



Renewed focus on pressing needs

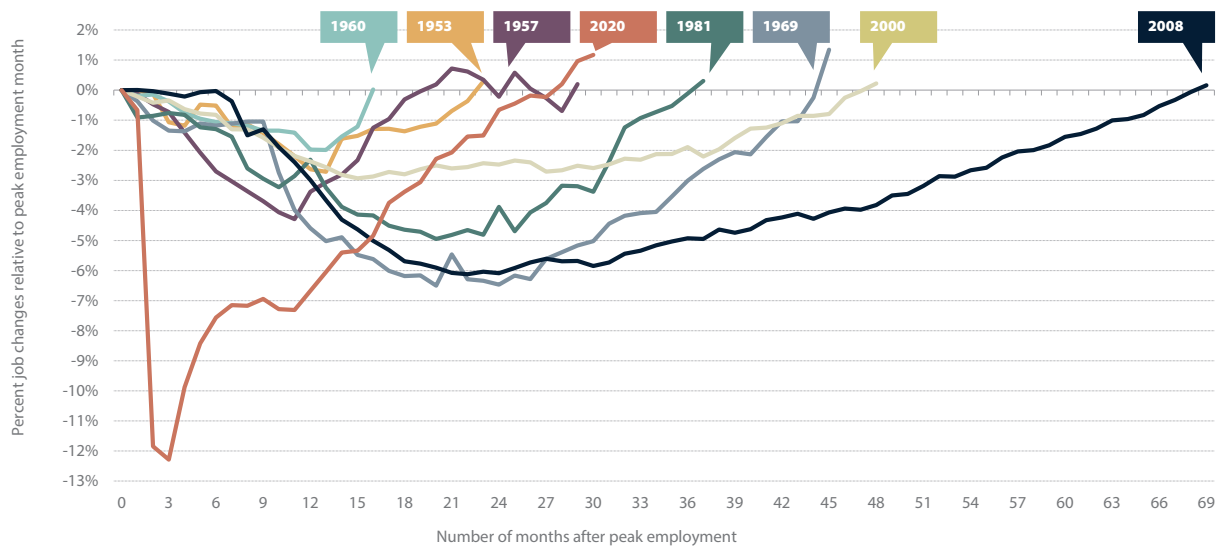
Gov. Jay Inslee's proposed 2023–25 budgets prioritize housing and homelessness, behavioral health, climate change, salmon protection, public safety

While the COVID-19 pandemic continues to linger, it appears the worst of the health crisis has passed and life in Washington is returning to normal. Thanks in large part to Washington's aggressive response to the pandemic, the state has consistently maintained one of the lowest COVID-19 death rates in the nation. This fall, Gov. Jay Inslee lifted the last of his COVID-19 emergency declarations, though he and health officials urged continued safety precautions.

In general, Washington's economy rebounded quickly from the pandemic's initial jolt — when more than 400,000 Washingtonians lost their jobs in a matter of weeks and the state's revenue projections fell by nearly \$9 billion. Job numbers are back above pre-pandemic levels. And, even amid recent concerns of a looming economic slowdown, state revenue projections have increased almost every quarter since fall 2020.

In many regards, however, Washington is still recovering from the enormous strains the pandemic placed on our health care systems and the many disruptions to K-12 education, early learning, child care and higher education. We continue to combat housing and homelessness crises made worse

Job losses and duration of post-WWII recessions in Washington



Source: Washington Employment Security Department and Economic and Revenue Forecast Council, November 2022

by the pandemic. Inflation sparked by the pandemic is hitting low-income Washingtonians the hardest. And many employers — including the state — are grappling with workforce challenges that were already mounting before the pandemic hit.

Like other states, Washington was buoyed during the pandemic by a large infusion of temporary federal COVID-19 relief funds — money that was vital in helping the state confront the pandemic and its economic fallout. But the extra federal funding is winding down and the state's finances are returning to more normal levels.

There are other ramifications of our return to normal. During the first two years of the pandemic, school enrollments decreased along with the associated costs. Fortunately, school enrollments are rebounding. But more students, rising inflation — along with new investments

in additional counselors, nurses, psychologists and social workers in our schools — are driving up the overall cost of K-12 education.

And while revenue projections continue to grow, inflation is driving up costs across state government.

Faced with this mixed bag of good and bad fiscal news, the state has many pent-up needs it won't be able to afford over the next few years. Instead, Inslee's 2023-25 operating, capital and transportation budget and policy proposals are aimed at addressing the state's most pressing needs.

To transition from the pandemic challenges, the Legislature created a new reserve last year called the Washington Rescue Plan Transition Account. The governor proposes using the \$2.1 billion in that account to help address the needs identified in his 2023-25 operating budget.

