



Beyond the pandemic

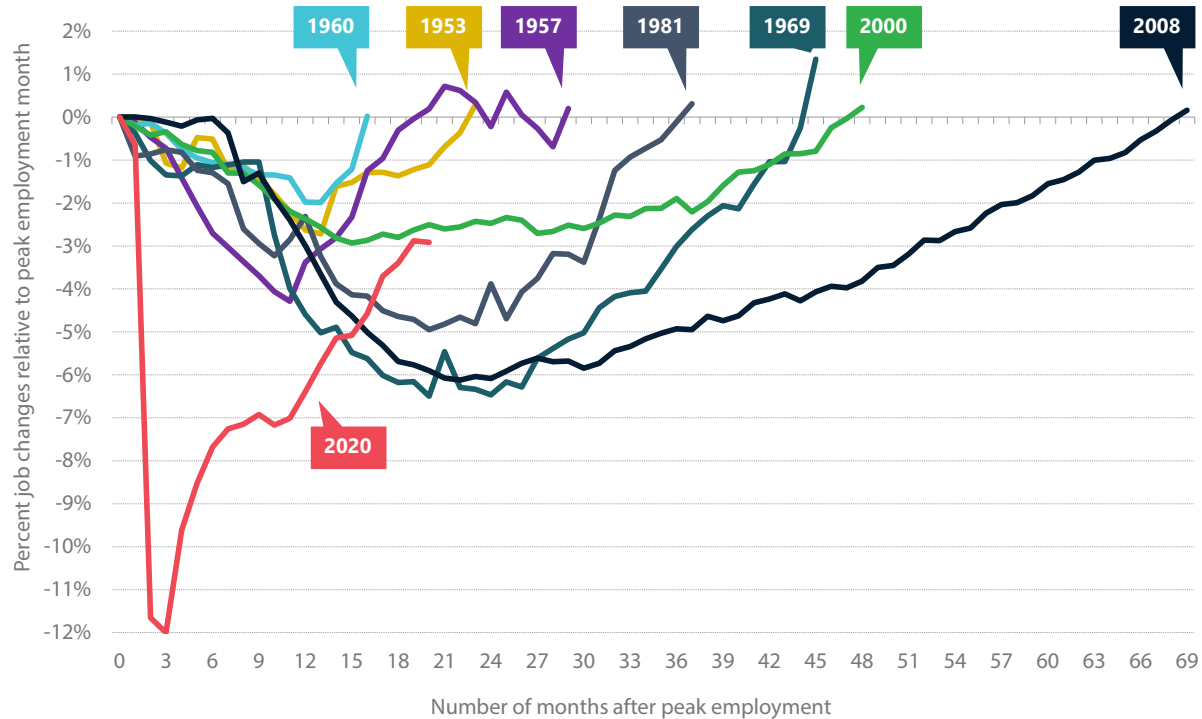
Governor targets homelessness, poverty, salmon recovery, climate and transportation

Washington's COVID-19 health crisis will soon enter its third year, and the pandemic continues to strain our schools, health care systems and some sectors of our economy. Overall, however, our economy has held up well and state revenue collections have grown steadily. Gov. Jay Inslee is proposing adjustments to the current two-year budget to help ensure we emerge from the pandemic stronger than ever.

It's been nearly two years since the nation's first case of COVID-19 was discovered here in Washington. Since that time, nearly 800,000 Washingtonians have contracted the virus, and about 9,600 have died. Two-thirds of those cases and deaths happened in the last year alone.

Not surprisingly, the pandemic placed enormous strains on our hospitals, nursing homes and other health care systems. It caused major education disruptions for our K-12, early learning and higher education systems. The need for food and housing assistance and other services skyrocketed. Many businesses struggled to stay afloat.

Job losses and duration of post-WWII recessions in Washington



Source: Washington Employment Security Dept. and Economic and Revenue Forecast Council, Nov. 2021

In the first few months of the pandemic last year, the impacts to our economy were unprecedented. More than 420,000 Washingtonians lost their jobs in a matter of weeks and the state's revenue forecast plummeted by nearly \$9 billion.

While the number of COVID-19 cases remain stubbornly high and new variants of the virus continue to pose a threat, we've seen reasons for optimism. Vaccination rates continue to rise, including among school children. Our medical providers are armed with new and promising treatments.

Thanks in large part to Washington's strong economy, we have recovered more than three-fourths of the jobs that were lost last year. Our state revenue projections have grown steadily

over the past 17 months. And, like other states, [Washington received a large one-time infusion of federal funds](#) to help confront the health crisis and to deal with the pandemic's economic fallout.

In addition to the rising revenue forecasts, the state's costs for K-12 education and a number of other state programs are expected to decline due to lower enrollments and caseloads. Meanwhile, Washington still has nearly \$1.3 billion in unspent pandemic-related relief funds from the federal government.

The two-year budgets approved earlier this year include vital public health investments to battle COVID-19 and make sure the state is better prepared to address future health crises. Much of the new spending in the 2021–23 operating

and capital budgets will help families, schools, businesses and communities across the state recover from the pandemic. Meanwhile, new funding will help tackle ongoing problems such as homelessness, poverty, access to child care and climate change.

