

HOUSE WOULD TAX AND SPEND OVER \$1 BILLION MORE THAN SENATE IN 2013–15

BRIEFLY

The House-passed budget would increase spending by \$3.263 billion and the Senate-passed budget would increase spending by \$2.099 billion over 2011–13. The House proposal assumes enactment of \$1.336 billion in tax increases.

On Friday, April 12, the House passed a 2013–15 budget that would make near general fund–state plus opportunity pathways (NGFS+) appropriations totaling \$34.512 billion (\$3.263 billion over 2011–13). (All spending numbers in this brief refer to the NGFS+.) Part of the House Democrats’ proposal (which has not yet been voted on) is to increase net taxes by \$1.336 billion. Reserves would total \$333.1 million, and the budget would transfer the amounts (\$575.0 million) in the budget stabilization account to the general fund. The House budget proposes the highest spending level and lowest reserve of the three budget proposals.

The Senate-passed budget would make appropriations totaling \$33.349 billion (\$2.099 billion over 2011–13). Reserves

would total \$595 million. (We described the Senate budget as proposed by the Ways and Means chair in the policy brief, [“Increasing Education Spending in 2013–15: New Taxes or Re-Prioritization?”](#))

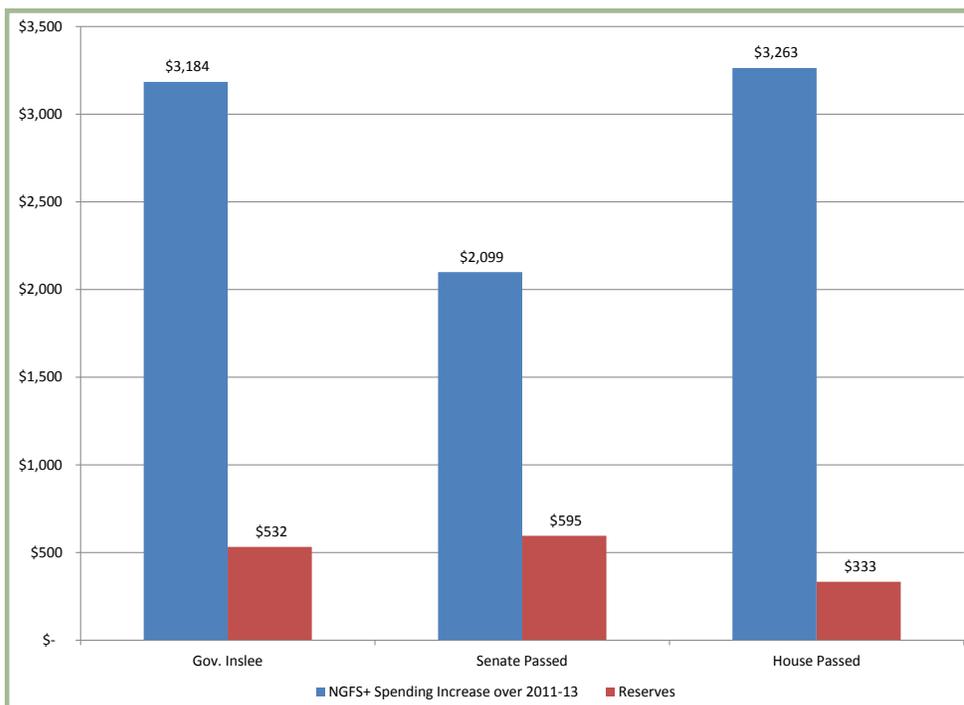
Education

The House budget would increase spending on public education by \$1.900 billion over 2011–13. (The Senate budget, as passed, would increase spending by \$1.519 billion.) The House budget would provide \$225 million for class size reductions in kindergarten through third grade; \$92 million to expand full-day kindergarten; \$144 million for pupil transportation; and \$461 million for materials, supplies and operating costs (MSOC). Additionally, the House budget would increase instructional hours for middle school and high school (\$57 million). It would increase classified and administrative salary allocations (\$248 million), and suspend Initiative 732 (teacher COLA) for the biennium (saving \$320 million). Of the \$1.9 billion increase for the public schools, House leaders consider \$1.3 billion to be directly associated with the state Supreme Court’s *McCleary* decision, directing the legislature to increase school funding.

