

A Citizen's Guide to the Washington State

BUDGET

January 2005



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Introduction

The 2005 Citizen's Guide to the Washington State Budget is offered as a resource for citizens, members of the Senate, their staff, and other interested persons; to provide a clear and simple overview of the state budget and state revenues. It describes the three basic state budgets and their interrelationships, the sources of revenue that support those budgets, how the money is spent, how many staff the state employs, the timeline for budget decisions and information about state debt and the Initiative 601 spending limit.

This guide was developed as a response to requests received by the Senate Ways and Means Committee for a brief and easy-to-understand document that would explain the state budget to the general public. The Legislature produces a number of documents and reports that provide highly-detailed information regarding budget and revenue actions and the many programs and tax sources contained therein. This guide provides a pamphlet-style brief introduction to the state budget and taxes.

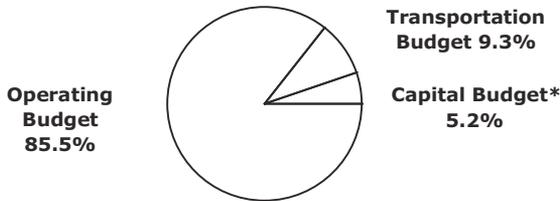
The 2005 Citizen's Guide to the Washington State Budget was prepared by staff of the Senate Ways and Means Committee (within Senate Committee Services) and the Legislative Evaluation and Accountability Program (LEAP) Committee, with invaluable assistance from staff in several state agencies, notably staff of the Budget and Accounting divisions of the Office of Financial Management (OFM). Questions regarding the guide or requests for additional copies should be addressed to:

Senate Ways and Means Committee

300 John A. Cherberg Building
Olympia, Washington 98504-0482
Telephone: 360-786-7715
Fax: 360-786-7615
<http://www.leg.wa.gov/senate/scs/wm/default.htm>

How Big Is The State Budget?

As of the 2004 Legislative Session, the State of Washington will spend a total of \$53.2 billion for the 2003-05 biennium. That is an average of \$73 million per day during the two-year spending period. This \$53.2 billion includes amounts from three different budgets, which are plans of how the state will spend the money. The relative size of each of the three state budgets is shown in the following chart:



2003-05 State Budgets
(Dollars in Billions)

Operating Budget	\$45.5
Transportation Budget	\$4.9
Capital Budget*	\$2.8
Total 2003-05 State Budgets	\$53.2

*Excludes Capital Re-appropriations (approximately \$1.8 billion).

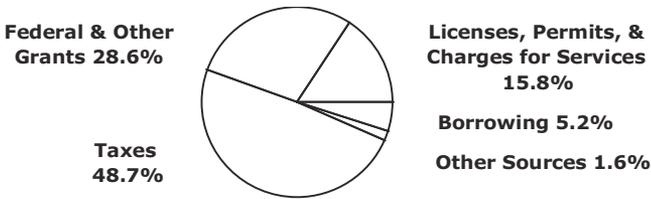
Sources: Winsum and Buildsum budget development systems for the 2004 Session.

- The budget that pays for the day-to-day operations of state government (including federal funds and dedicated funds) is called the Operating Budget (\$45.5 billion).
- The budget that pays for transportation activities, such as designing and maintaining roads and public transit, is called the Transportation Budget (\$4.9 billion). This budget includes amounts for both transportation operating activities (\$1.9 billion) and transportation capital activities (\$3.0 billion).
- The budget to acquire and maintain state buildings, public schools, higher education facilities, public lands, parks, and other assets is called the Capital Budget (\$2.8 billion).

Budget-related materials frequently refer to the “state general fund” or General Fund-State (“GF-S”), which is the largest state fund; it represents more than half of the \$45.5 billion operating budget. A discussion of the GF-S budget begins on page 10.

Where Does This Money Come From?

To pay for its activities in 2003-05, the state will tax citizens and businesses \$26.3 billion; receive federal and other grants of \$15.4 billion; collect fees and assess charges for licenses and permits of \$8.6 billion; and borrow \$2.8 billion. Other sources, including transfers, account for \$0.9 billion. The relative size of each of these sources is shown in the following chart:



2003-05 Sources of Revenue

(Dollars in Billions)

Taxes	\$26.3
Federal & Other Grants	15.4
Licenses, Permits, & Charges for Services	8.6
Borrowing	2.8
Other Sources (including Transfers)	0.9
Total 2003-05 Sources of Revenue	\$54.0

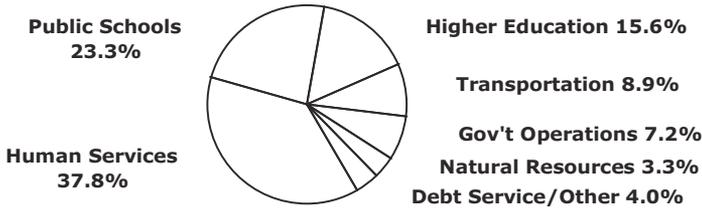
Source: OFM Revsum database for 2003-05 as of December 2004.

Most of the money the state uses to pay for services comes from state taxes. Washington's major tax sources include the sales tax, the property tax, and a rather unique tax called the Business and Occupation (B&O) tax, which is a tax on gross receipts rather than on profit or income. Washington is one of seven states that do not levy a personal income tax.

When the state projects that expenditures will exceed revenues, it must take action to address the imbalance. The actions it may take include: spending reserves; reducing expenditures; increasing revenues; borrowing money; or some combination of these four actions.