But over time, the pandemic has exposed unmet needs and funding gaps. This includes gaps in our efforts to combat homelessness and poverty across the state. And, at the time the budgets were approved last spring, there were critical needs the state simply could not afford to put more funding toward — such as salmon recovery, climate action and transportation.

With the state in much stronger fiscal shape than it was early last year, Inslee proposes significant new spending in these and other areas. His supplemental operating, capital and transportation budgets will help ensure Washington emerges from the pandemic stronger and more resilient. Meanwhile, the governor is proposing the largest ever deposit to the state's constitutionally protected rainy day fund, and his budgets will leave the state with healthy overall reserves to help cushion against unforeseen economic and revenue setbacks.

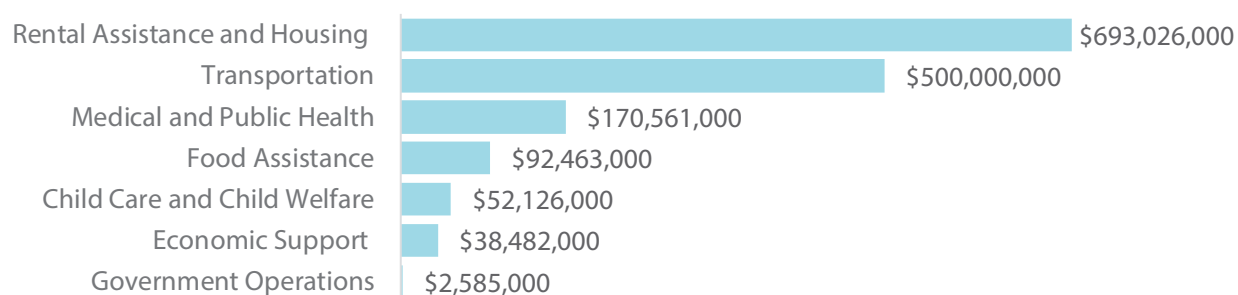
Tackling homelessness, poverty and pressing environmental issues

One of Inslee's top priorities for the coming year is to partner with local governments to confront our homelessness crisis, which the pandemic has made more challenging in communities across the state. His operating and capital budgets include more than \$800 million in state and federal funds that will, among other things, help families and individuals remain in their homes, provide more affordable housing and expand support services for people experiencing homelessness or at risk of becoming homeless.

Following up on a poverty reduction initiative he launched in 2017, the governor will put forward a package of budget and policy proposals to help the nearly 1.7 million Washingtonians who struggle to make ends meet. The governor recognizes that reducing poverty in Washington is a multiyear lift that requires a comprehensive and coordinated approach. His supplemental operating budget invests more than \$248 million in state and federal funds toward poverty reduction efforts.

Coronavirus State Fiscal Recovery Funds

Washington still has unspent pandemic-related relief funds from the federal government. The governor proposes spending the remaining funds on rental assistance and housing, transportation, medical services and public health, food assistance, child care and child welfare, and economic support.



The governor's operating and capital budgets put an increased emphasis on salmon recovery. Drawing on decades of work by numerous experts, salmon recovery organizations, stakeholders and tribes, the governor recently released an update to the state's salmon recovery strategy. It calls for aggressive action in various areas, such as protecting and restoring riparian habitat, correcting fish passage barriers and investing in clean water infrastructure. Using the new strategy as a template, the governor proposes a comprehensive suite of policy changes and budget investments totaling nearly \$187 million to help restore salmon populations across the state and to meet our tribal obligations.

Inslee is also calling for additional actions and about \$626 million in new funding to combat climate change and meet our statutory obligations to reduce carbon emissions. Governor-proposed legislation would decarbonize commercial buildings and homes. His budgets invest in clean transportation programs — including a \$100 million a year rebate program for electric vehicle purchases



Gov. Jay Inslee visits First Mode, an engineering company in Seattle that is creating a hydrogen fuel-cell powerplant (a big battery) that will power the largest electric vehicle on the planet.

— and \$100 million a year for solar energy grants to utilities, tribes, local governments and school districts. The budget also provides support for energy-intensive, trade-exposed industries such as steel mills, pulp and paper mills and food processors to reduce their emissions. And it would enhance efforts to site clean energy production and manufacturing while also fully funding the implementation of the Climate Commitment Act, which was enacted in the last legislative session.

