

THE BUDGET SITUATION

2013 SESSION PREVIEW

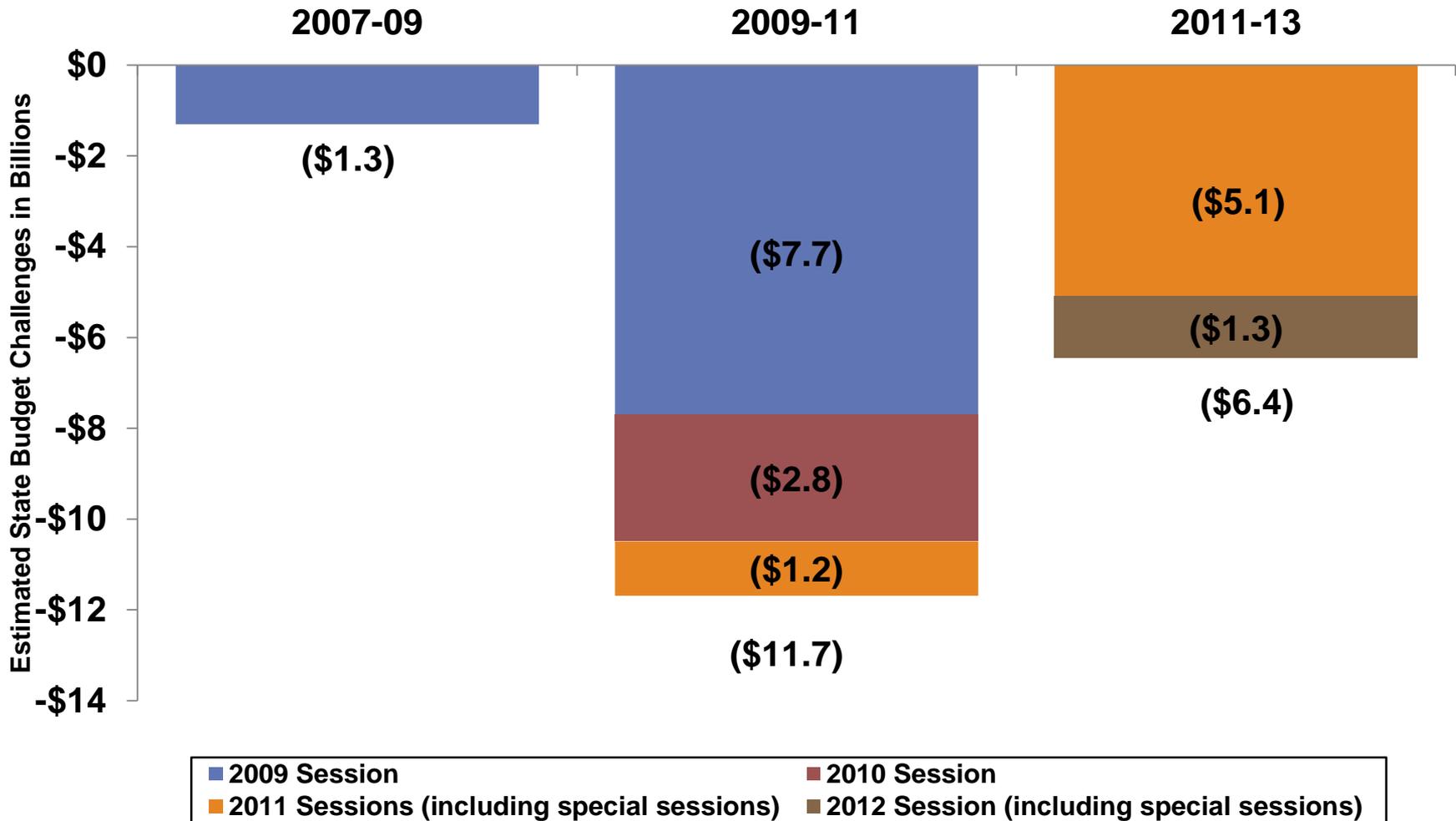
November 2012

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Where We Have Been

In the last four years, the Legislature has addressed nearly \$20 billion in combined budget challenges