How Are These Funds Spent By Function?

The following chart shows how the \$53.2 billion 2003-05 total funds budget is allocated:



2003-05 All Budgeted Expenditures*

(Dollars in Billions)

Human Services	\$20.1
Public Schools	12.4
Higher Education	8.3
Transportation	4.7
Governmental Operations	3.8
Natural Resources	1.7
Debt Service/Other	2.1
Total 2003-05 All Budgeted Expenditures*	\$53.2

*Excludes Capital Re-appropriations (approximately \$1.8 billion).

Sources: Winsum and Buildsum budget development systems for the 2004 Session.

Numbers do not add due to rounding.

Human Services, such as medical and public assistance, long-term care, other health care, and prisons, represents 37.8% of total budgeted expenditures. Most human services programs are partnerships between the state and the federal government, with the federal government providing about half of the money and the state providing the rest. The state provides human services to one out of every five citizens, including services to over half a million children residing in Washington.

Public Schools—state funding of kindergarten through twelfth grade (K-12) school districts—comprises the next largest category of total budgeted expenditures at 23.3%, although it represents the majority of the state general fund budget (see page 12).

Higher Education continues at 15.6% of total budgeted spending. Higher education includes support for state four-year schools and community and technical colleges.

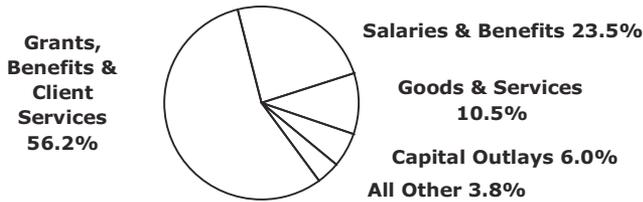
More than \$4.7 billion was planned to be spent for **Transportation** services and construction in the 2003-05 biennium. These services and construction include highways, state ferries, and other transportation programs in the Washington State Department of Transportation (DOT); the Washington State Patrol (WSP); and the Department of Licensing (DOL), to name the three largest. Of that \$4.7 billion, transportation operating activities account for more than \$1.9 billion (3.7% of statewide spending), and transportation capital activities account for nearly \$3.0 billion (nearly 5.6% of total spending).

Other major spending categories include **Natural Resources** (agencies for environmental protection, management, and recreation); **Governmental Operations** (administrative, judicial, and legislative agencies); and other expenditures, such as the payment of **Debt Service** (the interest and principle costs of facilities and services funded through general obligation bonds).

How Are These Funds Spent By Object?

Another way to look at state spending is to identify what the state purchases. For example, payments to contractors and vendors for services rendered, and to school districts for K-12 education; salaries and benefits for state employees; and payments for buildings and lands, among others. These classifications are called “objects” of expenditure.

The following chart shows large objects of expenditure for fiscal year 2004, the latest period for which complete object data are available:



Fiscal Year 2004 Expenditures by Object*

(Dollars in Billions)

Grants, Benefits & Client Services	\$14.6
Salaries and Benefits	\$6.1
Goods and Services	\$2.7
Capital Outlays	\$1.6
All Other	\$1.0
Fiscal Year 2004 Expenditures by Object*	\$25.9

*Includes Operating and Capital Budgeted Expenditures.

Source: Monitor database from statewide accounting system.

Numbers do not add due to rounding.

As the chart shows, more than half of state spending—more than 56%—is for **Grants, Benefits and Client Services**. Spending on this object occurs mainly in two agencies: \$6.3 billion in the Department of Social and Health Services (DSHS), as payments to hospitals, nursing homes, other service providers, and as welfare and child care payments; and \$5.8 billion in the Office of the Superintendent of Public Instruction, as apportionment and grants to K-12 school districts. Many other federal and state grant programs have expenditures in grants, benefits and client services.

The \$6.1 billion **Salaries and Benefits** expenditure in FY 2004 provided compensation to the 104,000 full-time equivalent (FTE) staff that the state directly employs. In addition to salaries and wages, this amount includes health, life, and disability insurance; Old Age and Survivors Insurance (OASI is sometimes referred to as “Social Security”); retirement and pensions; and other employee benefits.

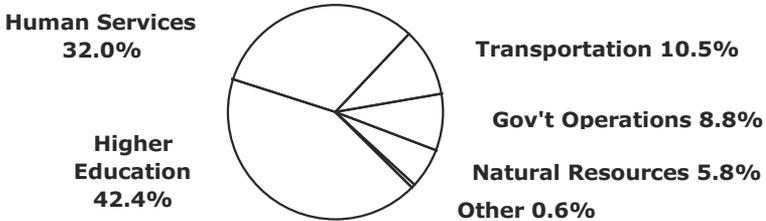
The nearly \$2.7 billion **Goods and Services** expenditure in FY 2004 paid for things like supplies, medications at state-operated hospitals, food at colleges and universities, and small equipment (valued at under \$5,000 per item), as well as services such as data processing, security, rentals and leases, communications, utilities, printing, insurance, training, and vehicle maintenance.

The \$1.6 billion **Capital Outlays** expenditure in FY 2004 paid for highway construction (\$562 million), buildings (\$334 million), and furnishings, equipment, and software (\$290 million), among others. The Washington State Department of Transportation (DOT) accounted for almost half (49%) of these expenditures, while higher education—the four-year institutions and the community and technical colleges—accounted for more than one quarter (26%).

The **All Other** category of objects includes debt service, personal service contracts, travel, and transfers for approximately \$1 million.