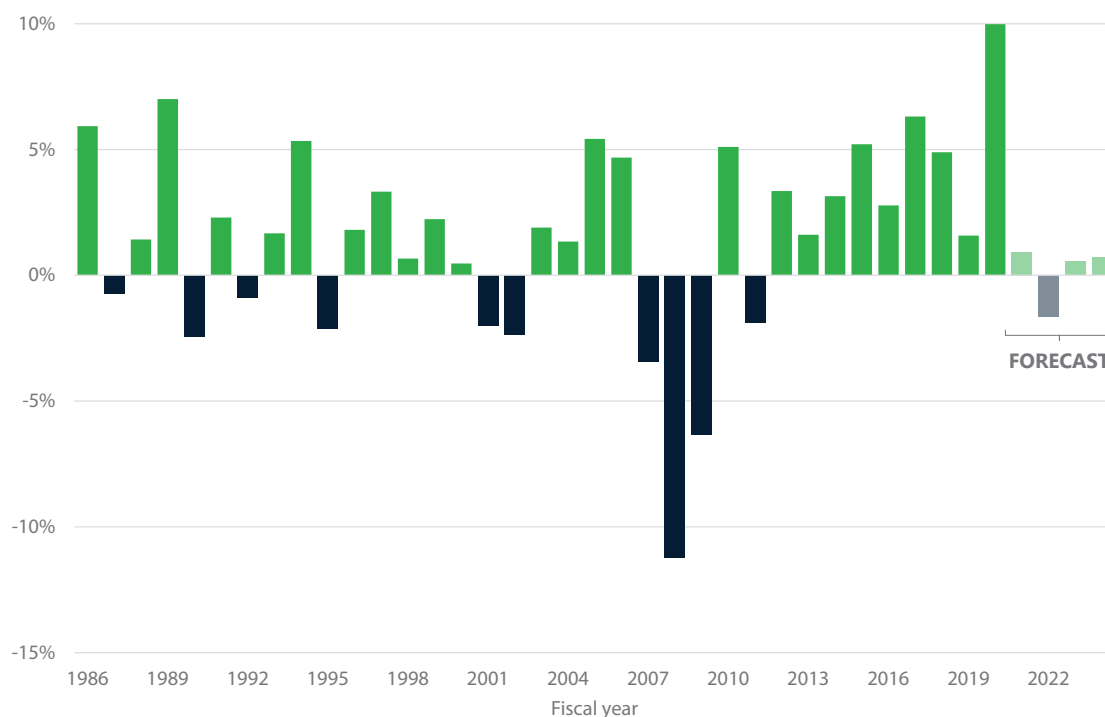
The clean transportation investments include new funding to expand electrifying the state's ferry fleet. Meanwhile, amid a global shortage of maritime workers, the governor's transportation budget provides more than \$27 million to help the ferry system recruit and retain crew members. Addressing crew shortages and improving efficiencies will make our vital marine highway system more reliable.

Supporting schools and other services impacted by the pandemic

While K-12 schools have been buoyed by federal relief funds, the pandemic caused major disruptions for students and their families. It has also compounded educational opportunity gaps that existed prior to the pandemic.

The state's K-12 allocations during the pandemic have been reduced due to declining enrollments. Inslee proposes reinvesting more than \$900 million of those funds to help schools address students' social and emotional and academic needs. This would happen by increasing the numbers of school nurses, social workers, counselors and psychologists, and implementing accelerated learning strategies such as before- and after-school tutoring, extracurricular activities and mental health supports.

Annual percentage change of real per-capita state revenue



Includes General Fund-State, ELTA, OPA and WEIA revenue

Source: Economic and Revenue Forecast Council, Nov. 2020

The governor's budgets include funding to address other issues that arose or that the pandemic compounded. For example, there was a sharp increase in drug overdoses and overdose deaths last year, which experts believe was driven partly by pandemic-related stress and isolation. Among other actions to address the overdose crisis, the governor proposes a substantive increase for treatment providers.

The supplemental operating budget provides more than \$100 million in state and federal funds to food assistance programs, which saw a sharp rise in demand last year. And the budget will help address a staffing crisis in the state's long-term care system by boosting funding for recruitment, retention and apprenticeships in our nursing homes.

Keeping the state budget on solid fiscal footing

Early last year, the Inslee administration took immediate action to minimize the pandemic's impact on the state budget. Besides using his veto pen to reduce spending by more than \$440 million over three years, the governor directed state agencies under his authority to cancel a scheduled 3% wage increase for many government employees and begin furloughs for most state employees. He also placed a freeze on most hiring, personal service contracts and equipment purchases.

The furloughs, canceled pay raises and freezes saved tens of millions of dollars in the last two-year budget. Meanwhile, state employees agreed

to new collective bargaining agreements last year that provided no general wage increases in the current biennium and called for monthly one-day furloughs for most workers.

In light of the state's improved financial situation, the Legislature earlier this year canceled the planned furloughs and increased wages for employees who didn't receive an increase last year.

Meanwhile, the state agreed to reopen the contracts approved earlier this year and reached an agreement to give state employees a 3.25% wage increase in the second year of the current budget.

Even with those adjustments and the increases the governor proposes in his supplemental

budgets to address a number of critical needs and crises, the state is expected to maintain healthy reserves over the next three years.

Last year, to help the state address the COVID-19 crisis, the governor and the Legislature agreed to withdraw about \$1.8 billion from the Budget Stabilization Account, the state's rainy day fund. Given the state's healthy reserves, the governor proposes putting \$600 million back into the constitutionally protected fund (in addition to the \$574 million statutory deposit for the current biennium).

The state's total reserves are projected to be more than \$2.5 billion at the end of the current biennium and \$2.8 billion at the end of the next biennium.