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# Proposed 2022 Supplemental Operating Budget

By Representative Stokesbary

## Summary

February 21, 2022

Office of Program Research

# Summary

## **The 2021-23 Biennial Budget**

In April 2021, the Legislature adopted a budget for the 2021-23 biennium. After the Governor's vetoes and lapses are taken into account, the budgeted amounts were \$59.1 billion NGF-O and \$121.7 billion in Total Budgeted funds. (Near General Fund-Outlook accounts are General Fund-State, Education Legacy Trust Account, Opportunity Pathways Account, and Workforce Investment Education Account). As adopted by the Economic and Revenue Forecast Council (ERFC), the enacted budget had a projected NGF-O ending balance of \$789 million for 2021-23 and \$83 million for 2023-25.

All federal moneys received by the state pursuant to section 9901 of the American Rescue Plan Act of 2021 were deposited into the newly created Coronavirus State Fiscal Recovery Fund (CSFRF) in the State Treasury. Of the \$4.428 billion ultimately deposited into the account, \$3.151 billion was appropriated (\$1.000 billion in the transportation budget; \$400 million in the capital budget; and \$1.751 billion in the operating budget). The remaining \$1.277 billion was not appropriated. The enacted budget also transferred \$1.0 billion from the state general fund into the newly created Washington Rescue Plan Transition Account (WRPTA).

## **Revenue and Caseload Updates**

Since the adoption of the 2021-23 budget, actual and estimated future revenue collections have continued to grow. Each of the last four revenue forecasts have been revised upwards. Relative to the enacted budget, projected revenues for the 2021-23 biennium have increased by almost \$4.7 billion.

Over five years (fiscal year 2021 through fiscal year 2025), projected revenues exceed the estimates made a year ago by \$10.1 billion.

Relative to the enacted budget, the NGF-O cost of continuing programs for the 2021-23 biennium has declined by a net of almost \$1.2 billion. Over four years (fiscal year 2022 through fiscal year 2025), again relative to the enacted budget, the NGF-O decline is a net of \$2.1 billion. The largest single contributor is a lower forecast for K-12 enrollment relative to the forecast used to develop the enacted budget.

## **Proposal by Representative Stokesbary**

### **Description of Summary and Detail Documents**

Summary and detail documents related to this proposal describe spending from Near General Fund-Outlook (NGF-O) accounts and Total Budgeted funds. NGF-O accounts are those subject to the four-year budget outlook and include General Fund-State, the Education Legacy Trust Account, Opportunity Pathways Account, and the Workforce Education Investment Account. Total Budgeted funds include expenditures from NGF-O accounts in addition to all other budgeted funds.

### Spending Changes

For the 2021-23 biennium, this proposal decreases NGF-O spending by a net of \$1.5 billion (a net policy level decrease of \$355 million and a net maintenance level decrease of \$1.2 billion). Total Budgeted funds are increased by a net of \$2.6 billion. These amounts include appropriations into various dedicated accounts, including the Paid Family Medical Leave Account (\$397 million from GF-S) and the Budget Stabilization Account (\$1.0 billion from WRPTA).

### Expenditure Summary

This summary document includes a report that groups major spending items by category. A separate agency detail document lists every policy item by agency and includes a brief description of each. The groupings below differ somewhat from the functional area summaries included within the agency detail document.

Selected major NGF-O policy changes include:

- appropriations into other accounts of \$405 million;
- long term care and programs for individuals with developmental disabilities of \$375 million;
- state and higher education employee compensation of \$271 million;
- wildfire related costs of \$103 million; and
- FMAP & related savings of \$1.7 billion.

A discussion of revenue legislation assumed in the proposal is listed below under "Revenue Legislation Impacting the Balance Sheet and Outlook."

