



# 2013-15 WA STATE BUDGET UPDATE

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OFFICE OF FINANCIAL MANAGEMENT

Presentation to the Financial Management Advisory Council

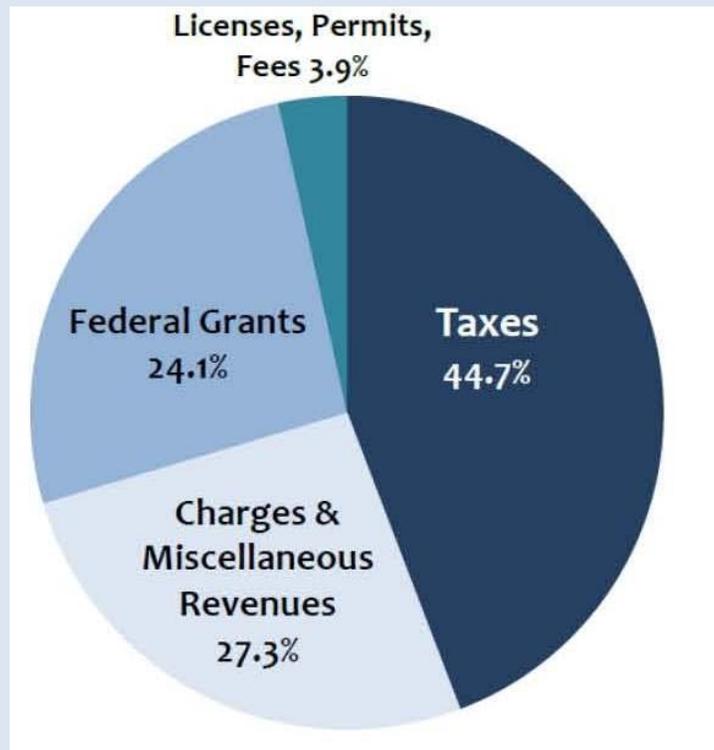
## SOME KEY DATES RELEVANT TO THE 2013-15 BUDGET

December 18, 2012	Governor Gregoire releases her budget proposal
January 14 – April 28, 2013	Regular legislative session
January 16, 2013	Governor Inslee inaugurated
March 14, 2013	New forecast of caseloads and enrollments
March 20, 2013	New forecast of state General Fund revenue
July 1, 2013	2013-15 Biennium begins

