

2012 Supplemental Operating Budget

Rep. Ross Hunter
Chair, Ways and Means Committee

Our challenge

- ▶ We had a balanced budget with reasonable reserves in May 2011
- ▶ Significant decline in projected revenue for the remainder of the biennium requires action by the legislature
- ▶ Supreme Court decides McCleary case – significant impact on K-12 options
- ▶ Additional lawsuits prevent many possible reductions

Projected revenues dropped by over \$1.8 billion



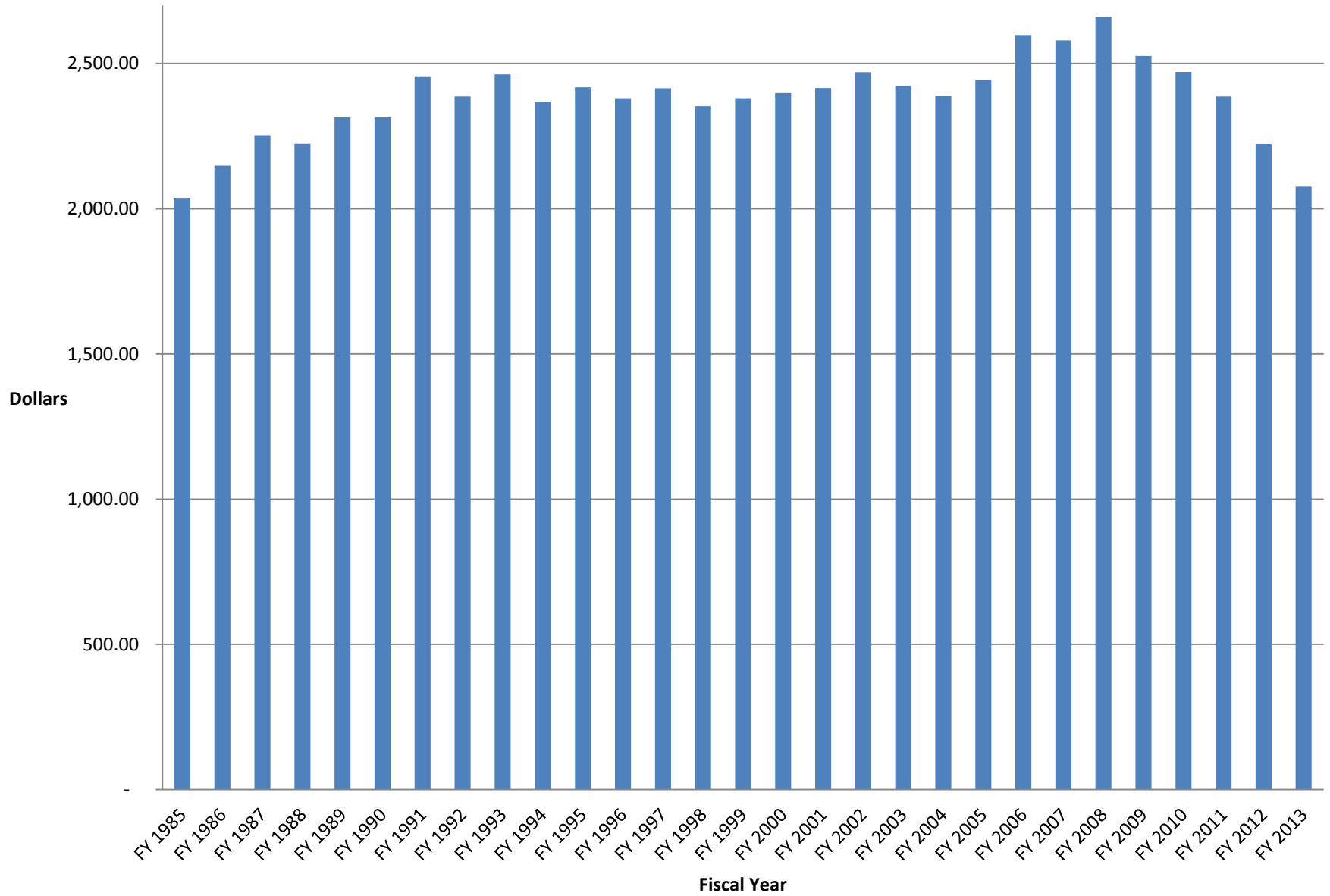
Goals

- ▶ Fund basic education per McCleary
- ▶ Provide a bridge to federal health care reform in 2014
- ▶ Keep higher education within reach for all students
- ▶ Maintain a functional safety net
- ▶ Protect our child welfare system
- ▶ Protect against expected volatility
 - ▶ Ending fund balance

Historical Perspective

- ▶ Long-term revenue trends are negative
 - ▶ Real per-capita spending at 1985 levels
 - ▶ Lowest combined state + local tax rate in over 50 years
- ▶ Initiatives reduced revenue
 - ▶ I-695 eliminated MVET; state backfilled local jurisdictions
 - ▶ I-747 put in place 1% property tax growth limit
 - ▶ \$1b - \$1.5b annual reduction in K-12 funding
 - ▶ Significant impact on local government funding
- ▶ We can no longer afford many existing expenditures

State Spending Per Person (adjusted for Inflation) is at 1985 levels



This proposal

- ▶ Assumes 2 Revenue bills
 - ▶ \$13.1 million - Roll Your Own Cigarettes
 - ▶ \$18.1 million - Mortgage B&O exemption
- ▶ Does not securitize any future funding streams
- ▶ Continues funding our pension obligations
- ▶ Results in 1,554 fewer FTEs (including liquor reduction)

