

Governor Inslee proposes modest adjustments to 2015–17 budget

Six months ago, Governor Jay Inslee and the Legislature approved the 2015–17 state budget that made big strides in addressing pent-up demands and a backlog of problems that crept up due to years of squeezing budgets and cutting services during Washington’s slow recovery from the Great Recession.

Among other actions, the \$38 billion biennial operating budget took another big step toward meeting our constitutional basic education obligations. We invested another \$1.3 billion to reduce elementary school class sizes, fund full-day kindergarten statewide and fully fund the state’s obligation to cover local district costs for materials, supplies and operations.

The 2015–17 budget also made major investments in early learning, eased the tuition burden at the public colleges and universities, restored funding to some of the health and human services hit hardest during the

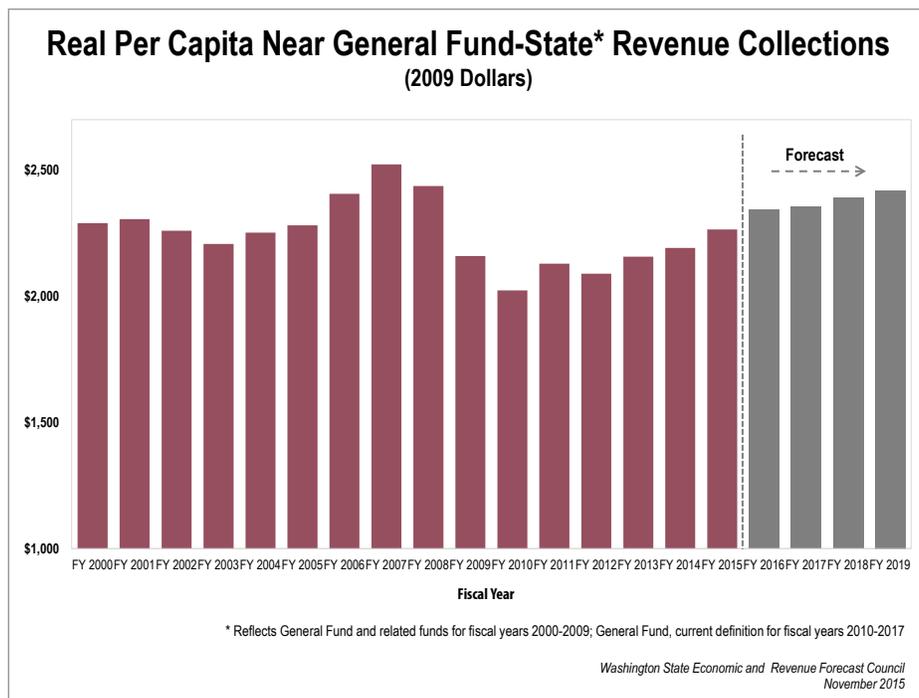
recession, provided sorely needed support to our State Parks and gave teachers their first cost-of-living raises and state employees their first general wage increases since 2008.

Washington’s economy and state revenue collections continue to recover. But that growth is slow, and state economic forecasters are concerned another recession may be ahead. What’s more, the state faces enormous financial obligations in the next biennium, most notably to meet the state Supreme Court’s McCleary order on funding for K-12 education.

