

Budget Tidbits... just the facts

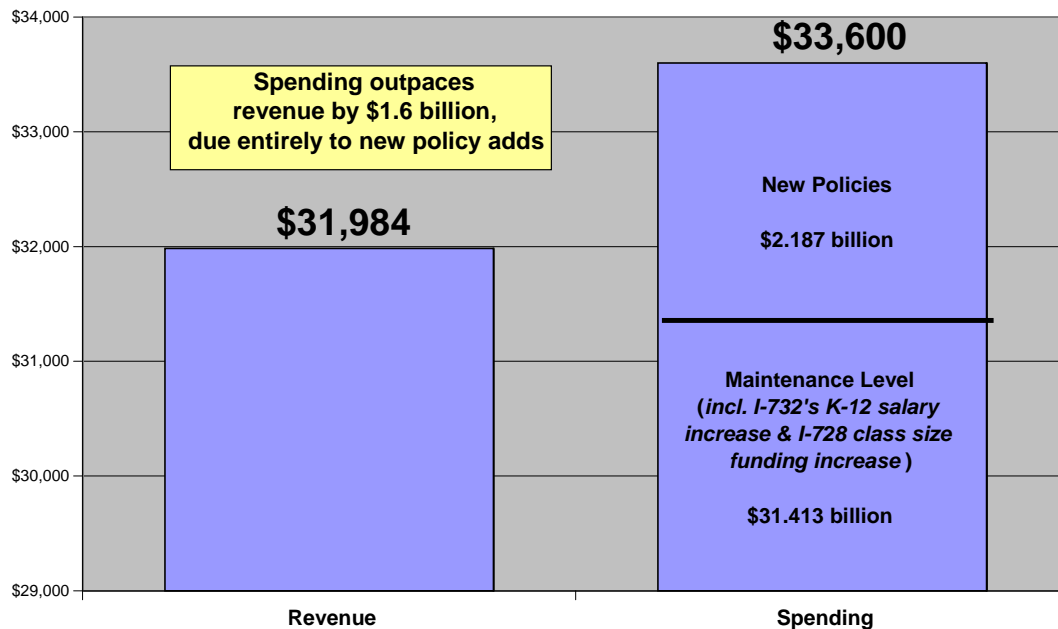
Senate Republican Caucus

Budget Brief #2: (2/20/08) It's a Spending Problem

*A graphical look at the state operating budget: present, past and future
(Or, how the state came to be staring at a projected \$2.4 billion deficit next session)*

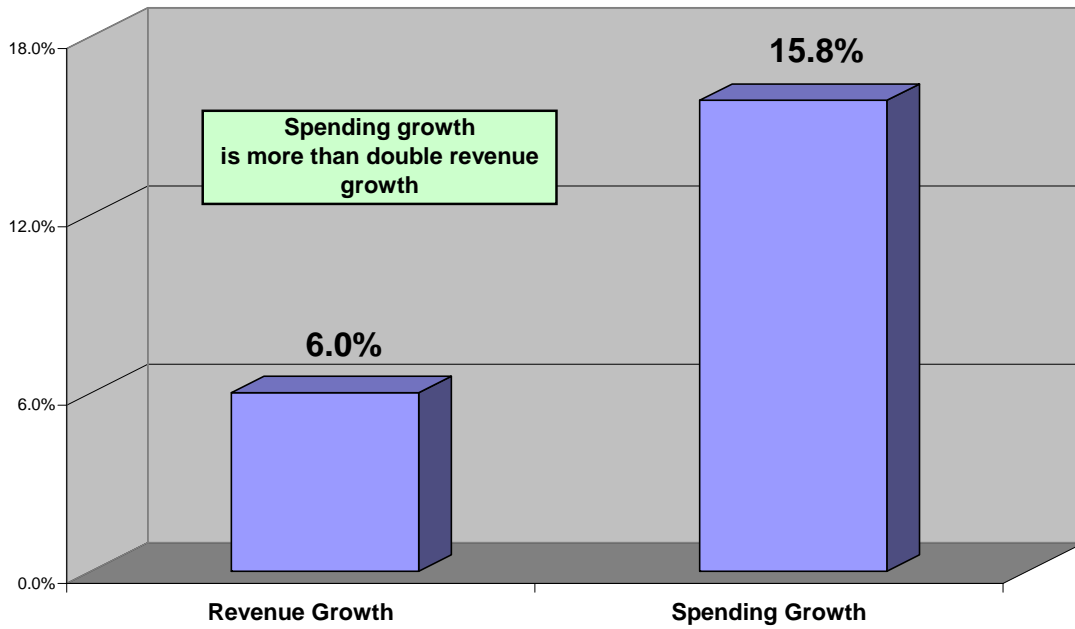
I. The Present: Spending far more than we're taking in

