



B R I E F L Y

The state general fund, the focus of most legislative and public scrutiny, represents about 46% of the state's projected total biennial spending of \$45.2 billion. But it makes up most of the discretionary spending by state government. The other \$25 billion is largely represented by dedicated transportation accounts, federal funds, trust funds maintained by state agencies, and bond-supported construction projects.

Little of the \$45 billion budget, other than general fund, can be tapped to mitigate I-695 impacts.

Not Much Discretion in the \$45 Billion Budget

Passage of I-695 would reduce biennial revenues by about \$1.2 billion in 1999-2001, equal to about 18 months of collections. For the 2001-2003 biennium, lost revenue would total about \$1.8 billion.

None of the MVET is placed in the general fund, yet the general fund has been the focus of most serious discussion about state resources available to mitigate the impact of I-695 should the measure pass.

Proponents of I-695 have called attention to *total* state spending, which includes a lot of money outside the General Fund State (GFS), as shown below. Some initiative supporters have said that since the MVET money makes up only about 2% of state spending, there should be little trouble in finding savings, rearranging priorities, and so on, to make up the shortfall.

That reasoning ignores some important fiscal realities. For example, most government money comes with strings (e.g., federal funds), is committed (revenues pledged to back bonds for capital projects), is held in trust, or represents payment for specific services (college tuition).

The GFS receives the most attention because it contains the bulk of state discretionary spending. The \$20.6 billion GFS represents 45.6% of \$45.2 billion in state spending budgeted for 1999-01. Most of the balance is in transportation and capital accounts.

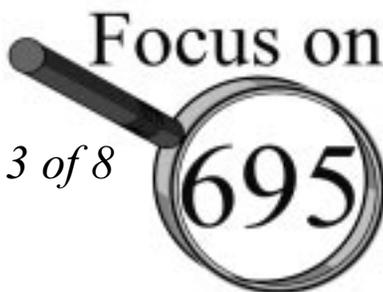
As the table shows, GFS spending, limited by I-601, is budgeted to grow at a rate of 7.4% between 1997-99 and 1999-01. That's considerably slower than the 10.3% for other Transportation and Operating funds. Capital spending would increase appreciably, largely on the strength of R-49 bonds that will not be issued should I-695 receive voter approval.

There are few discretionary dollars available in the \$45.2 billion. See the lower half of the table, identifying expenditures by appropriation type.

Federal dollars generally are directed toward particular activities. Even relatively flexible block grants, such as for education or social services, may not be diverted to replace funds lost by I-695.

State appropriations, in addition to GFS, also include a number of state accounts. Among them "near general fund" accounts such as the Health Services Account, but most are strictly dedicated spending accounts, e.g., environmental, transportation, and medical aid and accident accounts operated by the department of labor and industries.

Bonds are issued for specific capital construction; that's not money available for I-695 mitigation.





So-called "local" appropriations, about \$600 million, are typically revenues collected and spent on specific activities (e.g., about \$300 million is in pooled intergovernmental revenues to pay hospitals for treating indigent patients). Those funds are not subject to appropriation, either.

Finally, "non-appropriated" revenues of nearly \$5 billion consist primarily of higher education tuition payments, lottery funds, and revolving accounts for state agencies (such as departmental telephone contracts run through the state department of information services).

Certainly it is reasonable to consider state spending in its entirety. But when considering revenues available to soften I-695 revenue losses, the proper place to look is the state general fund. When you look there, there's only a partial – and one-time – surplus available. Given the competing demands on the additional money – class size, higher education, and the like – it's likely that the legislature will falter as it attempts to shield local governments, or even state transportation projects, from the revenue loss.

**Summary of All Budgets: General Government
Operating, Transportation, Capital
1997-99 Biennium and 1999-01 Biennium
All Funds, in millions of dollars**

	1997-99	1999-01	Increase
Operating			
General Fund State	19,156	20,573	7.4%
All other Funds (including Transportation)	16,605	18,323	10.3%
Total, Op and Trans	35,761	38,896	8.8%
Capital (construction)			
Transportation	1,835	2,776	51.3%
Non-Trans New Appropriations	1,973	2,294	16.3%
Non-Trans Reappropriations**	1,181	1,244	5.3%
Total Capital	4,989	6,314	26.6%
Total	40,750	45,210	10.9%
By Appropriation Type			
Federal	8,087	9,091	12.4%
State	27,379	29,653	8.3%
Bonds	221	885	301.2%
Local	552	598	8.4%
Non-Appropriated	4,511	4,982	10.5%
	40,750	45,210	10.9%

** Capital Budget reappropriations duplicate amounts appropriated in previous biennia, including but not limited to the 1997-99 biennium.

Source: LEAP

**Focus on 695
contains eight Policy Briefs:**

1. *Introduction & Growth of MVET*
2. *Surplus Won't Cover Shortfall*
3. *Not Much Discretion in the \$45 Billion Budget*
4. *MVET Off, Property Tax On & Other Tax Consequences*
5. *Let's Vote on It*
6. *City and County Impacts Vary Widely*
7. *Transit and Transportation Would Take Major Hit*
8. *Summing It Up*

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