

Context and Potential Reduction Options for the State Operating Budget

Presentation to the Joint Task
Force on Education Funding

November 7, 2012

House Office of Program Research
Senate Committee Services



Items Covered in this Presentation:

- Review of current operating budget expenditures (primarily Near General Fund-State + Opportunity Pathways)
- Review of legislative discretion in making budget reductions
- Analysis of a budget option that fully funds K-12 (maintenance level and McCleary phase-in) and assumes zero growth for the rest of the budget (at the request of the Chair)
- Examples of potential budget reductions
- Appendix: Agency Activity List

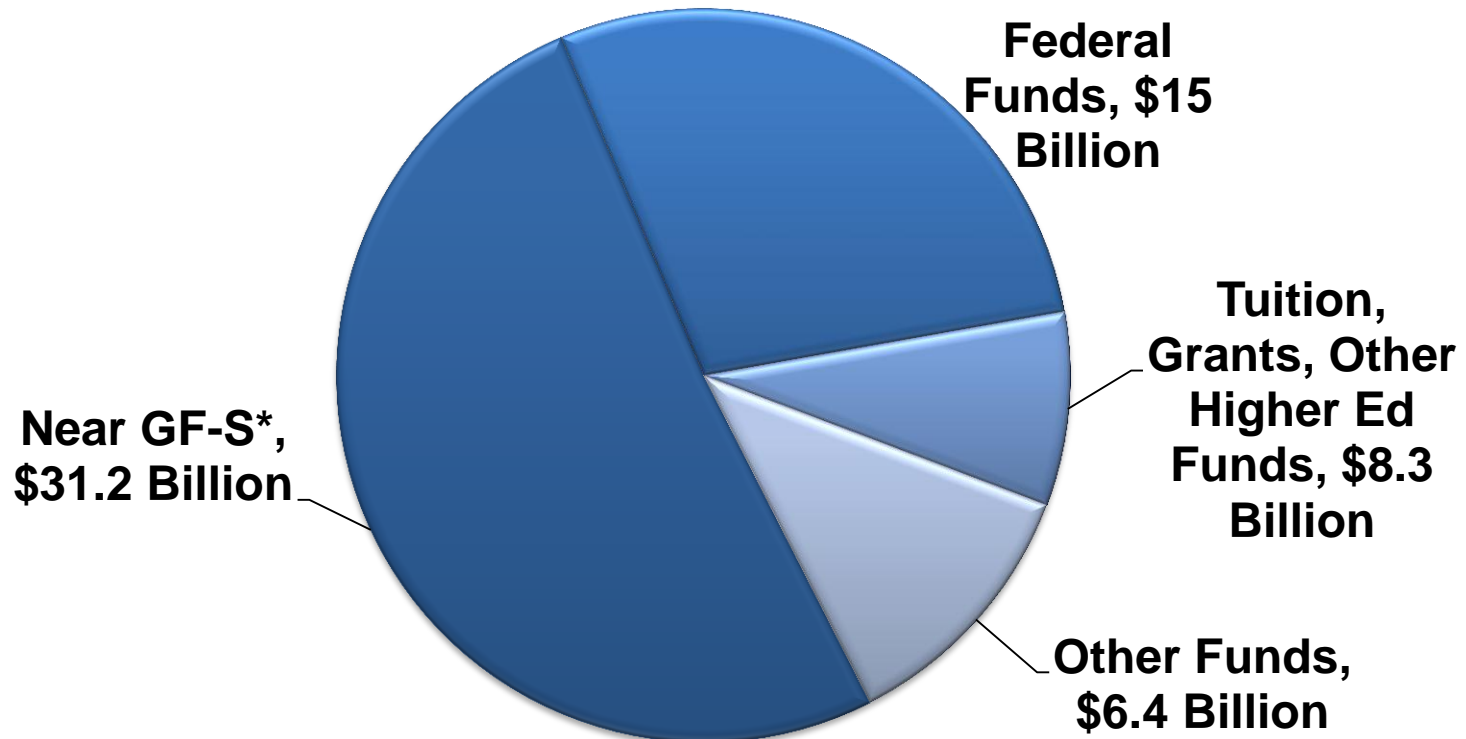


Funds from the Operating Budget Provide:

- K-12 Education – *for nearly one million students*
- Higher Education – *for 232,000 students*
- Health Care – *for more than 1,200,000 children and low income adults*
- Social Services – *for children, adults, and families*
- Public Safety – *including prison for nearly 18,000 inmates and community supervision for more than 15,000 offenders*
- Natural Resource and Recreation Programs
- Government Operations
- Debt Service on bonds for capital projects (including K-12 and higher education)

Where Does the Money Come From?

