

Governor Inslee's Proposed 2021-2023 Transportation, Operating & Capital Budgets December 2020

On December 17, 2020, Governor Inslee released his 2021-2023 operating, capital and transportation budget proposals. By law, the Governor is required to release a budget proposal that informs the coming legislative session set to begin January 11, 2021. Final budgets will not be adopted until a lengthy legislative process, and will likely look different than Governor Inslee's proposals. That will happen sometime in the coming months.

In June, state revenue forecasters predicted an \$8.8 billion operating budget reduction over three years. That forecast has improved dramatically in the last six months, but the state is still estimated to collect \$3.3 billion less through 2023 than initially thought.

The \$57.6 billion 2-year operating budget proposal balances in both the 2- and 4-year budgets, with ending fund balances of \$500 million and \$2.2 billion, respectively. It assumes \$1.3 billion in new revenue and the full use of the Budget Stabilization Account (aka the "rainy day fund"). Savings are gleaned from employee compensation reductions, the closure of civil wards at the state hospitals, expanded use of federal dollars where available, criminal justice reform, and smaller state agency reductions.

The operating budget includes \$447 million to public health, smoothing the unemployment insurance tax rate and increasing the minimum weekly benefit amount to 20% of their average weekly wage, and other resources toward addressing needs resulting from the COVID-19 pandemic. Details can be found in the attached Covid Recovery Brief.

In addition to the summary below, a county-specific spreadsheet is attached, as is a Budget and Policy Highlights document, and the budget documents can be found [here](#).

Transportation

The COVID-19 Pandemic has hit the transportation sector hard. Gas tax revenue has consistently been down since March, and public transit, ferry ridership, and toll collections have been reduced starkly over the past nine months. Some good news was delivered in mid-fall with the Washington Supreme Court striking down Initiative 976 (I-976) that rolled back various vehicle fees. Expected revenue losses to state and local transportation budgets were upwards of \$4 billion over the next decade. However, even after the I-976 impacts were restored, the COVID-19 impacts are expected to reduce state transportation resources by \$1.1 billion over the next ten years, with almost half of that loss occurring in the current biennium. As a result, Governor Inslee proposes revising the the state's existing capital project plan (i.e. Connecting Washington projects) to pay for his investments. His budget writes, "The governor intends to engage the Legislature in developing a specific approach to delaying projects while continuing to meet the state's legal obligations, providing additional resources to address some of the preservation needs of our transportation system and continuing investments that improve overall safety to the traveling public."

CRAB:

Governor Inslee's budget makes important investments in the county system through the funding of County Road Administration Board programs. He fully funds CRAB's RATA and CAPA budget requests and restores the one-time cut to CRAB's RATA program. The Governor's budget also provides a new appropriation of \$5 million to CRAB's Emergency Loan Program.

TIB:

TIB is fully funded at the requested level of \$205 million. In addition, Governor Inslee reinstates the Complete Streets program to its original levels of \$14.67M. Governor Inslee also reinstates the \$9.68M TIB received from Connecting Washington to support its capital programs. (Nearly \$5M was swept as part of I-976 earlier this year.)

Fish Passage & Preservation:

The budget invests heavily in the state system, including an appropriation of \$724 million for fish passage barrier removal and \$400 million in state preservation work. Unfortunately, at this time it appears none of these dollars are proposed for local projects.

Public Works

The Governor's budget continues the sweep of the Public Works Assistance Account into the Education Legacy Trust Account but backfills that sweep with \$160 million in bonding capacity.

Land Use, Water, Natural Resources & Environment

The Governor's budget includes full funding for the WDFW PILT program, financing for Ecology's proposal to begin state water right adjudications in the Nooksack (WRIA 1) and Lake Roosevelt (WRIA) watersheds, and \$1.5 million for grants to local governments for flood control planning. The local solid waste financial assistance program is doubled from the previous two biennia to \$20 million.