In other education, the House budget would expand pre-school (\$39 million).

For higher education, the House budget would increase spending by \$303.2 million over 2011–13. The Senate would increase spending by \$306.3 million. The House budget assumes the University of Washington, Washington State

Chart 1: NGFS+ Spending and Reserves (Dollars in Millions)



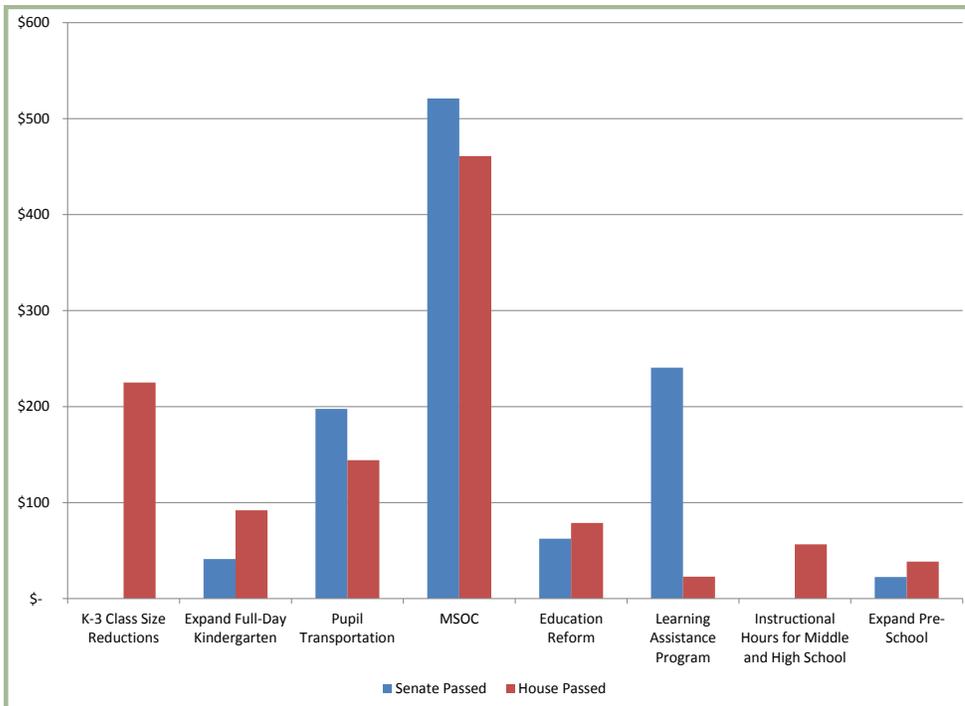


Chart 2: NGFS+ Spending on Education (Dollars in Millions)

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.

University, and Western Washington University would increase tuition by 5 percent per year; Central Washington University, Eastern Washington University, The Evergreen State College, and the Community and Technical College System would be assumed to increase tuition by 3 percent per year. The Senate would reduce tuition by 3 percent. Tuition is not part of the state budget; taking these tuition proposals into account, the House budget will provide higher total revenues to the institutions.

Within the NGFS+ budget, the House would appropriate an additional \$37 million for the state need grant to offset the assumed tuition increases. It would also increase funding for the College Bound Scholarship program (\$50 million) and the Opportunity Scholarship program (\$5 million).

For UW and WSU, the House would expand enrollment in engineering (\$4 million); for UW, WSU, and WWU, the House would expand enrollment in computer science and engineering (\$9 million). The CTCS would receive \$4 million to expand enrollment in aerospace and STEM programs. For UW, \$12 million would be provided to create a Clean Energy Institute.