While the Legislature spends the majority of its time on the “near general fund,” the operating budget includes over \$29 billion in other funds and accounts.

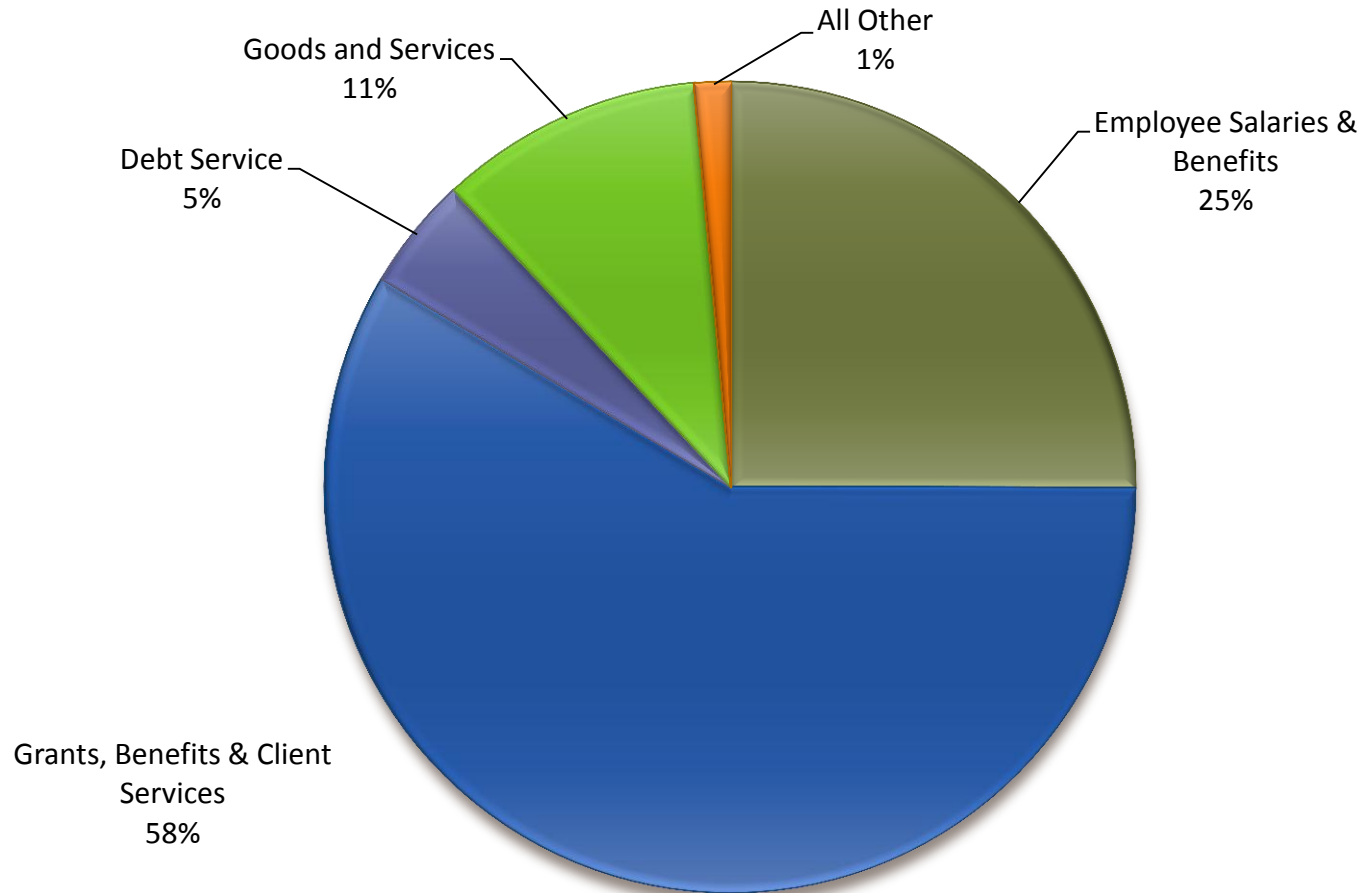