The state's total reserves are projected to be more than \$2.6 billion at the end of the 2023-25 biennium and nearly \$2.4 billion at the end of the 2025-27 biennium.

The governor's budget and policy proposals will:

- Expand the state's efforts to tackle homelessness and move quickly to dramatically increase the supply of affordable housing.
- Strengthen public safety by training more law enforcement officers and addressing firearm violence across our state.
- Continue efforts to transform the state's behavioral health system, which includes adding more community-based treatment capacity and boosting treatment services for children and youth.
- Keep the state moving forward in reducing greenhouse gas emissions and building a green economy.
- Provide new actions and investments to protect the state's iconic salmon populations.
- Protect reproductive rights and access to abortion services.
- Support state agencies facing critical staffing shortages and address employee recruitment and retention issues across state government.

Speed up efforts to address housing, homelessness crises

In recent years, Washington took unprecedented actions to combat housing and homelessness crises across the state. Still, amid a worsening shortage of affordable housing,

Washington's homelessness crisis persists.

Washington's 2022 point-in-time count found that nearly 13,000 individuals are living outside and unsheltered across the state — up from about 10,800 in 2020. Meanwhile, the state faces a significant shortage of housing, now and well into the future. Housing costs have soared in recent years, and low vacancy rates are driving up rents. And as people continue to move to Washington for our strong economy, temperate climate, natural beauty and quality of life, we need significant investments and policy changes to keep up with the housing demand.

Inslee is once again putting forward an ambitious plan to tackle homelessness and increase the supply of affordable housing by rapidly funding and constructing housing projects across the state. His plan, part of which will require voter approval, will raise \$4 billion over the next three biennia, \$1.3 billion of which will be invested during the next biennium on a wide range of housing and homelessness initiatives.

Transform Washington's behavioral health system

Over the past five years, the state has made significant efforts to transform its behavioral health system. The governor launched a plan to dedicate our state hospitals to treating forensic patients, while significantly expanding the number and types of community facilities that allow non-forensic patients to access treatment closer to their home. The governor's budgets, which include new investments to continue that transformation, also provides funding to boost treatment services for children and youth.

Combat climate change, grow clean-energy economy

Washington has been a national leader in combating climate change. The state has enacted policies to transition to clean, affordable energy and reduce carbon emissions, including requirements for 100% clean electricity, cleaner fuels and more efficient buildings that run on clean energy. The state also adopted a cap and invest program that reduces climate pollution and generates revenue for investments in clean energy and nature-based climate solutions.

Now, relying heavily on new revenue from the cap and invest program, the governor is proposing investments and legislation that will continue to bolster the state's efforts to effectively site and permit clean energy and transmission to power our homes, vehicles and businesses; plan for livable, resilient communities with clean transportation and affordable housing options; and mobilize a workforce that is ready to create our clean future.

Protect and restore Washington's salmon populations

Salmon populations across the Pacific Northwest are struggling, pushing Southern Resident orcas closer to extinction. Action is required on our coast, around the Puget Sound, and in the Columbia River basin. The governor proposes a legislative and budget package to protect and restore riparian habitat, continue to open historic fish spawning areas blocked by culverts, invest in clean water infrastructure, and track and reduce toxic contaminants of emerging concern.

Expand law enforcement training, reduce gun violence

State and local police departments in Washington are grappling with significant recruitment challenges and staffing shortages. To help tackle these problems, the governor proposes to expand the state's police training capacity by adding two new regional police training campuses and help pay for training recruits. This approach will enable local law enforcement agencies to train new recruits more quickly and closer to home. The governor is also proposing budget and policy measures to help reduce firearm violence in Washington.