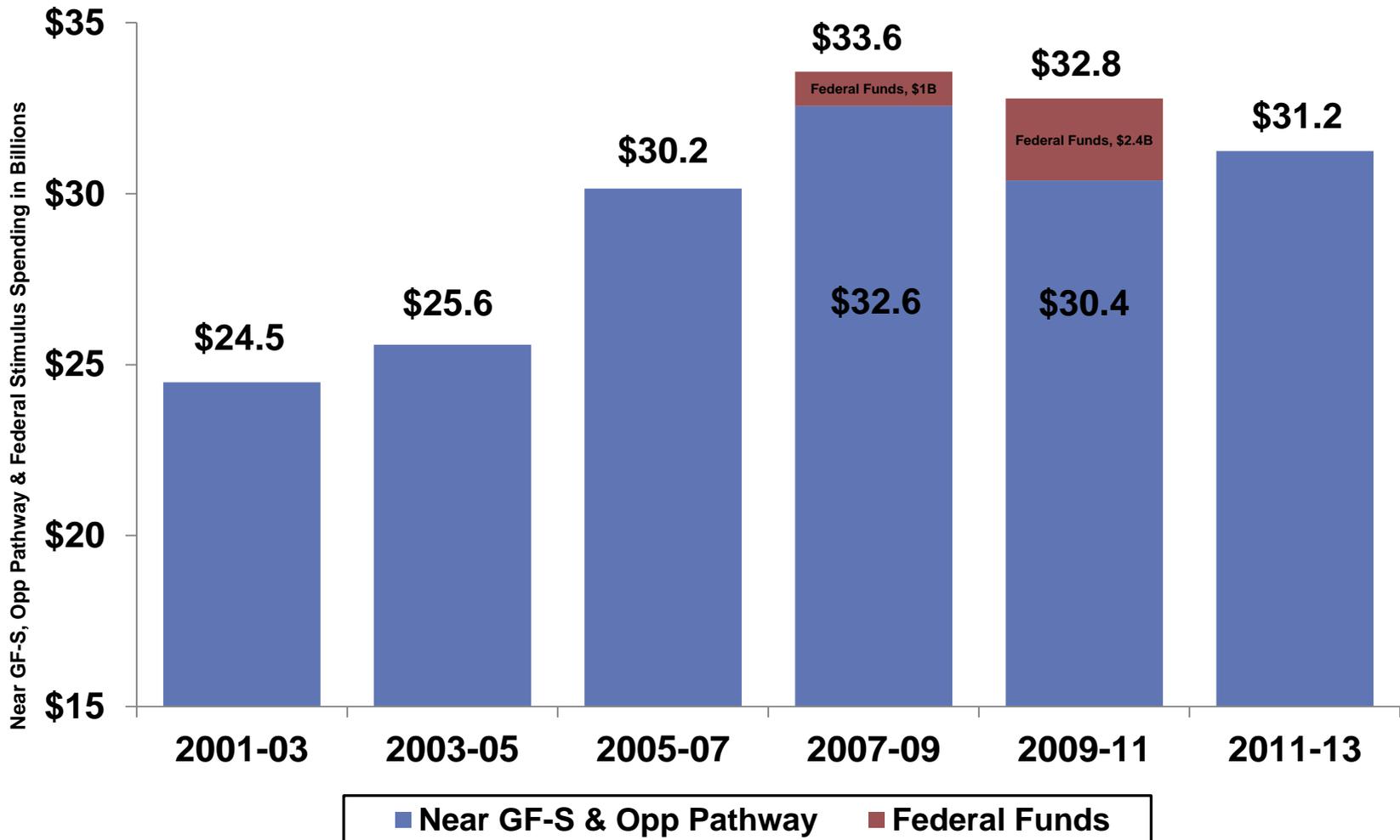
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* This reflects the reduction amounts originally assumed in the legislative session. Actual amounts may be slightly different than these amounts.

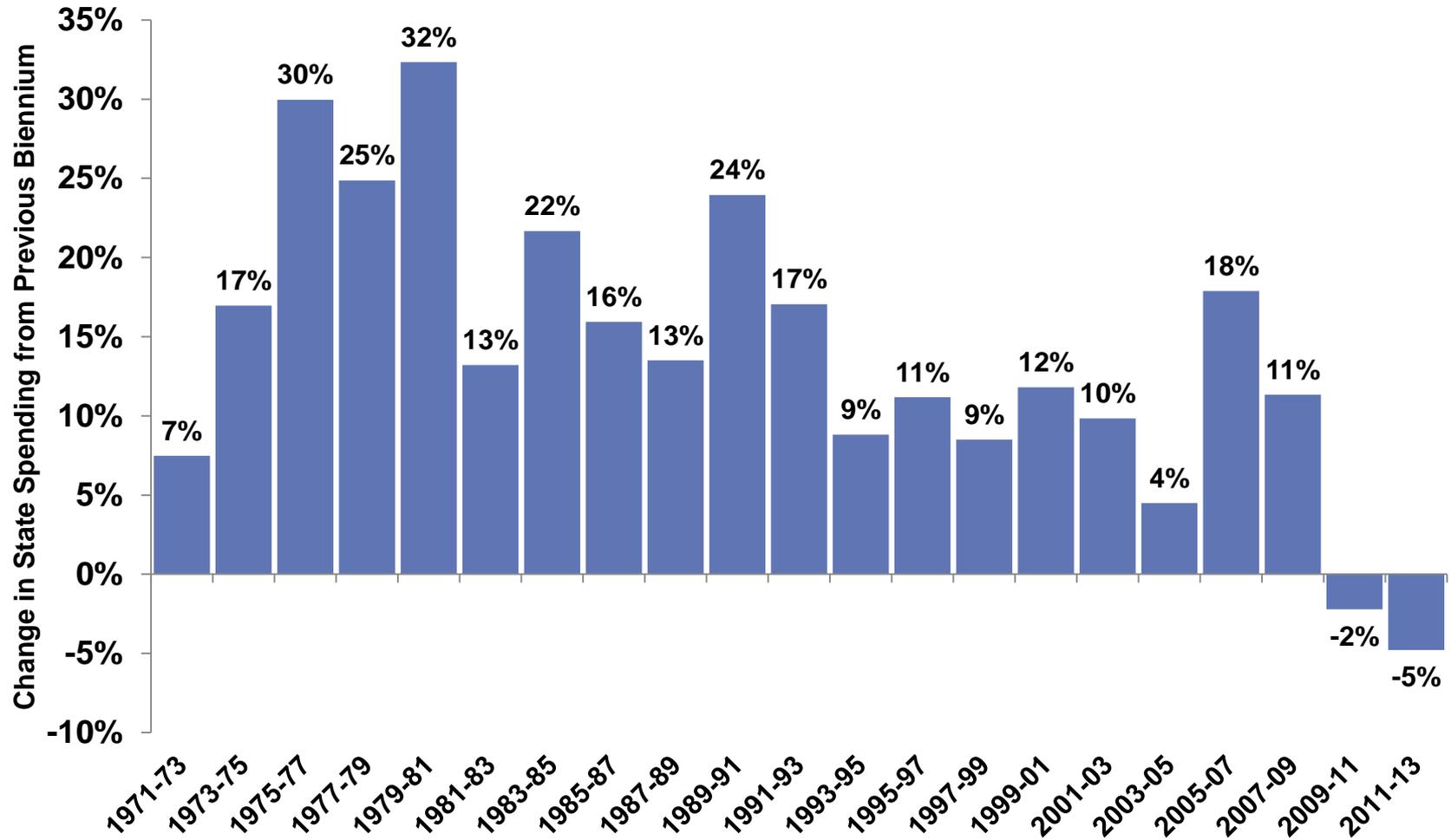
As a result of reductions, the spending level will decline for the second consecutive biennium