Total 2011-13 Budgeted Funds = \$60.1 Billion

* Plus Opportunity Pathways

Note: Totals do not tie due to rounding

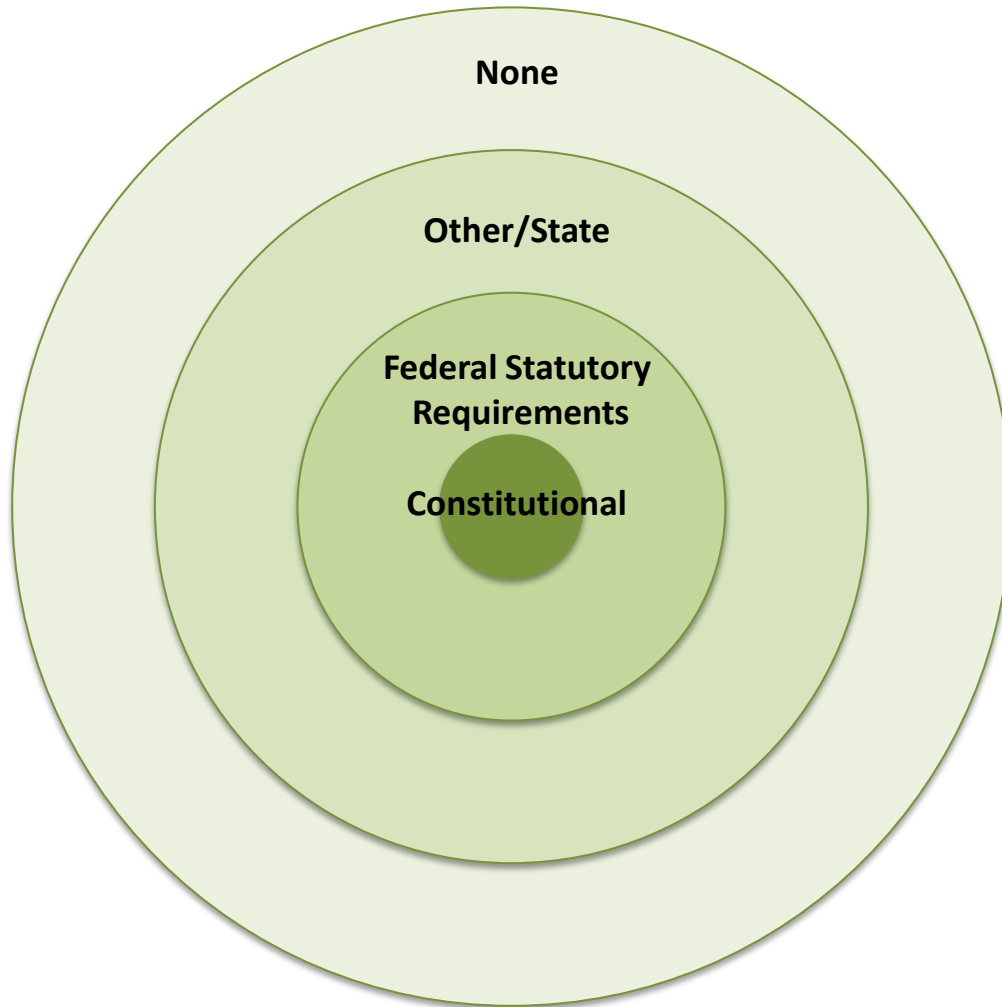
What Did the State Buy?