# SOURCE OF STATE REVENUES

2011-13 BIENNIUM ESTIMATES

All Government Funds

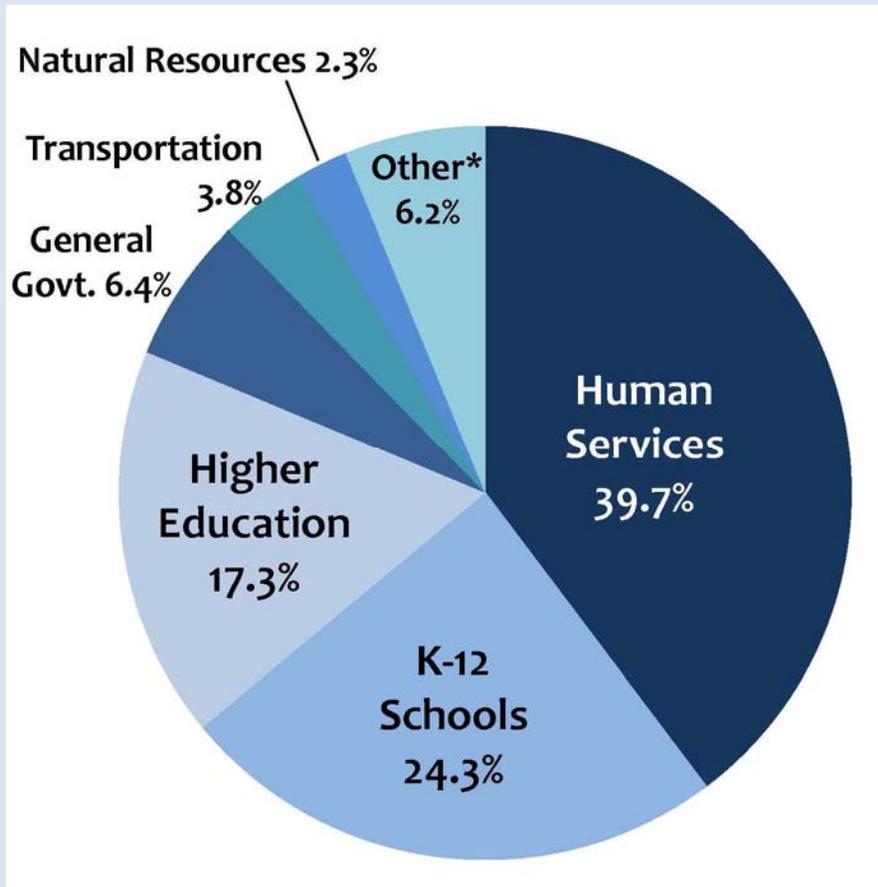


General Fund-State

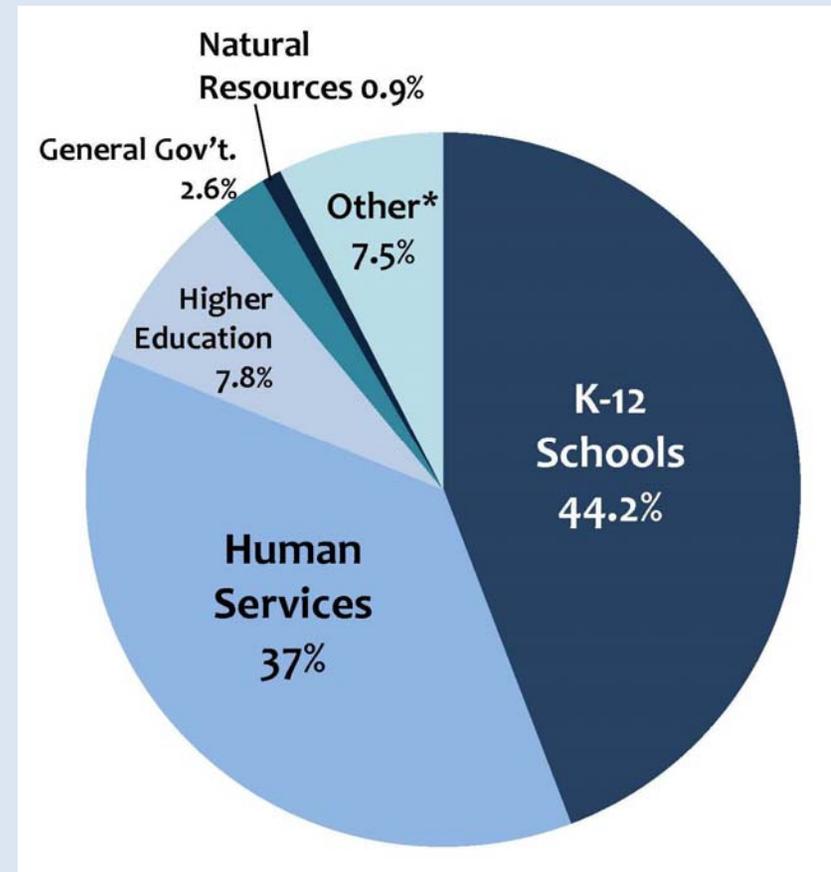


# DISTRIBUTION OF 2011-13 STATE OPERATING EXPENDITURES

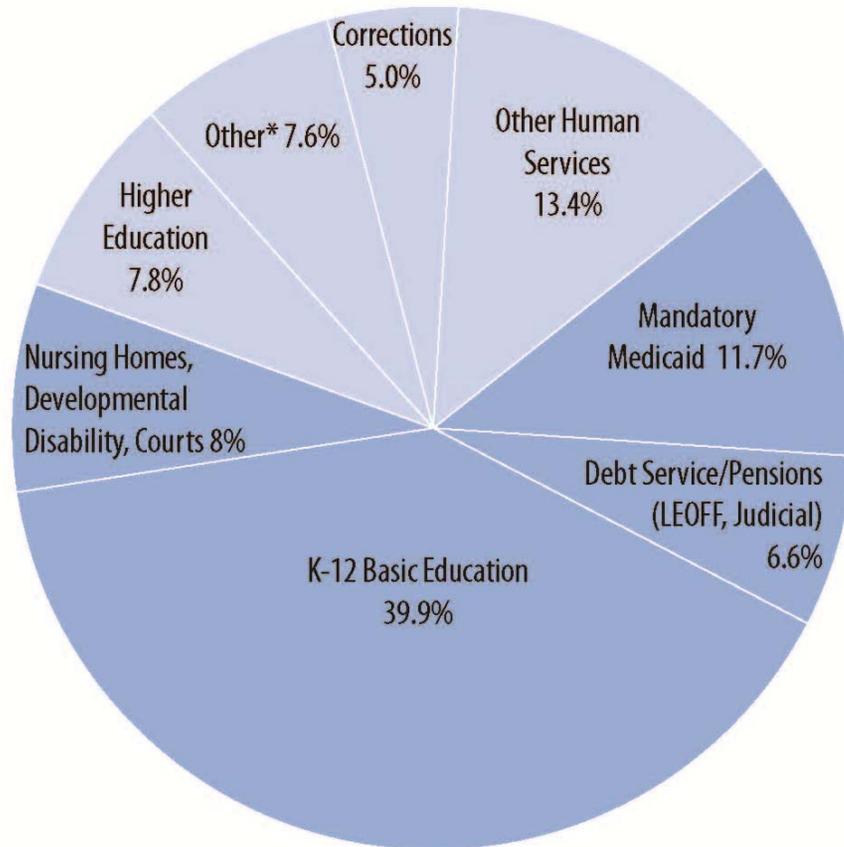