How Many State Employees Are There?

For budget purposes, the state counts its employees in terms of full-time equivalent (FTE) staff. One FTE equals 2,088 paid hours per fiscal year. Generally, one FTE is thought of as one full-time position, although an FTE may be composed of multiple part-time positions. As the following chart shows, for the 2003-05 biennium, the state's budgets anticipate almost 104,000 annual FTEs.



Average Annual FTE Staff for 2003-05*

Higher Education	44,000
Human Services	33,166
Transportation	10,856
Governmental Operations	9,151
Natural Resources	5,982
Other	617
Total*	103,772

*Includes FTEs from Omnibus Operating, Transportation, and Capital Budgets.

Sources: Winsum and Buildsum budget development systems for the 2004 Session.

Percentages do not add due to rounding.

Higher Education represents the largest category of state employees. The budget for the University of Washington includes nearly 20,000 FTEs and there are nearly 14,000 FTEs in the budget for the community and technical colleges. The next largest area is **Human Services**. More than 17,800 FTEs work for the Department of Social and Health Services and almost 8,100 FTEs work for the Department of Corrections.

Three agencies in **Transportation** employ 99% of the staff in this area of state government: Washington State Department of Transportation (7,241 budgeted FTEs), Washington State Patrol (2,319), and the Department of Licensing (1,231).

Similarly, in **Natural Resources**, the largest employers are the Departments of Fish and Wildlife (1,627 budgeted FTEs), Natural Resources (1,466 FTEs), and Ecology (1,396).

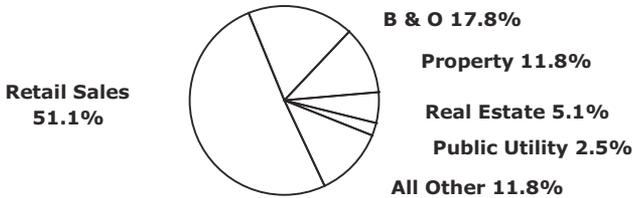
In this display, **Other** includes the Office of the Superintendent of Public Instruction (OSPI); at 296 budgeted FTEs, it is the only agency in this category with a budget that exceeds 125 FTEs.

Of the 104,000 budgeted FTEs, the state general fund will pay for almost 40%, Higher Education non-appropriated funds will pay for approximately 25%, federal funds will pay for 13%, and numerous dedicated funds will pay the remaining 22%.

The nearly 100,000 FTEs of K-12 local school districts are not included in the FTEs that the state directly employs. However, the state pays for more than 70% of the maintenance and operations budgets of the 296 school districts throughout the state via funds disbursed through the Office of the Superintendent of Public Instruction.

What Is The State General Fund?

The state general fund is the largest single fund within the state budget. It is the principal state fund supporting the operation of state government. All major state tax revenues are deposited into this fund. The sources of tax revenue for the state general fund are shown in the following chart:



**2003-05 Sources of
State General Fund Revenue**
(Dollars in Billions)

Retail Sales	\$11.8
Business & Occupations (B & O)	4.1
Property*	2.7
Real Estate	1.2
Public Utility	0.6
All Other	2.7
Total	\$23.2

* Excludes transfers to the Student Achievement Account required by Initiative 728.

Source: Economic and Revenue Forecast, November 2004 (Cash Basis).

Numbers do not add due to rounding.

For the 2003-05 budget period, the state general fund will receive \$23.2 billion in revenues. More than half of that amount is from the state retail sales tax. The second largest tax is the Business and Occupation (B&O) tax, which accounts for approximately 18%. The third largest tax is the state property tax, which accounts for nearly 12% of the total.

The state sales tax, the B&O tax, and the state property tax account for more than 80% of all state general fund revenues. In addition, the general fund relies on real estate excise taxes, use taxes, a public utility tax, insurance premium taxes, and a number of other smaller taxes. (For a description of these and other state taxes, refer to the Washington State Department of Revenue web site at <http://dor.wa.gov>.)

Contrary to popular belief, the state lottery does not pay for a large share of K-12 education. Currently, the lottery brings in about \$200 million per biennium. Initiative 728 (enacted by the voters in November 2000) requires the transfer of these funds to the Student Achievement Account and the Education Construction Account. The total state budget for public schools is about \$12.4 billion for 2003-05. This means the state lottery only supports about 1.5% of the K-12 education budget.

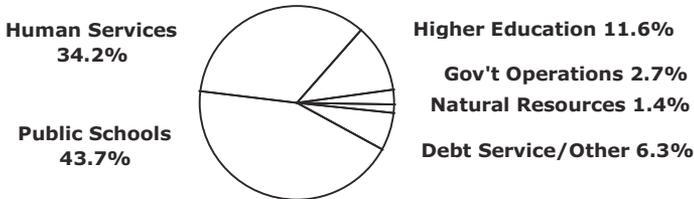
The major difference between the state general fund revenues (\$23.2 billion) and the total of all budgeted funds revenues (\$54 billion) is the dedication of revenue sources to specific uses. Most of the difference can be attributed to four types of funds:

- Federal funds for specific federal programs (\$12.5 billion);
- Higher Education-specific funds such as the Grants and Contracts Account, Higher Education Dedicated Local Accounts, the Tuition and Fees Account, and the University of Washington Hospital Account (\$5.5 billion);
- Bonds for capital purposes (\$2.8 billion); and
- Gas taxes for transportation purposes (\$1.8 billion).

These four sources account for 73% of the difference between revenues available for all state government budgets and the state general fund budget.