Note: Most K-12 spending is displayed as Grants, Benefits, and Client Services

FY 2011: Actual Spending By Object
Total Budgeted Operating Funds

Some spending is mandatory and some is discretionary



Requirements With Constitutional Elements

- K-12 Basic Ed
- Debt Service
- Some Pension Contribution Obligations
- Some Level of Funding for Judicial, Legislative & Executive Offices
- Some level of care in institutional and foster care programs*
- Approved collective bargaining agreements & other contracts**

Federal Statutory Requirements

- Since the state participates in Medicaid:
 - Core populations & core services
 - Health Reform eligibility MOE
 - Other requirements (i.e. rate issues)
- TANF/Maintenance of Effort (MOE)
- Cost obligations if state participates in certain federal programs (i.e., admin costs for food stamps)

State Statutory and Other Requirements

- State-created statutory entitlements (kids' health, Disability Lifeline, etc.)***
- Funding that, if reduced, may increase entitlement costs
- Funding to avoid state liability in areas of responsibility
- Other Statutory Programs

Discretionary

- Programs without a statutory or case law requirement

Concentric circles are illustrative only and not to scale.

* Includes prisons, JRA facilities, state hospitals, DD facilities, foster care, SCC, etc.

** Contracts may be renegotiated. Also, some contracts have termination – and/or fiscal shortfall clauses that may be invoked.

*** Can be changed via legislation.

2011-13 Operating Budget, Including 2012 Supplemental Near General Fund-State + Opp. Pathways (Dollars in Thousands)

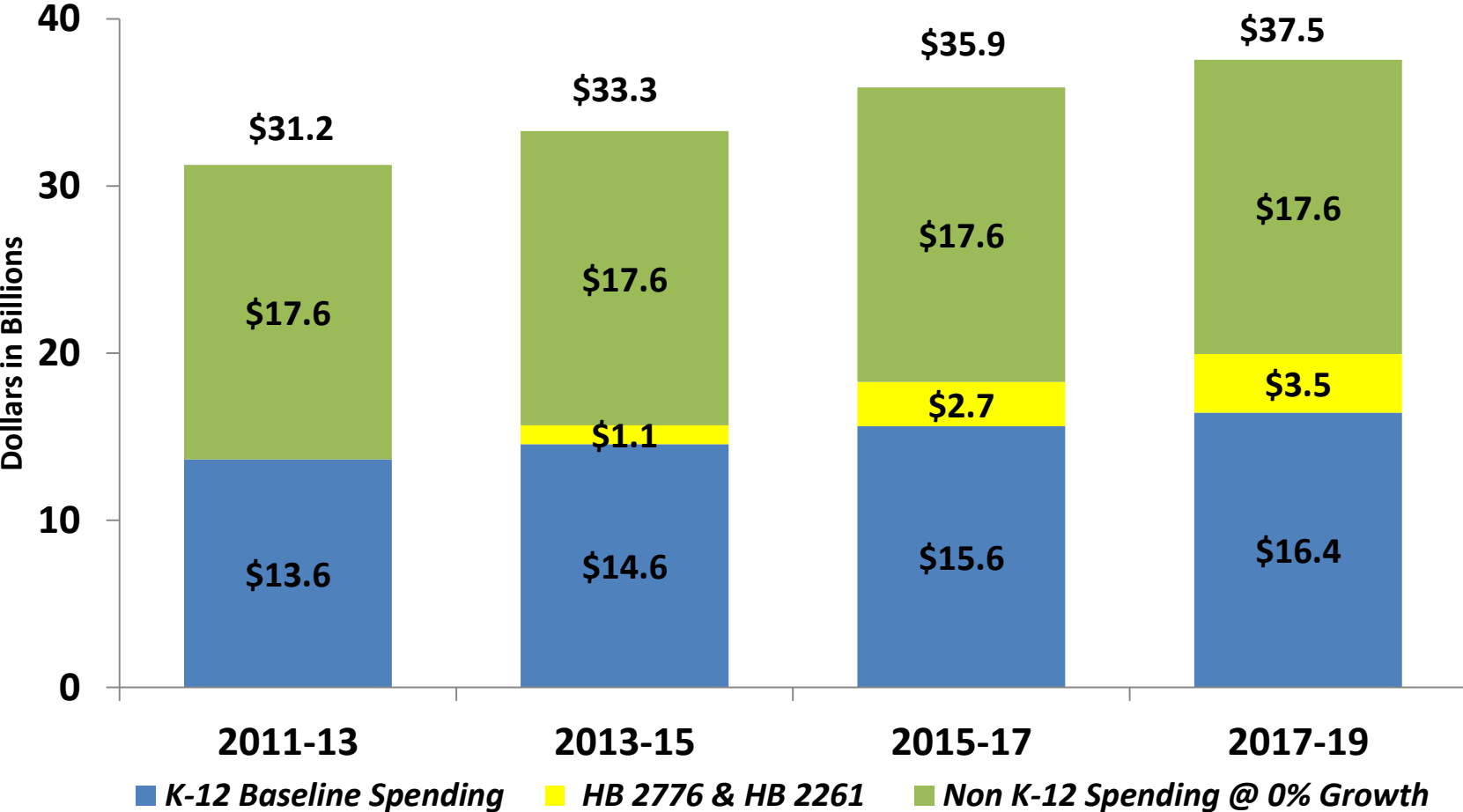
Legislative	139,294
Judicial	222,202
Natural Resources	266,777
Corrections	1,602,344
DSHS-DD, LTC, & MHD	3,474,273
DSHS-All Other	2,007,270
Health Care Authority	4,065,446
Public Schools	13,647,198
Higher Education	2,734,640
Debt Service	1,921,678
All Other (Including Governmental Operations)	1,168,089
Total	\$31,249,211



