

## MINIMAL CHANGES TO 2013–15 BUDGET IN GOV. INSLEE’S PROPOSED SUPPLEMENTAL

### BRIEFLY

Gov. Inslee has proposed a 2014 supplemental to the 2013–15 operating budget. He called it a “hold-steady budget in a get-ready year.” Changes in the proposal are fairly minimal, but the governor has since called for more education spending.

Table 1: 2013-15  
NGFS+ Balance Sheet  
(Dollars in Millions)

Beginning Balance	156
Revenue	
September Revenue Forecast	33,596
November Revenue Forecast	(19)
<b>Inslee Proposal</b>	
<b>Tax Incentives</b>	<b>(30)</b>
<b>Budget Driven Revenue</b>	<b>0</b>
Total Revenue	33,547
Other Resource Changes	
Transfer to Budget Stabilization Acct.	(312)
Transfers in Original Budget	418
Prior Period Adjustments	41
<b>Inslee Proposal</b>	
<b>Transfers</b>	<b>113</b>
<b>GFS Appropriation to ELTA</b>	<b>24</b>
<b>Other Changes</b>	<b>(4)</b>
Total Other Resource Changes	279
Total Resources	33,983
Spending	
Original Enacted Appropriations	33,631
EHB 2088 (Aerospace Appropriations)	11
Projected Reversions	(140)
<b>Inslee Proposal</b>	
<b>Maintenance Level Changes</b>	<b>149</b>
<b>Policy Level Changes</b>	<b>103</b>
Total Spending	33,754
Unrestricted Ending Fund Balance	229
Budget Stabilization Account Balance	582
Total Reserves	811

Supplemental operating budgets have been required over the past several biennia in order to balance biennial budgets when revenue forecasts did not hold up. That is not the case this year, which has not begun with a shortfall. Given that,

Sen. Mark Schoesler said, “You could operate without a supplemental budget. There are sufficient funds” (Salerno).

Still, Gov. Inslee has submitted a proposed 2014 supplemental. Under his proposal, near general fund–state plus opportunity pathways (NGFS+) spending would total \$33.754 billion, an increase of 0.75 percent over the amount originally enacted. (For more on the enacted 2013–15 budget, see our policy brief, “[2013–15 Operating Budget Mostly Avoids New Taxes, Prioritizes Education.](#)”)

### Balance Sheet

*Revenues.* The governor proposes extending by one year the business and occupation (B&O) tax credit on research and development spending and the sales and use tax deferral on R&D facility construction; together, these would reduce revenues by \$26.2 million. He also proposes increasing the B&O tax filing threshold, which would reduce revenues by \$3.4 million.

*Other Resource Changes.* Transfers include \$41.9 million from the state toxics control account to the education legacy trust account (ELTA) and \$67.4 million from the local toxics control account to the ELTA. The supplemental would reduce the amount of the transfer from the general fund–state (GFS) to the child and family reinvestment account by \$3.2 million. It would also appropriate \$23.5 million from the GFS to the ELTA.

*Spending.* Since the 2013–15 budget was enacted, the Legislature enacted EHB 2088, which makes appropriations for

aerospace industry training and permitting activities and increases NGFS+ spending by \$10.5 million. Assumed reversions reduce spending by \$140 million. The governor’s proposed supplemental would increase NGFS+ spending by \$252.0 million; of that, \$103 million is due to policy level changes. Together, these changes would increase NGFS+ spending for 2013–15 to \$33.754 billion.

*Reserves.* The governor’s proposal would leave an unrestricted ending fund balance of \$229 million and total reserves (including the budget stabilization account) of \$811 million.

**Spending Details**

*Public Schools.* Under the supplemental proposal, NGFS+ spending on public schools would increase by \$17.6 million. That includes \$3 million to expand the Beginning Educator Support Team program to provide mentoring for more than half of first year teachers.

On January 9, the state Supreme Court recognized that the Legislature made progress in the 2013–15 budget toward increasing basic education funding pursuant to the *McCleary* decision, but said that it was inadequate. The order requires the Legislature to submit to the

court a plan for fully implementing the basic education program by April 30 (Washington Courts).

*Higher Education.* NGFS+ spending would decrease by \$2.6 million. The proposal would increase funding by \$3.2 million to pay for College Bound scholarship recipients to attend summer classes and by \$4.0 million to cover College Bound award levels in 2014 that were higher than previously anticipated. The University of Washington would receive \$500,000 to plan for an advanced materials manufacturing research and product development facility and \$1.0 million for the Institute for Protein Design. Washington State University would receive \$500,000 to design a School of Advanced Manufacturing and Aerospace and \$750,000 for the Jet Fuels Center of Excellence.

*Other Education.* NGFS+ spending would increase by \$12.1 million. The proposal would spend \$4.0 million to increase preschool slots by 500 in 2015.

