



**BRIEFLY**

The Senate's third budget brings the legislature no closer to resolving its final conflict. All parties will be required to compromise further if there is to be a swift conclusion to this prolonged legislative session.

# Senate Passes Third Budget; Still No Charm

For the third time, the state Senate has passed a supplemental budget, but the action brings the legislature no closer to resolving its final conflict. Negotiations between the two chambers, now including the governor's office, will continue.

As shown in the table, the Senate budget passed March 28 again includes the \$200 property tax cut for homeowners. (See e-Brief 00-18, *Property Tax Relief in the Supplemental Budgets*, for a comparison of the various plans floated this session.)

In this budget, the Senate walks away from its earlier transfer of \$300 million from the Emergency Reserve Fund (ERF) to a new Multi-Modal Fund. The Senate is now spending \$250.5 million in GFS money, plus an additional \$50 million loan from the Public Works Assistance Account on transit and transportation. The money is allocated as follows: \$175 million from GFS for 3-year assistance to local transit districts, \$55 million from GFS to the Multi-Modal Fund, \$50 million from the Public Works Assistance Account for county road projects (the loan is to be paid back in the 2001-2003 biennium), \$15 million from the GFS to Sound Transit for the King Street Station rail maintenance facility, and \$5.5 million from the GFS for the Bremerton transportation plaza.

Other changes from the original Senate budget are relatively minor.

**Discussion.** From the beginning, the major challenge for the session has been I-695 backfill. The decision has two parts: what to replace, and where to find the money. General agreement on the priorities for I-695 mitigation exists currently, but the funding plans differ.

**GFS Balance Sheet**  
(Dollars in Millions)

	1999-2001	2001-2003
<b>RESOURCES</b>		
<b>Unrestricted Beginning Balance</b>	<b>462</b>	<b>170</b>
Adjust ERF deposit	67	
February Revenue Forecast	20,843	22,534
\$200 Homeowner Property Tax Cut	(152)	(585)
Other Revenue changes	(5)	(6)
Adjusted Revenue Forecast	20,686	21,943
Health Services Account Transfer for I-695	35	46
<b>Total Unrestricted Revenues</b>	<b>21,250</b>	<b>22,159</b>
<b>APPROPRIATIONS AND SPENDING LIMIT</b>		
Official 601 Spending Limit	20,651	
Budget Driven Adjustments	34	
I-695 Local Government Assistance	135	
Transportation and Transit	196	
<b>Adjusted 601 Spending Limit</b>	<b>21,016</b>	<b>22,018</b>
Original 1999-01 Biennial Appropriation	20,573	
Basic Supplemental	32	
Appropriation to Multi Modal Account	55	
Local Government Assistance	135	
Transportation and Transit	196	
<b>Supplemental</b>	<b>418</b>	
<b>Total GFS Appropriations</b>	<b>20,991</b>	<b>22,018</b>
<b>RESERVES</b>		
Emergency Reserve Account	519	561
Unrestricted Ending Balance	170	72
<b>Total Ending Reserves</b>	<b>689</b>	<b>633</b>
<b>School Construction Account</b>	<b>99</b>	<b>190</b>



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The House and Senate both give priority funding to public health, local transit and local governments. How to pay for transportation infrastructure divides the two chambers. The Senate continues to object to using general fund revenues to support long-term bonds. The House uses transportation-related sales taxes to back bonds.

The Senate property tax cut continues to face stiff opposition from those who wish to preserve uniformity in the property tax system, as well as from those who believe the plan is simply too expensive. The 2001-2003 impact of the split roll Senate proposal is estimated to be \$585 million, more than four times the size of the senior credit proposed by the House and more than three times the sum of the GFS transfers to transit and transportation contained in the House budget. Further, the Senate tax cut requires a constitutional amendment, which would be placed before the voters in November.

All parties will be required to compromise further. The homeowner credit cuts general fund revenues far more than do the transfers made by the House for transportation purposes. As we've said before, the split roll proposal is bad tax policy in the best of times. With I-695 mitigation and transportation funding top priorities for the legislature, it makes sense to set aside the Senate tax cut, accept the approach taken by the House to support essential transportation programs, and end the impasse.

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