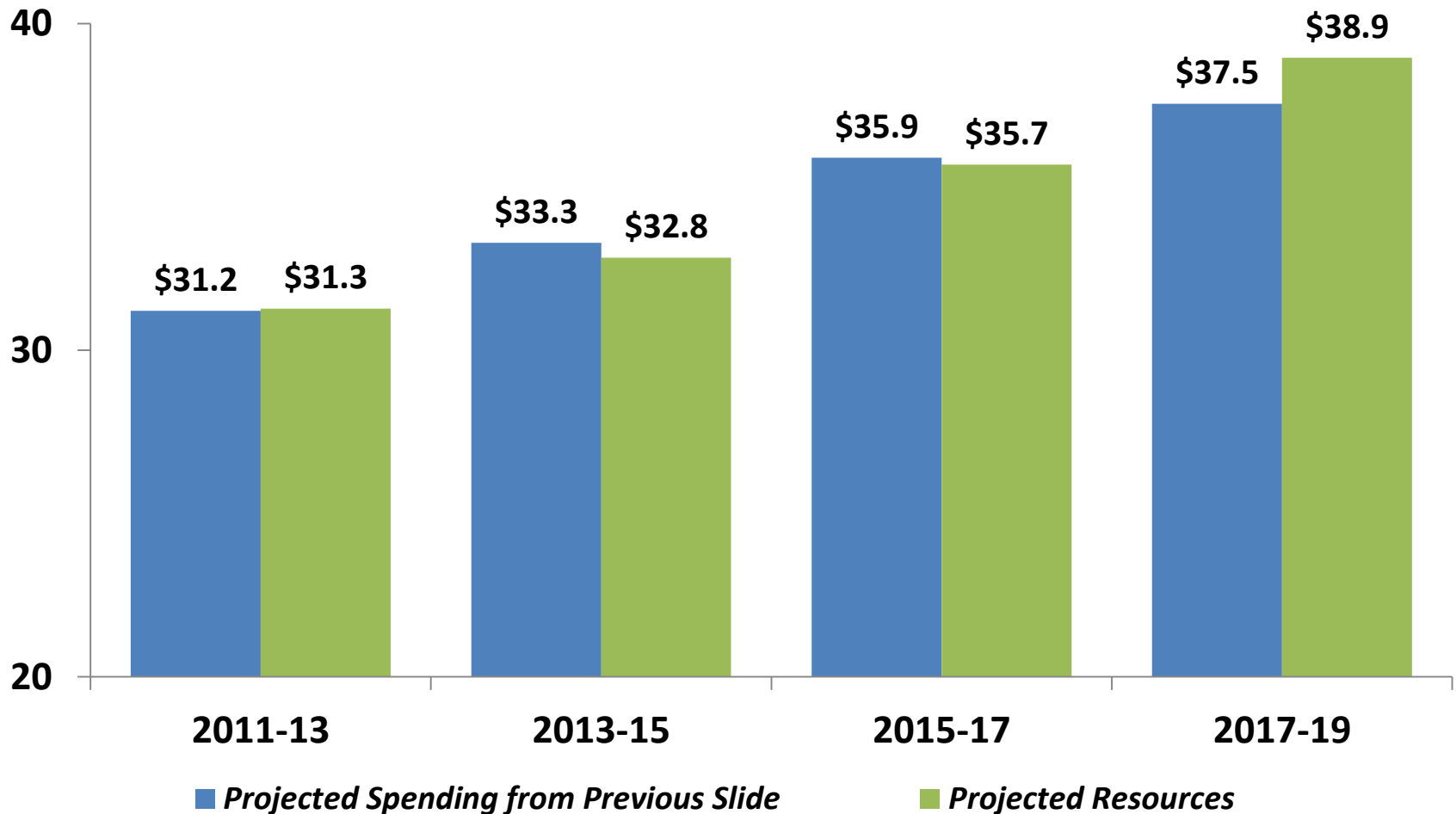
At the Chair's Request:
Analysis of a budget
option that fully funds
K-12* and assumes zero
growth for the rest of
the budget