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Two consecutive biennia of reduced state spending has not occurred in the last 40 years

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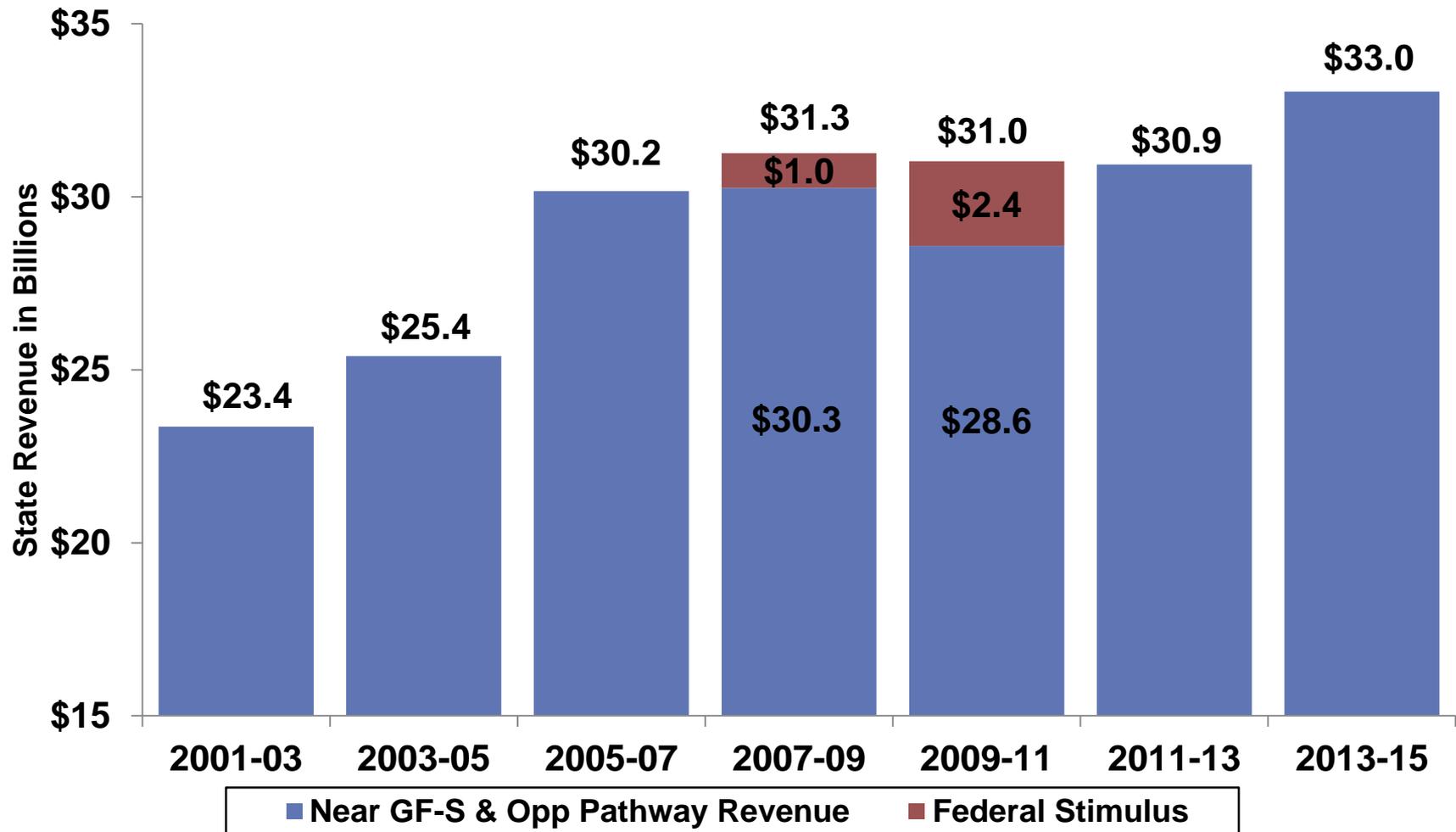
* Near GF-S, Opp Pathway and federal stimulus.

