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House Supplemental Budget Would Add \$130 Million to Already Approved \$10.2 Billion Budget for 1987-89

The most recently proposed state supplemental budget, passed by the Washington House of Representatives on Feb. 24, would spend about \$130 million. That money would be in addition to an already approved biennial budget of \$10.2 billion and is about the same amount of supplemental spending as the \$115 million Gov. Booth Gardner called for in his revised budget.

Putting things in perspective, the \$130 million of additional state general fund spending is about 1 percent over current appropriations and about a quarter of the additional funding originally requested by state agencies.

(These figures are net expenditures — proposed added spending minus agency savings and fund shifts — and reflect the impact on the state's bottom line. They may be different from other figures reported by the media, which reflect only the additional spending.)

When Gov. Gardner proposed his original supplemental budget it included only \$28 million in forecasted reserves. That proposal totaled \$90 million in supplemental spending. It included about \$55 million in additional spending over which he had little control and \$25 million for higher premiums for state employee health insurance benefits. He balanced his original budget with a 1 percent across-the-board cut (\$37 million) and revenue from the "rent-a-cell" program (\$25 million).

Revenue Forecast Changed Things

Then a couple of things happened ... the new revenue forecasts changed additional available revenue from \$28 to \$95 million. And the Washington Supreme Court decided the state had no retroactive responsibility for B&O tax rebates in the National Can case.

Within days, the governor's supplemental budget was revised to total about \$115 million. Gone were the 1 percent agency cuts. Increased were funds to extend premium hikes for employee health benefits to public school (K-12) employees, foster care, economic development, intermediate care facilities and AIDS programs.

Meanwhile, the House "found" more money. About \$84 million in additional funds have been identified from agency "savings" and fund shifts within the existing budget. For example, K-12 expenditures in Everett are expected to be lower than originally anticipated due to delay of the Navy Homeport; implementation of the basic health care plan is delayed, saving \$4.5 million (24 percent of the plan's budget); and lower caseload estimates and additional federal funds in the Department of Social

and Health Services (DSHS) may mean additional funds available in certain programs.

What are the main differences between the governor's proposal and the budget which passed out of the House? Philosophically, the governor's budget allows agencies more flexibility to manage within their existing funds and to determine administratively where additional spending or cutting is necessary. In the House budget funds are taken from one set of programs in order to redirect funds toward some other spending priority, such as foster care and employee health insurance, or to replace federal funds "lost" due to lower than expected match rates.

Problem With Ending Fund Balances

Also different are the ending fund balances, and these may be a problem. Few participants or observers are comfortable with the ending fund balances which are being proposed — \$10.1 million under the governor's proposal and \$627,000 in the House version.

During the last legislative session a reserve of about 1 percent of general fund expenditures was discussed. An argument has been made for a revenue buffer that at least covers the actual percentage error present in the official revenue forecasts. This error has been between 1 and 2 percent, in the last two biennium, according to Chang Mook Sohn, the state's revenue forecaster. The ending fund balances budgeted by the governor and the House are about 1/10th and 6/1,000th of a percent.

Are there problems with these budgets? The answer is "very possibly." In the House version, especially, funds are more often than not taken from programs in which state responsibility has to be met, regardless of revenue availability. The "new" dollars are then spent in discretionary areas. If dollars budgeted for welfare, K-12, or forest fire protection turn out to be lower than actually necessary, the state will arrive at the end of the biennium with spending requirements in excess of the amounts proposed in either of these supplemental budgets.

According to the governor's budget office, Gardner is very concerned about an adequate budget reserve. At a recent press conference he indicated that a reserve of \$10 million was the minimum acceptable.

So, beyond these issues, what is in the governor's and House budgets and how are they different?

Both fund the unavoidable items which made up nearly all of the governor's original proposal, although

their figures are slightly different and both are using revised estimates. These items include funding for the K-12 enrollment increases, replenishment of the Department of Natural Resource (DNR) fire fighting fund, tort claims, revenues for distribution to local governments and the necessary spending in order to support the "rent-a-cell" program in the Department of Corrections.