## All Funds



## General Fund-State



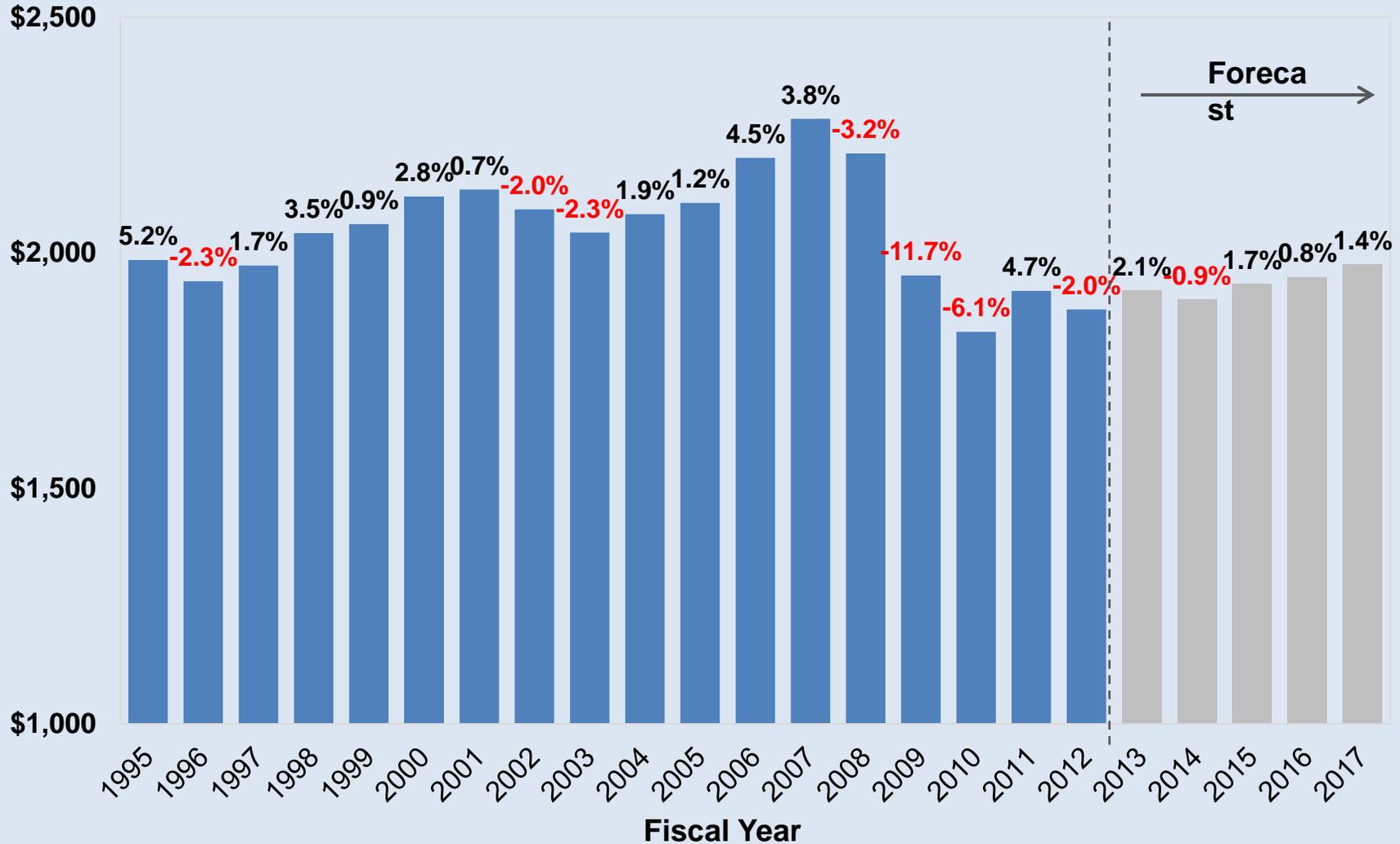
# TWO-THIRDS OF THE \$33.3 BILLION GFS 2013-15 MAINTENANCE LEVEL BUDGET IS TIED TO CONSTITUTIONAL AND FEDERAL REQUIREMENTS