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Where We Are Going

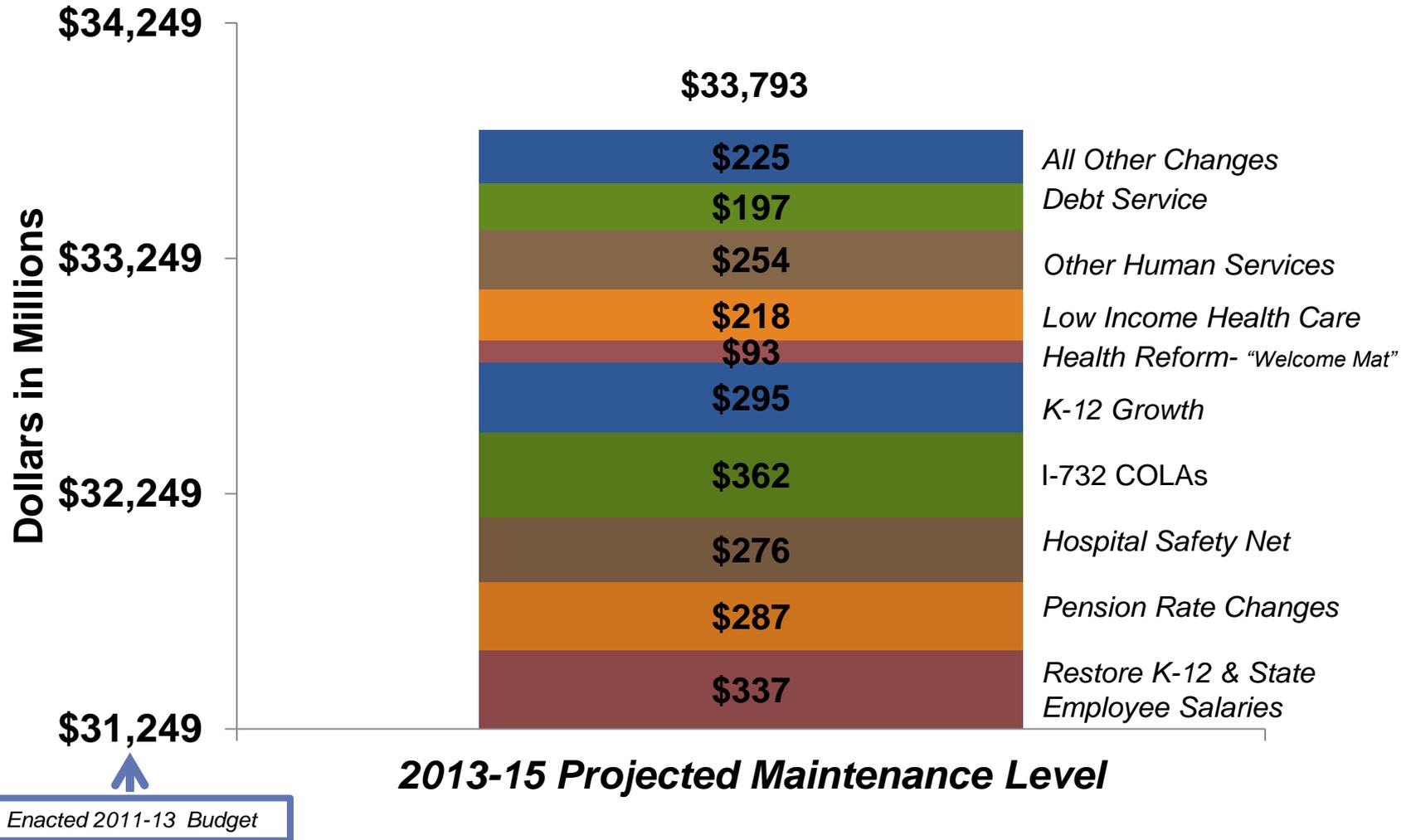
Revenue is projected to increase by \$2.1 billion or 7 percent next biennium

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* Based on November 2012 forecast.

Even without funding K-12 enhancements or any policy level increases, the budget is expected to increase by over \$2.5 billion



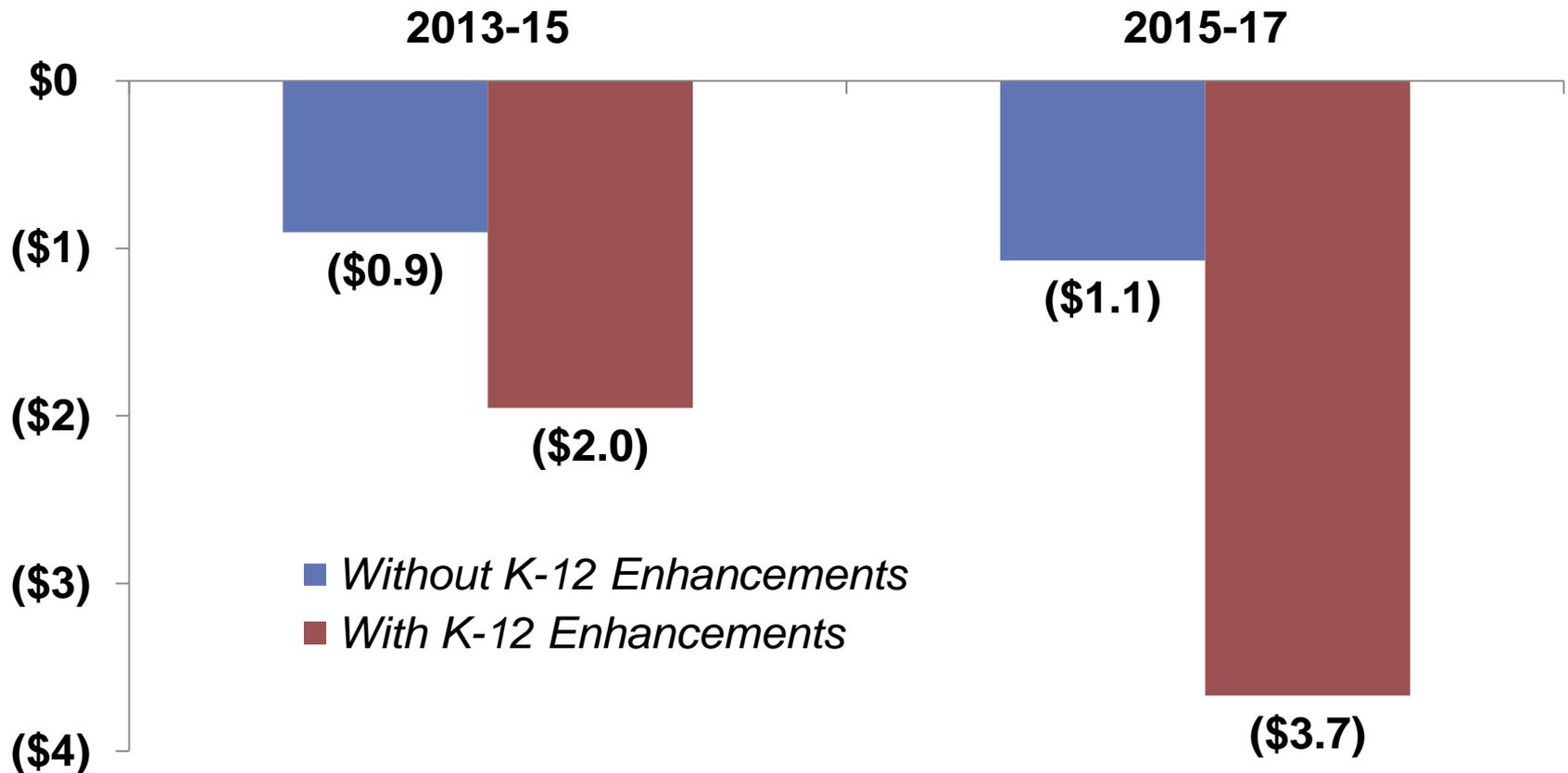
These cost drivers and a variety of other issues will impact the 2013 budget situation

