



# STATE BUDGET OVERVIEW

Some major accomplishments,  
some things left undone

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OFFICE OF

**F**INANCIAL **M**ANAGEMENT

October 2017

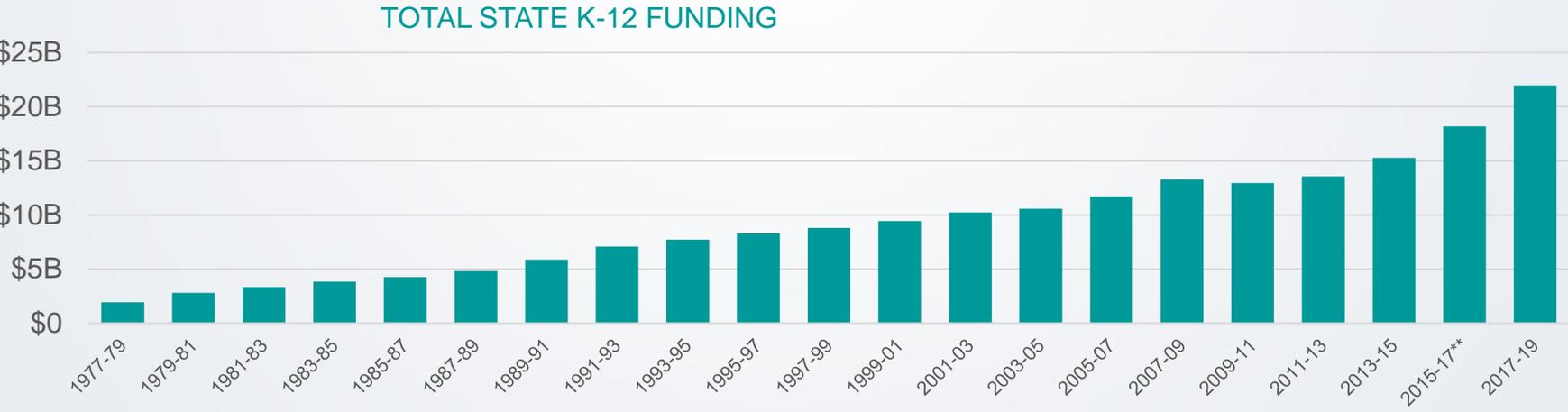
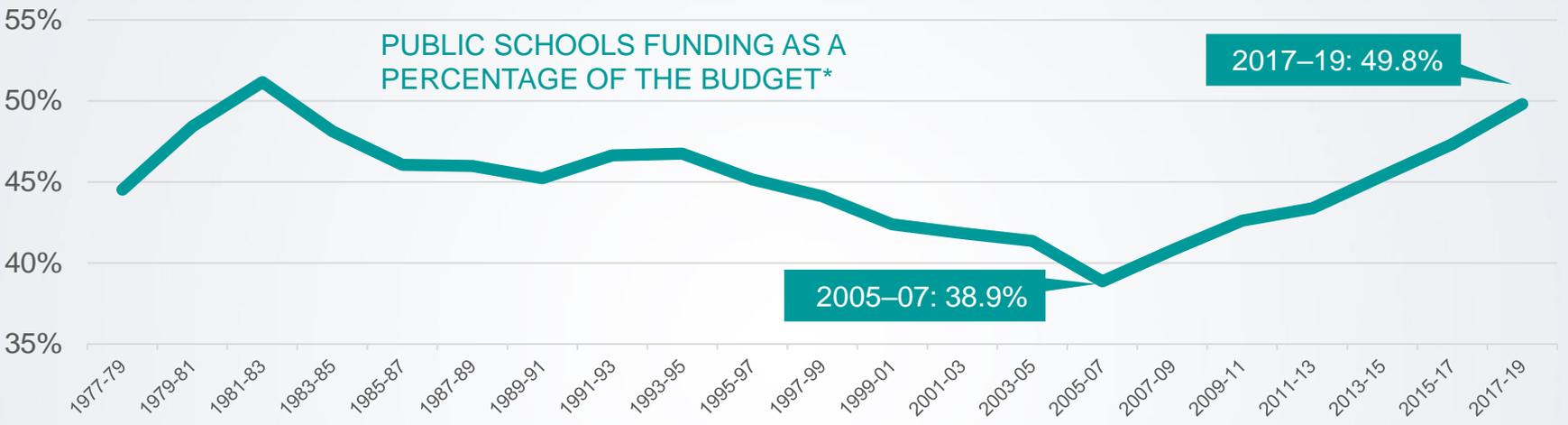
# Operating budget highlights

