

INCREASING EDUCATION SPENDING IN 2013–15: NEW TAXES OR RE-PRIORITIZATION?

BRIEFLY

Education is a main priority for the 2013–15 budget, as is reflected in proposals from Gov. Inslee and the Senate Ways and Means chair. Both proposals would increase education and overall spending over 2011–13.

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

	<i>Gov. Inslee</i>	<i>Senate Chair</i>
Beginning Balance	158	194
Revenue		
March Revenue Forecast	32,865	32,865
Transfer to Child/Family Reinvestment Account	(5)	(6)
Estate Tax Clarification	160	
New Tax Credits	(31)	
Tax Preference Repeals	565	
Tax Extensions	662	
Budget Driven Revenue	20	7
Other Revenues		316
<i>Total Revenue</i>	<i>34,236</i>	<i>33,182</i>
Other Resource Changes		
Transfer to Budget Stabilization Acct.	(307)	(307)
Use of Budget Stabilization Acct.	276	
Other Transfers	303	179
<i>Total Other Resource Changes</i>	<i>271</i>	<i>(128)</i>
<i>Total Resources</i>	<i>34,665</i>	<i>33,248</i>
Spending		
2013-15 Appropriations	34,433	33,213
<i>Total Spending</i>	<i>34,433</i>	<i>33,213</i>
Unrestricted Ending Fund Balance	232	35
Budget Stabilization Account Balance	268	576
Net Transfer/Interest Earnings	32	
<i>Total Reserves</i>	<i>532</i>	<i>611</i>

Both Governor Inslee and Senate Ways and Means Committee chair Andy Hill, R-Redmond, have released 2013–15 budget proposals. In Gov. Inslee’s proposal (“budget priorities for a working Washington”), near general fund–state plus opportunity pathways (NGFS+) appropriations would be \$34.433 billion and reserves would total \$531.6 million. (All references to the budget in this brief refer to the NGFS+.) Spending would increase by \$3.184 billion over 2011–13. Net policy level increases would total

\$623.0 million. (Maintenance level changes are estimated changes to the cost of provided currently authorized services; policy changes are changes to the services provided.) The governor’s proposal would increase net taxes by \$1.196 billion.

In the Senate chair’s proposal, which includes no new taxes, appropriations would total \$33.213 billion and reserves would total \$611 million. Spending would increase by \$2.084 billion over 2011–13. Net policy level reductions would total \$422.9 million. (The Senate Ways and Means Committee passed the budget bill, which included amendments, Thursday; this analysis does not include the adopted amendments.)

Spending Highlights

Public Schools. Gov. Inslee’s priorities would increase policy level spending on public schools by \$840.9 million. (Spending would increase by \$1.773 billion over 2011–13, including maintenance level changes.) The proposal would fund expansion of full-day kindergarten to all high-poverty schools (\$116.2 million) and reduce class sizes in kindergarten and first grade for all high-poverty schools (\$128.0 million). The proposal would provide funds to hire 1,400 middle and high school teachers (\$97.7 million) and for professional development time for teachers and principals (\$90.4 million). It would also fully fund the new pupil transportation formula (\$197.5 million) and increase funds for the materials, supplies and operating costs (MSOC) formula (\$466.8 million).

In other education, there is an additional \$39.3 million for the department of early learning, which is mostly (\$35.0 million) attributable to expanded pre-kindergarten (which is not basic education for the purposes of the *McCleary* decision).

By contrast, the Senate chair's proposal would increase policy level spending on public schools by \$587.0 million. (Spending would increase by \$1.519 billion over 2011–13, including maintenance level changes.) It would fully fund the MSOC formula (\$521 million), fully fund the pupil transportation formula, significantly increase learning assistance program funding (an increase of \$240.6 million over a maintenance level of \$270.7 million). It would partially fund full-day kindergarten (\$41.1 million). In other education, the proposal would expand preschool (\$22.4 million).

