

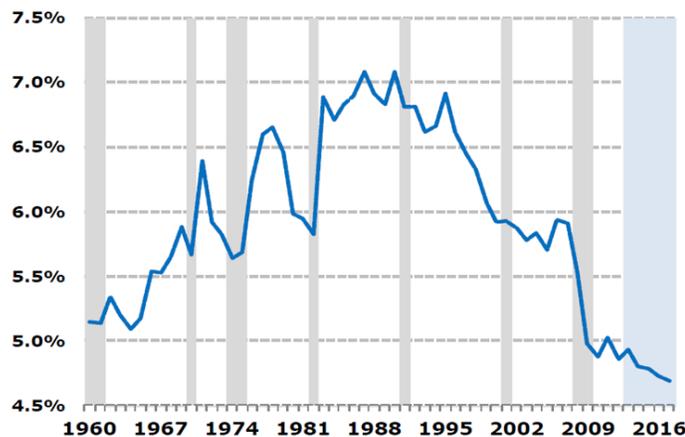
Operating Budget

The 2014 supplemental operating budget was the first “normal” supplemental budget in many years. What is a “normal” supplemental budget? Mid-course corrections need to be made, such as caseload changes. Some programs see more participation, others less. New urgent issues emerge, such as responding to legal settlements, collective bargaining agreements and Supreme Court orders.

Washington’s Economic Picture:

Washington’s economy, like the nation’s, has slowly recovered from the worst economic downturn since the Great Depression. We no longer have plummeting revenues, but Washington State’s tax system has not kept pace with other economic growth indicators, like personal income. As illustrated in the chart below from the February 2014 Washington State Economic and Revenue Forecast, the amount of General Fund-State revenue that is collected relative to state personal income is forecasted to reach its lowest historical records.

GF-S revenue as a percentage of WA personal income



Source: ERFC, Data through fiscal year 2013

Our tax system, designed during the Great Depression, is not in step with our twenty-first century economy.

Although the 2014 supplemental budget was able to be balanced in the current and next biennia, our fiscal situation is far from ideal. The 2015 Legislature will face significant challenges, including:

- Meeting our *McCleary* obligations – requiring about an additional \$2 billion in the next biennial budget to meet our basic education responsibilities
- Providing adequate compensation for our state’s teachers and public employees – who haven’t seen a cost-of-living increase in over six years
- Making additional investments in early learning and higher education

House Democrats' Proposals:

The House proposed closing some tax loopholes in order to fund the reinstatement of the Initiative 732 COLA for teachers and other school employees, plus an investment in improving the quality of our early learning system.

The Senate wouldn't agree to the tax exemption package, so COLA and early learning enhancements are gone.

Conference Agreement:

The final 2014 operating budget conference agreement funded the following:

- \$58 million investment in K-12 supplies, books and technology, a modest part of our McCleary obligation – which gives our schools flexible funding
- Significant steps on mental health beds and services at the community level
- 5000 new slots for services to our developmentally disabled community, taking a big bite out of the “no paid services” wait list
- \$5 million for the State Need Grant, with passage of the Dream Act, enabling all students who attend Washington K-12 schools regardless of immigration status the opportunity to access college scholarships
- \$23 million for payment increases for child care providers and steps towards a tiered reimbursement system that should result in higher quality child care
- \$89 million to fully fund state program caseload and other mandatory changes
- TANF program reinvestments to help struggling families achieve economic success

Four Year Outlook:

The 2012 Legislature passed a statute which requires the operating budget to be balanced in the current and the ensuing biennium. Much focus this session was on this next requirement. The following pages show the four year outlook for the conference proposal.

In the current biennium (2013-15) the Near General Fund-State + Opportunity Pathways (referred to as the “unrestricted”) projected ending fund balance is \$315 million. For the 2015-17 biennium, the Near General Fund-State + Opportunity Pathways projected ending fund balance is \$31 million.