- **Funds the state's commitment to basic education**
- **Invests in high-quality teachers, closing the opportunity gap**
- **Implements expert recommendations to overhaul mental health system**
- **Begins major restructuring of services for children and families**
- **Combats homelessness and opioid crisis**
- **Protects safety net for vital services**

# K-12 education

- **\$1.8 billion in new funding for public schools**
  - > \$1.1 billion to increase school salaries
  - > \$383 million for basic education enhancements
  - > \$165 million for increased costs of Local Effort Assistance
  - > \$23 million increase for teacher mentoring and student support programs
- **New funding will total \$5.6 billion over next 4 years**

# K-12 nears 50% of state spending for the first time in more than 30 years



\*Near General Fund and Opportunity Pathways operating expenditures

\*\*Including 2017 supplemental budget

# Property taxes increase in 2018 and more than 40% remain higher in 2019

2018



State Property Tax	\$ 0.87 ↑
Local School Levy	no change
<b>Net Change</b>	<b>\$ 0.87 ↑</b>

2019



State Property Tax	\$ 0.91 ↑
Local School Levy	\$ -0.94 ↓
<b>Net Change</b>	<b>\$ -0.03 ↓</b>

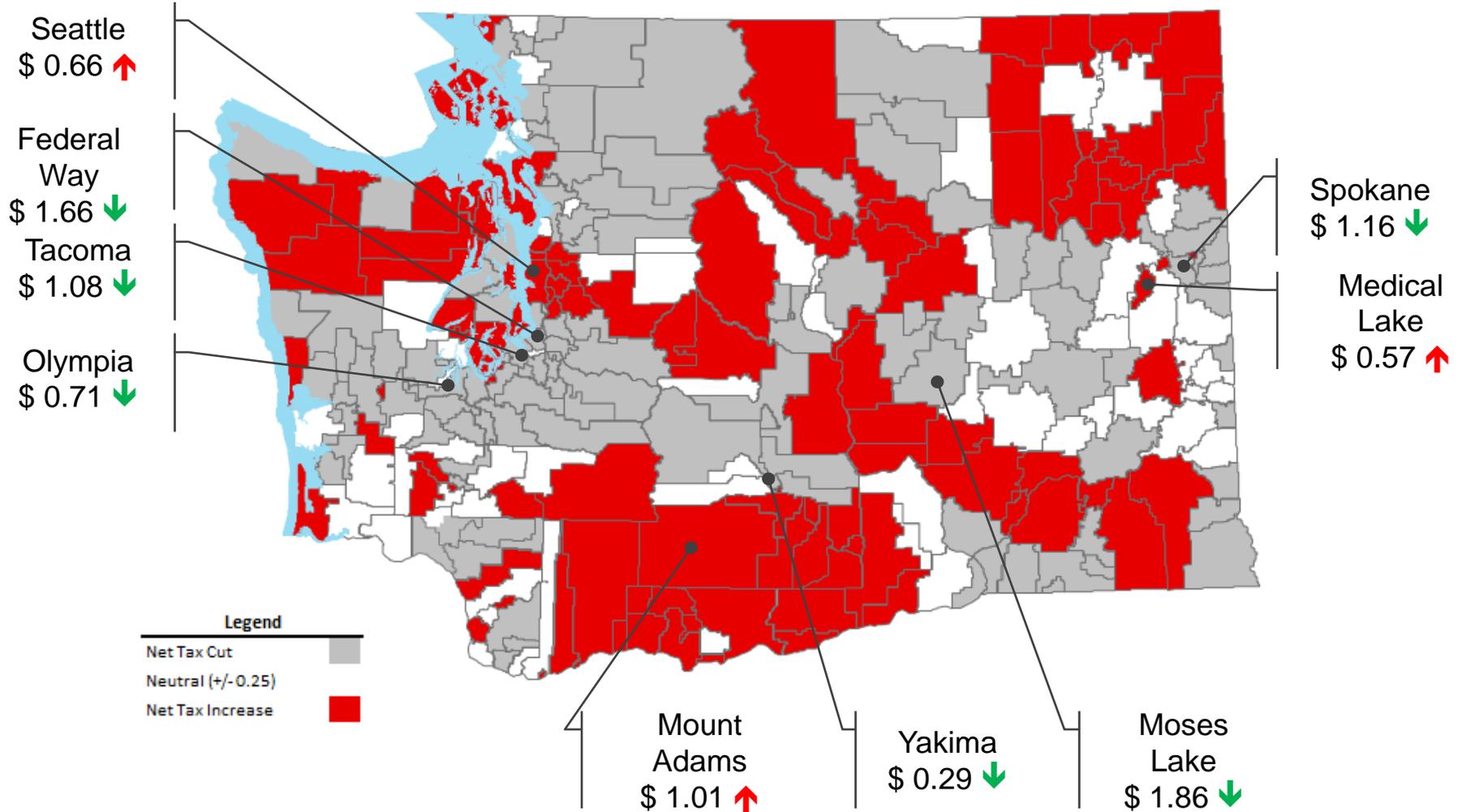
2020



State Property Tax	\$ 0.95 ↑
Local School Levy	\$ -0.84 ↓
<b>Net Change</b>	<b>\$ 0.11 ↑</b>

Estimates are statewide average rate changes

# Tax changes vary widely across the state



# Mental health

- **More than \$100 million in state funds (\$177 million total funds) to improve mental health systems**
  - > 200 new staff at Western State Hospital
  - > 96 new community beds for patient crisis stabilization to reduce hospital admissions
  - > More community capacity for civil commitments and placements for individuals transitioning from state hospitals

# Department of Children, Youth and Families

- **Budget provides funding to begin creation of new agency to improve how the state serves at-risk children and youth.**
- **In 2019, the Department of Early Learning and DSHS' Children's Administration will be consolidated in the new agency.**
- **DSHS' Juvenile Rehabilitation will join the agency in 2019.**

# Still some holes to fill, problems to fix

- **Budget assumes millions in savings that are unlikely to be achieved.**
- **School districts still sorting through impacts of the complicated new state K-12 funding system.**
- **Likely fallout from largest property tax increase in state history.**

