



## ***BUDGET MEMO: FINAL 2020 SUPPLEMENTAL OPERATING BUDGET***

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*March 2020*

The 2020 Washington State legislative session was a short session, which means it moved at a rapid pace as legislators worked not only to pass bills but also supplemental operating, transportation, and capital budgets and end on time on the 60<sup>th</sup> day. In Washington, the big two-year biennial budget is always passed in the first year of the biennium (odd-numbered years), and the second year (even-numbered years) is when the legislature passes supplemental budgets that make changes to the biennial budget that had passed in the previous session. Supplemental budgets largely make tweaks to the budget to account for changes in case load, mandatory cost adjustments, and unexpected issues that emerge after the full biennial budget passed. If there is available revenue, they may also provide funding for new policy and programs.

This memo will provide an overview of the changing budget and revenue landscape in the final days of the 2020 legislative session and a summary of funding levels in the final supplemental budget passed by the legislature.

### ***Revenue Forecast & Shifting Budget Landscape***

In the February 19<sup>th</sup> [spring revenue forecast](#), Near General Fund-State (NGF-S) revenue for the current 2019-21 biennium was forecasted to increase by \$606 million, bringing the total 2019-21 NGF-S to \$52.339 billion, which is 13.6% more than the 2017-19 biennium. It was with this revenue forecast in mind that the House and Senate compiled their respective budget proposals. The two proposals had some differences in what they funded for new policy spending, but both increased spending and there was just a \$49 million difference between them.

Within a day of the operating budget proposals passed each chamber, the budget and political landscape in Washington quickly changed as a result of the coronavirus (COVID-19) pandemic. In the final two weeks of the legislative session, Washington became a hot zone for the pandemic with the number of confirmed cases and deaths increasing significantly each day, social distancing measures went into place, and businesses and consumer spending started to be impacted. Budget writers were faced with an evolving reality of an unknown but potentially volatile and significant impact on the state economy. In their [summary of the final operating budget](#), budget writers provided this important context for where the final budget landed:

During the 2020 legislative session, the coronavirus (Covid-19) began to spread. At the time the final budget is voted upon, the full impacts to public health and the state economy was unknown. The uncertainty related to Covid-19 has been such that the February 2020 economic, revenue and caseload forecasts have not picked up any potential effects. Prior to the COVID-19 outbreak, the 2020 Legislature started the 2020

supplemental budget process with an additional \$1.5 billion in NGF-O from revenue forecasts that were higher than expected in the 2019-21 biennium. Over the same time period, the projected costs for continuing current programs and other mandatory cost adjustments increased by \$121 million. These mandatory costs do not include new fiscal or policy-related changes, or any actions related to the COVID-19 virus.

It was with this context in mind that budget writers crafted the final supplemental operating budget. The budget as passed by the legislature was trimmed down a bit from either chamber's original proposal in order to provide more funding for the state's reserves (see Table 1 for a comparison of the proposed budgets with the final budget). Senate Ways & Means Chair Christine Rolfes summarized the final budget well: "It's a plan that balances our needs with fiscal discipline. We've done our best to prepare our state for an uncertain, volatile economy."

### ***Final 2020 Supplemental Operating Budget***

The final 2020 supplemental budget ([SB 6168](#)) increases net new Near General Fund - State plus Opportunity Pathways (NGF-O) spending by \$961 million, or approximately 1.8 percent over the enacted 2019-21 budget. The \$961 million includes the \$121 million in current obligations (case load changes, mandatory cost adjustments, etc.), as well as \$839 million in net new spending. This proposal would bring NGF-O spending to \$53.5 billion in 2019-21.

In addition to the \$961 million in new spending, the Legislature, through [HB 2965](#), spends \$200 million from the Budget Stabilization Account (Rainy Day Fund) for emergency response efforts related to the coronavirus (COVID-19) outbreak.

The final budget leaves \$3 billion in total reserves at the end of the biennium, the largest balance in state history. Over the four-year outlook, the reserves are expected to grow to \$3.6 billion.

