



PB 99:9
February 15, 1999

No Harm to Schools from Referendum 49

Backers of Referendum 49 repeatedly assured voters that passage of the measure would not jeopardize school funding. Opponents argued transferring some \$450 million from the state general fund would have dire consequences for the public schools, colleges and universities.

The proponents got it right. No harm, new roads.

General fund spending is limited by Initiative 601. And it's the limit, not Referendum 49, that constrains state spending. Indeed, the governor (prudently) does not spend to the limit in his proposed 1999-2001 budget although the money is there.

The balance sheet accompanying the governor's budget shows how it works.

Referendum 49, in essence, provided a \$30 motor vehicle excise tax (MVET) credit and transferred MVET dollars from the general fund to transportation accounts. The general fund loss is now estimated to be \$471 million. Even so, there was enough money available to the general fund, about \$20.7 billion, to spend up to the I-601 lid and leave half a billion dollars in reserves. (And remember the I-601 limit used by the governor is more than \$100 million higher than it would be otherwise because of the supplemental budget he proposes.)

Education does not fare badly, either, under the governor's budget. As the Washington Research Council wrote last month in "Governor's Proposed Budget Boosts Education Spending," most of the 7 percent increase in biennial spending goes to the public schools, colleges and universities.

Would the governor have wished to spend more? Perhaps. Certainly teachers have clamored for higher salaries.

But Referendum 49 had no direct effect on his ability to boost education spending even higher. At least, it had no effect within the budget principles he set out initially, including the imperative: "Live Within the I-601 Spending Limit."

1999-2001 General Fund-State Balance Sheet (dollars in millions)

Beginning Balance	\$528
November Revenue Forecast	20,650
Referendum 49 Transfer & Reductions	(471)
Other	(9)
Total Resources	\$20,698
Governor's Proposed Budget	\$20,577
I-601 Limit (w/ Governor's Supplemental)	\$20,637
Ending Balance	121
Wildlife Account Loan	4
Unrestricted Balance	125
Emergency Reserve Account	397
Total Reserves	\$522


As shown above, the governor's proposed 1999-2001 budget comes in below his calculated I-601 limit.

Had R-49 failed, the \$522 million reserve projected for the end of the biennium would increase by \$471 million, reaching \$993 million. That still amounts to less than 5 percent of biennial spending. But a billion-dollar reserve may have generated interest in breaking the limit to spend more on education.

That, however, is a different story. Neither during the 1998 legislative session nor throughout the months of campaigning did prominent opponents of R-49 say, "Vote no on 49 so we can break 601 in 1999." In fact, living with the spending limit has been a principle on which the governor and legislators of both parties have seemed to agree.

So Referendum 49 did no harm to the schools.

To receive advance notice of Washington Research Council publications by e-mail send your e-mail address to wrc@researchcouncil.org

Washington Research Council	
	108 S Washington St, Suite 406 Seattle WA 98104-3408 (206) 467-7088 or 1-800-294-7088 fax (206) 467-6957 http://www.researchcouncil.org

Nonprofit Org.
U.S. Postage
PAID
Olympia, WA
Permit No. 299

Return Service Requested