Investing in Washington’s continuing success

Governor reinforces efforts to address homelessness crisis, expand early learning and combat climate change

Last spring, Gov. Jay Inslee and the Legislature approved two-year state budgets that fund major reforms and expansions in behavioral health, education, affordable housing, orca recovery and climate action. Gov. Inslee is now proposing modest adjustments to those spending plans while calling for new investments in several strategic initiatives, including bold actions to address the state’s homelessness crisis, add early learning opportunities and strengthen the state’s efforts to promote diversity, equity and inclusion in the workplace.

For much of the past several biennia, state budget writers have had to grapple with one of the greatest fiscal challenges the state has ever faced: meeting our constitutional obligation to fully fund basic education. The state had been falling short on its obligation for decades, and fixing the problem has required an enormous infusion of state funding. Since 2013, in fact, nearly two-thirds of new state spending has been directed toward K-12 education.
Having largely tackled the state’s school-funding problem, Gov. Inslee and the Legislature this year turned their attention to critical needs in other areas.

For example, the 2019–21 operating and capital budgets include major new funding to transform Washington’s behavioral health system. Efforts are underway to decentralize long-term civil mental health commitments, create forensic centers of excellence at the public psychiatric hospitals and build recovery-based services and supports in the community.

The budgets boost funding for more affordable housing for vulnerable populations, including individuals with chronic mental illness who need supportive housing and case management services; homeless families, youth and individuals; veterans; farmworkers; seniors; and individuals with special needs.

The biennial operating budget adds nearly 1,200 new enrollment slots in the state’s preschool program for 3- and 4-year-olds and boosts funding for K-12 special education. It also expands the governor’s Career Connect Washington initiative, which offers students more pathways to good-paying careers through a coordinated, statewide system of apprenticeships, internships and mentorship learning.

Under Inslee’s leadership, the state is making unprecedented investments in recovery efforts for salmon and critically endangered Southern Resident orca populations. The supplemental operating, capital and transportation budgets fund a number of projects that will help restore habitat, reduce barriers to salmon migration, boost salmon hatchery production and expand pollution prevention and cleanup efforts. Meanwhile, the budgets passed during the 2019 legislative session are funding a wide range of actions to cut carbon emissions and create green-energy jobs.

“These budgets represent what can happen when legislators work together and prioritize the needs of our students, our natural resources, our people and our future,” the governor said in signing the 2019–21 state spending plans. “Budgets are statements of values, and I am proud of what these budgets mean for today’s Washingtonians and for future generations.”

Supplemental budgets focus on homeless crisis, protecting vulnerable individuals

As Washington’s economy continues to expand, state revenue projections have been making modest but steady gains. But that revenue growth has been offset by rising caseloads and enrollments in a number of programs and by the climbing costs of maintaining services at current levels.

Inslee is proposing mostly modest changes with his supplemental operating and capital budgets. After making necessary adjustments to account for enrollment, caseload and other rising costs, the governor’s proposal will increase Near General Fund spending by just 0.6% in the current biennium.

The governor, however, is taking action to stem a crisis facing many communities across the state: homelessness. In fact, Washington has the nation’s fifth-highest per-capita rate of unsheltered homeless individuals.

The governor proposes dramatically ramping up state and local efforts to provide more shelter and other actions to combat chronic homelessness. His plan adds 2,100 local shelter beds across the state while giving rental and other housing assistance to more than 3,000 additional homeless individuals.

These and other actions will cost $146 million in the current budget and more than $300 million over the next three years. To cover those costs, the governor proposes tapping into the state’s emergency reserve, which is projected to contain about $2.5 billion at the end of the next biennium.

Beyond that, much of the new General Fund spending the governor proposes is for several new or expanded strategic initiatives that he will present
NGF-S spending growth between 2013–15 and 2019–21 biennia

- Public schools: 63.9%
- Other human services: 17.1%
- DSHS: 7.7%
- Higher education: 5.1%
- Special appropriations: 4.2%
- Other*: 2.1%

*Other includes governmental operations, judicial, other education, natural resources, legislative and transportation.

Source: OFM, Dec. 2019

The governor proposed his supplemental budget and policy highlights to the Legislature in January. His supplemental operating and capital budgets include funding to:

- Add early learning opportunities and strengthen the state’s foster care system.
- Expand career connected learning efforts and provide more training for mid-career workers.
- Enhance diversity, equity and inclusion efforts in state government, schools and local communities.
- Maintain momentum on work to cut carbon emissions and promote clean energy.
- Help communities reduce gun violence.
- Implement safety initiatives at Western State Hospital and add approximately 70 direct-care staff at both psychiatric facilities.
- Make important adjustments and improvements to the state’s orca and salmon recovery efforts.

Budget pauses transportation projects to offset lost revenue

The governor’s supplemental transportation budget lays out a plan to address Initiative 976, which lowers state car-tab fees, repeals Sound Transit car-tab taxes and eliminates a .3% sales tax on vehicle
purchases and the authority for cities to charge car-tab fees. The measure, which voters approved in November, is projected to reduce state and local transportation funding by more than $450 million in the current biennium and by more than $4 billion over six years.

The measure is now on hold due to a court injunction stemming from a legal challenge brought by several local governments and transit agencies. However, the governor believes the budget must reflect the impact of the initiative.

To offset the enormous revenue losses, the governor proposes redirecting funds, accessing fund balances and pausing a wide range of projects pending across the state. Some projects will be deferred for seven months and others will be deferred to the next biennium to achieve temporary cost savings in various transportation accounts. Pausing projects gives the governor and the Legislature more funding flexibility as they work to revise the current budget and develop a long-term plan for implementing the initiative.

Annual percentage change of real per-capita revenue

Source: Economic and Revenue Forecast Council, Nov. 2019