Higher Education. Gov. Inslee's priorities would authorize Eastern Washington University, Central Washington University, Western Washington University and the Evergreen State College to increase tuition by up to 3 percent each year; the University of Washington and Washington State University would be authorized to increase tuition by up to 5 percent each year. Additionally, UW

would receive \$12.0 million to create a Clean Energy Institute, and WSU would receive \$5.2 million for biofuels research.

The Senate chair's proposal would cut tuition for 2013–14 and 2014–15 by 3 percent over 2012–13, and it would provide \$77.8 million in state funding to be distributed among the institutions. It would also provide \$50.0 million to recognize institutions meeting retention and completion goals. WSU would receive \$6.8 million for medical education and biomedical research.

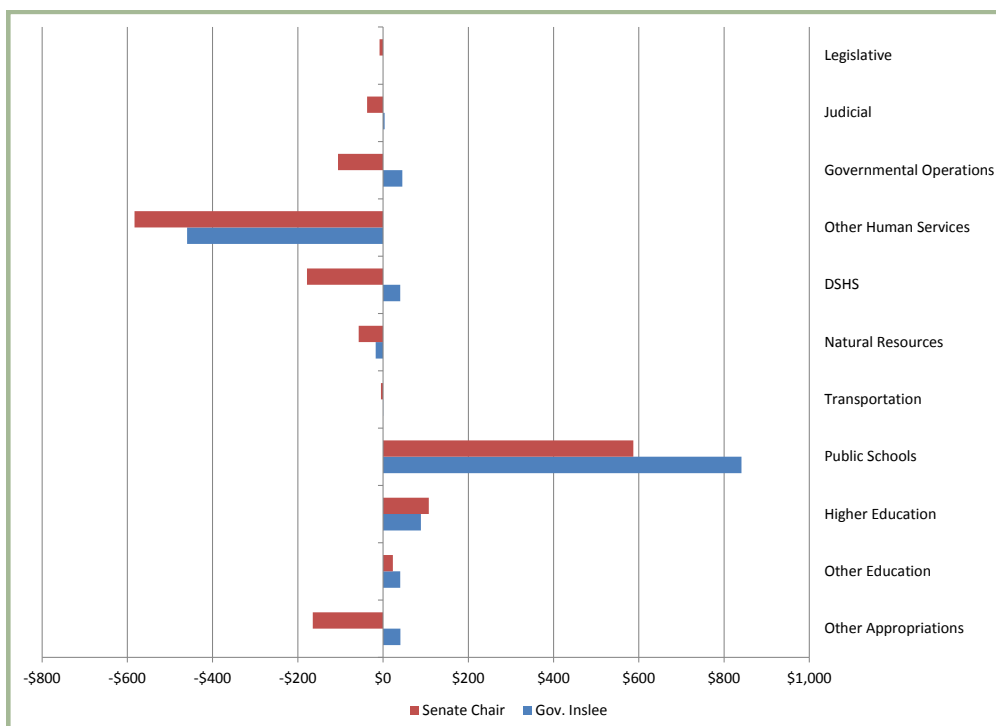
DSHS. Both proposals would reduce funding for the Temporary Assistance for Needy Families and Working Connections Child Care (WCCC) programs due to caseload and per capita underexpenditures. In the Senate chair's proposal, this saves \$143.9 million. Gov. Inslee's proposal would increase funding for certain activities, including moving homeless families to stable housing, leaving net savings of \$70 million. The Senate chair's proposal would reduce the WCCC cap to 29,000 families (saving \$17.4 million).

The Senate chair's proposal would eliminate the Aged, Blind, or Disabled program, saving \$40.9 million. (Cash assistance would only be maintained for certain pregnant women.) In all, net policy reductions to the Economic Services Administration in the Senate chair's proposal would total \$229.9 million.

Additionally, both proposals accept the arbitration award to in-home care providers (and parity for home care agency providers), increasing spending by about \$146 million.