Problem in DNR

Given the ending fund balances, a potential budget problem exists in DNR. Due to a bad fire season the department has spent about \$7 million fighting fires so far in this biennium, significantly more than the \$2.7 million allocated for the entire biennium. And, according to Public Lands Commissioner Brian Boyle, last year's fire season was less serious than it could have been. He said that the indication is that this year will be at least as dry as last year — there have been 27 fires so far this year, compared to none at this point in normal years.

The House budget would remove the second year of the Republican-proposed block grants to public schools authorized during last session, and replace them with additional funds for non-employee-related costs such as books, utilities and other supplies. The block grants are reinstated in the version of the budget which came out of the Senate Ways and Means Committee.

Both proposals include additional funding to pay premium increases for health insurance benefits for both state employees and K-12 teachers. The governor funded both at about \$25 million each while the House would give an additional \$10.7 to local districts for their employee insurance coverage. That would essentially fund K-12 on parity with state employees (about \$225 per employee per month), while the governor provides somewhat less for K-12.

None of these funding amounts fully covers the increase requested by Blue Cross, possibly necessitating reduced benefits or employee co-payments. At this point the end result is up to the State Employees Insurance Board (SEIB) which has the authority to negotiate with the carriers for the benefits.

In DSHS, additional funding is provided in the area of children and family services, primarily to deal with increased foster care caseloads (\$5.8 million and \$9 million respectively). Additional money also is provided for intermediate care facilities for the developmentally disabled, some of which are in danger of decertification.

The House budget provides funds to offset losses of federal match dollars in long-term care and medical assistance and assumes savings in other areas, including \$2.7 million in administrative savings. The governor's and the House budgets also provide funding for the AIDS and other public health programs although the House provides more money.

Finally, about \$3.1 million under the governor's proposal and \$2.8 million under the House continues to go to the court system, primarily to pay for the cost of judges salary increases.

Late last week a budget proposal also passed out of

the Senate Ways and Means Committee. For the most part it is similar to the House and governor's budgets. The Senate Ways and Means proposal, however, does not include funding for the SEIB and began negotiations on the Senate floor with a budgeted \$68.8 million ending fund balance.

For more information call Elaine Ramel or Barbara Cellarius at 357-6643 in Olympia.

	General Fund State			
	1987-89	Governor	House	Senate Ways & Means
LEGISLATIVE	89,381	0	0	35
JUDICIAL	47,480	3,148	2,835	2,810
GENERAL				
GOVT	143,117	(6,989) ¹	(6,871) ¹	(8,191) ¹
HUMAN				
RESOURCES	2,869,549	13,013	15,136	17,675
NATURAL				
RESOURCES	232,325	7,455	7,084	7,265
TRANSPORT.	38,889	1,768	1,985	2,610
TOTAL ED.	6,428,125	61,514	73,186	34,809
PUBLIC				
SCHOOLS	4,746,969	65,757 ²	76,339 ²	39,291 ²
COMM				
COLLEGES	531,174	(272)	203	(272)
HIGHER ED	1,082,550	(3,971) ³	(3,556) ³	(3,960) ³
OTHER ED	67,432	0	200	(250)
SPEC.				
APPROP. ⁴	341,973	35,595	36,388	10,594
TOTAL	10,190,839	115,504	129,743	67,607
ENDING FUND BALANCE		10,100	627	68,863

1/ Includes delayed impact of Navy Homeport in Everett (\$7 million in governor's, \$7.9 million in House, \$7.99 in Senate).

2/ Includes increased health benefit support for K-12 (\$25 million in governor's, \$35.7 million in House, none in Senate).

3/ Includes overpayments in salary increase allocations, federal refund of social security overpayments and lower summer school enrollments.

4/ Includes \$25 million for state employee health benefits in House and governor's budgets and \$46 million in unallocated state employee salary increases in 1987-89 appropriation.

Source: House and Senate Ways and Means committees, 1988