# Capital budget still in limbo

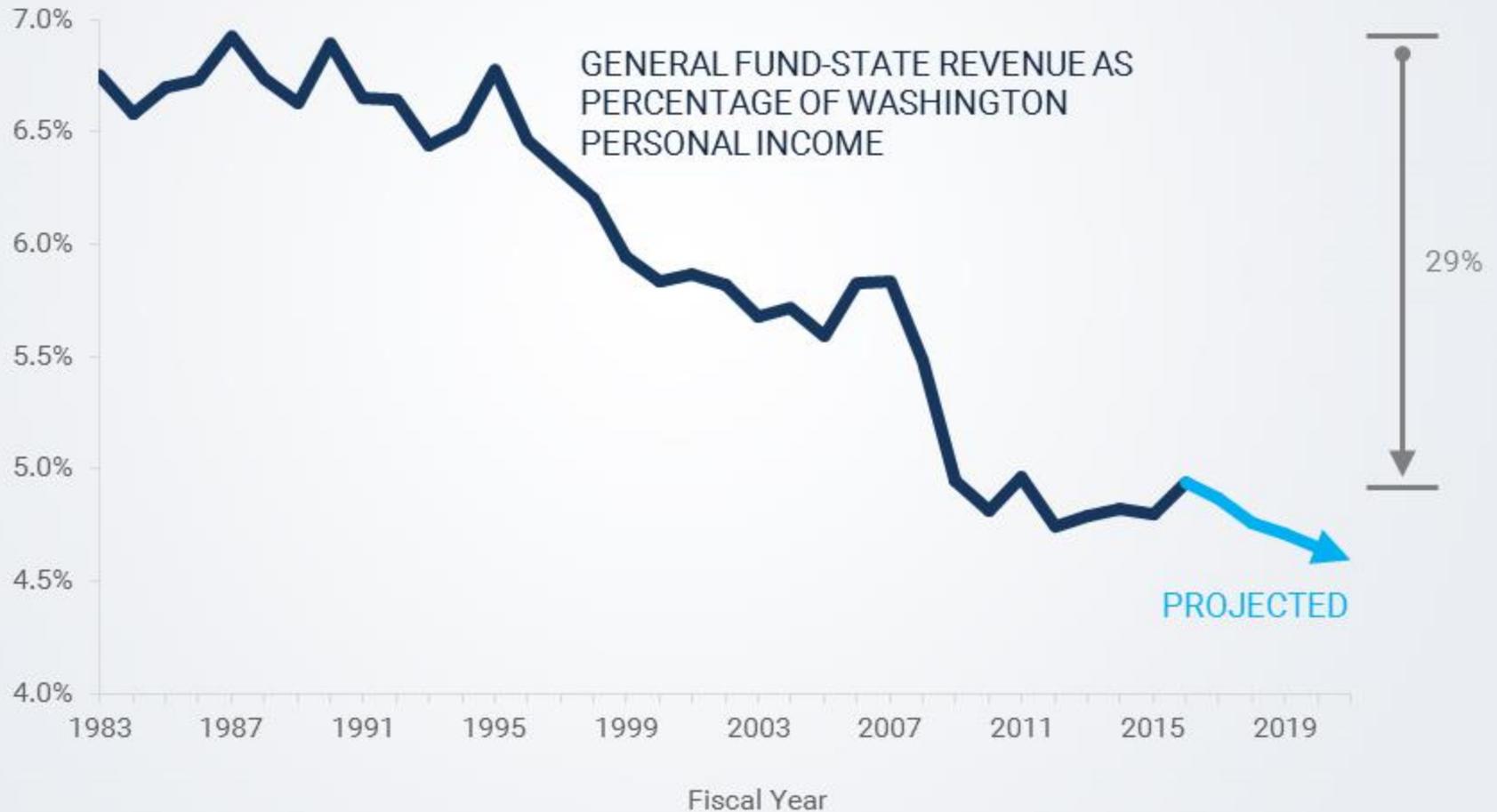
- **Legislature has not yet approved 2017-19 capital budget.**
- **\$4.2 billion budget would pay for hundreds of projects and support about 19,000 jobs statewide.**

# Capital budget – what's not funded

- **More than \$1.4 billion for 77 school construction projects statewide**
- **More forensic beds at state hospitals to reduce wait times for individuals held in jail**
- **\$525 million in preservation projects statewide**
- **At least 12 major higher education projects ready for construction**
- **Numerous local water, sewer and pollution control projects**
- **Affordable housing projects**