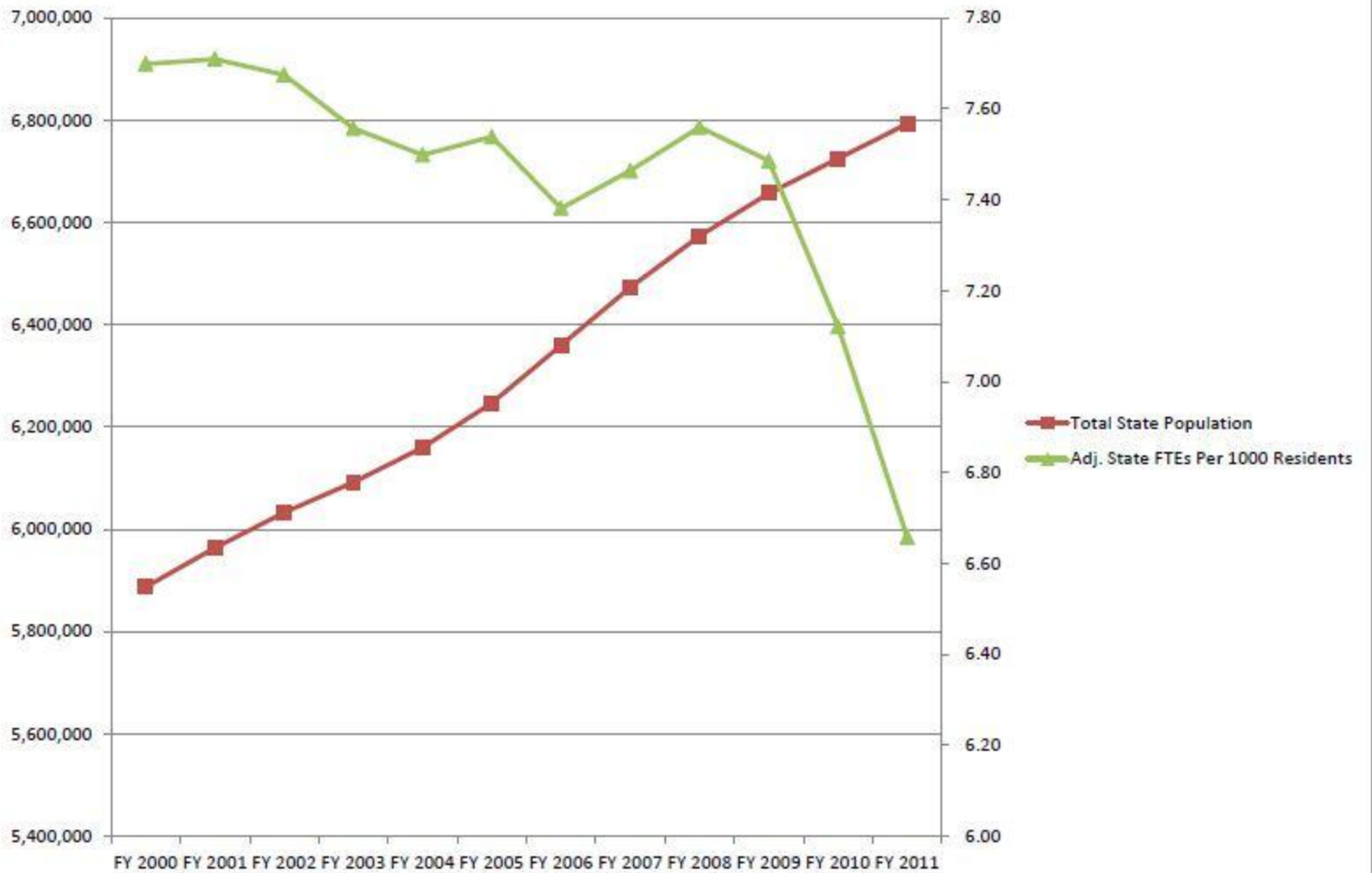
Major Decisions

- ▶ Ending Fund balance: \$504 million
- ▶ Local government restructuring
 - ▶ Eliminate many revenue diversions, some cost-sharing
 - ▶ Allow local revenue options
 - ▶ Joint Select Committee to do deeper reform (EHB 2602)
- ▶ K-12 task force to fund McCleary, other education issues
- ▶ Health care bridge to 2014

Compensation

- ▶ No reductions to state's pension contributions
- ▶ Health care savings – excess reserve – no impact on beneficiaries
- ▶ 1,554 more FTE reductions (about 900 from Liquor Control Board changes)

Washington State General Government Employees per 1000 Residents FY 2000 - 2011



Education

K-12

- ▶ Fully funds basic education
- ▶ Levy equalization shift and policy change
- ▶ Reduces national board bonus and changes small school methodology

Higher Education

- ▶ Institutional reductions – much smaller than the Governor's
- ▶ State Need Grant – small reduction

Early Learning

- ▶ Some administrative savings

Health Care

- ▶ Keeps low-income health care programs going – establishing a bridge to federal health care reform in 2014
- ▶ New critical access hospital methodology
- ▶ Some increased cost sharing
- ▶ Reduced disproportionate share payments

Human Services

- ▶ Complies with Braam lawsuit staffing requirements
- ▶ Reforms legal cost structure for sexually violent predators
- ▶ Provides stability for low-income working families
 - ▶ 12 month eligibility for child care
 - ▶ Chemical dependency services

General Government

▶ Corrections

- ▶ Supervision changes, including evidence-based change to “swift and certain” result in significant long-term savings
- ▶ No early release

▶ Natural Resources

- ▶ Shifts funding to other dedicated accounts
- ▶ Supports programs through cost recovery

▶ Administrative Savings

- ▶ IT and other back-office reductions