* Maintenance level and McCleary phase-in.

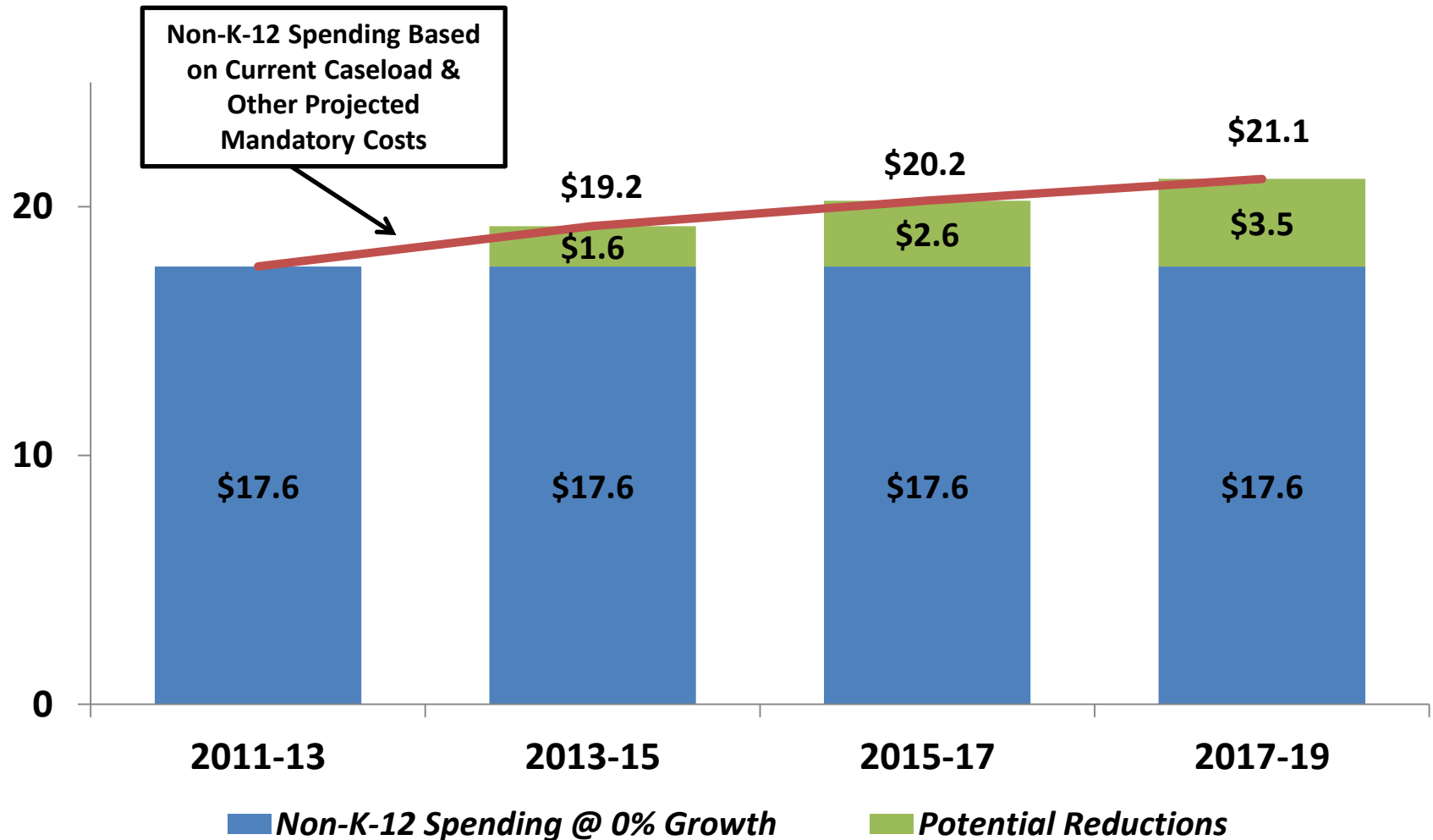
Under a hypothetical scenario of holding non-K-12 spending growth at zero and including one potential K-12 enhancement scenario, the operating budget would increase from \$31.2 billion in 2011-13 to \$37.5 billion in 2017-19