*Department of Social and Health Services.* NGFS+ funding for DSHS would increase by \$43.3 million. This includes \$8.2 million “for infrastructure and intensive mental health services for high needs youth,” pursuant to the children’s

Table 2: NGFS+ and All Funds Appropriations (Dollars in Thousands)

	Original 2013-15 Appropriations		Proposed 2014 Supplemental		Revised 2013-15 Appropriations	
	NGFS+	All Funds	NGFS+	All Funds	NGFS+	All Funds
Legislative	141,400	155,455	480	488	141,880	155,943
Judicial	237,851	299,190	6,057	14,318	243,908	313,508
Governmental Operations	459,114	3,499,248	9,342	52,712	468,456	3,551,960
Other Human Services	6,116,392	16,764,364	84,016	792,716	6,200,408	17,557,080
DSHS	5,786,677	11,917,266	43,371	166,555	5,830,048	12,083,821
Natural Resources	262,680	1,587,441	13,143	22,990	275,823	1,610,431
Transportation	69,582	180,937	4,161	3,456	73,743	184,393
Public Schools	15,208,877	17,097,327	17,638	54,526	15,226,515	17,151,853
Higher Education	3,073,070	12,203,622	(2,632)	(19,393)	3,070,438	12,184,229
Other Education	204,674	588,624	12,077	11,274	216,751	599,898
Special Appropriations	2,065,974	2,222,531	64,342	80,168	2,130,316	2,302,699
<b>Total Budget Bill</b>	<b>33,626,291</b>	<b>66,516,005</b>	<b>251,995</b>	<b>1,179,810</b>	<b>33,878,286</b>	<b>67,695,815</b>
Other Appropriations	4,983	6,461	(129,500)	(129,500)	(124,517)	(123,039)
<b>Total Appropriations</b>	<b>33,631,274</b>	<b>66,522,466</b>	<b>122,495</b>	<b>1,050,310</b>	<b>33,753,769</b>	<b>67,572,776</b>

### NGFS+

In recent years, legislative fiscal committee staffs have based budget presentations on the near general fund–state (NGFS), a synthetic “account” that rolls up the general fund–state (the state’s primary budget account) with the education legacy trust account, because they believed that the NGFS better reflected the entire budget situation. They are now using a broader rollup, the NGFS+.

In 2010 the legislature established the opportunity pathways account, and dedicated proceeds from the lottery to this account with the stipulation that the funds be spent for education. The NGFS+ combines the NGFS and the opportunity pathways account.

In 2012 legislation was enacted requiring four-year balanced operating budgets. A positive ending balance is required in the current biennium on an NGFS+ basis.

mental health legal settlement. The supplemental would fund the collective bargaining agreement with family home child care providers, increasing spending by \$10.3 million. The supplemental would also establish a certification fee for supported living providers.

*Other Human Services.* NGFS+ funding would increase by \$84.0 million, mostly due to maintenance level increases in the Health Care Authority and Department of Corrections. The proposal provides \$2.0 million for “tobacco cessation services to people who will remain underinsured and uninsured after the initial wave of Medicaid and Health Benefit Exchange enrollments.” The Department of Corrections would open a 256-bed unit at the state penitentiary, spending \$5.1 million. It would spend \$1.5 million to “contract with a county jail for 64 female beds.”

*Natural Resources.* NGFS+ funding would increase by \$13.1 million. In the Department of Fish and Wildlife, \$1.4 million would be used to correct fish passage barriers pursuant to a federal court injunction. Additionally, the sustaining hunter education program would be allowed to collect course fees.

*Transportation.* NGFS+ funding would increase by \$4.2 million. The state patrol would get \$365,000 to move to the State Data Center and \$400,000 for traffic control activities related to the 2015 U.S. Open golf tournament.

*General Government.* NGFS+ spending on governmental operations would increase by \$9.3 million. In the Department of Commerce, \$1.95 million would be provided to contract with a non-profit “to develop technology-based industries throughout the state.” The Department of Retirement Systems would get \$250,000 to “explore options for retirement savings accounts for employees of private and non-profit organizations, especially workers in small and medium-sized firms.” NGFS+ funding on legislative programs would increase by \$480,000. NGFS+ funding on judicial programs would increase by \$6.1 million.

*Special Appropriations.* NGFS+ spending would increase by \$64.3 million. Special appropriations to the governor account for \$49.8 million of that: \$11.3 million for the Disaster Response Account (for previously declared disasters), \$23.5 million to the ELTA (“These funds will allow the state to continue providing critical education services to students from kindergarten through university”), and \$15.0 million in efficiency savings in 2015, “achieved by implementing Lean management practices.” In employee compensation, \$10.0 million is provided to implement health care savings.

*Employee Compensation.* The supplemental would reduce funding for state employee health insurance, from \$763 per employee per month to \$703 in 2015. This change occurs in most programs, saving the state an NGFS+ total of \$36.5 million.

### Comment

In introducing his proposal, Gov. Inslee called it a “hold-steady budget in a get-ready year” (Garber). So it is, at least compared to recent supplemental budgets. As the governor’s proposal notes, “After five years of weathering a turbulent economy, Washington’s budget situation has stabilized. But there are significant challenges on the near horizon” (Inslee 2013). Those include increasing basic education spending in line with the state Supreme Court’s *McCleary* decision.

Despite the recent Supreme Court order, it is unlikely there will be significant new education appropriations this year. Still, in his state of the state address today, Gov. Inslee announced that, in addition to the spending we have detailed in this brief, he will “propose a plan to make an investment of about \$200 million in our schools this session” (Inslee 2014).

## References

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