\*Other includes balance of K-12, Legislative agencies, Governmental Operations, Natural Resources, Transportation, Other Education, Other Appropriations

# REAL PER CAPITA GENERAL FUND-STATE\* REVENUE

DOLLARS ADJUSTED FOR 2005

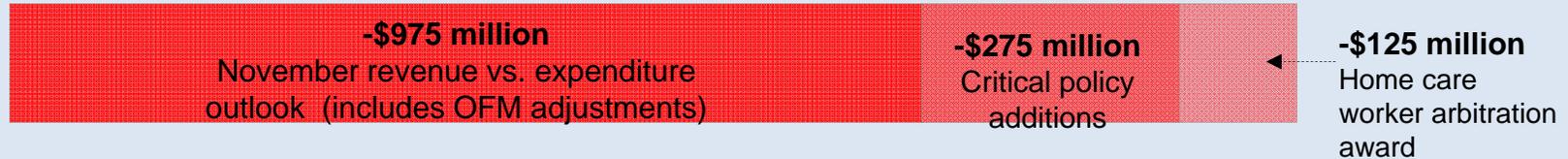


\*Reflects General Fund and related funds for fiscal years 1995–2009; General Fund, new definition for fiscal years 2010–17

Washington State Economic and Revenue Forecast Council, November 2012

# GOVERNOR GREGOIRE'S 2013-15 BUDGET

## The General Fund Problem



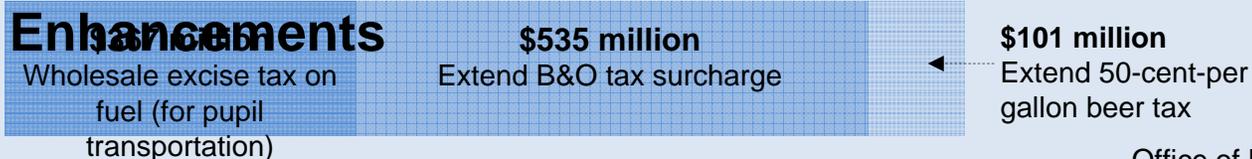
## The Solution



## Making a Down Payment on Basic Education (McCleary)



## How We Pay for Basic Education



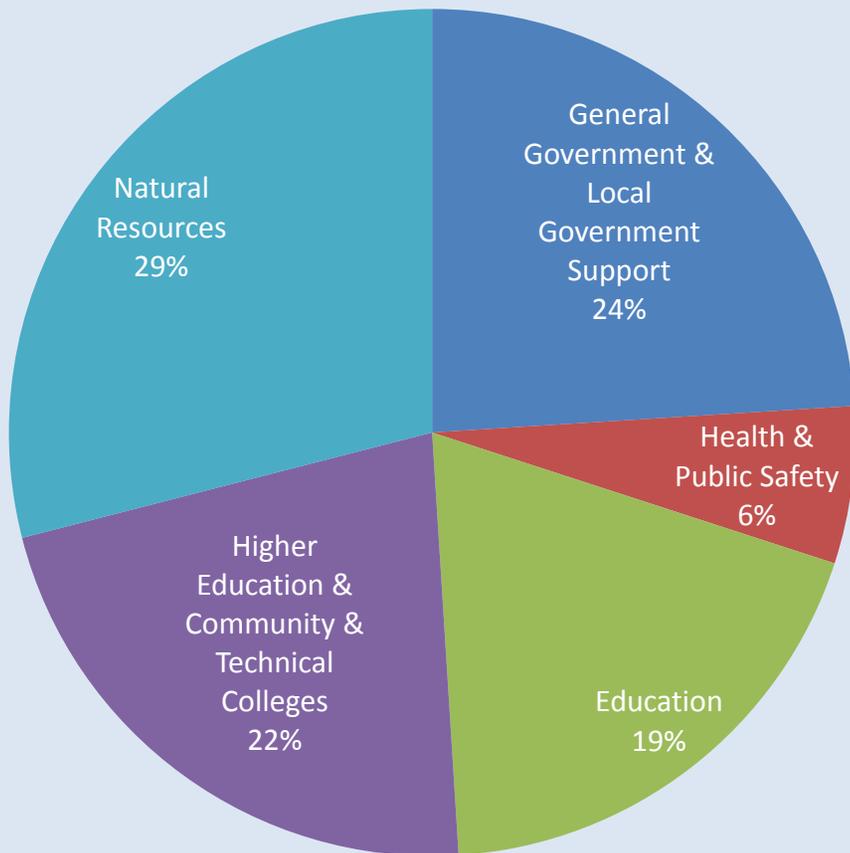
Office of Financial Management, December 2012

