

1981-83 Biennial Operating Budget

Overview

The original 1981-83 biennial operating budget for the State of Washington appropriated \$12.1 billion. General Fund-State dollars supported approximately \$6.9 billion of the total appropriation. Another \$1.8 billion in expenditures was supported by federal fund sources for a total General Fund appropriation of \$8.7 billion. Budget reductions adopted by the Legislature during the 1981 Second Extraordinary Session reduced the total budget by \$350 million to \$11.8 billion.

Facing a shortfall of General Fund revenues of approximately \$478 million, the Legislature this session found it necessary to again revise the 1981-83 budget by reducing State General Fund spending by \$152 million and increasing tax revenues by \$326 million.

In making reductions, the Legislature set the following priorities: (1) Continue to provide quality educational programs at all levels; (2) Ensure that the essential needs of the socially and physically disadvantaged are met; and (3) Reduce or eliminate those programs whose operations least affect the needs of the citizens of this state.

The 1981-83 State General Fund budget in nominal dollars is \$1,133 million, or 19.8 percent higher than 1979-81 expenditures. Major components of that increase can be summarized as follows:

	Biennium Increase \$ Amount <u>(Millions)</u>	Biennium Increase <u>Percent</u>
K-12 appropriation of monies previously considered local funds	\$ 253	4.4
Increased retirement systems budget	117	2.0
Increased distribution of state collected revenue to local government	40	0.7
Increased prison system budget	70	1.2
Increased public schools budget	320	5.6
Increased social & health services budget	151	2.6
Compensation increases public school & state employees (average increase less than 4% per year)	227	4.0
Reduced employment levels - replace only one-half of terminating employees	(30)	(0.5)
	<u>\$1,148</u>	<u>20.0</u>

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The balance of state government agencies received essentially the same level of state general fund support (not inflated) in this budget as they did in the 1979-81 biennium. However, a constant level of dollar support does not provide for the same level of service as provided in the past biennium. For example, \$30 million of expenditures included in the 1979-81 total represents the cost of a 6 percent salary increase for state employees granted on October 1, 1980 (FY 1981). Maintenance of that salary increase through the 24 months of the current biennium will cost \$80 million. This same principle applies to increases in grant levels and vendor payments that were provided toward the end of the 1979-81 biennium. Another example concerns the natural resource and general government groups of agencies. Most of these agencies were initially budgeted at a level of 12 percent below the estimated requirement for maintaining 1979-81 service levels. Subsequently, the biennial appropriation was further reduced by 10.1 percent in the November/December 1981 legislative session. The 1982 session reduced these agencies' biennial budget levels by another 3 percent. The cumulative effect of these reductions is more than 25 percent because the 10 percent reduction took effect with only 18 months remaining in the biennium and the 3 percent reduction occurred with only 14 months remaining.

The major increases in programs occurred in prisons due to increasing populations, commerce and economic development for tourist promotion and industrial development, and in student financial aid because of increased tuition and operating fees.

The increase in K-12 funding is to allow maintenance of current service levels, while the DSHS increases reflect increased medical costs and increased populations in program areas such as mental health.

Although the increase of nearly 20 percent in budget capacity appears on the surface to be adequate for meeting inflationary pressures, most operations of state government will be operating at a reduced service level this biennium in comparison to the 1979-81 period.

The General Government budget area includes both the legislative and judicial branches, and a diverse assortment of over 30 agencies within the executive's span of control. For the most part, General Government agencies are being required to reduce their 1981-83 State General Fund expenditures by 3 percent. In specific cases, where warranted, supplemental appropriations have been provided. Conversely, reductions of less than 3 percent have been approved.

Following are revisions of note to the General Government area of the biennial operating budget.

Office of Minority and Women's Affairs - This office is newly established within the governor's office. Its general mission will be to address concerns unique to Asians, Blacks, Indians, Mexican-Americans, other Washington minorities, and Women. Its specific responsibilities and office structure are to be determined by the governor. Implementation is expected in fiscal year 1983 upon termination of funding for the separate Commissions on Asian-American Affairs, Mexican-American Affairs, and the Indian Advisory Council.

Office of Financial Management/State Treasurer's Office - Supplemental funding is earmarked for the completion, implementation, and operation of the Agency Financial Reporting System (AFRS) and its integration with the Treasury Accounting System. It is assumed that AFRS will be operational in 109 agencies by July 1, 1983.

Energy Fair 1983 - Funding for development of a state exhibit is eliminated due to the Fair's cancellation.

Department of Revenue - Appropriations are reduced only for those programs in which cutbacks result in minimal or no loss to state revenue collections.