The Governor also proposes significant investments in ongoing natural resource and environmental programs. These include \$70 million for the Chehalis Basin Strategy, \$42 million for the Yakima Basin Integrated Plan, and \$40 million for the Columbia River Program. The Washington Wildlife and Recreation Program receives \$100 million, and WDFW and DNR are provided \$26 million for forestland hazard reduction efforts.

New investments include \$100 million for clean energy programs, some of which will be available as grants to local governments for projects like electrical vehicle infrastructure and building retrofits. Another \$12.2 million is proposed for a climate commitment, including managing a new carbon program.

Public Health

Coronavirus Response

The Governor's Proposed Budget includes significant resources dedicated to the state's "Box in the Virus" strategy, including state appropriations to support this work as we await a federal relief package. The proposed investment supports a comprehensive approach for the public

health system, including local work in case investigation, care coordination, disease surveillance, and testing. COVID-19 vaccine administration is an additional budget proviso and would support local vaccine plans, distribution, and data infrastructure.

Foundational Public Health Services (FPHS)

The Governor included a health insurance covered lives tax proposal as the long-term funding source for core public health services. As a component of funding FPHS, the Governor also proposes restructuring local public health into comprehensive health districts. This proposal will include a policy request and a smaller funding appropriation to cover nine regional districts' district director costs.

Additional Public Health Supports

The Governor's budget includes several provisos aimed at mitigating the health impacts of the pandemic. His proposal also includes increased funding to support suicide prevention, expansion of fruit and vegetable incentive programs, and increased eligibility for benefits programs (such as WIC).

Housing and Homelessness

Governor Inslee dedicates a significant amount of money to housing and homelessness. The Governor proposes to use \$328 million for rental assistance through the end of the biennium and allocates \$17 million toward foreclosure assistance. His capital budget includes \$70 million in bonds for Housing Trust Fund-eligible entities to acquire properties such as hotels or motels for quick conversion into shelters, permanent supportive housing, or transitional housing units. It also provides \$30 million in bonds to maintain the long-term viability of the state Housing Trust Fund Preservation Program, which preserves approximately 1,500 aging affordable housing units. There is also \$20 million in bonds allocated for rural rehabilitation loans for those living in poverty. The capital budget also includes \$220 million in bonds to build approximately 3,390 affordable and innovative housing units to serve vulnerable populations. Another \$50 million in bonds is dedicated to creating enhanced shelters instead of congregate shelters, which can also be used for facility improvements such as laundries, bathrooms, and storage spaces.

Human Services

The Governor provides \$7.8 million to fund an additional six (from four) youth mobile crisis teams that help divert youth from psychiatric hospital admissions. He also provides \$2 million for co-responder grants to provide mental health practitioners on teams who respond to emergencies involving those experiencing mental illness, which can help divert individuals from the legal system or state hospitals. \$8 million is dedicated to expanding mobile crisis response team services statewide.

Governor Inslee continues to move forward on his state hospital transformation plan to eliminate civil beds at the state hospitals and move them into community beds throughout the state. He's provided \$44 million toward the construction of two civil behavioral health facilities (in Centralia and Clark County) to allow for the relocation of civil patients from state hospitals.

At the same time, he dedicates \$51 million for a new 350-bed forensic hospital to be constructed on the Western State Hospital campus. In the capital budget, the Governor provides grant funding for community providers to expand and establish community capacity, purportedly to create more than 500 new behavioral health beds. We will continue to watch to see how those community beds and facilities will be funded going forward.

Criminal Justice

The Governor proposes to save \$182 million with changes to sentencing at the Department of Corrections (DOC). An individual must currently serve at least one year of their sentence before earning time off their sentence. The Governor proposes to allow individuals to earn time off without having served a set time in prison. Many individuals would spend little to no time at all in prison but rather move directly to community supervision such as electronic home monitoring. He then contributes \$34.5 million to expand reentry services. While this may be a savings to the state, it is yet to be determined whether it will save local government money when these individuals serve their time in the community rather than confinement.