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- **The legislative requirements around phasing in a new basic education funding system and the McCleary decision.**
- **The policy decisions about whether and how to implement federal health care reform.**
- **Impacts of recent budget decisions including:**
 - *Restoring K-12 and state employee salary reductions (\$337M)*
 - *Expiration of temporary hospital provider tax (\$276M)*
 - *Previous CBA step increase (\$37M)*
 - *Paid family leave (\$14M)*
 - *Expiration of temporary 2010 B&O services rate and beer tax increases (\$650M reduction already built into revenue forecast)*
- **Caseload and other spending pressures including:**
 - *Pension Rate Increases (\$287M)*
 - *New I-732 COLA (\$362M)*
 - *“Welcome Mat” impacts of federal health care reform (\$93M)*

Even without the phase-in of the enhancement to K-12 education, the Legislature is projected to face a budget shortfall in the upcoming biennia

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* The amounts depicted represent estimates provided in the November 2012 Outlook. The shortfall estimate does not include any assumed use of the Budget Stabilization Account and assumes a zero unrestricted ending balance. The K-12 amounts represent one possible scenario for the phase-in of SHB 2776 costs only. Finally, the shortfall estimate does not include any new COLAs for state employees or other potential policy enhancements.

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End of Presentation

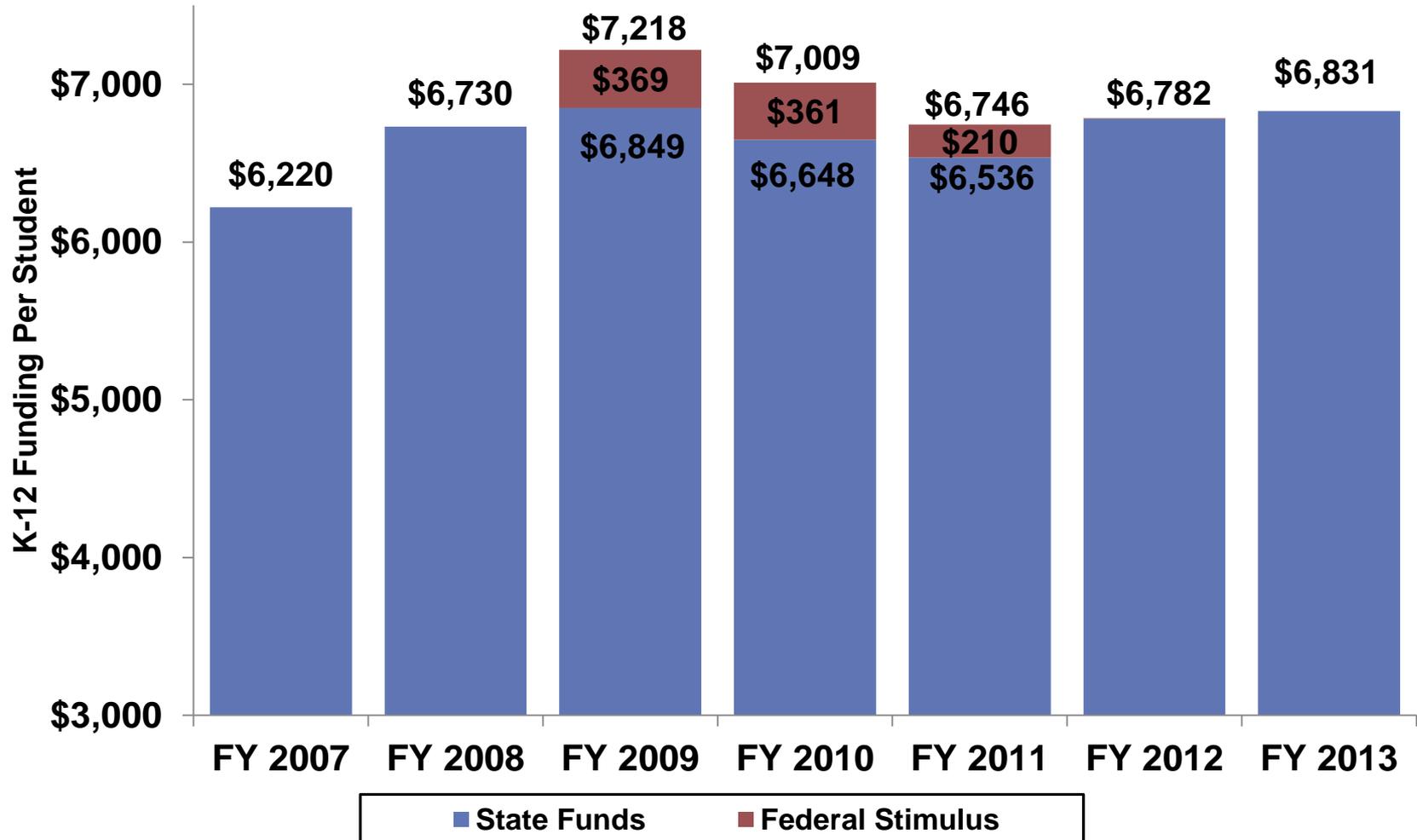
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Appendix - Impacts of Recent Budget Reductions