How Is State General Fund Money Spent?

Because of the nature of its tax sources, the state general fund receives the most attention during the budget-building process. During the 2003-05 biennium, the state will spend about \$23.2 billion (or about \$32 million per day on average) from the state general fund. The following chart shows how the state general fund budget is allocated:



2003-05 General Fund-State Expenditures
(Dollars in Billions)

Public Schools	\$10.2
Human Services	8.0
Higher Education	2.7
Governmental Operations	0.6
Natural Resources	0.3
Debt Service/Other	1.5
Total	\$23.2

Source: Winsum budget development system for the 2004 Session.

Numbers do not add due to rounding.

The largest single state general fund program is **Public Schools**, which includes state support for K-12 education. Public schools account for 23.3% of total budgeted expenditures, but that share increases to 43.7% when examining only the state general fund. By the end of the 2003-05 biennium, the state will provide public education funding for more than 1,000,000 children.

Human Services state general fund spending consists primarily of the operating budget for the Department of Social and Health Services, the State's umbrella organization that provides medical, social, and income assistance to citizens in need. It also includes spending for the Department of Corrections and the Department of Health.

Higher Education spending includes funding for six public universities, thirty-four community colleges and technical schools, and financial aid to nearly 146,000 students attending both state supported and private colleges.

Expenditures for higher education represent 15.6% of **all** budgeted funds and 11.6% of the state general fund. In addition to money from the state general fund, higher education receives \$5.5 billion of dedicated revenues, principally grants and contracts, and tuition and fees.

Other general fund spending categories include **Natural Resources**, **Governmental Operations**, and other expenditures such as the payment of **Debt Service**.

Why Does The Budget Go Up Year After Year?

The budget increases each year primarily because there are either more citizens to serve, those services cost more, and/or because citizens may request new or different services. Public education may be the easiest example of these trends.

- Article IX, Section 1 of the Washington State Constitution declares “It is the paramount duty of the state to make ample provision for the education of all children residing within its borders ...” The cost of meeting this constitutional requirement takes nearly half of the state general fund budget. In 1990, there were about 800,000 children in Washington state K-12 public schools. By the end of 2003-05, the K-12 system will educate more than 1,000,000 children. The education of these additional 200,000 children will cost hundreds of millions of dollars. Over the same period, the population of the state as a whole is expected to increase nearly 1.4 million people, so there will be more taxpayers to shoulder these costs.
- Teaching supplies, materials, equipment and energy all will cost more in 2005 than they did in 1990, so the overall cost of educating each student will increase.
- Finally, in 1993, the legislature passed new requirements for public education. Referred to as “education reform,” these requirements continue to change the cost of education for each child. This too will cause the budget to increase.

How is the Budget Created?

Through the budget process, the Legislature and the Governor decide how much money to raise and spend. State agencies, the Governor, the Legislature, citizens, and interest groups are all involved in this process. Washington State operates on a two-year (biennial) basis, beginning on July 1st of each odd-numbered year. For example, the current budget is for the period July 1, 2003 through June 30, 2005.

Agency Requests — In late summer and early fall of each even-numbered year, state agencies submit budget requests to the Office of Financial Management (OFM). The Governor reviews the requests and makes the final decisions for his or her budget proposal.

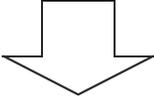
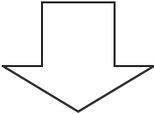
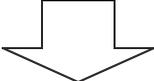
The Governor's Budget — By law, as the chief executive officer of the state, the Governor must propose a biennial budget in December of even-numbered years, the month before the Legislature convenes in regular session. The Governor's budget is his or her proposed spending and taxation plan for the biennium.

The Legislative Budget Process — After receiving the Governor's budget proposal, the Legislature reviews it and formulates its own budget during the legislative session which begins in January. The chairs of the Senate Ways and Means Committee and House Appropriations Committee work with their respective members and staffs to analyze the Governor's budget and develop recommendations and alternative proposals. The transportation portions of the budget are developed by separate committees in the House and Senate. By tradition, the initiation of the budget alternates between chambers each biennium.

After each chamber has passed its version of the budget, the differences between the two must be reconciled in the budget conference process. Generally, six fiscal leaders representing both chambers and both political parties meet as a conference committee to prepare one legislative budget that is submitted to the full legislature for final passage and then ultimately delivered to the Governor for his or her signature.

The Governor may veto all or part of the budget, thereby eliminating funding for certain activities; however, the Governor cannot add money for an activity for which the Legislature provided no funding. Only after the Legislature passes a budget and the Governor signs it has the state created a real budget.

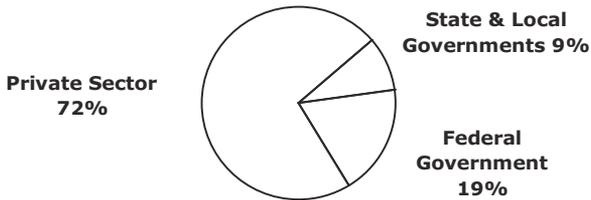
Supplemental Budgets — Each year, the Legislature considers changes to the biennial budget in what is called a Supplemental Budget. Generally, such changes represent mid-course corrections to the two-year spending plans to account for changes in school enrollments, prison populations, public assistance caseloads, or significant changes in the economy of the state.

