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April 22, 2011

**BRIEFLY**

Much work remains to be done on the 2011–13 budget. Not only must the House and Senate reach agreement on a compromise spending plan, but in addition to the budget bill itself, as many as 70 separate policy bills must be passed in order to implement the budget.

## SO CLOSE AND YET SO FAR AWAY

On Monday (April 18), the Senate passed an operating budget for the 2011–13 biennium, nine days after the House passed its version. The House budget spends \$314 million more than the Senate budget (\$32.440 billion versus \$32.126 billion). Also the House budget leaves \$66 million more in reserves than the Senate budget does. The combination of both higher spending and higher reserves is possible largely because the House budget assumes that \$300 million in new revenue can be raised by privatizing liquor distribution.

Table 1: 2011–13 NGFS+ Balance Sheet  
(Dollars in Millions)

	House- Passed	Senate- Passed
<b>Beginning Balance</b>	<b>36</b>	<b>39</b>
<b>Revenue</b>		
March Revenue Forecast	32,526	32,526
2011 Budget Driven Revenue	18	21
2011 Revenue Legislation	134	11
<b>Total Revenue</b>	<b>32,678</b>	<b>32,559</b>
<b>Other Resource Changes</b>		
Transfer to Budget Stabilization Acct.	(290)	(281)
Transfer from Budget Stabilization Acct.	290	
Transfer to Ed. Construction Acct. (2010)	(204)	(204)
Capital Fund Transfers	273	273
Public Works Assistance Acct.		50
Other Fund Transfers	148	132
Privatize Liquor Distribution	300	
Other Changes		2
<b>Total Other Resource Changes</b>	<b>517</b>	<b>(29)</b>
<b>Total Resources</b>	<b>33,231</b>	<b>32,569</b>
<b>Spending</b>		
2011-13 Appropriations	32,440	32,126
<b>Total Spending</b>	<b>32,440</b>	<b>32,126</b>
<b>Ending Balance &amp; Reserves</b>		
Unrestricted Ending Fund Balance	791	443
Budget Stabilization Acct. Balance	-	282
<b>Total Reserves</b>	<b>791</b>	<b>725</b>

NGFS+ is a rollup of the General Fund-State, Education Legacy Trust and Washington Opportunity Pathways Accounts.

Source: House Senate Ways and Means Committees; due to rounding, details do not necessarily sum to totals.

### Balance Sheet

Table 1 compares Near General Fund–State Plus (NGFS+) balance sheets for the House and Senate budgets. (NGFS+ rolls up three state accounts from which the legislature funds general state spending: the General Fund–State, the Education Legacy Trust Account and the Washington Opportunity Pathways Account.)

The beginning balance for the House budget is \$36 million, while that for the Senate budget is \$39 million because of differences in 2009–11 supplemental appropriations also included in these bills.

*Revenue.* The March forecast expects NGFS+ revenue for the biennium to total \$32.526 billion (\$31.907 billion to the General Fund–State, \$399 million to the Education Legacy Trust Account and \$221 million to the Opportunity Pathways Account, the parts sum to more than the total because of rounding).

The Senate budget has \$3 million more in “budget-driven” revenue than the House budget. Both expect \$14.5 million to be generated by additional tax-collection staff provided to the Department of Revenue (DOR). The Senate expects \$6.6 million from marketing initiatives and administrative cuts planned for the Liquor Control Board, while the House expects only \$3.3 million from these sources.

Revenue legislation adds \$134 million (net) to revenue under the House budget, but only \$11 million (net) under the Senate budget. The largest gains in the House budget are \$65.5 million from permanently redirecting real estate excise tax (REET)

from the Public Works Assistance Account to the GF-S, \$54.0 million from dedicating all of the proceeds from the tobacco lawsuit settlement to the GF-S rather than the Life Sciences Discovery Fund and \$26.6 million from DOR penalties and refunds. The largest revenue loss (\$10.4 million) results from dedicating sales tax paid by the state ferry system on fuel purchases to the Transportation 2003 Account to provide funding for the construction of a ferry boat. The largest legislated revenue gain for the Senate budget is \$35 million from dedicating to the GF-S a portion of the tobacco settlement proceeds currently dedicated to the Life Sciences Discovery Fund. This revenue gain would be partly offset by a number of items that reduce revenue. The largest of these reductions (\$8.6 million) results from the diversion of civil penalties for Medicaid fraud from the GF-S to a new Medicaid Fraud Penalty Account.

*Transfers and Other Resource Changes.* The House budget projects the constitutionally-required annual transfers of 1 percent of general state revenues to the Budget Stabilization Account will total \$290 million for the biennium. The Senate budget projects a slightly smaller total transfer, \$281 million. The House budget transfers \$290 million back from the Budget Stabilization Account to the GF-S. The Senate budget does not make a corresponding transfer.