Selected Examples

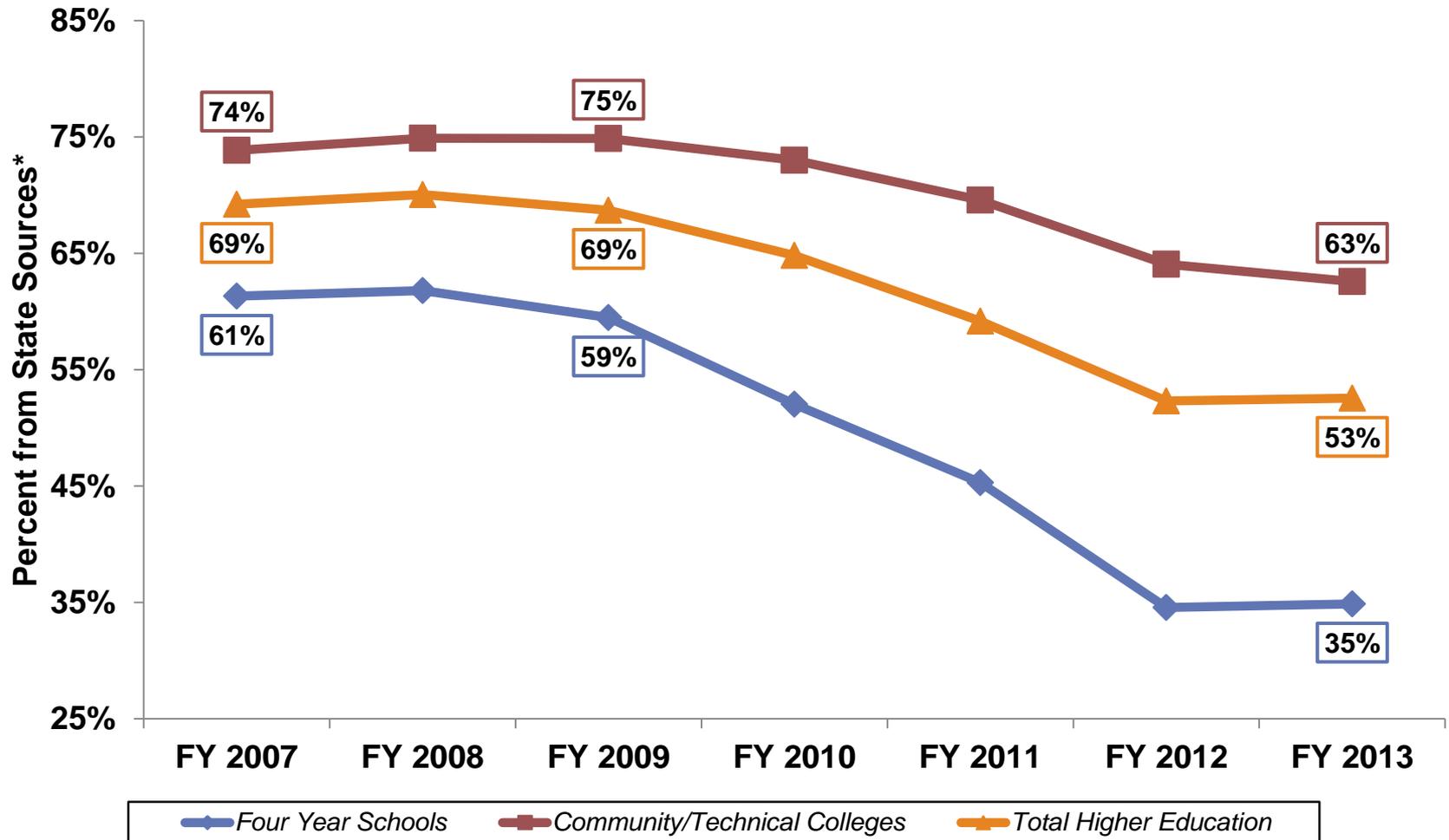
Following several years of upward trend, K-12 per-student funding declined during the 2009-2011 biennium and has modestly grown since then

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Due to budget reductions, the state support of the higher education system has declined, particularly for the 4-year universities