Timeline of Budget Decisions (2005-07 Biennium)		
Formulation of the Governor's Budget	State agencies prepare budget requests and submit them to the Office of Financial Management  The Governor reviews the requests and makes decisions about what goes in the Governor's proposed budget.	July 2004 - December 2004
Legislative Action on the Budget	 The Legislature reviews the Governor's proposed budget, develops its own budgets, and approves revenue bills. The budget is signed or vetoed by the Governor.	January 2005 - April 2005
<i>The Biennium Begins</i>		
 Agencies execute the enacted budget.		July 1, 2005 - June 30, 2007
Supplemental Budgets	The 2005-07 biennial budget may be adjusted in the 2006 and 2007 legislative sessions.	January 2006 - March 2006 January 2007 - April 2007



How Significant Is Government In The Economy?

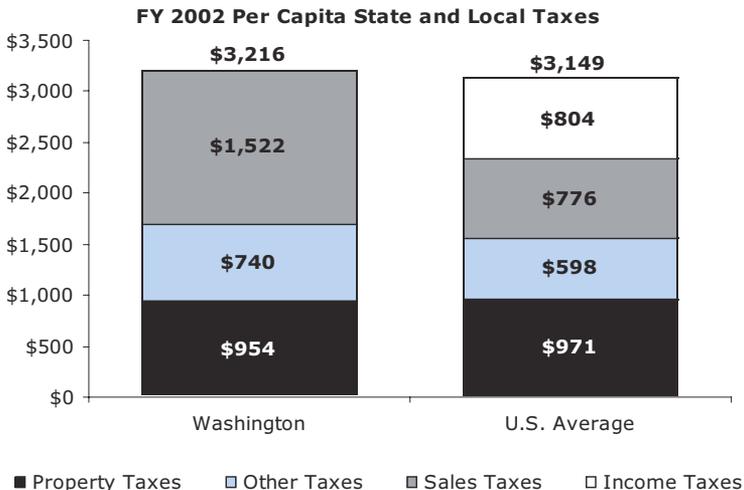
State governments, the federal government, and local governments represent about 28% of all the economic activity in the country, with the federal government financing more than two thirds of the public amount.



Government Spending as a share of U.S. gross domestic product (GDP), 2000.

Source: *A Citizen's Guide to the Federal Budget, Fiscal Year 2002*, <http://www.whitehouse.gov/omb/budget/fy2002/guide.pdf>

Analysis of state and local taxes per capita provides one comparison of tax burdens among the states. As the following chart shows, for FY 2002 (the most recent year for which all data are available), the amount for state and local taxes per capita for Washington State is \$3,216, which is 2.1% higher than the national average of \$3,149.

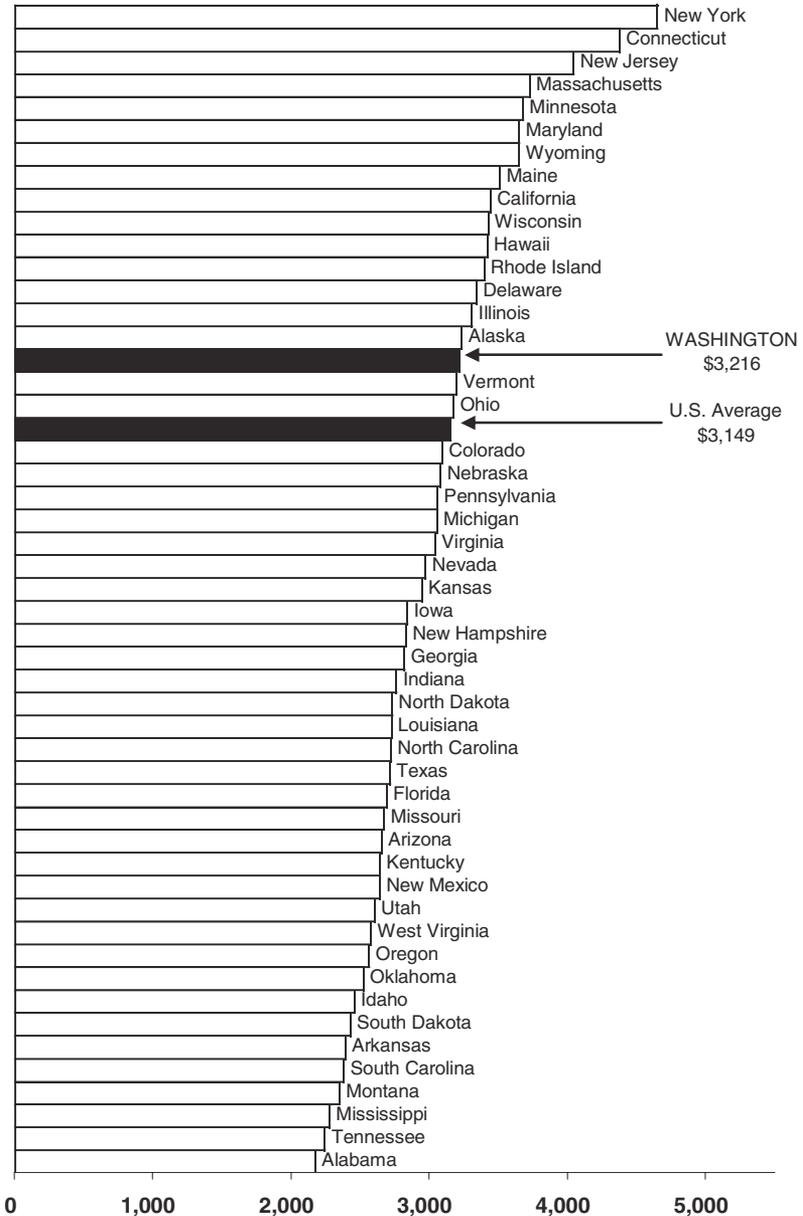


The chart on page 17 shows that the components of the tax structure of Washington State differ noticeably from national averages. Washington is one of only seven states that does not impose a personal or corporate income tax; at the same time, Washington has relatively high sales taxes and other taxes. According to the Washington State Department of Revenue, in FY 2002 Washington ranked 20th in the nation with property taxes per capita of \$954 (the national average was \$971).