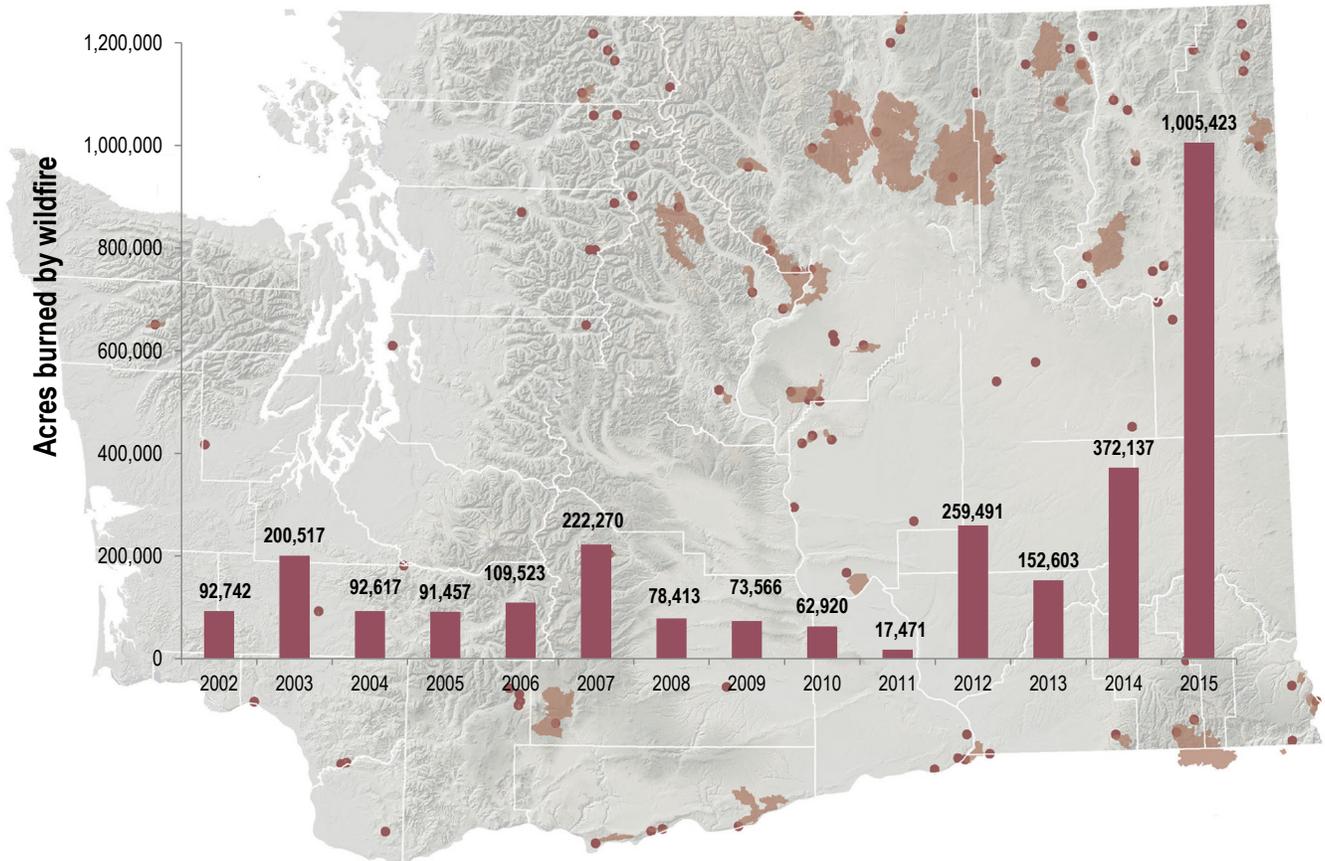
Against this backdrop, Governor Inslee is proposing modest adjustments to the 2015–17 budget. The primary focus of his 2016 supplemental budget is to cover spending increases needed to continue delivering services at current levels, cover caseload and enrollment increases, and pay for emergencies and other costs not anticipated

when the budget was approved in June. Beyond that, his budget meets a handful of high-priority needs, especially for vital mental health services.

In addition to these spending adjustments, state agencies this year requested hundreds of millions of dollars more in budget enhancements. While many of these are good ideas that would benefit our citizens and Washington, most are items the state simply cannot afford at this time.



2015 Was A Record Year For Wildfires In Washington



Source: Department of Natural Resources
November 2015

Revenue not keeping pace with costs

Since the 2015–17 budget was enacted, Washington's economic revenue forecast for the biennium has been increased by about \$245 million. That added revenue, however, will only partly cover cost increases and unanticipated expenses that have accrued the past six months. In fact, the state's costs have grown by more than \$700 million since June.

