

PB 10-24
December 22, 2010

GOVERNOR'S PROPOSED 2011 SUPPLEMENTAL BUDGET

BRIEFLY

The governor's proposed supplemental budget reduces general fund–state spending by \$244 million, leaving an ending balance of \$98.6 million.

Aiming to close the remaining 2009-11 budget shortfall, Gov. Chris Gregoire has released her proposed 2011 supplemental budget. This comes on the heels of the second 2010 special session, in which legislators reduced the 2009-11 general fund–state (GF-S) shortfall by \$586 million.

The governor's newly-proposed 2009-11 reductions mimic many of those made in her proposed 2011-13 budget (which was also released last week), essentially moving up the date of enactment of those reductions. The proposed supplemental includes \$343.9 million in new spending and \$588 million in reductions (for a net reduction of \$244.1 million). It includes \$90.8 million in fund transfers, but no new revenue. After all actions are taken, the projected ending GF-S balance would be \$98.6 million.

In our recent brief on the 2010 second special session, we reported spending totals for the Near General Fund–State (NGFS), which includes the education legacy trust account in addition to the GF-S. Legislative fiscal committee staffs generally base their budget presentations on the NGFS because they believe that the NGFS better reflects the entire budget situation. We likewise believe that the NGFS provides the better basis for understanding state

spending and use it whenever possible. The governor's staff, however, continues to base its budget documents on the GF-S. Consequently, this brief looks at the governor's proposed 2011 supplemental in terms of the GF-S. Of the second special session budget reductions, only \$2.5 million of the \$490 million that was cut from NGFS was actually outside of the GF-S.

Expenditures

The 2011 supplemental is necessary not only to address the remaining budget shortfall, but also to account for updated caseload and enrollment estimates. Maintenance levels for

the various budget areas may have increased or decreased, meaning that a program's spending may be increased even though the policy changes were negative. In fact, the governor's office estimates that caseload and enrollment changes and other expenses would increase expenditures by \$343.9 million, while the proposal reduces expenditures by \$588 million.

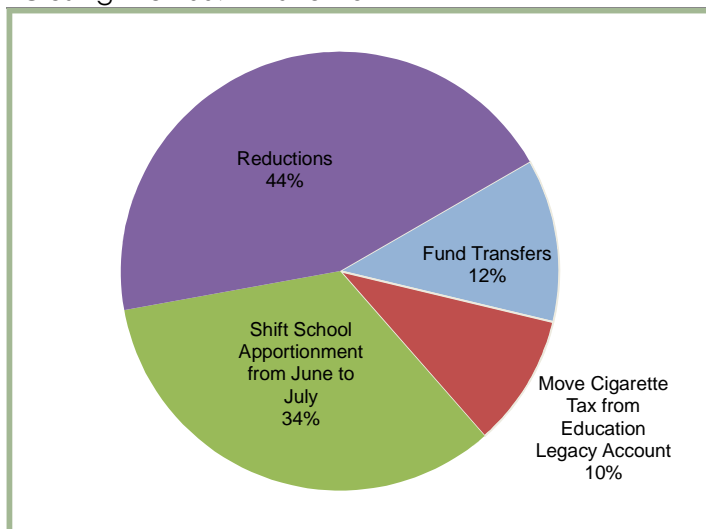
Beginning where the legislature left off in the second special session, under the governor's proposal, other human services spending would be reduced by

Legislative and Governor Proposed Supplemental Budgets

	2009-11 Appropriations		2010 2nd Special Session Budget Bill		Governor Proposed 2011 Supplemental	
	GFS	All Funds	GFS	All Funds	GFS	All Funds
Legislative	153,900	158,277	(3,067)	(3,067)	(563)	(563)
Judicial	228,493	273,554	(4,266)	(4,266)	312	312
Governmental Operations	464,535	3,921,845	(3,902)	(3,977)	(12,433)	(57,746)
Other Human Services	2,214,952	5,187,799	(76,148)	(79,148)	(35,954)	(25,057)
DSHS	8,760,368	21,262,641	(74,652)	(127,826)	(1,401)	(225,454)
Natural Resources	372,107	1,494,562	(17,035)	(17,063)	7,557	8,402
Transportation	77,996	195,202	0	(250)	(3,450)	(3,450)
Public Schools	13,290,685	15,909,596	(257,856)	(50,257)	(402,121)	(222,316)
Higher Education	2,741,461	9,453,410	(51,088)	(51,088)	174,725	(391)
Other Education	125,446	496,323	0	0	(3,806)	(2,831)
Special Appropriations	2,035,286	2,229,691	0	0	33,070	28,077
Total	30,465,229	60,582,900	(488,014)	(336,942)	(244,064)	(501,017)

\$36 million. Of that, the health care authority would be reduced by \$32.5 million (including suspending the health clinic grant program and eliminating the basic health plan).

Closing the 2009-11 Shortfall



In the department of social and health services (DSHS) budget, the revised maintenance level for 2009-11 requires increased spending by \$186.8 million. Through policy changes, the governor's supplemental reduces spending by \$188.2 million, for a net budget reduction of \$1.4 million. The policy changes include eliminating the children's health program, the disability lifeline unemployable and medical programs, the food assistance program and the Medicare Part D co-pay.

Natural resources spending would be increased by \$7.6 million. This includes additional funding for emergency fire suppression and increased funding for food banks.

Public schools funding would be decreased by \$402.1 million. This includes shifting payments to school districts from June to July, thereby decreasing FY 2011 costs by \$253 million and increasing FY 2012 costs by the same. The governor's proposal would eliminate the K-4 class size reduction for the full 2010-11 school year, along with the highly capable program. Additionally, levy equalization would be reduced by 6.3 percent for FY 2011. Lastly, \$85.9 million of special education program costs is shifted from the GF-S to the education legacy trust account.

The higher education GF-S budget would be increased by \$174.7 million. This is almost exactly offset by a reduction of \$175.2 million in funding to higher education from the education legacy trust account. This is largely a consequence of Gov. Gregoire's plan to re-purpose the education legacy trust account to be used for solely public schools, meaning that higher education would be funded from the GF-S instead.

The higher education GF-S budget would be increased by \$174.7 million. This is almost exactly offset by a reduction of \$175.2 million in funding to higher education from the education legacy trust account. This is largely a consequence of Gov. Gregoire's plan to re-purpose the education legacy trust account to be used for solely public schools, meaning that higher education would be funded from the GF-S instead.

Fund Transfers

A total of \$90.8 million would be transferred from a variety of accounts into the GF-S. Additionally, if the legislature approves, \$73.8 million in cigarette tax revenue would be shifted from the education legacy trust account to the GF-S.

Discussion

The governor's proposed 2011 supplemental closes the 2009-11 budget shortfall by reducing spending and transferring funds into the GF-S from other accounts. Many of the reductions are a result of moving up a number of program eliminations the governor proposed in her 2011-13 budget. The largest single spending cut (\$253 million) is not really a cut at all, however, but a shift in spending from this biennium to the next. The proposal would leave an ending balance of \$98.6 million.

The level of cuts needed over the final six months of the biennium is daunting, and the governor's proposed 2011 supplemental certainly reflects that.