

PB 11-01
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BRIEFLY

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HOUSE PASSES INCOMPLETE SUPPLEMENTAL BUDGET

The House of Representatives has passed an “early action” supplemental budget (ESHB 1086). Comprising reductions and fund transfers, the house supplemental would reduce the 2009–11 Near General Fund–State (NGFS) budget shortfall by \$346 million. That would leave \$160 million remaining to be cut in order to balance the budget (without leaving any reserves), according to Senate Ways and Means Committee staff. (This shortfall amount is an approximation based on numerous assumptions, including the amount of policy level increases needed.)

This supplemental would not cut as deeply as the governor’s proposal—it would reduce spending by \$221.8 million, while the governor’s proposal includes \$169.3 million in new spending and \$503.3 million in reductions (for a net reduction of \$334 million). Although the governor’s proposal accounted for updated caseload and enrollment estimates, the House budget does not; instead, it makes only policy changes, not maintenance level revisions.

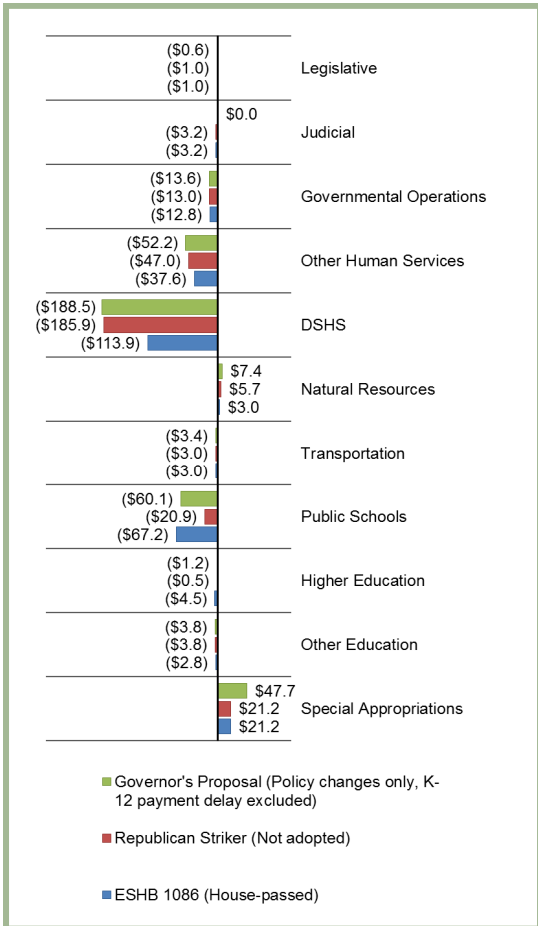
An amendment offered by House Republicans that would have reduced spending by an additional \$29.6 million was rejected.

Expenditures

The current baseline when considering the supplemental proposals is the revised budget enacted in the Second Special Session of December, 2010. The changes that are discussed here are on top of the reductions imposed then.

The House-Passed Early Action Supplemental Budget
(Dollars in Thousands)

	Baseline		ESHB 1086 (House-passed)		Revised 2009-11 Appropriations	
	NGF-S	All Funds	NGF-S	All Funds	NGF-S	All Funds
Legislative	150,833	155,210	(1,039)	(1,039)	149,794	154,171
Judicial	224,227	269,288	(3,192)	(3,192)	221,035	266,096
Governmental Operations	460,633	3,917,868	(12,779)	(57,368)	447,854	3,860,500
Other Human Services	2,138,804	5,108,651	(37,601)	(60,507)	2,101,203	5,048,144
DSHS	8,686,441	21,134,815	(113,850)	(170,282)	8,572,591	20,964,533
Natural Resources	355,072	1,477,499	2,995	5,613	358,067	1,483,112
Transportation	77,996	194,952	(2,969)	(2,969)	75,027	191,983
Public Schools	13,181,946	15,859,339	(67,182)	(10,582)	13,114,764	15,848,757
Higher Education	3,043,824	9,402,322	(4,541)	(4,541)	3,039,283	9,397,781
Other Education	125,446	496,323	(2,760)	(1,950)	122,686	494,373
Special Appropriations	2,035,286	2,229,691	21,163	21,163	2,056,449	2,250,854
Total Budget Bill	30,480,508	60,245,958	(221,755)	(285,654)	30,258,753	59,960,304
In Other Legislation	160	485	0	0	160	485
Statewide Total	30,480,668	60,246,443	(221,755)	(285,654)	30,258,913	59,960,789