DSHS and Other Human Services

The House budget would increase spending on the Department of Social and Health Services (DSHS) by \$404.0 million over 2011–13. (The Senate would increase spending by \$143.1 million.) Part of DSHS, spending in the Economic Services Administration would increase in the House budget by \$7.7 million. (The Senate would decrease spending by \$161.4 million.) The House budget would increase subsidy rates for child care providers (\$31 million). It would reduce temporary assistance for needy families and working connections child care funding by \$146 million, due to caseload reductions. It would also fund the arbitration award for in-home care providers and parity for home care agency providers (\$146 million).

The House budget would increase spending for the Health Care Authority by \$296.2 million over 2011–13. (The Senate would increase spending by \$229.1 million.) The House budget assumes expansion of Medicaid under federal health care reform (saving \$266 million). As part of that, it would eliminate several state health programs, including the Basic Health Plan, because clients could be eligible for either Medicaid or subsidized coverage through the health benefit exchange. (The Senate also assumes expansion of Medicaid, estimating savings totaling about \$300 million.) The House would appropriate \$24 million for adult dental coverage. It would extend the hospital safety net assessment program (saving \$260 million), and it would suspend paid family leave for the biennium (saving \$13.6 million).

State Employee Compensation

The House budget would, like the Senate, reduce state contributions for employee health insurance from \$800 to \$782 per month in 2014 and to \$791 per month in 2015 (saving \$17 million). Also like the Senate, the House would restore the salary cuts for state and K-12 employees, and it would fund a new salary step (\$39 million).

	2011-13	2013-15	
		Senate Passed	House Passed
Legislative	0.45%	0.42%	0.43%
Judicial	0.71%	0.64%	0.66%
Governmental Operations	1.45%	1.20%	1.47%
Other Human Services	18.92%	18.36%	18.13%
DSHS	17.54%	16.87%	17.05%
Natural Resources	0.85%	0.75%	0.83%
Transportation	0.22%	0.20%	0.20%
Public Schools	43.67%	45.48%	45.05%
Higher Education	8.75%	9.12%	8.80%
Other Education	0.52%	0.60%	0.64%
Other Appropriations	6.91%	6.37%	6.73%
Statewide Total	100%	100%	100%

Table: NGFS+ Budget Areas (percent of total)

Other

While the Senate-passed budget includes some \$86 million in administrative efficiency savings, the House-passed budget assumes savings of \$20 million through lean management practices.

Revenues

The House proposal would increase net taxes by \$1.336 billion. It would clarify the estate tax in light of the Bracken decision, which opened up an estate planning strategy through which married couples could completely escape the state’s estate tax, potentially leaving single individuals the only ones paying the tax. Additionally, in 2010, a 0.3 percent business and occupation (B&O) tax surcharge on services and a beer tax on large brewers were enacted and were intended to be temporary. Under the House proposal, the B&O surcharge would be made permanent. The beer tax would also be made permanent, but at a lower level for large brewers; the tax would also be extended to small brewers.

Additionally, the House proposal would

- narrow the high-tech research and development B&O credit and repeal the high-tech R&D sales and use tax exemption;
- repeal the sales tax exemption for non-residents;

- repeal the sales tax exemption on bottled water, which was enacted in 2010 but repealed by voters as part of Initiative 1107 later that year;
- increase B&O tax rates on travel agents and tour operators;
- increase B&O tax rates on insurance agents;
- increase B&O tax rates on resellers of prescription drugs;
- increase B&O tax rates on stevedoring;
- narrow the B&O and sales tax exemptions for import commerce;
- apply the sales tax to residential land-line telephone service;
- apply the sales tax to janitorial services;
- apply the public utility tax to the in-state portion of interstate transport; and
- apply the use tax to extracted fuel.

The Research Council will soon be releasing a separate policy brief examining the tax policy changes currently under consideration.

Comment

Both the Senate- and House-passed budgets would appropriate significant new funds for education. The Senate makes room for them by cutting social services. The House would increase taxes—including taxes that were meant to be temporary. All sides agree that education funding is the main priority for 2013–15, but whether to maintain funding for other services through tax increases, or reduce their funding levels to live within current revenues, remains to be negotiated.

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