The Budget Stabilization Account (BSA) balance is also shown. With the BSA added to the unrestricted ending fund balance, the ending fund balance is \$897 million in the current biennium and \$974 million in the 2015-17 biennium.

Major 2014 Supplemental Items List:

The pages following the four year outlook show key budget items and their funding levels in the Governor, original Senate, original House and Conference budgets.

Conference Proposal Budget Outlook 2014 Supplemental

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Beginning Balance	156.4	329.0	156.4	314.6	(20.0)	314.6
Current Revenues						
February 2014 Forecast	16,595	17,042	33,637	17,781	18,548	36,329
Additional Revenue Based on 4.5% Growth Rate Assumption				28	63	91
	16,595	17,042	33,637	17,809	18,610	36,420
Other Resource Changes						
Transfer to BSA	(144)	(169)	(312)	(176)	(183)	(359)
Enacted Fund Transfers (Net)	58	83	140	-	-	-
Capital Budget Transfers	139	139	277	-	-	-
Prior Period Adjustments	20	20	41	20	20	41
Supplemental Budget						
Revised Child and Family Reinvestment Account	2	2	4	-	-	-
Correct Education Savings Account Deficit	(0)	-	(0)	-	-	-
DNR PILT Adjustment	(0)	-	(0)	-	-	-
Liquor Excise Tax fix for locals	(5)	(5)	(9)	-	-	-
Liquor Control Board Budget Driven Revenue	5	4	9	-	-	-
Tobacco Strategic Contribution Transfer	1	19	20	26	26	53
Lottery Transfer	4	-	4	-	-	-
Energy Freedom Account	1	1	1	-	-	-
Business and Professions Account	1	1	2	-	-	-
ESSB Merging Marijuana	-	(2)	(2)	(2)	(2)	(4)
HB 2409 Marijuana Industry Tax Preference	-	3	3	3	3	6
HB 2795 Tobacco Substitutes	-	-	-	-	-	-
HB 2796 Ed funding/tax pref changes	-	-	-	-	-	-
ESHB 1287 Indian tribes/property tax	-	1	1	2	3	5
SB 6440 (Natural gas/fuel tax)	-	-	-	(0)	(0)	(1)
County Distribution Assist. Account Correction	-	0	0	-	-	-
Total Revenues and Resources (Including Beginning Balance)	16,832	17,468	33,971	17,997	18,457	36,474
Enacted Appropriations	16,465	17,166	33,631			
EHB 2088 Aerospace Appropriations	1	10	11			
Continue FY 2015 Appropriation Level				17,175	17,174	34,349
Adjustments To FY 2015 Baseline				607	1,029	1,636
Actual/Estimated Reversions	(70)	(70)	(140)	(70)	(70)	(140)
Maintenance Level	9	81	89	98	105	203

Conference Proposal Budget Outlook 2014 Supplemental, cont.