### CSFRF, BSA, and WRPTA

Net appropriations from the Coronavirus State Fiscal Recovery Fund (CSFRF) are increased, over the four years, by \$1.277 billion. Of this amount, and consistent with federal guidance, \$1.083 billion is used to offset state general fund expenditures. The next largest item from CSFRF is \$200 million for assistance to the hospitality industry, offset by anticipated federal relief for the restaurant industry. A list of changes to appropriated levels for CSFRF is included later in this document.

The Washington Rescue Plan Transition Account (WRPTA) balance (\$1 billion) is appropriated into the Budget Stabilization Account (BSA).

### Selected NGF-O Balance Sheet Related Items

The NGF-O balance sheet associated with this proposal also includes the following assumptions for 2021-23:

- \$291 million in anticipated reversions (the enacted budget assumed \$296 million).
- Negative \$34 million in net fund transfers (in addition to those transfers to the Budget Stabilization Account required by the state constitution).
- Assumed revenue legislation reducing available resources by \$2.1 billion.

## **2021-23 NGF-O Ending Fund Balance and the Four-Year Outlook**

This proposal, including related bills, leaves a projected ending fund balance for the 2021-23 biennium of \$6.0 billion in NGF-O accounts and \$1.6 billion in the Budget Stabilization Account (BSA).

Under the provisions of the four-year budget outlook, Chapter 8, Laws of 2012 (SSB 6636), this proposal is projected to end the 2023-25 biennium with \$2.1 billion in NGF-O ending fund balance and \$2.2 billion in the Budget Stabilization Account. This outlook assumes the February 2022 revenue forecast for 2021-23. Because revenue growth for 2023-25 is less than 4.5 percent per year, revenue for 2023-25 is calculated by increasing fiscal year 2023 revenue by 4.5 percent per year as provided by statute.

## **Revenue Legislation Impacting the Balance Sheet and Outlook**

The proposal by Representative Stokesbary assumes passage of policy legislation reducing net NGF-O revenues in the 2021-23 biennium by \$2.1 billion. A list of the assumed bills is included near the end of this document. The bill with the largest NGF-O impact is Senate Bill 5032 (Sales and Use Tax Rate) which reduces state revenues by \$851 million 2021-23. Two of the bills, while decreasing NGF-O resources, effectively provide an equal amount of support to transportation programs.

# **Additional Information**

This information is provided in explanation of the proposal offered by Representative Stokesbary. The proposal makes supplemental changes to the 2021-23 biennial budget.

A complete set of materials produced by the House Office of Program Research (OPR) is available at [http://leap.leg.wa.gov/leap/archives/index\\_budgetsp.asp](http://leap.leg.wa.gov/leap/archives/index_budgetsp.asp) (under Operating Budget/House). In addition to this summary document, materials include:

- agency detail showing line item policy changes by agency (and program level in selected areas such the Department of Social and Health Services, Health Care Authority, Department of Children, Youth, and Families, as well as K-12 Public Schools); and
- a detailed four-year budget outlook.

## **Additional Information About This Summary Document**

This summary document was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This summary document is not a part of legislation and does not constitute a statement of legislative intent.

This summary document includes:

- a brief summary;
- a summary grouping of expenditures by major category; and
- the four-year budget outlook including resource changes.

Note: It is possible for similar items to be summarized in slightly different ways. For example, the agency detail document lists items on an agency-by-agency basis. This summary document may total the same item from multiple agencies into a single description. It also may summarize multiple similar items into a single description. For that reason, it is possible that budget items might be grouped differently, even within a single document.

**2021-23 Omnibus Operating Budget -- 2022 Supplemental**  
**Rep. Stokesbary**  
**Funds Subject to Outlook**  
(Dollars in Thousands)