Other Human Services. Both proposals would accept the expansion of Medicaid under federal health care reform, which is estimated to save about \$300 million. Both proposals would extend the hospital safety net assessment account (that generates additional federal funding through Medicaid), saving \$259.9 million in the governor's proposal and \$238.0 million in the Senate chair's. Both proposals would suspend paid fam-

Chart: NGFS+ Policy Reductions over 2011-13



	2011-13	2013-15	
		Gov. Inslee	Senate Chair
Legislative	0.45%	0.43%	0.42%
Judicial	0.71%	0.73%	0.64%
Governmental Operations	1.45%	1.59%	1.18%
Other Human Services	18.92%	18.18%	18.36%
DSHS	17.54%	17.07%	16.86%
Natural Resources	0.85%	0.85%	0.75%
Transportation	0.22%	0.21%	0.20%
Public Schools	43.67%	44.78%	45.50%
Higher Education	8.75%	8.76%	9.12%
Other Education	0.52%	0.63%	0.60%
Other Appropriations	6.91%	6.77%	6.37%
Statewide Total	100.00%	100.00%	100.00%

Table 2: NGFS+ Budget Areas (percent of total)

ily leave (enacted in 2011 and never funded) for the biennium, saving \$13.6 million.

Compensation. Both Gov. Inslee’s and the Senate chair’s proposals would restore the 1.9 and 3 percent salary cuts for school employees in school years 2011–12 and 2012–13 and the 3 percent salary cuts for state employees. While Gov. Inslee’s proposal would suspend, again, the Initiative 732 cost-of-living adjustments for teachers (saving \$320.5 million), the Senate chair’s proposal would repeal them. The Senate chair’s proposal would increase retirement contribution rates (\$245 million) and establish a defined contribution plan option for public employees. The Senate chair’s proposal would reduce state contributions for employee health insurance from \$800 to \$782 per employee per month (saving \$33.9 million). It would also reduce health insurance costs by recognizing that many part-time state and K-12 employees will be eligible for health care through the Health Benefit Exchange (saving \$82.3 million, net of premium reimbursements for employees).

Other. Gov. Inslee would fund a number of projects related to climate change and clean energy, including making grants to increase financing for building energy efficiency, grants to manage intermittent renewable and distributed energy, and matching funds to research institutions developing clean energy solutions to help them compete for federal funds. In

all, these would total \$71.3 million in the capital budget. Additionally, the proposal would spend \$490.4 million from various operating, capital and transportation accounts to manage and restore Puget Sound.

The Senate chair’s proposal would make about \$85.9 million in cuts across most agencies due to assumptions about administrative efficiencies.

Revenues

Gov. Inslee’s proposal would make the 0.3 percent business and occupation tax surcharge on services permanent (\$534.0 million). It would also make the beer tax permanent and extend it to small brewers (\$127.6 million). Both taxes were enacted in 2010 and were intended to be temporary. Gov. Inslee’s proposal would also repeal or modify 11 tax preferences (\$565.2 million), and enact four new preferences (\$31.1 million).

The Senate chair’s proposal would enact or extend several tax preferences (\$11.1 million). It would also attempt to collect \$40 million in use taxes that are currently due but unpaid. The Senate chair’s proposal would also permanently redirect \$262.0 million in capital budget and other revenues to the general fund and the education legacy trust account.

Comment

When Sen. Hill released the Senate budget yesterday he was joined by two Democrats who had played key roles in developing the proposal. Both acknowledged the bipartisan nature of the process. Both also indicated the concerns they and other members of their caucus had with aspects of the proposal. In particular, members of the Democratic caucus have said they believe the budget requires additional tax revenues to meet the state’s education obligation and maintain social services. The Senate chair’s budget also includes estimates of savings from efficiencies and policy changes (like the shifting of part-time employees to the exchanges) that have been challenged by the governor and Democrats in the legislature.

The House budget expected next week will likely include new taxes and a higher level of overall spending than the Senate plan, although probably lower than that proposed by the governor. The Senate Majority Coalition Caucus has repeatedly asserted its belief that new taxes are not necessary. As has long been expected, the final weeks of the session will be devoted to reconciling the differences in fiscal philosophy.

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