This amount of projected spending would require reductions of \$200-\$500 million for the first two biennia, but there would be an additional \$1.4 billion in projected resources in the 2017-19 biennium



To hold non-K 12 spending growth to zero percent would require \$1.6 billion to \$3.5 billion in reductions over the next three biennia



The bottom-line is that under the hypothetical scenario of holding non-K-12 spending to zero percent growth and increasing K-12 spending while balancing the budget would require \$2 to \$3 billion in reductions each biennium

	2013-15	2015-17	2017-19
<i>Reductions Needed to Hold Non-K-12 Spending to 0%</i>	\$1.6 Billion	\$2.6 Billion	\$3.5 Billion
<i>Additional Reductions/Surplus from Baseline Spending Projection</i>	\$0.5 Billion	\$0.2 Billion	\$1.4 Billion Surplus
TOTAL	\$2.1 Billion	\$2.8 Billion	\$2.1 Billion

Non-K12 Spending By Area In The 2011-13 Biennium
(Excludes K-12 Spending)
(Dollars In Billions)

	Amount	% Share
DSHS: Childrens & Economic Services	1.4	8%
DSHS: DD, LTC & MHD	3.5	20%
Debt Services	1.9	11%
Higher Education	2.7	16%
Low Income Health Care	4.1	23%
JRA, DOC and SCC	1.9	11%
Everything Else	2.1	12%
	<hr/> 17.6	100%



Examples of Potential Budget Reduction Options

Potential Reduction Options

**Estimated
Savings
(\$ in millions)**

Employee Compensation (excludes K-12 but includes higher education)

- Increase state employee health benefit contributions (CBA ramifications)
- Re-adopt 3% temporary salary reduction for 2013-15 (CBA ramifications)

\$?
\$?

K-12 and Early Learning

- Eliminate/reduce ECEAP
- Eliminate/reduce levy equalization
- Eliminate/reduce ed reform programs
- Re-adopt the temporary salary reductions for 2013-15
- Reduce health care benefit contributions

up to \$112
up to \$605
up to \$128
\$166
\$?

Higher Education

- Suspend/reduce state support to 4-year institutions for 2013-15
- Suspend/reduce state support to community and technical colleges for 2013-15
- Suspend/reduce state financial aid support for 2013-15

up to \$1,040
up to \$1,178
up to \$665

Potential Reduction Options (Continued)

