

# 2000 Supplemental Omnibus Budget Overview

## *Operating Only*

The 2000 supplemental omnibus operating budget enacted by Chapter 1, Laws of 2000, 2<sup>nd</sup> Special Session, Partial Veto (EHB 2487), totals \$37.92 billion. Of that amount, \$20.85 billion is from the state general fund and \$17.07 billion is from other funding sources.

Under RCW 43.135 (Initiative 601), spending from the state general fund is limited to \$20.9 billion – \$10.2 billion for fiscal year 2000 and \$10.7 billion for fiscal year 2001. The state general fund is \$100 million under the current Initiative 601 expenditure limit.

The 2000 supplemental omnibus operating budget as adopted by the Legislature and revised to reflect Governor vetoes increased 1999-01 state general fund appropriations by \$277 million and increased total funds by \$756 million. This represents a general fund increase of 1.3 percent and total funds increase of 2.0 percent.

Significant savings in the state general fund budget came from: continued maximization of federal funds, caseload savings, and program efficiencies in the Temporary Assistance for Needy Families and associated programs (\$106 million in savings between the Department of Social and Health Services [DSHS] Economic Services and Children's Services programs); enrollment savings in the public schools (\$84 million); and caseload savings in the DSHS Long Term Care and Medical Assistance programs (\$67 million).

Major increases in current services in the state general fund budget include over \$87 million in unbudgeted costs for health care rates in DSHS Medical Assistance, \$64 million to pay for decreased federal participation in social service programs, and \$18 million in unbudgeted costs for levy equalization.

Policy enhancements focused on two primary areas: backfilling losses brought about by the repeal of the motor vehicle excise tax; and enhancements to the public school system.

# Fiscal Issues of Statewide Significance

The fiscal challenge for the 2000 legislative session was to address three competing demands on the state's large and growing general fund reserves. The combined state general fund ending fund balance and the Emergency Reserve Fund were projected to be over \$1.3 billion by the end of the 1999-01 biennium.

In November 1999, the voters enacted Initiative 695, which repealed the excise tax on motor vehicles. Initiative 695 directly affected state and local programs by eliminating \$1.2 billion in revenue to local governments, public transit programs, and state transportation programs. The primary focus of the session was this revenue loss.

Additionally, there were several proposals to use the state's favorable fiscal situation to reduce property taxes, such as tax cuts for senior citizens, homeowners, or an elimination of the state portion of the property tax. Finally, there were several proposals to enhance public school funding, including funding for class size reduction and common school construction.

## **Initiative 695**

State transportation and local transit districts lost \$930 million (\$600 million in state transportation and \$330 million in local transit revenues) as a result of the passage of Initiative 695. Local governments and public health districts lost \$300 million as a result of the initiative passing.

To address these losses, the legislative supplemental omnibus operating and capital budget makes several appropriations totaling \$332.7 million which are designed to help local jurisdictions and the legislative supplemental transportation budget adjust to this loss of revenue. These appropriations include the following:

- \$35 million ongoing annual assistance from interest on the emergency reserve fund for debt service on highway construction.
- \$80 million one-time assistance from the general fund for transit districts.
- \$50 million one-time assistance from the general fund to the multimodal transportation account for transit liability payments.
- \$20 million ongoing annual assistance from the general fund for ferry operations.
- \$12.7 million from the general fund for the King Street Station rail maintenance facility.
- \$35.5 million in ongoing funding from the general fund for county public safety assistance, court operations, and other services.
- \$66.3 million in ongoing funding from the general fund for assistance to cities for criminal justice and fire and police protection.
- \$33.2 million in ongoing funding from the Health Services Account is provided to restore 90 percent of funding losses to public health districts and county public health programs.

The supplemental budget also provides back-fill funding for two state programs that lost funding due to the repeal of the motor vehicle excise tax: the air quality program at the Department of Ecology; and the state crime lab operated by the Washington State Patrol.

## **Education Finance**

Responding to demands to increase funding for the public school system, the Legislature created the Better Schools Program and put in place a mechanism to generate funding for common school construction.

The Better Schools Program is intended to provide ongoing support for class size and extended learning opportunities (\$37.4 million) and for professional development for certificated and classified staff ensuring that instruction is aligned with state standards and student needs (\$20.1 million).