Supplemental Budget Comparison (dollars in millions)

In other human services, the House bill would not eliminate the Basic Health Plan (BHP); instead, BHP enrollment would be restricted after February 28, 2011 to those who qualify under the Medicaid demonstration project for BHP. After April 30, 2011, BHP would be discontinued. The enrollment restriction is expected to reduce NGFS spending by \$19.6 million.

The Department of Social and Health Services (DSHS) would be cut by more than any other program area (\$113.9 million). Of that, funding for mental health would be cut by \$20.2 million, long-term care by \$33.7 million, and developmental disabilities by \$17.8 million. The Economic Services Administration would be cut by \$15.1 million, significantly less than the policy changes in the governor’s proposal. That’s largely because the House would not eliminate Disability Lifeline. Medical assistance payments would also be reduced; however, unlike in the governor’s proposal, the House would not eliminate the Children’s Health Program, Disability Lifeline Medical, or the Medicare Part D co-pay (but it does reduce the Medicare Part D co-pays). In all, the medical assistance payment reductions total \$11.6 million.

The House bill would cut public schools by \$67.2 million. This is considerably less than the \$402.1 million that is cut in the governor’s proposal. Much of that difference comes from the governor’s plan (which the House does not follow) to shift payments to school districts from June to July (decreasing FY 2011 costs by \$235 million and increasing FY 2012 costs by the same). Also unlike the governor, the House would not decrease levy equalization.

In higher education, the House would cut \$2 million each in state funded research at the University of Washington and Washington State University and make a small reduction at the Spokane Intercollegiate Research and Technology Institution, but cuts at the other institutions would not be made. By contrast, the governor would make \$1.2 million in policy reductions, in smaller amounts spread among all universities and colleges.

Fund Transfers

Like the governor, the House bill includes numerous transfers from dedicated accounts into the general fund. In addition to the funds identified by the governor, the House bill transfers funds from the local toxics account, life sciences discovery account, performance audit account, Washington auto theft prevention account, tourism enterprise account, and tourism development account. In all, the fund transfers in the House bill total \$123.8 million.

I-1053

In November, voters approved Initiative 1053, which prohibits the legislature from raising taxes unless there is a two-thirds majority or the people approve via referendum. Additionally, the initiative requires simple majority approval by the House and Senate before governmental agencies may impose or increase fees.

Coming out of the Ways and Means Committee, the supplemental included an amendment that authorized the Transportation Commission to increase or decrease the schedule of fares or tolls for the Washington state ferry system, State Route 167 high occupancy lane toll project, Tacoma Narrows bridge, and State Route 520.

Supporters of I-1053 said this provision circumvented the intent of the initiative. Prior to final House passage of the budget, an amendment was adopted that struck this language.

Republican Amendment

Also prior to final passage of the supplemental, House Republicans introduced a striking amendment that would have reduced spending by \$251.3 million and transferred \$110.4 million into the GFS from other accounts. Had the amendment not failed, these actions would have reduced the shortfall by \$361.7 million—\$16.1 million more than the budget that subsequently passed the House.

This amendment would have made many of the same cuts, but there were significant differences. These included eliminating Disability Lifeline, the Children's Health Program, the Medicare Part D co-pay, and the Basic Health Plan. Overall, the Republican amendment would have reduced spending for public schools by less and for DSHS by more.

Discussion

By not putting forward a supplemental budget that addresses the entire shortfall for 2011, the House is putting off until tomorrow what costs less today. The longer the legislature waits to make cuts, the worse the cuts will have to be—unless, as the Democrats are apparently hoping, the March revenue forecasts are such that additional cuts are unnecessary. The Senate will take up the supplemental next; senators should act soon to fully close the 2009–11 shortfall so the legislature can move on to the next budget problem: 2011–13.