1994 Supplemental Budget Overview

The 1994 supplemental operating budget authorized by chapter 6, Laws of 1994, 1st sp.s. (ESSB 6244), and as further amended by chapter 7, Laws of 1994, 1st sp.s. (E2SHB 2319), totals $28.3 billion. Of that amount, $16.2 billion is from the state general fund and $12.1 billion is from all other funding sources. There are also capital appropriations from the General Fund-State of $98.9 million included in the transportation budget and the omnibus capital budget. For supporting detail, see "Appropriations Contained within Other Legislation" on page 14. The total 1993-95 General Fund-State budget is $16.3 billion. The total 1993-95 operating budget is $29.9 billion.

The total funds supplemental operating budget represents an increase of 0.4 percent over the original 1993-95 biennial appropriations level. The state general fund portion of the total supplemental budget represents a 1.0 percent increase over the original 1993-95 General Fund-State budget appropriations level.

The passage of Initiative 601 (I-601) by the voters at the November 1993 general election significantly influenced the construction of the 1994 supplemental operating budget. Briefly, the initiative establishes a new limit on state general fund budget expenditures and restricts state revenue increases. The new spending limit will first be effective with the 1995-97 biennial budget. In February 1994, the Office of Financial Management indicated that its preliminary estimate of the general fund spending limit for the 1995-97 biennium was about $17.7 billion. Legislative fiscal staff estimates of the cost of continuing current programs and services into the 1995-97 biennium was also estimated to be approximately $17.7 billion.

Because the cost of maintaining existing programs and services was equal to the projected I-601 spending limit, the Legislature was concerned that other budget priorities such as salary increases, inflation adjustments for private social service contractors, and increased higher education enrollments would be difficult to accommodate in the next biennium. Consequently, in constructing the 1994 Supplemental Budget, the Legislature took several actions to reduce projected 1995-97 current services spending in order to prepare for budgeting within the I-601 spending limit. This included approximately $59 million in additional program reductions to the 1993-95 biennial budget which will "carryforward" into the next biennium and help reduce projected budget costs. In addition, reductions to projected 1995-97 spending were made through the elimination of a fifth education reform planning day scheduled for the next biennium ($34 million), budget proviso language instructing higher education institutions to prepare for budget reductions totalling $39 million in the next biennium, and several others. In the "fastest growing" areas of the budget such as medical assistance, long-term care, corrections, and portions of K-12 education, a number of fiscal studies will be conducted during the 1994 interim to determine if additional savings in projected 1995-97 spending can be achieved.

A significant increase in forecasted general fund revenues in February 1994 also led to supplemental budget decisions to reduce taxes and provide for some one-time expenditure investments. The tax reductions and incentives enacted during the 1994 session are discussed beginning on page 18.

Major one-time General Fund-State spending initiatives include $18.8 million for instructional materials and technology for public schools; $15.3 million to help mitigate a shortfall in the common school construction fund; $93.9 million in the supplemental transportation budget for "Category C" transportation projects; $5 million for park maintenance; $3.4 million for higher education distinguished professorships and graduate fellowships; and $5 million in the supplemental capital budget (combined with $5 million from other sources) for watershed restoration and fish stock recovery.

The supplemental operating budget also provides funding to support the 1994 Violence Prevention Act. A total of $17.8 million ($15.7 million General Fund-State) is included to support this measure. Other major supplemental adjustments include $60.7 million General Fund-State resulting from a reduction in the federal matching rate percentage for major social service programs; $27.4 million General Fund-State due to a shortfall in support enforcement collections; $33.3 million in General Fund-State savings from reduced K-12 enrollments; and $28 million in General Fund-State savings in reduced bond retirement costs resulting from refinancing outstanding debt and taking advantage of lower interest rates.

Total general fund reserves are estimated to be $289.3 million. This includes $164.3 million in the estimated ending balance and $125 million in the Budget Stabilization Account, of which $25 million is for future pension funding.