Fortunately, the budget approved by Governor Inslee and the Legislature left sufficient reserves to help meet the added spending pressures.

There is no better illustration of those new spending pressures than the fiscal repercussions from last summer's wildfire season. By far the worst fire season in state history, more than 1 million acres were scorched and more than 300 homes destroyed. It cost

the state nearly \$178 million — almost \$150 million more than what was provided in the current budget — to battle these blazes. Besides providing extra funding to cover this year's wildfire costs, Governor Inslee's operating and capital budgets will help communities recover from the fires and help the state prevent and prepare for new ones.

The state will need about \$180 million to cover rising Medicaid caseloads and health care costs. The number of Medicaid-eligible low-income children has increased by 39,000 since last spring, and we are seeing spikes in per-capita health care costs for some of the state's most vulnerable populations — individuals who are aged, blind or disabled. Swelling health care costs are being driven largely by higher pharmaceutical expenses, especially for new specialty medications.

The cost of maintaining important services we now offer has gone up in a number of other areas. For example, Washington's prison system costs have grown by about \$23 million, mostly due to more offenders under community supervision. Meanwhile, caseload and other maintenance-level increases — primarily in human service programs such as long-term care, welfare and child care — total about \$63 million.

Besides addressing these new costs, Governor Inslee's budget includes more funding to cover other state obligations and high-priority needs. For example, legal judgments and settlements continue to drive up costs. His budget includes funding for major staffing and safety issues at the public psychiatric hospitals and for more Child Protective Services staff to respond to reports of child abuse and neglect. And the Governor proposes patching several holes in the 2015–17 budget, largely to compensate for assumed health care savings that are not occurring as expected.

To cover this year's wildfire costs and help prepare for future fire seasons, Governor Inslee proposes using

Washington's Disaster Response Account and the Budget Stabilization Account. Under his budget, the state would have a projected \$961 million in total reserves at the end of this biennium.

The Governor's supplemental transportation budget focuses on successfully implementing the \$16 billion Connecting Washington transportation package approved by the Legislature earlier this year. It makes targeted investments in additional electric vehicle incentives, faster clearing of traffic incidents, highway preservation, ferry maintenance and removal of fish passage barriers. His budget also provides funds to handle greater citizen demand for enhanced driver's licenses.

Within a limited funding capacity, the Governor's supplemental capital budget focuses on maintaining and repairing state facilities, including those that serve our vulnerable citizens. His budget also includes funding to cover higher school construction matching costs, help reduce homelessness and clean up polluted sites around the state.

Governor's supplemental budget strengthens vital mental health services

In just three years, we have invested more than \$700 million in the state's mental health system, largely the result of offering mental health services to newly eligible adult populations through expansion of the federal Patient Protection and Affordable Care Act. But we also made significant investments to expand community mental health bed capacity to prevent inappropriate boarding of patients at medical hospitals. And we increased funding for forensic beds at the state psychiatric hospitals so people don't have to stay in jail as long awaiting competency evaluations and restoration services.

Despite these and other investments since 2012, we still have critical mental health needs that must be addressed. The Governor's supplemental budget does just that. More than \$137 million — including \$44 million General Fund-State — is strategically invested to ensure that we effectively meet our duty to provide treatment to individuals now experiencing mental health crisis and to improve long-term outcomes.

The Governor's budget makes significant investments to improve safety and boost staffing levels at the state psychiatric hospitals. All told, the budget funds about 62 additional positions — including 51 registered nurses — and makes investments to improve hospital staff recruitment and retention rates.

It also invests in community-based services to treat individuals in acute mental health crisis, minimize the need for hospitalization in a state psychiatric hospital and help individuals successfully transition from state psychiatric hospitals to the community.

Lastly, the Governor's budget makes investments in independent consultation and oversight to help the state move to a system that has stability, is efficient and can effectively meet not only the needs of individuals in mental health crisis, but of those who care for them.