

# 2002 Legislative Session and the WA State Budget

This article provides a brief overview of Washington State's budget process. This information was originally compiled by Sara Merton with the Washington Association of Churches. With her permission, we are using it as a basic "primer" for the upcoming session.

Some of the information included in this article was taken from "A Description of Washington State's Budget Process" published by the Office of Financial Management. That document as well as details of current budget proposals are available on-line at [www.ofm.wa.gov/budget](http://www.ofm.wa.gov/budget). Each year, many of our legislative alerts focus on details of our state budget, especially funding for human service programs. This is an important element of our advocacy work.

## The Budget Process

Like 21 other states, Washington enacts budgets for a 2-year cycle, beginning on July 1 of each odd-numbered year. The budget approved for the 2001-03 Biennium remains in effect from July 1, 2001 through June 30, 2003. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget can be modified in any legislative session through changes to the original appropriations. It has become common for the Legislature to enact annual revisions to state's biennial budget. These revisions are referred to as supplemental budgets.

After the Governor submits his budget to the legislature, they have the option of passing his budget or crafting their own. It is commonplace, for legislators to use the Governor's budget as a starting point, but to develop their own budget proposals.

## The Players

State Agencies are responsible for developing budget estimates and submitting proposals to the Governor.

The Office of Financial Management (OFM) works to coordinate agency budget submission and prepares the Governor's budget.

The Governor recommends a budget to the legislature that reflects the executive policy priorities.

Through appropriation bills, the Legislature mandates the amount of money that each state agency can spend, and also can direct the agencies where and how to spend it.

The Economic and Revenue Forecast Council releases a quarterly official forecast of state revenues that will be available to support estimated expenditures.

## Sources of State Revenue

Washington receives most of its revenue from taxes, licenses, permits and fees, and federal grants. The list below shows the major revenue sources collected from in the state for the General Fund expenditures in the current biennium.

- Retail Sales and Use Tax: 56.4%
- Business and Occupation Tax: 18.7%
- Property Tax: 12.9%
- Other: 12.0% (this includes revenue from real estate excise taxes, liquor sales, tobacco sales, lottery proceeds, and insurance premiums).

Source: Office of Financial Management, June 2001

## Size and Distribution of the State Budget

The state's current operating budget for the 2001-03 biennium (from all sources) is \$45.2 billion, this includes state and federal dollars. Slightly more than half- approximately \$22.8 billion -of the state operating budget is supported by state tax revenues and reserves. This is known as the General Fund State (GF-S) budget. The following shows the distribution of General Fund State dollars:

- K-12 Schools: 43.4%
- Higher Education: 12.3%
- Human Services: 18.9%

- Medical Assistance: 9.4%
- Corrections: 4.3%
- Natural Resources: 1.6%
- General Government: 2.6%
- Other\*: 7.5%

\*this includes debt service, pensions, other education, transportation

## Human Services

This portion of the budget provides vital services to the elderly, the sick, the disabled, the working poor and low-income and to children. It is this part of the budget that we often pay the most attention to. When cuts need to be made, the Human Services budget often must shoulder a disproportionate share of the reductions in funding. We believe that this part of the budget is one of the most critical as it serves some of our most vulnerable. About one in five residents are served by the Department of Social and Health Services each year. That is equivalent to 1.3 million people a year. DSHS has several agencies including Mental Health, Developmental Disabilities, Alcohol and Substance Abuse, Vocational Rehabilitation, Medical Assistance, Children's Administration, Economic Services, Long-Term Care, Juvenile Rehabilitation and Vocational Rehabilitation. DSHS also contracts with many local non-profits and organizations to provide services, such as Planned Parenthood. These organizations are known as vendors.

## Spending Limit (I-601)

Passed by voters in 1993, Initiative 601 has severely limited the state budget's ability to keep up with the cost of maintaining expenditures and programs.

I-601 imposed a spending limit, which is based on the previous year's expenditures and is adjusted only by a "fiscal growth factor." This is based on a 3-year average of inflation plus population change. Temporary expenditures above the limit are allowed after there is a declaration of an emergency and a 2/3rds vote of the legislature. Any revenues that are collected above the expenditure limit are collected in an emergency reserve account. In order to spend money out of the reserve account, there must be a 2/3rds vote of the legislature.

## Why we have a crisis?

We currently have a \$1.25 billion deficit for this current fiscal year. This means that in order to provide the level of services in the 2001-03 budget, we either need to raise an additional \$1.25 billion or reduce the budget by the same amount or some combination.

The main reasons that we have this serious deficit are:

- 1) A \$813 million drop in revenue. Because our tax system is so heavily dependent on the sales tax, we often have budget shortfalls when the economy slows. So when we have the highest demand for services, we have less of an ability to respond.
- 2) Passage of several Initiatives have reduced revenues and increased spending.
- 3) Escalating health care costs. In one year, health care costs increased by nearly 14%.
- 4) Changing state demographics. Our state population now has more seniors and more children. Which means we have seen an increase in K-12 enrollment and an increase in state services for the elderly.

## How Can You Make a Difference?

It is critical for our state lawmakers to hear directly from you about the budget and the priorities that you feel are most important. Your actions make a difference. There are several ways to be involved. You can:

- Write Letters, Make phone call or send e-mails to your elected officials and tell them what you want them to support (or not support).
- You can attend the Women's Legislative Reception February 4th, 2002; 11:30 - 1:00pm. Lobby day starts at 10:00am, location to be announced.
- You can contribute to NOW's annual fundraising drive to support our lobbyist and lobbying activities.
- You can write a letter to the editor to express your views about a specific social justice issue.

**ACTION:** Call your Representatives and Senator and ask that they support a budget that protects our state's vital social services. Legislative Hotline: 800-562-6000.