	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17
Policy Level	99	(33)	66	208	187	394
K-12 Education	(0)	5	5	6	6	12
MSOC	-	58	58	73	73	146
Higher Education/Opportunity Scholarship	1	5	6	5	5	10
Opportunity Scholarship (See 28B.145.040)	25	-	25	-	20	20
SB 6523 Higher Education Opportunities		5	5	5	5	10
Mental Health/Dev. Disabilities/Long Term Care	1	2	4	2	2	5
DSHS/LTC Community First Choice	-	-	-	(25)	(25)	(49)
Children's Mental Health Settlement	0	8	8	16	24	40
Mental Health Service Enhancements	-	12	12	11	11	23
Corrections/JRA/SCC	(1)	5	5	5	5	11
Children's/Economic Svcs	3	2	4	2	2	4
Dept of Early Learning	0	5	5	3	3	6
DEL Electronic Child Care System	-	-	-	(13)	(13)	(25)
Child Care CBA + CC Centers	-	20	20	26	27	52
WorkFirst	(5)	(10)	(15)	10	10	20
Low Income Health Care	(25)	(10)	(35)	(10)	(11)	(21)
Health Care Innovation (HB 2572)	1	(3)	(3)	(19)	(38)	(57)
HCA Hospital Safety Net Phase out	-	-	-	-	-	-
Low Income Health Care BHP Account	-	-	-	(15)	(46)	(61)
Debt Service	91	(91)	-	-	-	-
LEAN savings	-	(10)	(10)	(10)	(10)	(20)
All Other	8	25	33	23	23	46
Effect of Higher PEBB Rate in 2015-17	-	-	-	118	118	236
PEBB Surplus and Trend Savings	-	(61)	(61)	(6)	(6)	(12)
Revised Appropriations	16,503	17,154	33,657	18,017	18,425	36,443
Projected Unrestricted Ending Balance	329	315	315	(20)	31	31
Budget Stabilization Account						
Beginning Balance	270	414	270	583	759	583
Transfer From GFS	144	169	312	176	183	359
Interest Earnings	0	0	1	0	0	1
Ending BSA Balance	414	583	583	759	942	942
Combined Near GF-S Unrestricted & BSA Ending Balance	743	897	897	739	974	974

Major 2014 Supplemental Operating Budget Items
Near General Fund + Opportunity Pathways (000s)

Budget Item	Gov. Inslee	Passed Senate	Passed House	Final
Aging, Blind and Disabled	current level funding is provided			
Apple Health Enrollment Outreach	500	0	0	0
Assisted Living Rates	0	0	0	0
At-Risk Youth Intervention	0	0	500	400
Basic Health Plan planning	500	0	500	0
Breast and Cervical Cancer Treatment - funding is total \$; program restored and earns federal \$	0	3,761	3,761	3,761
Child Care Family Home Collective Bargaining	10,343	25,482	20,482	23,180
Children's Mental Health Lawsuit	8,241	8,241	8,241	8,241
College Bound	12,261	12,261	12,261	12,261
Community First Choice Option/Medicaid Personal Care Services	296	233	296	364
Community Mental Health	0	5,800	10,351	11,781
Developmental & Autism Screens/Bright Futures Standard of Care for Kids on Apple Health	2,742	561	0	561
Early Achievers	0	0	13,511	0
ECEAP Expansion	4,000	0	0	0
Emergency Food Assistance additional funds	0	800	1,000	800
Farmers' Market	0	200	0	200
Federal Forest Deductible Revenues (K-12)	0	0	1,991	1,991
Housing & Essential Needs (HEN)	current level funding is provided			
Home Care Hours Restoration (HB 2159)	0	0	0	0
Individual & Family Services Program	0	-451	0	-451
Institute for Protein Design	1,000	1,000	1,000	1,000
Lake Washington Sockeye Predation Study	0	150	0	150
Life Sciences Discovery Fund	0	-34,000	0	-20,000
Local Government Comprehensive Plan Update (Commerce)	982	0	0	0
Long Term Care Financing Study	500	0	500	0
Long Term Care Ombudsman Program	0	306	0	306
Medicaid Treatment Child Care (Childhaven)	3,018	0	3,018	3,018
MSOC (K-12 Materials Supplies Operating Costs)	0	38,275	58,008	58,008
New Teacher Mentoring	3,000	0	0	2,000
Nursing Home Rate Increase - These funds are from increasing the NH assessment fee + federal match	29,178	35,997	45,381	45,381
Save Toward Retirement (Start)	250	0	594	0
State Food Assistance--Restore Funding	0	0	0	0
State Need Grant Additional Funds	0	5,000	5,000	5,000
STEM Alliance	1,000	1,000	0	0
STEM for Underrepresented students	410	410	410	410
Supported Living Provider Wages	0	0	3,000	3,000
Teacher/Educational Employee COLA	0	0	55,542	0
Tobacco Prevention	2,000	1,000	2,000	1,500
WA Achievers Scholars	0	0	234	0
Year Up Community College Pilot	0	0	350	350

