



BUDGET MEMO: FINAL 2021-23 OPERATING BUDGET

May 25, 2021

The 2021 Washington State Legislative Session was a long session, which means it lasted for 105 days and included the business of writing the full 2021-23 biennial operating, transportation, and capital budgets. 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. Given this was a long session in an odd-numbered year, that means the legislature had the task of writing the full biennial budget.

This memo will provide an overview of the budget and revenue landscape the legislature faced while developing the 2021-23 operating budget and a summary of funding levels in the final budget passed by the legislature, including highlights of prevention-related items that were funded.

Final Revenue & Budget Landscape

On March 17th, the Economic and Revenue Council (ERFC) released the [spring quarterly revenue forecast](#). In the quarterly forecast, when compared to the November 2020 revenue forecast, the forecast of funds subject to the budget outlook were projected to increase by \$1.949 billion in the 2021-23 biennium¹. What this translates to is that compared to February 2020 (which is the revenue forecast the 2020 budget was based on), the projected state revenue has a forecasted positive ending balance in the 2021-23 biennium. In other words, after a year of projected revenue shortfalls, the budget landscape the legislature was working under was back to pre-pandemic levels.

The final budget also leverages much of the additional \$4 billion in one-time federal funds from the [American Rescue Plan Act of 2021 \(ARPA\)](#) that were provided to the state to bring relief to struggling households and help the state emerge from the pandemic with a stronger safety net and a more resilient public health system. Not all ARPA dollars directed to the state were appropriated in the final budget as states have until the end of 2024 to use those federal funds. While this influx of federal dollars is providing widespread relief for people, organizations, and businesses, the one-time nature of the funding meant the legislature had to be very thoughtful in what would be good investments that don't have an ongoing need.

In addition to the improved budget landscape and the federal relief dollars coming into the state, it is also notable that the legislature passed a new capital gains tax through [SB 5096](#). As passed, this legislation imposes a 7% capital gains tax beginning January 1, 2022 on the sale or

¹ For more detail on the spring revenue forecast, see the [Prevention Alliance March 2021 Revenue Forecast Budget Memo](#).

exchange of long-term capital assets if those profits are in excess of \$250,000. Certain exemptions are provided such as real estate, retirement assets, livestock, timber, commercial fishing privileges, and certain others that can be found summarized in the bill report [here](#). The first \$500 million in revenue each year is directed to the Education Legacy Trust Account to fund K-12 education, early learning, and child care, and advance the paramount duty to amply provide an education to every child in the state. Remaining tax proceeds will be deposited into the Common School Construction Account.

The improved revenue picture, combined with the new capital gains tax and the influx of federal COVID recovery dollars provided to Washington State under the established a very different budget landscape than had been anticipated leading up to, and during the first couple months of the 2021 legislative session. Instead of facing a significant budget shortfall, the legislature was working with a nearly balanced outlook and extensive one-time federal dollars available to appropriate out.

Final Operating Budget

General Overview

The final 2021-23 operating budget appropriates \$59.2 billion from funds subject to the outlook (NGF-O)² and \$122.6 billion in Total Budgeted funds. NGF-O policy level changes are a net increase of \$3.2 billion. Policy level changes mean new or increased spending for programs and services, as opposed to maintenance level funding. In Total Budgeted funds, policy level increases are a net \$18.5 billion. The budget includes a \$1.8 billion transfer from the Budget Stabilization Account (aka Rainy Day Fund) to the state general fund.

The final budget passed under the Senate bill number ([SB 5092](#)). 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. While the bill page is usually the go-to place for proposed legislation, when it comes to the budget it is best to refer to the [LEAP legislative proposals page](#) (Legislative Evaluation & Accountability Program committee), where the most recent budget proposals and accompanying documents can be found.

The Senate passed the final budget with a vote of 27 to 22. The House passed the final budget with a vote of 57 to 40.

A high level summary comparing the final budget passed by the legislature with the two proposals as passed off the floor of each chamber is provided below in Table 1.

² Funds subject to the budget outlook include the state general fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunities Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). [Chapter 8, Laws of 2012](#), requires the legislature to adopt a four-year balanced budget. Since the 2013-2015 biennium, the legislature has been required to enact a balanced operating budget that leaves a positive ending fund balance in the general fund and related funds (ELTA, OPA, and WEIA).

Table 1: Comparing the Final 2021-23 Operating Budget with the House and Senate Proposals