# GOVERNOR GREGOIRE'S 2013-2015 PROPOSED CAPITAL BUDGET

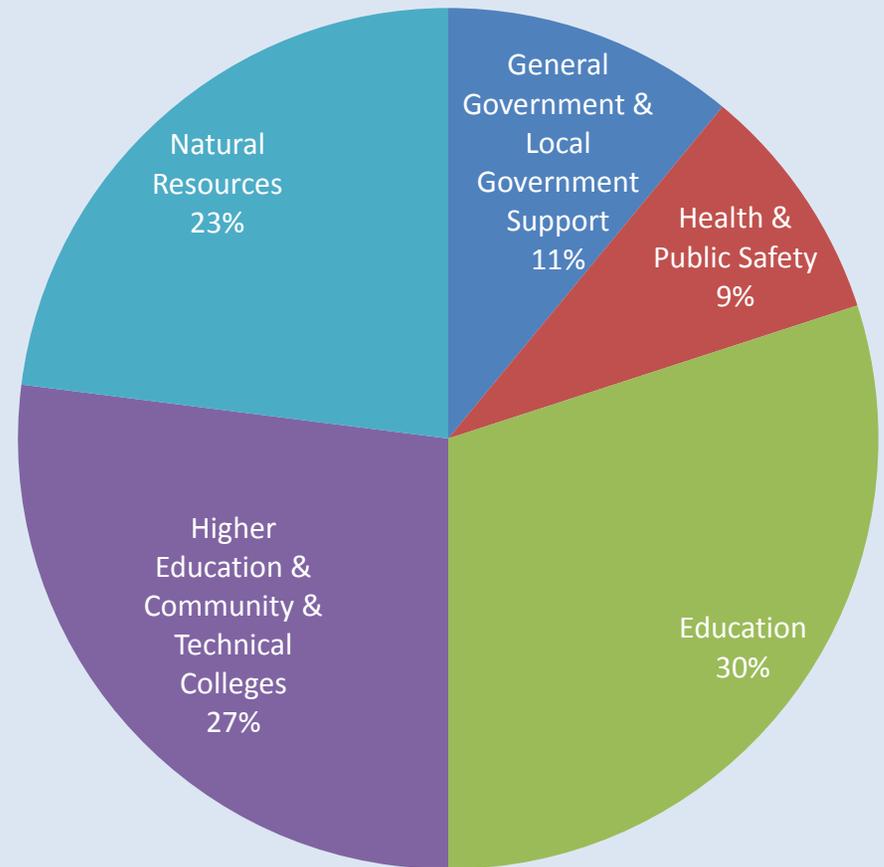
- Proposes \$3.628 billion dollars in new projects.
  - \$1.662 billion in new general obligation bonds
  - \$105.7 million in previously authorized bonds
  - \$1.860 billion in other funds (dedicated cash accounts such as the public works assistance account and model toxics control accounts)
  
- Re-Appropriates \$3.081 billion in previously authorized projects.

