

## Senate-Passed Supplemental Operating Budget Would Modestly Increase Spending Within Existing Revenues

### Briefly

- As passed by the Senate, the supplemental would increase NGFS+ spending by \$33.6 million.
- The proposal would fund public charter schools.
- It would provide additional support for higher education related to last year's tuition reduction.
- It would save \$75.4 million by merging two public employee retirement plans.
- The Senate's budget would not increase taxes.
- It would transfer \$172.7 million from the general fund to the disaster response account to pay for fire costs.
- The supplemental would balance over four years.

Table 1: NGFS+ Balance Sheet as Passed by the Senate (Dollars in Millions)

	2015-17
Beginning Balance	1,011
Revenue	
Feb. 2016 Revenue Forecast	37,837
<b>2016 Proposal</b>	
<b>Budget Driven Revenue</b>	<b>(2)</b>
Total Revenue	37,836
Other Resource Changes	
Transfers to Budget Stabilization Acct.	(436)
Transfer from BSA	64
Transfers in Original Budget and Other Adjustments	219
<b>2016 Proposal</b>	
<b>Fund Transfers to GFS</b>	<b>49</b>
<b>Transfer from GFS to Disaster Response Acct. for Fires</b>	<b>(173)</b>
Total Other Resource Changes	(277)
Total Resources	38,570
Spending	
Enacted 2015-17 Budget	38,219
Assumed Reversions	(173)
<b>2016 Proposal</b>	
<b>Net Maintenance Level Changes</b>	<b>168</b>
<b>Net Policy Changes</b>	<b>(135)</b>
Total Spending	38,080
Reserves	
Unrestricted Ending Fund Balance	489
Budget Stabilization Account Balance	895
Total Reserves	1,384

On Feb. 26, the Senate passed a supplemental operating budget. This follows House passage of a very different proposal. (For more on the House budget, see "[House -Passed Supplemental Operating Budget Would Increase Spending, Increase Taxes, and Tap the Rainy Day Fund.](#)") The Senate-passed budget would increase near general fund-state plus opportunity pathways (NGFS+) spending for 2015-17 by \$33.6 million. It would not increase taxes.

### Balance Sheet

**Resource Changes.** The Senate would transfer \$49.1 million to the NGFS+ from other funds. This includes \$14.0 million from the dedicated marijuana account, \$10.0 million from the public works assistance account, and \$10.0 million from the performance audit account. The Senate would also transfer \$172.7 million from the general fund-state (GFS)

to the disaster response account for wildfire costs.

**Spending.** The Senate would increase 2015-17 NGFS+ appropriations by \$33.6 million. Of that, maintenance level changes (the costs of maintaining current services) would increase spending by \$168.3 million. Net policy level changes would reduce spending by \$134.7 million. The proposal assumes reversions (authorized spending that is not expected to occur) of \$172.5 million. Altogether, these changes would reduce biennial NGFS+ spending to \$38.080 billion.

**Reserves.** The Senate budget would leave an unrestricted ending fund balance of \$489 million. The budget stabilization account balance would total \$895 million, leaving total reserves of \$1.384 billion.

### Spending Details

**Public Schools.** The Senate would provide \$6.2 million to fund public charter schools. Last year the state Supreme Court ruled that the charter school law

was unconstitutional. E2SSB 6194 (passed by the Senate Jan. 20) amends the law to fund charters from the opportunity pathways account (which is part of NGFS+).

At the maintenance level, the Senate would reduce spending in public schools by \$52.5 million. It does so because the enacted 2015-17 budget mandated that school districts use funds for K-3 class size reduction *only* for K-3 class size reduction. Some districts chose not to; those unused funds must be returned to the state by the end of the biennium. The Senate would capture this now as reduced maintenance level (but the House would not).

*Higher Education.* The Senate would increase spending by \$14.0 million to maintain the state need grant's 2015 service level and to cover increased costs for the biennium. Additionally, the Senate would appropriate \$8.1 million to backfill tuition at the public colleges and universities. (This is related to the tuition reductions passed last year as part of the College Affordability Program.)

*Department of Social and Health Services (DSHS).* The Senate would appropriate \$23.4 million in transitional sup-

port for Western State Hospital, "to address an emergent and imminent jeopardy determination by the Centers for Medicare and Medicaid Services." It would provide \$14.1 million for mental health community diversion programs. The Senate would increase spending by \$26.4 million for individual provider homecare worker overtime. It would save \$43.6 million by using mental health Regional Support Network reserve funds. In the Economic Services Administration, the Senate would reduce spending for the Temporary Assistance for Needy Families program and replace GFS funds with federal funds, saving \$33.3 million.

*Other Human Services.* In the Health Care Authority (HCA), the Senate would reduce NGFS+ spending by \$31.9 million by using marijuana tax dollars in lieu of the GFS for community health centers and low-income health care. It would reduce spending by \$25.5 million by moving populations in the Categorically Needy Blind Disabled and Community Options Program Entry System from managed care to fee-for-service. The Senate would also restore \$16.7 million for unrealized savings from a federal waiver request.

*Other.* The Senate would appropriate

Table 2: NGFS+ and All Funds Appropriations As Passed By the Senate (Dollars in Thousands)

	Original 2015-17 Appropriations		Proposed 2016 Supplemental		Revised 2015-17 Appropriations	
	NGFS+	All Funds	NGFS+	All Funds	NGFS+	All Funds
Legislative	153,796	173,930	2,220	2,174	156,016	176,104
Judicial	267,132	337,921	1,008	1,008	268,140	338,929
Governmental Operations	510,107	3,792,924	(36,212)	47,658	473,895	3,840,582
Other Human Services	5,952,628	21,333,537	137,759	(325,200)	6,090,387	21,008,337
DSHS	6,381,151	13,932,885	(20,668)	181,257	6,360,483	14,114,142
Natural Resources	308,873	1,713,043	(9,637)	179,854	299,236	1,892,897
Transportation	80,612	195,359	2,196	36,538	82,808	231,897
Public Schools	18,156,830	20,008,166	(1,119)	60,644	18,155,711	20,068,810
Higher Education	3,525,134	13,826,980	6,494	4,082	3,531,628	13,831,062
Other Education	347,928	736,946	(3,935)	5,078	343,993	742,024
Special Appropriations	2,534,988	2,836,614	(44,537)	72,614	2,490,451	2,909,228
<b>Total</b>	<b>38,219,179</b>	<b>78,888,305</b>	<b>33,569</b>	<b>265,707</b>	<b>38,252,748</b>	<b>79,154,012</b>

**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. Additionally, projected resources must be sufficient to cover projected maintenance level expenditures in the second biennium.

\$32.2 million to settle claims in the Moore v. HCA lawsuit (which was related to employee health benefits). It would save \$75.4 million by merging the Law Enforcement Officers' and Fire Fighters' Plan 1 and Teachers' Retirement System Plan 1 (SB 6668). According to the Senate, such a merger "would increase economies of scale to reduce state contributions with no effect on retiree benefits."

**Comment**

The Senate budget takes a different tack than the House budget—the Senate budget would increase NGFS+ spending by just \$33.6 million, it would not in-

crease taxes, it would balance over four years, and it would not tap the rainy day fund.

The high level differences are reminiscent of those of the Senate-passed and House-passed biennial budgets last year. At the time, the House would have spent about \$1 billion more than the Senate, and the House proposed increasing taxes by \$1.5 billion. In the end, the House never passed those tax increases, and the final spending level increased to a point in the middle of the two proposals (but closer to the Senate's).

Chart: Comparison of NGFS+ Policy Changes (Dollars in Millions)