	2021-23		4-Yr Total
	NGF-O	Total	NGF-O
<b>Appropriations Into Other Accounts</b>			
Paid Family Med Leave Ins Acct	397,000	397,000	397,000
Disaster Response Account	8,399	8,399	8,399
Budget Stabilization Account	0	1,000,000	0
<b>Appropriations Into Other Accounts Total</b>	<b>405,399</b>	<b>1,405,399</b>	<b>405,399</b>
<b>FMAP &amp; Larger Fund Source Changes</b>			
Other FMAP Changes	13,492	0	27,875
I-502 Related Revenues	-23,048	0	-37,049
Utilize CRF Instead of GFS	-273,543	-273,543	-273,543
Public Health Emergency FMAP	-319,309	-66,529	-316,238
COVID State Fiscal Recovery Fund	-1,083,417	0	-1,083,417
<b>FMAP &amp; Larger Fund Source Changes Total</b>	<b>-1,685,825</b>	<b>-340,072</b>	<b>-1,682,371</b>
<b>State Employee Compensation (Excl. Higher Ed.)</b>			
Employee Salary & Wages (Rep.)	149,292	235,072	353,446
PERS & TRS Plan 1 Benefit Increase	32,208	35,700	116,943
Employee Salary & Wages (Non-Rep.)	25,110	48,544	75,487
Employee Health Benefits	15,379	27,515	46,137
<b>State Employee Compensation (Excl. Higher Ed.) Total</b>	<b>221,989</b>	<b>346,831</b>	<b>592,013</b>
<b>K-12 Education</b>			
Enrollment Stabilization	63,909	63,909	80,053
<b>K-12 Education Total</b>	<b>63,909</b>	<b>63,909</b>	<b>80,053</b>
<b>Higher Education Employee Compensation</b>			
Employee Salary & Wages (Non-Rep.)	38,547	113,713	115,143
Employee Salary & Wages (Rep.)	10,001	45,762	21,061
Employee Health Benefits	8,466	25,357	25,398
WPEA Community College Coalition	4,529	8,073	8,869
Adjust Compensation Double Count	-12,761	-18,599	-38,283
<b>Higher Education Employee Compensation Total</b>	<b>48,782</b>	<b>174,306</b>	<b>132,188</b>
<b>Public Health</b>			
COVID-19: Response & Vaccines	0	298,258	0
<b>Public Health Total</b>	<b>0</b>	<b>298,258</b>	<b>0</b>
<b>Behavioral Health</b>			
Behavioral Health Provider Relief	50,000	50,000	50,000
Provider Rates & Reimbursements	10,749	31,460	55,607
<b>Behavioral Health Total</b>	<b>60,749</b>	<b>81,460</b>	<b>105,607</b>

NGF-O = GF-S + ELT + OpPath + Wkfrc Educ Invest + Fair Start for Kids

**2021-23 Omnibus Operating Budget -- 2022 Supplemental**  
**Rep. Stokesbary**  
**Funds Subject to Outlook**  
(Dollars in Thousands)

	2021-23		4-Yr Total
	NGF-O	Total	NGF-O
<b><i>Long Term Care &amp; DD</i></b>			
Targeted Provider Rates	259,244	624,204	657,433
SEIU and Liang Settlements	57,913	131,585	64,968
In-Home Care Provider Agreement	27,551	62,617	92,655
Adult Family Home Award/Agreement	10,311	19,801	30,933
In-Home Provider PPE	7,062	16,332	7,062
Agency Provider Agreement-Parity	6,981	15,864	23,491
LTSS/Repeal & Replace	6,069	-13,118	6,069
<b><i>Long Term Care &amp; DD Total</i></b>	<b>375,131</b>	<b>857,285</b>	<b>882,611</b>
<b><i>Children, Youth, &amp; Families</i></b>			
Family Child Care Provider Rates	45,347	45,347	45,347
MRS WCCC Provider Rates	0	0	311,334
<b><i>Children, Youth, &amp; Families Total</i></b>	<b>45,347</b>	<b>45,347</b>	<b>356,681</b>
<b><i>Natural Resources</i></b>			
Wildfire & Related Items	103,141	116,782	103,141
<b><i>Natural Resources Total</i></b>	<b>103,141</b>	<b>116,782</b>	<b>103,141</b>
<b><i>All Other Policy Changes</i></b>			
Law Enforcement Officer Recruit/Retain/Other	4,490	97,995	4,490
2022 Revenue Legislation	1,354	1,354	2,123
Other Increases	341	745	879
Restaurant Assistance	0	200,000	0
Disaster Response Account	0	133,974	0
Hotel & Motel Assistance	0	15,000	0
Paid Leave Coverage Adjustment	0	-133,905	0
<b><i>All Other Policy Changes Total</i></b>	<b>6,185</b>	<b>315,163</b>	<b>7,492</b>
<b>Grand Total</b>	<b>-355,193</b>	<b>3,364,668</b>	<b>982,814</b>