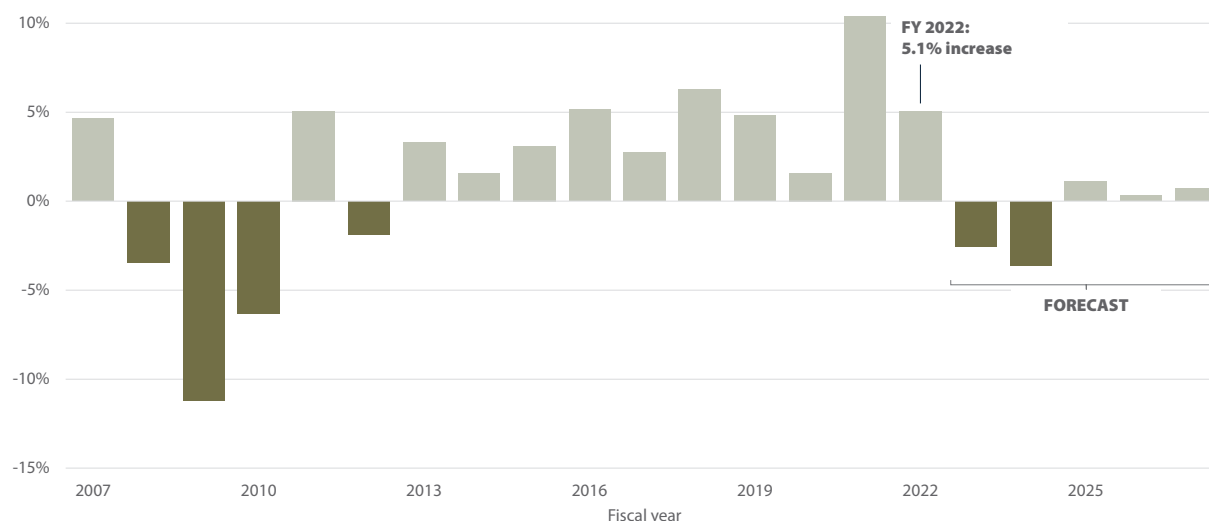
Protect reproductive rights/ access to abortion services

The governor is teaming up with Washington lawmakers to defend the fundamental right, safety and privacy of women to make their own reproductive health choices, including access to a safe abortion. The 2023 legislative and budget package will strengthen access and protection for patients who seek these medical services and other maternal health funding.

Adapt to changing workforce trends

Like many public and private employers here and across the country, Washington state agencies face increased challenges to recruit and retain workers. These workforce challenges, in turn, can hamper the state's ability to provide vital services. In some cases — such as at our state psychiatric hospitals, correctional and long-term care facilities — nursing and other staffing shortages can jeopardize safety for those in the state's care as well as for state employees.

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 2023–25 budget includes funding collectively bargained provisions to help agencies strengthen the state's workforce. This includes funding general wage increases and other incentives for most health care, human service, general government, ferry system and community college employees, as well as larger targeted increases for certain hard-to-fill or high turnover positions.

Capital budget

Besides funding large portions of his housing and homeless plan and his climate package, the governor's 2023-25 capital budget includes nearly \$900 million to construct a new 350-bed forensic hospital at the Western State Hospital campus. The capital budget also provides \$730

million for 20 major projects at our colleges and universities, and more than \$613 million to construct and modernize 38 school buildings across the state.

Transportation budget

The governor's 2023–25 transportation budget — as a key part of his climate package — will keep the state moving forward on its efforts to modernize the state's ferry fleet by building five new hybrid-electric ferries and converting three existing boats to hybrid electric. The transportation budget also includes funding to address workforce challenges that affect ferry service. And it invests in several strategies to improve traffic safety to help stem the recent rise in fatal and injury accidents.

How Washington used its federal COVID-19 relief funding

Since March 2020, Washington state government has received \$14.5 billion from the federal government to support COVID-19 response, relief and recovery efforts. The chart on the next page shows how the funds were allocated by OFM or appropriated by the Legislature. The funds come from a variety of federal sources with different eligibility rules:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- American Rescue Plan Act
- Coronavirus Response and Relief Supplemental Appropriations Act
- State Fiscal Recovery Fund

To save lives and prevent the spread of COVID-19, we put nearly \$4.4 billion (30%) toward health care, public health and public safety. To help combat the growing rate of suicide and overdose deaths, we provided \$378 million for behavioral health.

Basic education and higher education institutions received nearly \$3.5 billion. This funding helped schools reopen by transitioning to virtual learning platforms. Primary schools, middle schools and high schools also received funding to increase special education services, prevent learning loss and expand student mental health services. Other services for children, such as child care, preschool and child welfare assistance received another \$855 million.

In response to significant job losses and skyrocketing unemployment rates, food assistance programs and economic support programs received \$1.3 billion. Of that, \$858 million went toward cash grants to individuals and families. We provided another \$1.8 billion for rental assistance, eviction prevention, affordable housing development, utility assistance, homeless housing and homeless services.

We also provided approximately \$811 million to reduce the negative economic impact of the pandemic on Washington's businesses. Of that, small businesses and nonprofits received \$353 million, while another \$117 million went toward statewide tourism recovery.

Using federal funds dedicated to infrastructure projects, we provided \$467 million to clean water, drinking water and broadband projects. The latter will help us meet our goal for universal broadband access by 2024. An additional \$400 million will help our state remove barriers to fish passage as part of a \$1 billion investment in our transportation budget.

The governor proposes spending about \$202 million in remaining federal pandemic relief funds, including \$76 million for emergency housing, \$89 million for food programs, \$27 million for public health and \$9.21 million for special education.

Distribution of federal COVID-19 relief funding