2007-09 Operating Budget -- inc. Gov's 2008 supp. Proposal
(Near General Fund State -- Dollars in Millions)



*Source: Spending: LEAP (Maintenance level -- Gov's errata); Revenue: ERFC, Feb. 2008 Forecast, plus ELTA + EJA forecast per leg. staff

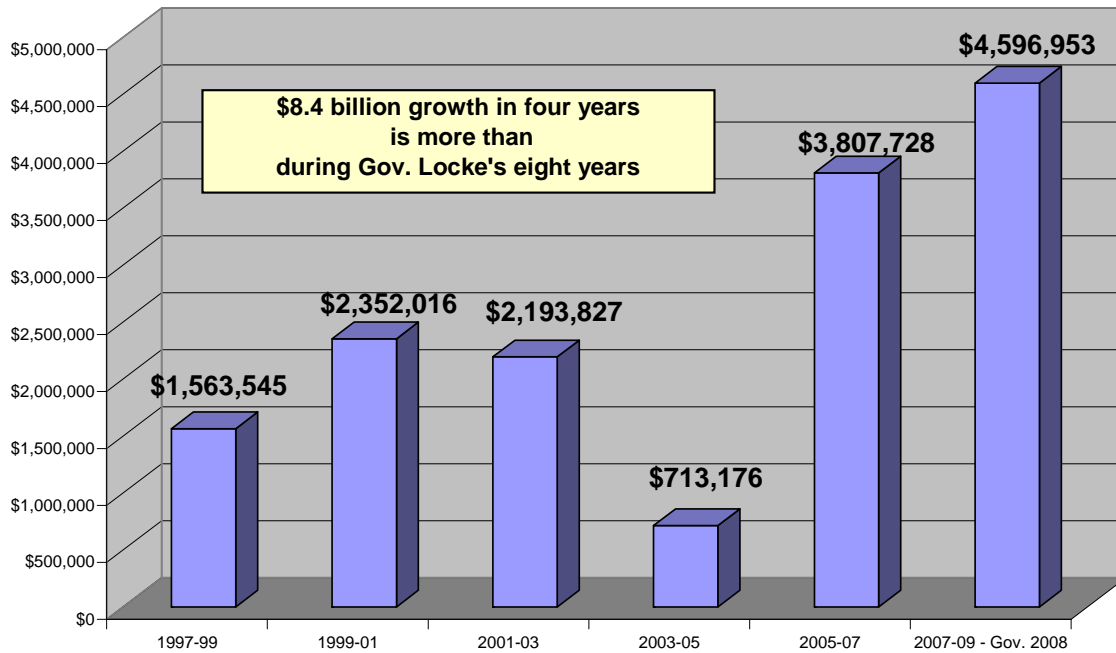
Revenue vs. Spending Growth
(2007-09 Near General Fund State -- including Gov's 2008 Supp)



* Source: Revenue -- ERFC, Feb. 2008 forecast; Spending: LEAP, calculated from 2006 supp. spending, not appropriated level)

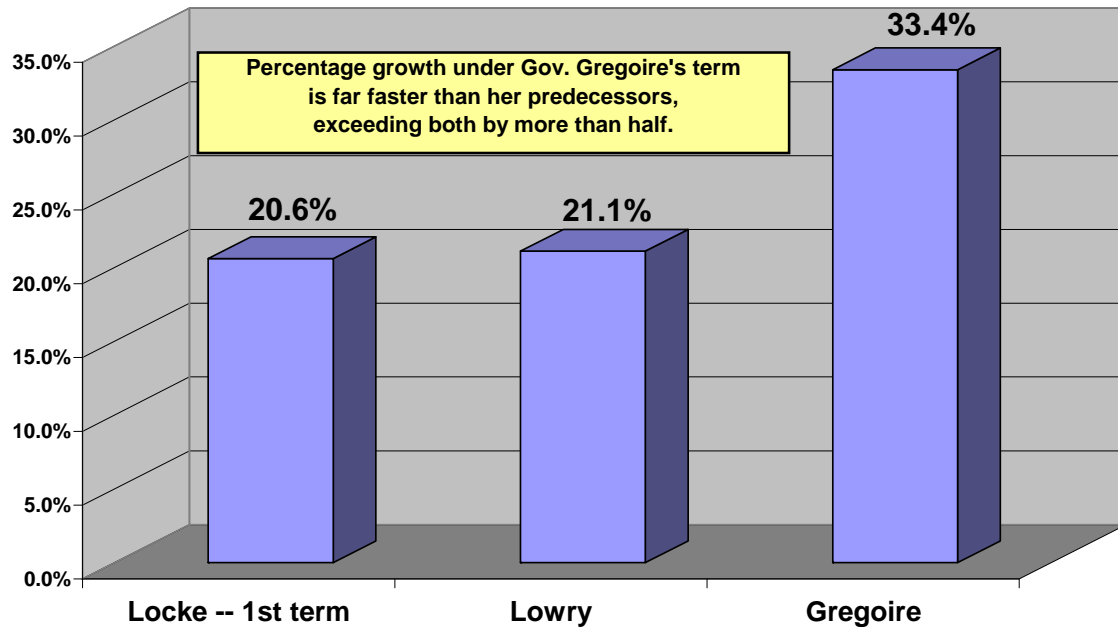
II. The Past: Historically fast spending growth in recent years

