase transportation base funding and \$29.5 million to backfill fiscal year (FY) 2019 over-expenditures. Additionally, the budget would require the Office of Financial Management to report on the K–12 pupil transportation funding system.

The budget would provide \$12.6 million

for two additional days of paraeducator training. School Employees’ Benefits Board rates would be adjusted based on new data from open enrollment; this would save \$54.8 million.

Higher Education. Net policy changes would reduce appropriations for higher education by \$3.0 million. The Senate would reduce FY 2021 spending on the State Board for Community and Technical Colleges’ guided pathways initiative by \$18.1 million. Additionally, the Senate budget would appropriate \$23.0 million from the GFS to the WEIA to ensure the WEIA is not in deficit in 2019–21. (This \$23.0 million appropriation is not included in the total NGFO+WEIA appropriations increase of \$1.132 billion to avoid double counting.)

Other. The Senate budget would increase appropriations by \$15.0 million for a 3 percent benefit increase for members of the Public Employees’ Retirement System Plan 1 and the Teachers’ Retirement System Plan 1 (SSB 5400).

For fire suppression, the budget would increase appropriations by \$20.6 million. Additionally, the Department of Natural Resources (DNR) would be required to provide the Legislature with a monthly report on “fire suppression costs incurred and the number and type of wildfires suppressed.” DNR would also have to “conduct a zero-based budget and performance review of its resource protection program,” focused on the wildfire program.

Funding Banked for Later

The Senate-passed budget would appropriate \$100.0 million from the GFS to a new climate resiliency account. The Office of Financial Management would be charged with creating a priority list of “investments that mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment” for funding consideration in 2021–23.

Additionally, the Senate budget would appropriate \$100.0 million from the GFS

to a new University of Washington behavioral health hospital account, to be used for future construction of new UW behavioral health care facilities and capital improvements to existing UW behavioral health care facilities.

Comment

The Senate-passed budget would substantially increase state spending in a supplemental budget year, on top of a biennial budget that also increased spending substantially. The additional proposed NGFO+WEIA appropriations of \$1.132 billion would mean that 2019–21 appropriations would increase by 20.9 percent over 2017–19. Accounting for inflation, this is the largest percentage increase in at least 40 years.

The Senate budget would balance over

four years, but it would leave just \$12 million as the unrestricted NGFO ending balance in 2021–23. Although it is discouraging that the Senate leaves such a low unrestricted balance over four years, it is good that the Senate would not make appropriations from the rainy day fund (which would have a balance of \$2.804 billion in 2021–23). Additionally, the \$200 million the Senate would set aside for later (in the climate resiliency and UW behavioral health hospital accounts) could be used for other purposes in the event of a recession. These measures would help temper the probable unsustainability of the large spending increases. Still, it would be better if the Legislature moderated the spending increases in this supplemental budget year.

Chart: NGFO+WEIA Spending (Dollars in Billions)