Legislative Budget Committee - Funding is provided for a study of program and course duplication at all levels of higher education and at all types of institutions. Funding is also provided for a grant to study the structure and management of education systems, from kindergarten through higher education.

Judicial Council - Funding is provided solely for fiscal year 1982. Effective July 1, 1982, the Council's functions are transferred to the Office of the Administrator for the Courts.

General Government Highlights

Compensation - A salary adjustment of 7 percent for all employee groups during the second year of the 1981-83 biennium will be provided five months later than planned for state employees, and six months later than planned for school district employees. Both groups will receive their increases on June 30, 1983. Increased contributions for employee insurance programs will begin as originally planned on July 1, 1982.

Salaries - State employees will receive an increase of 7 percent effective June 30, 1983. School employees will receive an increase of 6.8 percent effective June 30, 1983.

Employee Health Insurance - The current rate, per employee per month is \$121. The rate effective on July 1, 1982, is \$137.

The Department of Social and Health Services appropriation was reduced by \$8.8 million in State General Funds. Every effort was made to minimize financial impacts on programs directly affecting its clients. In addition, several budget increases were granted to aid the elderly and medically indigent.

General - Inflationary increases scheduled in fiscal year 1983 for vendors have been reduced by 50 percent. Funding for six regional offices and eight small vocational rehabilitation offices is discontinued. Responsibility for services for the blind is transferred to the Department. Administrations of the Deaf and Blind Schools are consolidated. Discretionary reductions totaling \$7.0 million are required.

Medical Assistance - The deductible for the Medically Indigent Program is reduced from \$1,500 to \$500 per year.

Community Social Services - \$4.0 million in surplus funding is removed from the chore services program. Funding is provided to place a floor under ability-to-pay for chore services. Additional funding is provided for cost-shared day care for low-income working families.

Department of Corrections - \$3.7 million in unspent program support allotments is removed.

Blind Commission - Funding for the Commission is eliminated and its functions are transferred to the Department of Social and Health Services.

A 3 percent reduction to the State General Fund appropriation budget, totaling \$934,000, was made for all remaining human resources agencies. However, supplemental appropriations were granted for the following agencies: \$107,000 to the Planning and Community Affairs Agency for support of the Section 8 low-income housing program; \$1.998 million to Labor and Industries for the Victims of Crime Program; and \$25,000 to the Board of Prison Terms and Parole for increased workload coverage.

This budget, as a proportion of the total state budget, requires the largest expenditure of General Fund-State dollars. As such, the Legislature has worked toward establishing controls on various cost components while maintaining its commitment to funding basic education. Student enrollment levels of 713,150 for the 1981-82 school year and 705,740 for the 1982-83 school year are assumed.

Total net reductions of State General Fund support amount to \$55.2 million or 1.7 percent; \$16.1 million or 0.5 percent are program adjustments. Salary, enrollment, and technical adjustments comprise the remainder.

Administrative costs of the Office of Superintendent of Public Instruction and Educational Service Districts are reduced by 3 percent and 1 percent respectively.

\$19.1 million of State General Fund support is provided to offset a shortfall in local, state, and federal timber revenues.

State revenues to school districts for general apportionment, salary and compensation increases, pupil transportation, vocational-technical institutes, food services, handicapped, institutional education, and special programs block grants are reduced by 0.5 percent for the 1981-83 biennium.

Support for educational clinics is reduced by 1 percent.

Appropriations to the four-year institutions and the community college system are reduced by approximately one percent for a total of \$10.7 million. \$3.6 million is from General Fund-State sources. Reductions are made across the board to maximize institutional flexibility in implementing the reductions.

\$7,051,000 of the University of Washington Building Account is replaced with State General Funds to offset the shortfall of timber sales revenue. To the extent feasible, new faculty are to be hired in nontenure-track appointments. Expenditure limits are established for administrative programs to discourage the transfer of funds from instruction and student services into administration. Enrollments in community college ungraded courses for which operating fees are waived are discounted by up to 23 percent for 1983-85 budget development purposes. (Adult basic education is excluded from this provision.)

Natural Resources Highlights

The Natural Resources agencies are, in general, required to reduce the 1981-83 State General Fund expenditures by 3 percent. These appropriation reductions total \$3.4 million.

Appropriations for the Department of Commerce and Economic Development were reduced by 1.1 percent. Funding was provided to create the Winter Recreation Commission.

A general budget reduction of transportation agencies has not been imposed. General fund appropriations to the Department of Transportation were reduced by 3.6 percent while the State Patrol and the Department of Licensing were reduced by 3 percent.