Near General Fund State -- Dollar Growth



* Source: LEAP (2003-05 based on 2004 supplemental; 2005-07 based on actual spending, not appropriations)

Four Year Budget Growth (Near General Fund State)

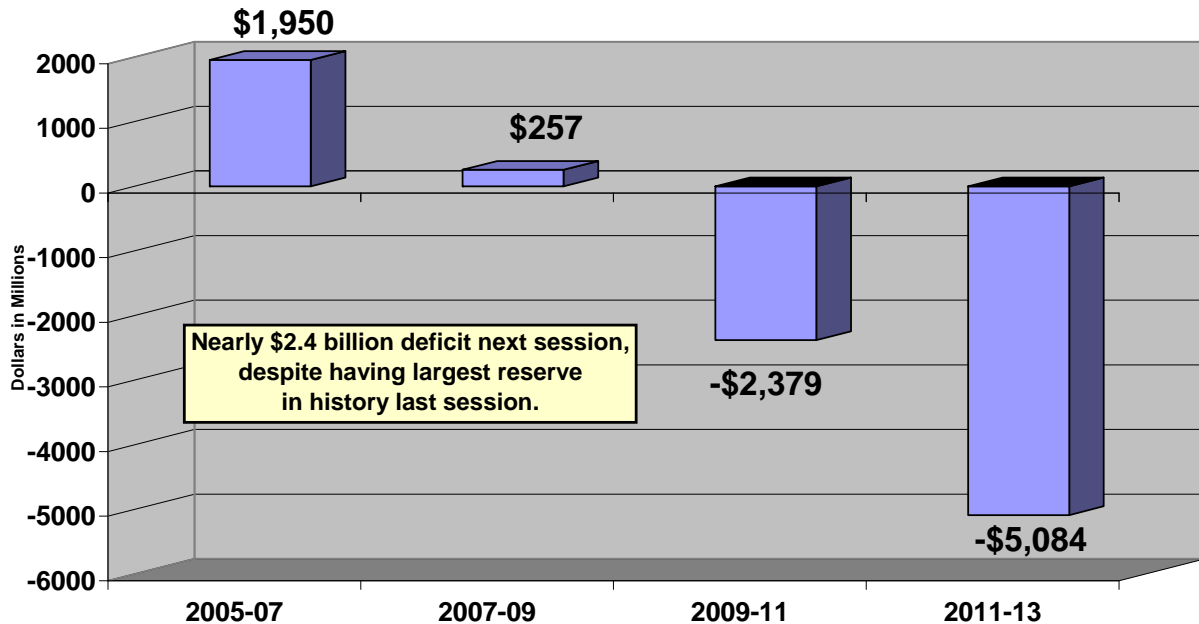


* Source: LEAP (Gregoire includes 2008 supplemental. Base equals 2004 supplemental.)

III. The Future: Overspending catches up with the state

Deficits on Horizon

(Outlook assuming Gov's 2008 supp. proposal adopted - Dollars in Millions)



* Source: Ways & Means, 6 year outlook (2/16/08), assuming Governor's 2008 supplemental proposal & February 2008 caseload and revenue forecasts. Figures do NOT include appropriations to constitutional rainy day fund (\$429 M in 07-09, add! \$293 M in 09-11, and add! \$321 M in 11-13) which would require 60% vote to tap unless employment growth dipped below 1%, which is currently not forecast. Additionally, 05-07 figure represents ending GFS, plus transfers / "expenditures" that were parked in other accounts and went unexpended in 05-07.

- Keep in mind the preceding assumes:

- i.** No recession in Washington's future
- ii.** Forecasted revenue growth of over 8 percent next biennium, which is in line with historical averages
- iii.** No funding for issues the Legislature needs to address but has punted so far, including:
 - How to pay for family medical leave legislation passed last year,
 - Addressing state actuary's 2006 recommendation on need for increased pension funding due to employees' longer life spans, and
 - Outstanding Superior Court judgment against state's K-12 salary system, representing an \$800 million potential liability.

Bottom Line

Is the state headed on the right track with regard to its budgeting practices?