The chart on page 19 shows the total state and local taxes per capita for Washington compared to the other 49 states and to the U.S. average. This chart shows that Washington ranks 16th in state and local taxes per capita and that 32 states rank below the U.S. average of \$3,149.

By comparing taxes to personal income, it should be possible to take into account differences in wealth among states when comparing tax burdens. However in recent years, the incredible increase in Washington State personal income, due in large part to the explosion of stock options during the late 1990s and 2000, distorted this measure and made it less useful as a yardstick of the overall tax burden.

FY 2002 State and Local Taxes
(Dollars per Capita)

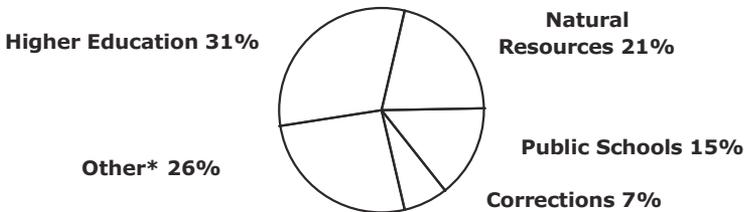


Why Does The State Borrow Money to Pay For The Capital Budget?

The capital budget uses borrowed money to fund projects that benefit future tax payers. For example, the benefits of a new higher education facility will last for 30 years or more. Financing that facility with bonds paid off over thirty years spreads the cost over the life of the building and on future tax payers who benefit from it.

How Is The Capital Budget Money Spent?

The following chart shows how the 2003-05 total funds capital budget is allocated:



2003-05 Capital Budget, Total Funds (Dollars in Millions)

Higher Education	\$871
Natural Resources	584
Public Schools	408
Corrections	200
Other*	714
Total	\$2,776

Sources: Winsum and Buildsum budget development systems for the 2004 Session.

Dollars do not add due to rounding.

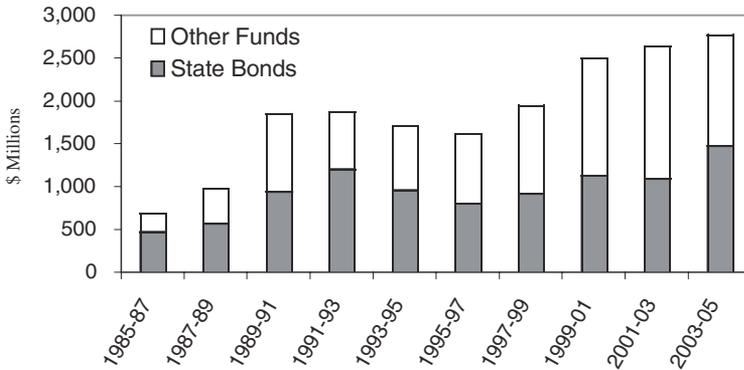
*Includes agencies in Government Operations, Human Services (excluding Corrections), Other Education, and some transportation capital projects.

The capital budget funds construction and maintenance of state buildings such as higher education facilities and prisons, provides grants to local school districts to help build new schools, and pays for acquisition and maintenance of public lands, parks and other assets. The capital budget also provides grants and loans to local governments and community groups for public works

projects such as water and sewer systems, environmental projects such as toxic waste clean-up and salmon habitat restoration, and for cultural and recreational projects such as youth athletic fields and community service projects.

Where Does Capital Budget Money Come From?

The following chart shows the history of size of the capital budget for bonds and the total appropriation:



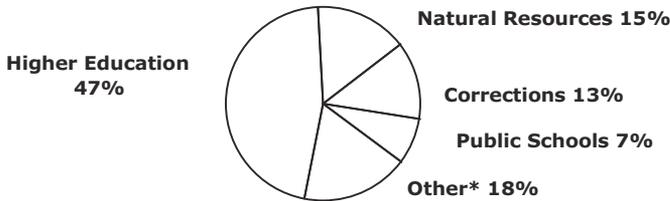
Capital Budget & Bonds
(Dollars in Millions)

Biennium	Bonds	Total
1985-87	518	695
1987-89	604	988
1989-91	923	1,858
1991-93	1,260	1,885
1993-95	1,011	1,712
1995-97	809	1,627
1997-99	961	1,974
1999-01	1,209	2,508
2001-03	1,144	2,643
2003-05	1,483	2,776

Source: Buildsum budget development system for the 2004 Session.

About half of the money appropriated in the capital budget comes from the sale of bonds. The State Treasurer is responsible for selling and refinancing bonds. The money to pay the debt is appropriated in the operating budget. These debt service payments, funded with general taxes, pay for schools, prisons and college facilities authorized and constructed through capital budgets adopted in previous legislative sessions. Bond-funded capital projects authorized in a particular legislative session will be paid for with taxes appropriated in future operating budgets. Other funds in the capital budget include federal grants; loan revolving funds, such as the public works assistance account and the water pollution control revolving account; and trust land revenues for common schools and higher education facilities.