NGF-O = GF-S + ELT + OpPath + Wkfrc Educ Invest + Fair Start for Kids

**2021-23 Omnibus Operating Budget -- 2022 Supplemental**  
**Rep. Stokesbary**  
**Coronavirus State Fiscal Recovery - Federal**  
(Dollars in Thousands)

COVID SFR-F

**Governmental Operations**

**Department of Commerce**

*Policy Items*

1.	Hotel & Motel Assistance	15,000
2.	Restaurant Assistance	200,000
	<b>Total</b>	<b>215,000</b>

**Total Governmental Operations** **215,000**

**Other Human Services**

**Department of Health**

*Policy Items*

3.	COVID-19 Contain the Spread	198,406
4.	Continue COVID-19 Vaccinations	99,852
	<b>Total</b>	<b>298,258</b>

**Employment Security Department**

*Policy Items*

5.	PFML Adjustment	-133,905
	<b>Total</b>	<b>-133,905</b>

**Total Other Human Services** **164,353**

**Special Appropriations**

**Special Approps to the Governor**

*Policy Items*

6.	COVID State Fiscal Recovery Fund	1,083,417
	<b>Total</b>	<b>1,083,417</b>

**Total Special Appropriations** **1,083,417**

**Grand Total** **1,462,770**

**Assume Federal Repayment For Restaurant Bridge Funding** (200,000)  
**1,262,770**

**Department of Health: Use in 2023-25** 14,230  
**1,277,000**



**2021-23 Omnibus Operating Budget -- 2022 Supplemental**

**Proposal by Representative Stokesbary**

**Funds Subject to Outlook**

(Dollars in Millions)