The Final budget provided new or increased policy-related spending in several areas including the following:

- \$200 million to cover costs associated with the coronavirus outbreak, including a dedicated call center, monitoring, testing and support for local health jurisdictions.
- \$160 million to address homelessness and affordable housing.
- \$50 million to address the climate crisis by investing in communities and projects to enhance mitigation and resilience.
- \$153 million to the state Department of Children and Families to reduce childcare rates for working families (\$65M), strengthen the foster care system (\$52M), expand early learning programs (\$15M), and other increases.
- \$172 million for K-12 education in the form of local levy assistance (\$46M), counselors in high poverty schools (\$32M), special education (\$2M), pupil transportation (\$41M), paraeducator training (\$14M), student mental health and safety (\$3M), and other increases.

- Health care: Investments in primary care physician rate increases (\$10M), rural health clinics (\$34M), family planning (\$8M), foundational public health (\$17M), and other increases.

**Table 1: Comparing the House and Senate Passed Budgets with the Final Budget as Passed**

	<b>House-Passed Operating Budget (February 28<sup>th</sup>)</b>	<b>Senate-Passed Operating Budget (February 27<sup>th</sup>)</b>	<b>Final Operating Budget Passed by Legislature (March 12<sup>th</sup>)</b>
<b>Appropriations total for 2019-21 biennial budget</b>	\$53.704 billion	\$53.655 billion	\$53.459 billion
<b>Increase in General Fund spending</b>	\$1.1205 billion total increase. Of this, \$144 million is maintenance level; and \$1.061 billion is new policy level spending	\$1.157 billion total increase. Of this, \$144 million is maintenance level; and \$1.013 billion is new policy level spending	\$961 million total increase. Of this, \$121 is maintenance level; and \$839 million is new policy level spending.
<b>Ending fund balance</b>	The NGF-O ending fund balance for the 2019-21 Biennium is projected to be \$595 million; and \$8 million for 2021-23	The NGF-O ending fund balance for the 2019-21 Biennium is projected to be \$707 million this biennium; and \$12 million in 2021-23	The NGF-O ending fund balance for the 2019-21 Biennium is projected to be \$918 million this biennium; and \$859 million in 2021-23
<b>Budget Stabilization Account Balance</b>	The Budget Stabilization Account ending balance for the 2019-21 biennium is \$2.18 billion; and \$2.802 billion for 2021-23	The Budget Stabilization Account ending balance for the 2019-21 biennium is \$2.18 billion; and \$2.804 billion for 2021-23	The Budget Stabilization Account ending balance for the 2019-21 biennium is \$2.079 billion; and \$2.698 billion for 2021-23
<b>Total Reserves</b>	The total reserves for the 2019-21 biennium is \$2.775 billion; and \$2.811 billion for 2021-23	The total reserves for the 2019-21 biennium is \$2.887 billion; and \$2.815 billion for 2021-23	The total reserves for the 2019-21 biennium is \$2.997 billion; and \$3.558 billion for 2021-23
<b>Links to documents</b>	<a href="#">House Passed Budget Bill Statewide Summary and Agency Detail Budget Outlook</a>	<a href="#">Senate Passed Budget Bill Statewide Summary Agency Detail Budget Outlook</a>	<a href="#">Final Operating Budget Bill One Page Comparison Overview Statewide Summary and Agency Detail</a>

The final supplemental operating budget passed under the Senate bill number ([SB 6168](#)). This is a procedural step where whichever chamber passes their budget off their chamber floor first, that budget bill number becomes the vehicle for the budget. The final supplemental operating budget passed the House with a vote of 56 to 41 and the Senate with a vote of 28 to 21. The vote in both chambers was a party-line vote.

Since the 2020 legislative session adjourned, the impact of the coronavirus pandemic on Washington’s economy has continued to grow. New and necessary measures to control the spread of the virus continue to be implemented. But the long-term impact of those measures

on the state's economy remain unknown. Whether it's in the 2021 legislative session or sooner, the legislature will be faced with a difficult revenue and budget landscape as the full impact of the pandemic on our state.

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