Different parts of the capital budget are more or less dependent on borrowed money. Eighty percent of capital projects for higher education and nearly all projects for corrections are funded with bonds. Only about a third of the rest of the capital budget is paid for with bonds. The following chart shows the major parts of the state bond portion of the 2003-05 capital budget:



2003-05 Capital Budget, State Bonds*
(Dollars in Millions)

Higher Education	\$694
Natural Resources	220
Corrections	198
Public Schools	111
Other*	261
Total	\$1,483

Source: Buildsum budget development system for the 2004 Session.

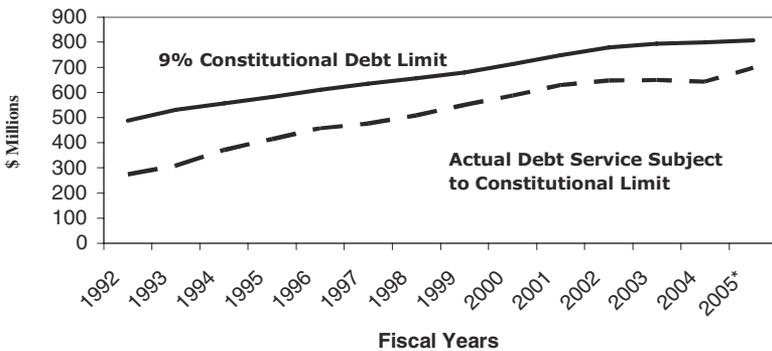
Dollars do not add due to rounding.

* Includes agencies in Government Operations, Human Services (excluding Corrections), Other Education, and some transportation capital projects.

What is the Debt Limit and How Does it Control the Capital Budget?

The Washington State Constitution indirectly limits the amount of debt the state can incur. Annual debt service payments can not exceed nine percent of the average general state revenues in the preceding three years. Taxes and fees for specific purposes, such as the gas tax and property tax, are excluded from the definition of general state revenues.

The following chart show the constitutional and statutory debt limits and the actual debt service payments applicable to each limit.



Debt Limit vs Actual Debt Service Payments
(Dollars in Millions)

Fiscal Year	Constitutional Limit	Actual	Statutory Limit	Actual
1992	489	275	380	271
1993	532	309	414	302
1994	558	371	434	330
1995	583	415	454	360
1996	612	458	476	390
1997	635	477	494	410
1998	656	510	511	444
1999	680	551	529	471
2000	713	588	554	511
2001	748	630	581	548
2002	779	648	606	575
2003	794	650	622	575
2004	799	643	639	568
2005*	807	698	687	619

*2005 is an estimate based on current appropriations.

Sources: Debt models from State Treasurer's Office (11/30/2004)

State law also limits debt. The statutory debt limit is seven percent, but is based on revenues that include the lottery, real estate excise tax, and property tax. These additional revenues were added by legislation in 2002 and 2003. The debt service payments limited by state law are also somewhat different from the payments limited by the constitution. The statutory limit excludes debt on general obligation bonds reimbursable from money other than general revenue and several specific projects, but includes voter-approved debt. The effect of these revenue and payment differences results in a statutory debt limit that now allows about the same amount of borrowing as the constitutional debt limit.

How Does the Capital Budget Fund Community Projects?

The capital budget funds a variety of community projects. Some of these projects are first reviewed and prioritized by a state agency. The following are some of the larger categories of community projects funded in the capital budget.

Washington Wildlife and Recreation Program

2003-05 Funding – \$45 million

Application/Funding Process - Applications are prioritized within the following types of projects: local parks, state parks, trails, water access, critical habitat, natural areas, and urban wildlife. The legislature then specifies how far down the priority list projects will be funded.

Administrative Agency & Contact – Interagency Committee for Outdoor Recreation (<http://www.iac.wa.gov/iac/grants.asp>)

Community Service Facilities

2003-05 Funding – \$5.9 million

Application/Funding Process – Applications are prioritized by a citizens' advisory committee based on the level of improved efficiency and service quality the project would provide to the community. The grant can't exceed 25 percent of the total project cost. The legislature then determines which projects will be funded.

Administrative Agency & Contact – Department of Community, Trade & Economic Development
(<http://cted.wa.gov/DesktopDefault.aspx?tabid=475&tabindex=61>)

Building for the Arts

2003-05 Funding – \$4.5 million

Application/Funding Process – Applications are prioritized by a citizens' advisory committee. The grant can't exceed 25 percent of the total project cost. The legislature then determines which projects will be funded.

Administrative Agency & Contact – Department of Community, Trade & Economic Development

(<http://cted.wa.gov/DesktopDefault.aspx?tabid=475&tabindex=61>)

Heritage Capital Projects

2003-05 Funding – \$4 million

Application/Funding Process – Applications are prioritized by the Washington State Historical Society in consultation with others. The grant can't exceed 33 percent of the total project cost. The legislature then determines which projects will be funded.

Administrative Agency & Contact – Washington State Historical Society (<http://www.washingtonhistory.org/wshs/contact.htm>)

Other Categories of Community Projects

2003-05 Funding – Varies

Application/Funding Process – In addition to the programs above, the legislature may fund community projects directly, without an administrative agency reviewing and prioritizing applications.

Contact – Your legislators

How Does The 601 Spending Limit Work?

