

THE FIRST 2012 SUPPLEMENTAL BUDGET

BRIEFLY

In December 2011, the legislature enacted a 2012 supplemental budget that reduced appropriations by \$322.9 million, transferred \$106.2 million to the general fund, and allowed certain unclaimed property sales, to yield \$50.6 million. Many difficult choices remain as the legislature attempts to close the 2011–13 budget gap.

The legislature solved only a fraction of the 2011–13 budget problem last year.

Legislators returned to Olympia in January, continuing to fight the prior year’s budget battles. December’s efforts to close the budget gap solved only a fraction of the problem. As they head into the second month of a scheduled 60-day regular session, the outlines of a solution are far from clear. In this brief, we describe the situation as it stood after the special session in December.

The 2011–13 budget enacted at the end of the 2011 regular legislative session did not long survive falling revenue estimates. The Economic and Revenue Forecast Council’s November 2011 revenue forecast showed that available revenues were significantly less than the original general fund–state (GFS) appropriations (\$31.721 billion). The shortfall amounts to about \$1.4 billion, but the problem approaches \$2 billion with provision of an ending reserve to cushion any additional revenue reductions. The next official revenue forecast will be released

February 16. Most analysts expect little change.

Special Session Called

Saying “Let’s get this budget done right in one swoop well before Christmas and then turn our focus to supporting jobs and growing our economy,” Gov. Gregoire called legislators into special session beginning November 28, 2011. By the end of the special session, the legislature produced a 2012 supplemental, but it did not fully address the 2011–13 budget problem. Many of the difficult choices were left for the current regular session. The 2012 supplemental includes \$322.9 million in GFS reductions and \$106.2 million in transfers to the GFS. Additionally, a separate bill related to unclaimed property was enacted to add \$50.6 million in one-time revenue. Together, \$479.7 million of the budget problem was solved. Revised

Table: General Fund–State
(Dollars in Thousands)

	2011-13 Appropriations		Enacted 2012 Supplemental		Revised 2011-13 Appropriations	
	GFS	All Funds	GFS	All Funds	GFS	All Funds
Legislative	142,344	149,429	23	23	142,367	149,452
Judicial	221,808	274,987	264	1,418	222,072	276,405
Governmental Operations	474,248	3,707,655	(11,848)	(21,741)	462,400	3,685,914
Other Human Services	6,349,037	15,172,782	(127,631)	(338,792)	6,221,406	14,833,990
DSHS	5,730,775	11,171,470	(56,015)	28,099	5,674,760	11,199,569
Natural Resources	309,303	1,490,117	(7,830)	2,071	301,473	1,492,188
Transportation	78,272	176,473	(3,338)	(1,425)	74,934	175,048
Public Schools	13,732,987	15,915,437	(74,884)	(238,365)	13,658,103	15,677,072
Higher Education	2,401,749	11,126,495	365	(9,519)	2,402,114	11,116,976
Other Education	86,323	503,435	2	8,318	86,325	511,753
Special Appropriations	2,194,154	2,355,947	(41,995)	(61,804)	2,152,159	2,294,143
Total	31,721,000	62,044,227	(322,887)	(631,717)	31,398,113	61,412,510

2011–13 GFS appropriations are \$31.398 billion.

Expenditure Reductions

Of the \$322.9 million of reductions in the enacted supplemental, most of the cuts are to public schools, the Department of Social and Health Services (DSHS) and other human services. (All of the reductions occur in the GFS.)

In public schools, enrollments will be counted 10 times instead of nine, beginning with the 2011–12 school year, to reduce spending by a net of \$1.3 million. Also, annual school bus depreciation payments for the 2012–13 school year will be made in August 2013 instead of October 2012, resulting in a one-time savings of \$49.0 million for fiscal year (FY) 2013. (The payment will occur in FY 2014, which is in the 2013–15 biennium.)

DSHS reductions include using federal adoption incentive grants and other new federal funds in place of state funds to save \$14.4 million; delaying implementation of the Involuntary Treatment Act to July 2015 (from January 2012) to save \$22.6 million; and using federal contingency funds to support the Temporary Assistance for Needy Families program to save the state \$38.4 million. The supplemental does not fund Initiative 1163, the long-term care training and certification initiative passed by voters last year.

The reductions to other human services are driven mostly by maintenance level changes rather than policy changes. The Health Care Authority maintenance level alone is reduced by \$141.8 million. The Department of Labor and Industries will use \$2.3 million of federal crime victims' funds to supplant state funds. The Department of Corrections will convert medium security units at Old Main in Walla Walla to minimum security (saving \$11.7 million) and increase inmate health care co-pays (saving \$2.4 million).

In other areas, the Department of Revenue's (DOR) non-revenue generating personnel costs are reduced by \$7.3 million, and staff reductions in the Department of Ecology and Department of Fish and Wildlife save \$3.7 million.

Other

In addition to the \$106.2 million that is transferred to the GFS from other accounts, the legislature enacted SHB 2169. Unclaimed property is transferred from businesses to DOR after a certain period of time. If DOR cannot find the owner of the proper-

ty after a holding period, it sells the property and the proceeds go to the GFS. SHB 2169 provides that DOR must sell any unclaimed securities "as soon as practicable"—previously, they were to be held for three years. This bill results in a one-time GFS increase of \$50.6 million.

Discussion

As we described in a policy brief in December, Gov. Chris Gregoire proposed a 2012 supplemental that would have reduced GFS appropriations by \$1.732 billion (WRC 2011). Her proposal also included transferring \$176.0 million to the GFS from other funds and reducing revenue sharing to local governments. Further, she made several recommendations for raising revenues—including a temporary, half-cent increase of the state sales tax. In order to reach \$1.732 billion in spending reductions, the governor proposed eliminating entire programs, with the cuts mainly falling in public schools, higher education, DSHS, and other human services.

By comparison, the spending cuts enacted by the legislature in the December special session are relatively minor. Legislators did lessen the 2011–13 budget problem, but they have a much heavier lift for this session. Even if the legislature decides to risk potential future revenue reductions, and opts not to leave a reserve, it still must close a gap of about \$1 billion. Although there are many calls to raise new revenue, it remains to be seen whether voters will cooperate or whether lawmakers can agree on a tax package. Regardless, significant program cuts—and many outright eliminations—will be required.

Reference

Washington Research Council (WRC). 2011. Governor's 2012 Supplemental Budget Proposal. PB 11-22. December 5.