**Estimated
Savings
(\$ in millions)**

Health Care and Human Services

DOC - Eliminate supervision of jail offenders	\$33
DOC - Eliminate supervision except for alternative sentences	\$65
DOH - Eliminate/reduce HIV prevention and client services funding	up to \$37
DOH - Eliminate/reduce local public health funding	up to \$58
DSHS Childrens Admin - reduce staff (107 caseworkers, 16 clerical)	\$11
DSHS Childrens Admin - Eliminate DV assistance services	\$11
DSHS JRA - Eliminate parole transitional services	\$18
DSHS JRA - Eliminate/reduce community services to juveniles	up to \$38
DSHS MH - Eliminate/reduce RSN non-Medicaid non-crisis funding	up to \$36
DSHS MH - reduce RSN Medicaid rates to lowest permitted	\$23
HCA - Eliminate Disability Lifeline and ADATSA medical and BHP (savings impacted by ACA)	\$140
HCA - Eliminate funding for adult non-emergent dental coverage	\$12
HCA - Eliminate funding for coverage of children without a federal match	\$47
HCA - Eliminate funding for medically needy - aged/blind/disabled services (savings impacted by ACA)	\$92
DSHS DD - Eliminate state only individual and family service	\$11
DSHS LTC - Eliminate state only Senior Citizens Service Act	\$10
DSHS LTC - Eliminate state only caregiver support Act	\$23
DSHD Econ Svcs - Eliminate State Food Assistance Program	\$24
DSHS Econ Svcs - 10% TANF/Workfirst grant reduction	\$45
DSHS Alch/substance abuse - Eliminate/reduce county grants	up to \$77
DSHS Alch/substance abuse - Eliminate involuntary treatment beds	\$12
DSHS Alch/substance abuse - Eliminate drug court services	\$21
DSHS Alch/substance abuse - Eliminate unmatched youth residential treatment	\$11
DSHS SCC - Eliminate the Special Commitment Center and program	\$74

Potential Reduction Options (Continued)

Estimated
Savings
(\$ in millions)

General Government and Natural Resources

AOC - Eliminate truancy funding	\$13
OPD - Eliminate parent representation	\$23
Commerce- Eliminate state funded crime victims programs	\$21
Commerce - Eliminate/reduce Essential Needs and Housing Program	up to \$79
Commerce - Eliminate/reduce grants to assist victims of sexual assault	up to \$15
CJTC - Eliminate sex offender address verification funding	\$10
L&I - Eliminate crime victims compensation funding	\$18
Reduce legislative and judicial agencies and the governor's offices by 10%	\$43
DOE - Eliminate/reduce General Fund-State support	up to \$92
Fish and Wildlife - Eliminate/reduce General Fund-State support	up to \$66
DNR - Eliminate/reduce General Fund-State support	up to \$72
Ag - Eliminate/reduce General Fund-State support	up to \$30

* Note that these budget reduction options are developed by House and Senate fiscal staff at the request of the JTFEF. These options are very preliminary and are reductions to an estimate of 2013-15 maintenance level which is still being developed; maintenance level will not be available until the Governor's budget proposal in December 2012 and will be updated by legislative budget proposals during the 2013 session. Some of these options may overlap or interact with other options and therefore not all savings are additive. There are potential legal issues that could arise with some of these savings options.

In many cases, "suspend" could be used in place of "eliminate", although the savings would then apply to 2013-15 only and not be ongoing. And partial savings instead of total elimination/suspension obviously is an option for many options.

In some instances in previous years, policymakers have used other fund sources to backfill NFG-S reductions, tuition in higher education and dedicated funds in natural resources for example.

This information is provided for analytical and legislative policy purposes only. It does not constitute an expression of support for or opposition to any items included or omitted from this list.



Other Considerations

- In some cases, programs could be "suspended" rather than "eliminated"; although the savings would be one-time only and not be ongoing.
- In some instances in previous years, policymakers have used other fund sources to backfill NFG-S reductions, tuition in higher education and dedicated funds in natural resources for example.
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Appendix: 2011-13 Agency Activity Inventory

(For informational purposes; note it has not been updated for supplemental budgets)

OFM Agency Activity Inventory for the original 2011-13 biennial operating budget

- <http://www.ofm.wa.gov/budget/activity/11-13/default.asp>
- The Agency Activity Inventory summarizes activities of each budgeted agency within Washington State government. Individual activity descriptions tell the nature of the service, the expected results, and how the activity was funded in the enacted 2011-13 budget. In the inventory, each activity is assigned to the statewide result area to which it most contributes.
- **Note that while this is a detailed list of agency activities, it does not list the many specific programs and services that often comprise a specific activity, nor does it account for changes made by supplemental budgets during the 2011-13 biennium (the 2011-13 original NFG-S + Opp Pathways budget was \$32.2 billion; the current enacted budget after the 2012 supplemental is now \$31.2 billion).**