For school construction finance, separate legislation (Chapter 2, Laws of 2000, 2<sup>nd</sup> sp.s. – EHB 3169) reduced the threshold over which funds flow from the emergency reserve fund to the education construction account. This change will produce an estimated \$115 million for the Education Construction Fund in the 1999-01 biennium, of which \$35 million is appropriated to common school construction. The remaining funds may be used for K-12 or higher education construction.

**1999-01 Estimated Revenues and Expenditures**  
**2000 Supplemental Budget**  
**General Fund-State**  
(Dollars in Millions)

<b>Resources</b>	
Unrestricted Beginning Balance	462.0
February Revenue Forecast	20,842.9
Revenue Legislation	-3.1
Total Resources	21,301.8
<b>Expenditure Limit and Appropriations</b>	
Official Initiative 601 Expenditure Limit	20,651.1
Net Adjustments to the Limit	299.0
Revised Initiative 601 Expenditure Limit	20,950.1
Original 1999-01 Appropriations	20,572.8
2000 Supplemental Budget *	277.4
Revised 1999-01 Appropriations	20,850.2
Spending Compared to Limit	-99.9
<b>Unrestricted General Fund Reserves</b>	
Beginning Balance	462.0
Change in Reserves	-78.4
Unrestricted Ending Balance	383.6
<b>Emergency Reserve Fund</b>	
Beginning Balance	535.7
New Deposit (Revenue > Limit)	68.0
Transfer to Education Construction Fund	-114.6
Transfer to Multimodal Transportation Account	-35.0
Interest Earnings	72.6
Emergency Reserve (5 percent Annual Threshold)	526.8
Education Construction Fund Balance	114.6

\* The 2000 Supplemental Budget reflects Chapter 1, Laws of 2000, 2nd sp.s., Partial Veto (EHB 2487).

**1999-01 Washington State Budget**  
**2000 Supplemental Budget**  
**Adjustments to the Initiative 601 Expenditure Limit**  
(Dollars in Millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>1999-01</u>
<b>Current Limit</b>	<b>10,170.2</b>	<b>10,480.9</b>	<b>20,651.1</b>
<b>Shift of Local Program Costs</b>			
Counties (I-695 Assistance)	11.9	11.9	23.7
Cities (I-695 Assistance)	21.7	23.0	44.6
Transit Districts (I-695 Assistance)	0.0	80.0	80.0
Sound Transit Contribution	15.0	0.0	15.0
King Street Rail Maintenance Facility	0.0	12.7	12.7
<b>Shifts between State Funds</b>			
Ferries (I-695 Assistance)	0.0	20.0	20.0
Superintendent of Public Instruction	15.1	0.0	15.1
Air Quality Program	3.2	3.5	6.6
Municipal Research Council	0.0	-1.8	-1.8
Other Fund Shifts	-0.4	0.0	-0.4
<b>Shift of Federal Program Costs</b>			
FMAP Adjustment	0.0	35.8	35.8
Disproportionate Share Adjustment	0.0	16.9	16.9
State Veterans' Homes	-0.1	0.0	-0.1
<b>Rebase to Actual Spending in FY 2000</b>	<b>0.0</b>	<b>30.9</b>	<b>30.9</b>
<b>Total Adjustment</b>	<b>66.3</b>	<b>232.8</b>	<b>299.0</b>
<b>Revised Initiative 601 Expenditure Limit</b>	<b>10,236.5</b>	<b>10,713.7</b>	<b>20,950.1</b>

**1999-01 Washington State Operating Budget  
Appropriations Contained Within Other Legislation**

(Dollars in Thousands)

<b>Bill Number and Subject</b>	<b>Session Law</b>	<b>Agency</b>	<b>GF-S</b>	<b>Other</b>	<b>Total</b>
EHB 2304 - School Safety Programs	C 12 L 99 E1	Superintendent of Public Instruction	7,000		7,000
2SSB 5802 - Telecomm Contractors	C 238 L 00 PV	Department of Labor & Industries		1,408	1,408
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Bond Retirement & Interest		254,776	254,776
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Department of Agriculture		311	311
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Department of Licensing		157,964	157,964
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	LEAP Committee		887	887
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Senate		2,436	2,436
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	State Parks & Recreation Commission		859	859
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Utilities & Transpo Commission		222	222
E2SSB 6499 - Transportation Budget	C 3 L 00 E2 PV	Washington State Patrol		227,104	227,104
<b>Total</b>			<u>7,000</u>	<u>645,967</u>	<u>652,967</u>