# DISTRIBUTION OF NEW FUNDING

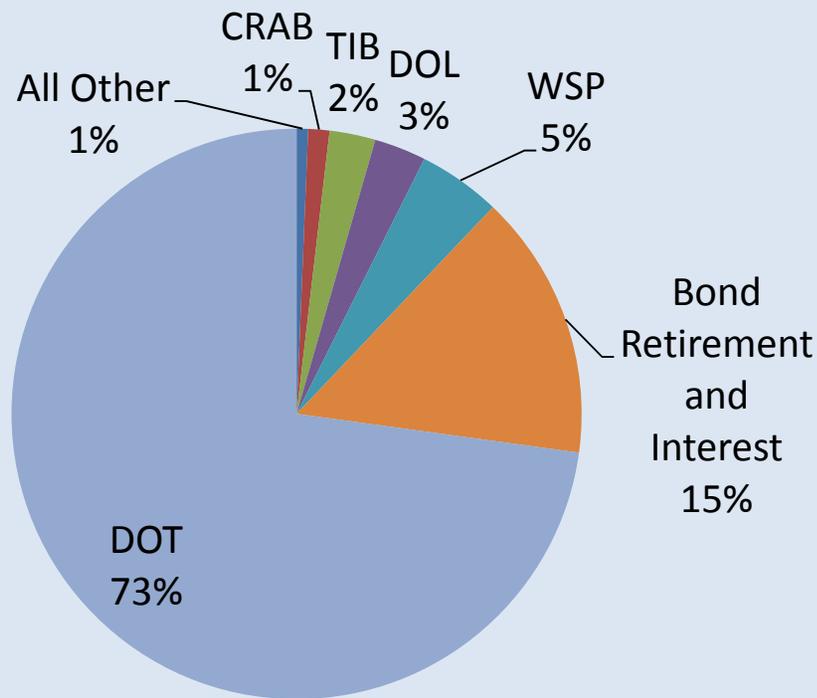
## All Fund Sources



## General Obligation Bonds



# 2013-2015 TRANSPORTATION BUDGET BY AGENCY



## Agencies (millions)

Department of Transportation.....	\$6,371.1***
WA State Patrol.....	\$ 410.7 *
Licensing .....	\$ 257.2 *
Transportation Improvement Board....	\$ 227.9
County Road Administration Board..	\$ 105.1
Other .....	\$ 57.0 **
<b>Subtotal.....</b>	<b>\$7,429.0</b>
Bond Debt .....	\$1,318.6
<b>TOTAL:</b>	<b>\$8,747.6</b>

\*\$134.1 million for WSP and \$38.5 million for DOL in general fund omnibus budget not included.

\*\* Other includes 14 other agencies funded out of transportation budget.

\*\*\* Excludes Transportation Equipment Fund non-appropriated amounts

## A FEW OF THE 2013 -15 BUDGET ISSUES

- General Fund Maintenance Level Expenses vs. Revenue Gap
- Court ruling on Basic Education funding
- Implementation of the federal Affordable Care Act
- Higher Education enrollment and financing
- Transportation funding
- Compensation (collective bargaining agreements, arbitration awards, restored salary cuts)
- Puget Sound clean-up and Parks funding
- Governor Inslee initiatives
- Federal budget impacts

## STATUS OF THE FEDERAL BUDGET

- For some months we have been hearing about the federal government heading toward a “fiscal cliff” created by the combination of expiring tax cuts and automatic spending reductions (“sequester”) set to go into effect at the start of 2013.
- On January 2, the president signed new legislation that postponed the expenditure sequester from January 2 to March 1, and made various revenue changes including the extension of some tax cuts.
- In many respects, the January actions just kick the ball forward on the federal budget response to deficit reduction. The size and nature of spending cuts, tax reform, and the debt ceiling are still issues to be debated in Congress over the next several months. Sequester implementation, the need to raise the debt ceiling, and expiration of the current year’s Continuing Resolution all occur in March. *(1/23 House passed 3-month debt limit extension.)*
- Much of the concern about the federal budget has centered around the cumulative economic impact of expenditure cuts and tax revisions, not just sequester per se.

## POSSIBLE EFFECT OF FEDERAL BUDGET ACTIONS ON OUR STATE

- Sequester assumes across-the-board expenditure reductions in non-exempt programs. The January legislation has ratcheted down the original 8 – 10 percent cut assumptions. Final percentages will not be known until March.
- Specific programs at risk under sequester include Head Start; certain special education and rural education programs; the Women, Infants and Children (WIC) program; Amtrak; and Hanford clean-up.
- It's currently assumed that Medicare cuts are limited to 2 percent; while (most) Medicaid, the Children's Health Insurance Program, and Social Security are exempt from the sequester. However, Congress also has the option to re-budget and consider any option.
- Because Medicaid and transportation are largely exempt, most of the support state governments receive from federal funds is exempt from sequester.
- A broader concern is the effect on the state's economy from potential cuts to defense contracting, military base operations, and other federal spending.

**Questions ?**