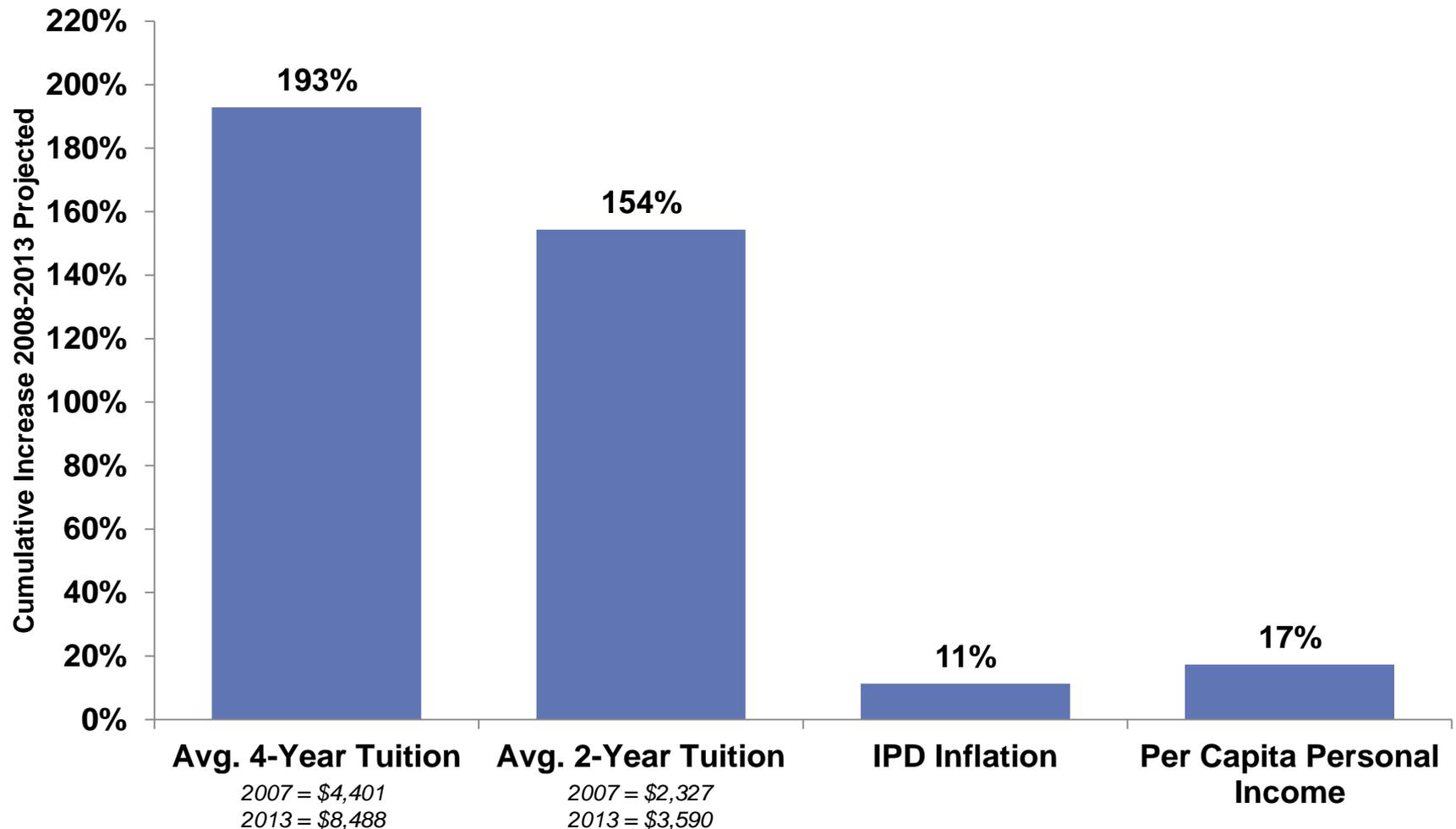
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* Reflects state share of state funds + tuition base. Doesn't include financial aid. State funds includes Near G F-State, federal stimulus, Opportunity Pathways Account, and Opportunity Express Account.

And tuition is growing significantly faster than both inflation and per capita personal income

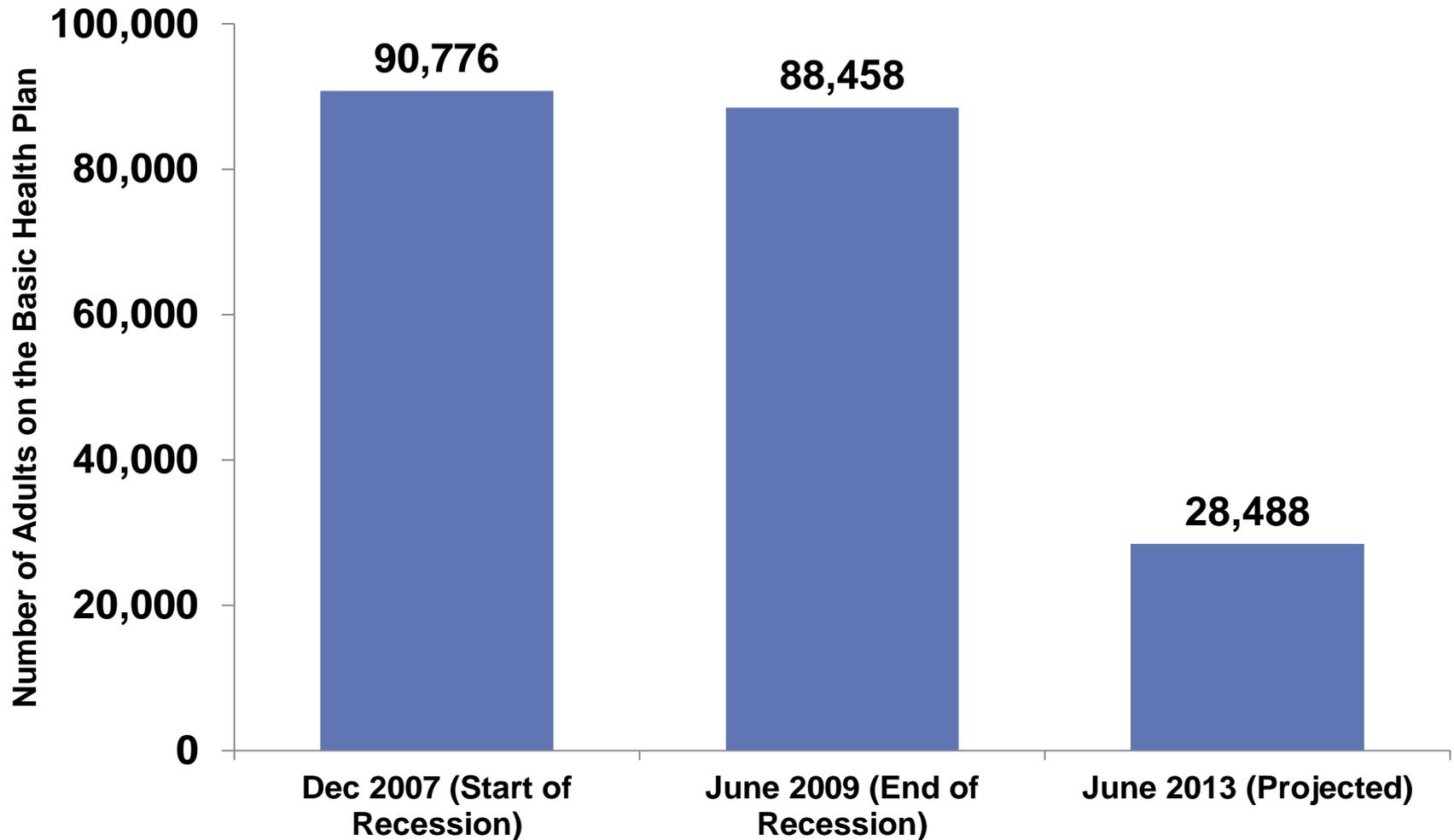
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* FY 2007 – FY 2013 based on actual tuition increases.