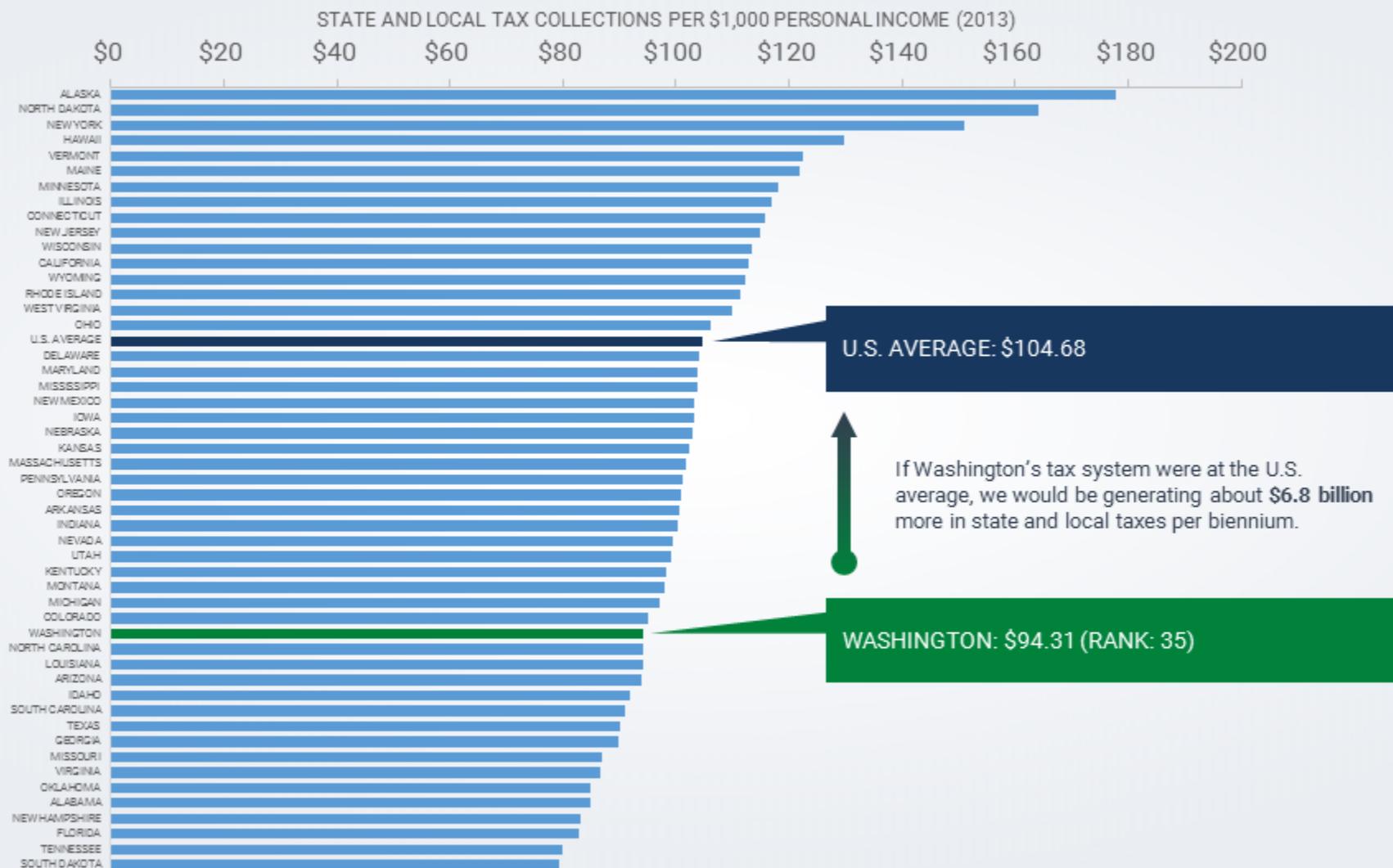
**Washington's 82-year-old tax system has not evolved with changing economy and no longer keeps pace with state's growth**

# Over the past 30 years, state revenue collections as a share of the economy have fallen by nearly 30%



**Washington has fallen far behind the national average for state tax collections**

# Washington has fallen behind other states in revenue as a share of the economy



Source: Bureau of Economic Analysis and Census Bureau, U.S. Dept. of Commerce, Dec. 2016

In the mid-1990s, Washington ranked 11<sup>th</sup> nationwide. In the most recent ranking, our state has fallen to 35<sup>th</sup>.