In November 1993, the citizens of Washington State passed an initiative to limit the growth in state government spending and taxation. Initiative 601 (I-601) put a “cap” on spending for activities funded with general state revenues based on the amount of government spending in 1990, adjusted for population growth and inflation. When general fund tax revenues grew faster than the I-601 spending limit, the extra tax revenue could be used to reduce taxes or be put into the “emergency reserve fund,” which could only be used if two-thirds of the legislature agreed to use it. When revenues grew slowly during recessions, the emergency reserve fund could be used to allow spending up to the spending limit.

During the 2000 legislative session, EHB 3169 modified the Initiative I-601 spending limit. Among other things, the measure (1) created a state expenditure limit committee which would be charged with establishing the spending limit for each year; (2) reduced from five percent of biennial revenues to five percent of annual revenues the so-called “trigger” which determines when money will be transferred from the emergency reserve fund into the education construction account; (3) clarified an interpretation which permitted the diversion of general fund revenues to local government without lowering the spending limit; and (4) allowed the I-601 spending limit to be increased when state programs or revenues were shifted into the general fund.

This final change is often referred to as the “two-way street” provision and was used in the 2001-03 biennial budget to increase the I-601 spending limit by more than \$500 million beyond what the growth factor and what the other technical adjustments to the spending limit would have provided.

In the 2001-03, the state entered a recession from which it has not fully emerged. During this recession, revenue collections have been well below the level necessary to spend up to the I-601 limit. In fiscal year 2003, general fund state spending was \$590 million below the I-601 limit. Irrespective of the I-601 limit, the combination of available reserves and slowly growing state revenues limited spending. The I-601 limit will become a factor in determining state spending again when the economy recovers and the limit is adjusted to reflect the current lower spending levels.

Glossary Of Commonly Used Budget Terms

Appropriation — A legislative authorization for an agency or other governmental unit to make expenditures and incur obligations: (1) for specific purposes, (2) from designated funding sources, and (3) during a specified time period.

Biennium — The 24-month period from July 1st of odd-numbered years to June 30th of odd-numbered years, such as the 2005-07 biennium, which runs from July 1, 2005 to June 30, 2007.

Capital Budget — The budget that pays for the construction and renovation of state facilities, including public schools, prisons, state hospitals, higher education institutions, parks, etc. Revenues to support capital spending come primarily from bonds and dedicated cash accounts.

Debt Service — The interest and principle costs of facilities and services funded through general obligation bonds.

Dedicated Funds — The product of reserving certain tax revenues for a specific purpose or purposes. Generally, any fund other than the general fund or a federal fund is referred to as a dedicated fund. There are literally hundreds of dedicated funds in the state treasury. Two of the largest are the Motor Vehicle Account, which receives gas tax revenues and is restricted to roads and highways, and the State Lottery Account, which accounts for revenues from ticket sales and is reserved for the cost of lottery operations and prizes.

Federal Funds — Monies provided by the federal government to support state programs. Major operating budget federal programs include Medicaid and the Social Services Block Grant.

Fiscal Year (FY) — The 12-month period from July 1st to June 30th, expressed in terms of the first six months of the next calendar year. For example, the FY 2006 fiscal year runs from July 1, 2005 until June 30, 2006.

FTE Staff — Full time equivalent (FTE) staff is a way to measure the size of the state's workforce. One FTE is equivalent to 2,088 hours worked per year, which represents one full-time employee. Total FTE staff does not necessarily represent the total number of state employees because some staff work part-time and are thus classified as a percentage of one FTE.

Governmental Operations — A functional area of state spending which comprises a large number of central service agencies, such as the departments of General Administration, Personnel, Financial Management, Revenue, etc., as well as the legislative and judicial branches of government.

Higher Education — A functional area of state spending that includes the cost of secondary education and workforce training provided through the state's 34 community and technical colleges, four regional universities, and two research universities.

Human Services — A functional area of state spending which comprises human services agencies such as the Department of Social and Health Services, the Department of Corrections, and the Department of Health.

Natural Resources — A functional area of state spending that includes the state's natural resource agencies such as the departments of Ecology, Fish and Wildlife, Natural Resources, and the State Parks and Recreation Commission.

Object — A state accounting classification used to categorize expenditures. Objects of expenditure in the state operating and capital budgets include: Salaries and Wages; Employ Benefits; Personal Service Contracts; Goods and Services; Travel; Capital Outlays; Grants, Benefits, and Client Services; Debt Service; and various transfer objects.

Operating Budget — The budget which pays for most of the day-to-day operations of state government and constitutes the majority of all state spending is referred to as the operating budget. Revenue to support this budget comes from a variety of taxes and fees that are deposited into more than 200 separate funds and accounts, the largest of which is the state general fund.

Other Education — A functional area of state spending that includes the cost of providing specialized education services at the Schools for the Deaf and the Blind, arts and cultural services provided through the Arts Commission and the two state Historical Societies, and cost of the state Work Force Training, and Education Coordinating Board.

Public Schools — A functional area of state spending that includes the cost of educating the state's children from grades kindergarten through high school. It also includes the funding for other activities of the public school system. The Superintendent of Public Instruction allocates these funds to 296 school districts, nine educational service districts and other contractors who provide education services.

State General Fund — Often referred to as General Fund-State (GF-S), this fund serves as the principal state fund supporting the operation of state government. All major state tax revenues (sales, business and occupation, property tax, and others) are deposited into this fund.

Transportation Budget — The budget which pays for both the day-to-day operation of state transportation agencies and the construction and preservation of state highways and roads, is called the transportation budget. Most of the revenue that supports the transportation budget comes from the state gas tax.