	2021-23			2023-25		
	FY 2022	FY 2023	2021-23	FY 2024	FY 2025	2023-25
<b>Beginning Balance</b>	<b>4,161</b>	<b>7,311</b>	<b>4,161</b>	<b>5,959</b>	<b>3,720</b>	<b>5,959</b>
<b>Forecasted Revenues</b>	<b>30,683</b>	<b>31,008</b>	<b>61,691</b>	<b>32,403</b>	<b>33,861</b>	<b>66,264</b>
February 2022 Revenue Forecast (NGF-O)	30,683	31,008	61,691	32,078	33,290	65,368
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	325	571	896
<b>Other Resource Changes</b>	<b>-266</b>	<b>-2,363</b>	<b>-2,628</b>	<b>-4,116</b>	<b>-4,720</b>	<b>-8,836</b>
GF-S Transfer to BSA	-293	-274	-567	-264	-273	-537
Enacted Fund Transfers	41	9	50	254	-247	7
Proposed Fund Transfers	-34	0	-34	0	0	0
Prior Period Adjustments	20	20	41	20	20	41
Revenue Legislation	0	-2,118	-2,118	-4,126	-4,221	-8,347
<b>Total Revenues and Resources</b>	<b>34,578</b>	<b>35,956</b>	<b>63,223</b>	<b>34,246</b>	<b>32,861</b>	<b>63,386</b>
<b>Enacted Appropriations</b>	<b>28,399</b>	<b>30,667</b>	<b>59,067</b>	<b>30,491</b>	<b>30,690</b>	<b>61,181</b>
<b>Maintenance Level Total</b>	<b>-584</b>	<b>-572</b>	<b>-1,156</b>	<b>-492</b>	<b>-460</b>	<b>-952</b>
<b>Policy Level Total</b>	<b>-403</b>	<b>48</b>	<b>-355</b>	<b>672</b>	<b>666</b>	<b>1,338</b>
K-12 Education	24	40	64	16	0	16
Low Income Health Care & Comm Behavioral Health	-187	63	-124	24	25	49
Social & Health Services	-94	288	194	240	247	487
Corrections	-240	0	-240	0	0	0
All Other	93	-624	-530	156	156	312
Compensation	0	225	225	171	171	342
Employee Health & Benefits	0	56	56	66	67	132
<b>Reversions</b>	<b>-146</b>	<b>-145</b>	<b>-291</b>	<b>-145</b>	<b>-146</b>	<b>-291</b>
<b>Revised Appropriations</b>	<b>27,267</b>	<b>29,998</b>	<b>57,265</b>	<b>30,525</b>	<b>30,750</b>	<b>61,275</b>
<b>Projected Ending Balance</b>	<b>7,311</b>	<b>5,959</b>	<b>5,959</b>	<b>3,720</b>	<b>2,111</b>	<b>2,111</b>
<b>Budget Stabilization Account</b>						
Beginning Balance	19	1,312	19	1,595	1,877	1,595
GF-S Transfer to BSA (1%)	293	274	567	264	273	537
BSA Transfers	1,000	0	1,000	0	0	0
Interest Earnings	0	9	9	18	29	47
<b>Budget Stabilization Account Ending Balance</b>	<b>1,312</b>	<b>1,595</b>	<b>1,595</b>	<b>1,877</b>	<b>2,179</b>	<b>2,179</b>
<b>Total Reserves</b>	<b>8,624</b>	<b>7,553</b>	<b>7,553</b>	<b>5,597</b>	<b>4,290</b>	<b>4,290</b>
<b>Percentage of Reserves to Revenues and Other Resources</b>	<b>28.4%</b>	<b>26.4%</b>		<b>19.8%</b>	<b>14.7%</b>	
NGF-O	24.0%	20.8%		13.2%	7.2%	
Budget Stabilization Account	4.3%	5.6%		6.6%	7.5%	

Notes

1. NGF-O includes General Fund State, Washington Opportunity Pathways, Education Legacy Trust; and Workforce Education Investment Accounts. (No resources or expenditures are assumed in the Fair Start for Kids Account).
2. This analysis was prepared by OPR staff for legislative deliberations of House members. It is not an official Outlook or an official state publication.

# Fund Transfers, Revenue Legislation, and Budget Driven Revenues

## Proposal by Rep Stokesbary

### Funds Subject to Outlook

(Dollars in Millions)

	2021-23	2023-25	4 Yr
<b>Fund Transfers In Budget Bill</b>			
Long-Term Services and Supports Trust Account (GF-S)	-37.1	0.0	-37.1
Streamlined Sales and Use Tax Mitigation Account (GF-S)	3.2	0.0	3.2
<b>SubTotal</b>	<b>-33.9</b>	<b>0.0</b>	<b>-33.9</b>
<b>Other Legislation</b>			
1249 - Transp. Project Tax Revenues	-527.0	-1,181.5	-1,708.5
1604 - Motor Vehicle Sales Tax	-740.2	-2,296.5	-3,036.7
1858 - B&O Tax Rates	0.0	-224.0	-224.0
5932 - Sales and Use Tax Rate	-851.3	-4,645.1	-5,496.4
<b>SubTotal</b>	<b>-2,118.5</b>	<b>-8,347.2</b>	<b>-10,465.6</b>
<b>Grand Total</b>	<b>-2,152.4</b>	<b>-8,347.2</b>	<b>-10,499.5</b>

#### Notes

1. In addition to NGF-O resource changes, the proposal assumes a \$1b transfer from the WRPTA to the BSA.
2. Assumes \$200m in CSFRF bridge assistance to hospitality businesses is repaid.

2021

2023



Washington State House of Representatives  
Office of Program Research