	House-Passed Operating Budget (April 3rd)	Senate-Passed Operating Budget (April 1st)	Final Operating Budget Passed by Legislature (April 25th)
Appropriations total for 2021-23 biennial budget	\$58.186 billion	\$59.001 billion	\$59.2 billion
Increase in General Fund spending	\$4.486 billion total increase. Of this amount, \$2.496 billion is new policy level spending. The remaining balance is attributed to maintenance level and other adjustments.	\$5.301 billion total increase. Of this amount, \$3.3 billion is new policy level spending. The remaining balance is attributed to maintenance level and other adjustments.	\$5.5 billion total increase. Of this amount, \$3.2 billion is new policy level spending. The remaining balance is attributed to maintenance level and other adjustments.
Ending fund balance	The NGF-O ending fund balance for the 2021-23 biennium is projected to be \$705 million.	The NGF-O ending fund balance for the 2021-23 biennium is projected to be \$436 million.	The NGF-O ending fund balance for the 2021-23 biennium is projected to be \$662 million.
Budget Stabilization Account (aka Rainy Day Fund) Balance	The Budget Stabilization Account ending balance for the 2021-23 biennium is projected to be \$545 million.	The Budget Stabilization Account ending balance for the 2021-23 biennium is projected to be \$544 million.	The Budget Stabilization Account ending balance for the 2021-23 biennium is projected to be \$543 million.
Links to documents	House Budget Bill as Passed House Agency Detail Budget Outlook	Senate Budget Bill as Passed Senate Statewide Summary & Agency Detail Budget Outlook	Final Budget Bill as Passed by Legislature Statewide Summary & Agency Detail Summary Including Four-Year Outlook

Funding for Prevention Priorities

When we look at prevention-related priorities, the final operating budget passed by the legislature provided significant new investments. Funding was provided for what would be considered traditional health and prevention (behavioral health, foundational public health, health care premium subsidies for people to be able to better afford coverage) as well as significant investments in the social determinants of health (affordable housing and rental assistance, early learning, supports for people experiencing homelessness, hunger relief programs, active transportation), and more. Some highlights are provided in Table 2 below. Please note that this is not a comprehensive list of all prevention-related items funded in the budget, but rather highlights some of the strategies on the Prevention Alliance platform this year that were successfully funded.

Table 2: Highlights of Prevention-Related Items in Final Budget compared to Senate & House Proposed Budgets

Item	Senate Budget	House Budget	Final Budget
School-Based Health Centers (HB 1225)	<i>Not funded</i>	\$2.4 mil GFS	\$2.4 mil GFS (ongoing)
Wildfire Prevention	\$125 mil GFS	\$130 mil GFS	\$125 mil GFS (\$89.2 in 2023-25) (ongoing)
Eliminate Lunch Co-Pay for Students Eligible for Reduced-Price Meals (HB 1342)	<i>Not funded</i>	\$8.9 mil GFS	\$8.9 mil GFS (ongoing)
Firearm Safety & Violence Prevention	\$421,000 GFS	<i>Not funded</i>	\$421,000 GFS (ongoing)
Foundational Public Health Services	\$150 mil GFS (\$300 mil GFS in 2023-25 and ongoing)	\$100 mil GFS (one-time)	146.8 mil GFS (\$296.2 mil GFS in 2023-25 and ongoing)
Health Care State Premium Subsidies (SB 5377)	\$100 mil GFS	<i>Not funded</i>	\$50 mil GFS (ongoing)
State Parks Equity Study	\$85,000 GFS	\$85,000 GFS	\$85,000 GFS (one-time)
RCO Outdoor Recreation Equity	\$400,000 GFS	\$375,000 GFS	\$375,000 GFS (one-time)
Family Planning Medicaid Reimbursement Rates	\$5.2 mil GFS (\$16.1 mil total)	\$5.2 mil GFS (\$16.1 mil total)	\$5.2 mil GFS (\$16.1 mil total) (ongoing)
Fruit & Vegetable Incentive Program	\$3 mil GFS	\$3 mil GFS	\$3 mil GFS (ongoing)
No Child Left Inside Increase	\$4.5 mil GFS	\$500,000 GFS	\$3 mil increase (ongoing)
School Counselors in High Poverty Schools	\$86 mil GFS	\$51.6 mil GFS	\$51.6 mil GFS (ongoing)
Home Visiting	\$8.5 mil total	\$19 mil total	\$11 mil total (custom)
Help Me Grow Statewide Linkage System	\$530,000 GFS	<i>Not funded</i>	\$530,000 GFS (ongoing)
Working Connections Child Care (WCCC) Rate Increase	\$116.8 mil total	\$62.063 mil total	\$116.8 mil total (ongoing)
WCCC Co-Pay Structure	\$72.9 mil total	\$90.8 mil total	\$76.7 mil total (ongoing)
ECEAP Expansion	\$49.7 mil total	\$10.4 mil total	\$14.3 mil GFS (\$24.9 mil total) (ongoing)
Child Care Stabilization Grants	\$391 mil	\$400 mil total	\$400 mil total (one-time)
Behavioral Health Rate Increase	\$6.5 mil GFS (\$17.5 mil total) for limited set of services	\$17 mil GFS (\$55 mil total), which is a 2% increase	\$17 mil GFS (\$55 mil total), which is a 2% increase (ongoing)
State Rental Assistance	\$10.2 mil	\$22 mil (additional \$150 mil provided through HB 1277)	\$22 mil, plus \$88.8 mil provided through HB 1277 (one-time)
Federal Rental Assistance	\$495 mil total	\$1.14 bil total	\$900 mil total (one-time)
Permanent Supportive Housing Operations, Maintenance & Services Increase	\$20 mil total	\$14.6 bil total	\$95 mil total (ongoing)

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This publication was supported by National Center for Chronic Disease Prevention and Health Promotion of the Centers for Disease Control and Prevention under award number NU58DP004830. The content of this publication is solely the responsibility of the authors and does not necessarily represent the official views of the Centers for Disease Control and Prevention.