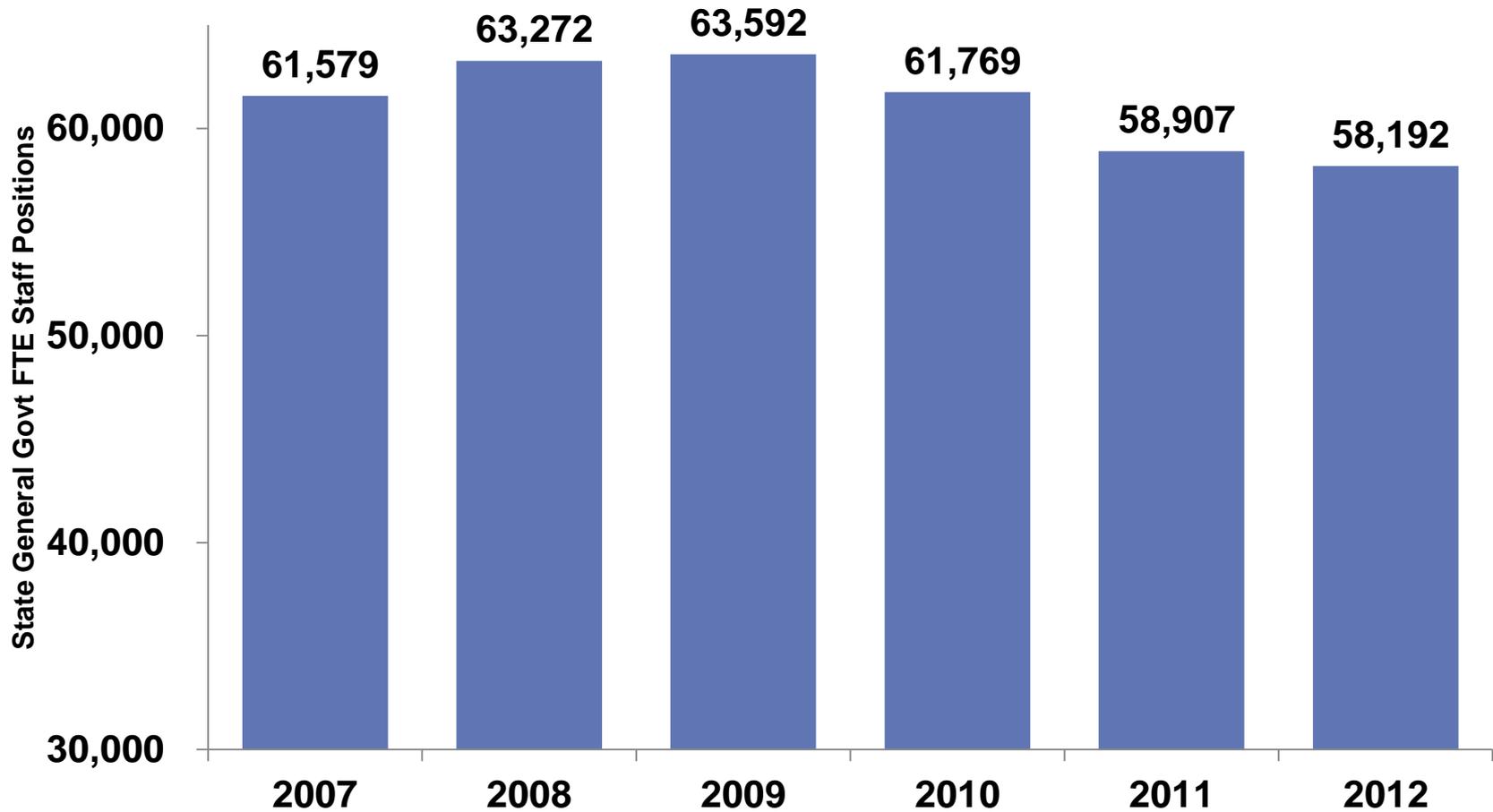
The Basic Health Plan is projected to decline by 62,000 by the end of the biennium

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The state workforce in 2012 is now 5,400 staff positions below fiscal year 2009 levels (and in fact is lower than it was back in 2007)

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* Reflects general government full time equivalent staff. Excludes higher education and K-12 staff.

Selected Other Reductions

- Terminated the Disability Lifeline cash program and replaced it with a housing and essential needs program (making a 2/3 reduction to the program funding level).
- Eliminated preventative dental coverage for 275,000 adults and ended optical, hearing aid, and podiatry coverage for 375,000 adults.
- Reduced the TANF cash grant from \$450 to \$375 per month, made eligibility changes to Working Connections childcare, WorkFirst activities were reduced, and other changes were made to solve a structural problem in the “TANF box.”
- Closed one major (McNeil Island) and two minor correctional facilities (Ahtanum View-Yakima, Pine Lodge-Medical Lake).
- Closed a major state juvenile facility (Maple Lane) and made other capacity reductions.
- Closed one facility for serving individuals with disabilities (Francis Haddon Morgan) and made other residential changes.
- Eliminated all state fund support for the State Park system and replaced some of those funds with fee revenue.