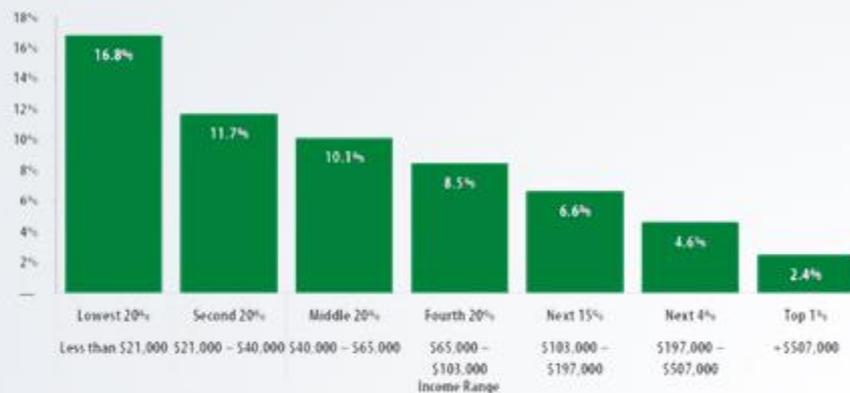
**Due to our heavy reliance on sales taxes,  
Washington's state tax system is by far the  
most regressive in the region and the nation.**

# Tax regressivity: How Washington compares

## WASHINGTON



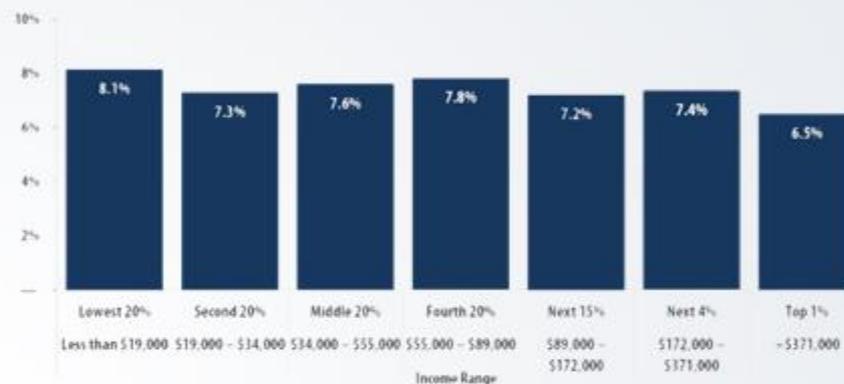
Shares of family income for non-elderly taxpayers



## OREGON



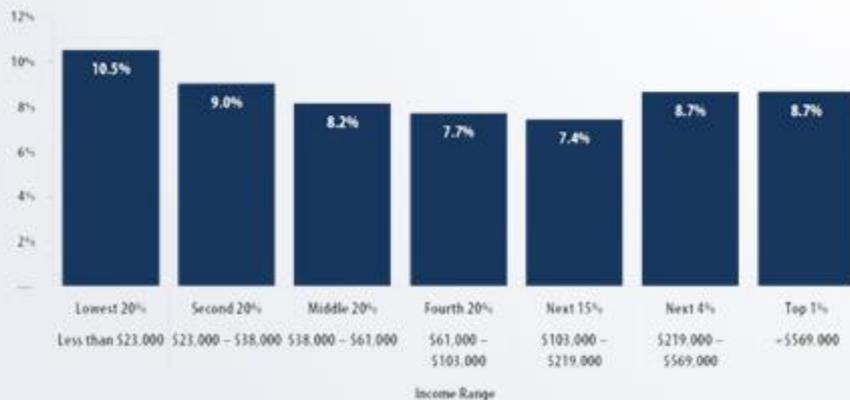
Shares of family income for non-elderly taxpayers



## CALIFORNIA



Shares of family income for non-elderly taxpayers



## IDAHO



Shares of family income for non-elderly taxpayers



# Why do things take so long in Olympia?

- **2017 Legislature spent record 193 days in session**
- **For the third straight biennium, state government shutdown was narrowly avoided**
- **Solving school funding issue was huge lift**
- **Divided control of Legislature, lack of firm deadlines**
- **Capital budget tied to an unrelated policy fight (Hirst)**