Legislation enacted in 2010 (ESSB 6409) requires \$204 million be transferred from the GF-S to the Education Construction Account. Both budgets transfer a total of \$273 million to the GF-S from various capital accounts. The largest of these capital fund transfers is \$204 million back from the Education Construction Account. The second largest capital fund transfer is \$45 million of reversions to be retained in the GF-S rather than deposited to the Education Savings Account.

The Senate budget transfers \$50 million to the GF-S from the Public Works Assistance Account. (As noted above, the House budget adds \$65.5 million to 2011–13 revenue by permanently redirecting REET from the Public Works Assistance Account to the GF-S.)

Other transfers total \$132 million for the Senate budget and \$148 million for the House budget. For the Senate budget, the largest of these transfers are \$85 million from the liquor revolving account (which is funded by continuing higher liquor markups), \$25 million from the Treasurers Service Account and \$10 million from reducing various distributions to cities and counties. The House budget includes all of the transfers in the Senate's \$132 million, but it bumps the transfer from the Waste Reduction/Recycling/Litter Control Account from \$4 million to \$7 million and, in addition, transfers \$13 million from the Washington State Heritage Center Account.

The House budget assumes \$300 million from a controversial plan to privatize the distribution of liquor. Details have yet to be worked out, and an analysis by the Office of Financial Management suggests that the state would lose money on the deal initially proposed by the Washington Beverage Company. The Senate budget does not include liquor privatization.

*Spending.* The House budget appropriates \$32.440 billion from the three NGFS+ accounts. The Senate Budget appropriates \$314 million less, \$32.126 billion.

*Reserves.* The Senate budget leaves \$725 million in reserves; of this, \$282 million is held in the Budget Stabilization Account. The House-passed budget leaves \$791 million in reserves, none of which is in the Budget Stabilization Account.

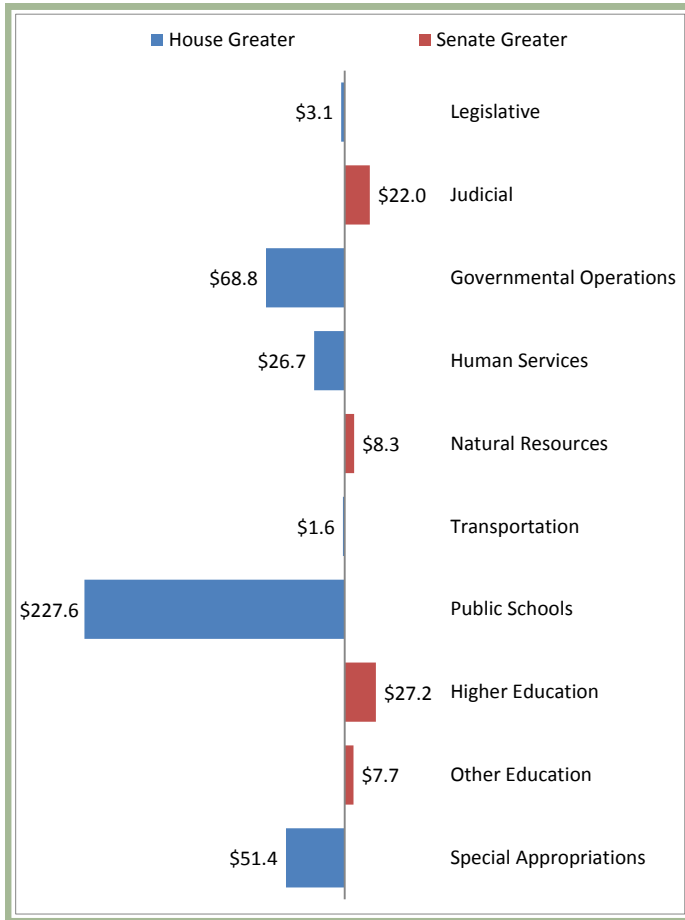


Chart 1: House and Senate Spending Differences (Dollars in Millions)

### Spending Overview

Chart 1 summarizes the high level differences between the House and Senate spending plans. The House spent more than the Senate in the legislative, governmental operations, human services, transportation, K–12 education and special appropriations categories. The Senate spent more than the House in the judicial, natural resources, higher education and other education categories.

K–12 education is the category with the largest dollar difference, \$227.6 million. This is the category for which NGFS+ spending is greatest, however. The difference between the House and Senate amounts to 1.6 percent of the total. Governmental operations is the category with the greatest percentage difference, with the House spending 16 percent more than the Senate.

Over the next ten days we will release policy briefs providing more detail on spending differences within the human services, K–12 education and higher education categories.

### Comment

Much work remains to be done. The House and Senate must reach agreement on a compromise spending plan. This is more difficult that the \$314 million difference in totals might suggest, as there are significant differences in details between the two plans. In addition to the budget bill itself, as many as 70 separate policy bills must be passed in order to implement the budget.