



January 2021

Gov. Inslee's Proposed 2021-23 Budget

Relief
Recovery
Resilience

OFM

OFFICE OF FINANCIAL MANAGEMENT

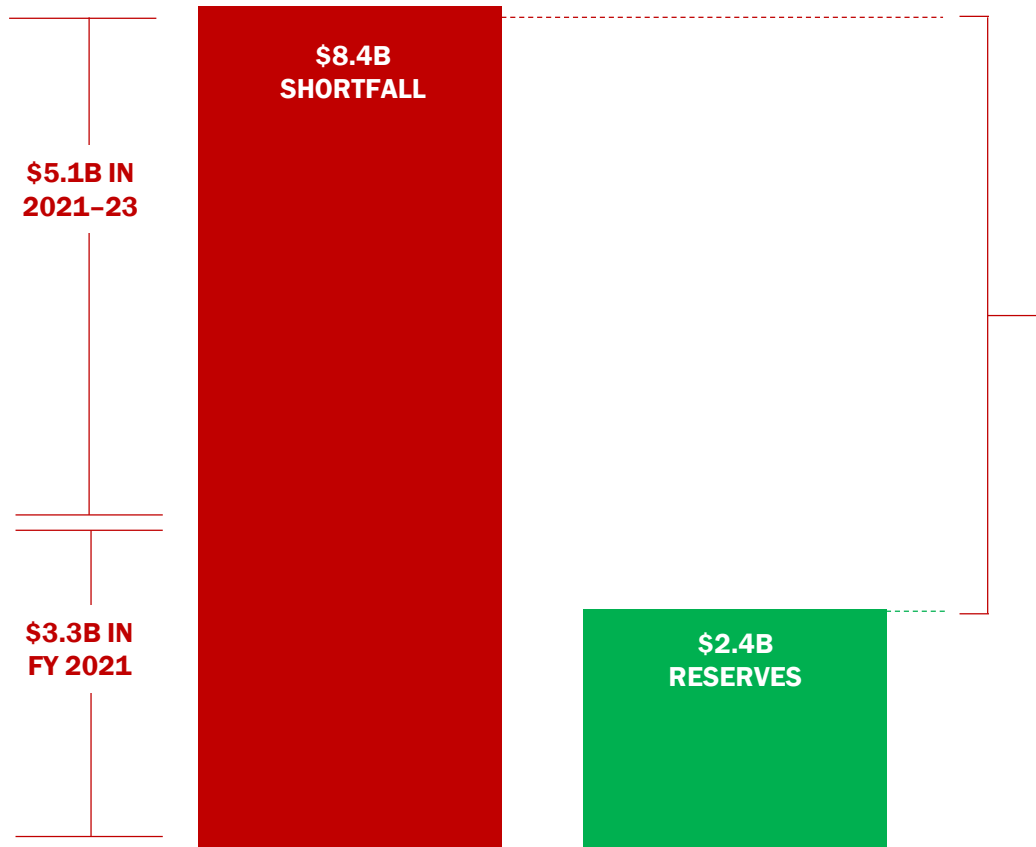
Priorities

- Continue aggressive response to pandemic and build public health capacity
- Rebuild the economy and support those most impacted by pandemic
- Protect previous investments in key areas, such as education, homelessness and behavioral health
- Use an equity lens for budget requests and proposals

How things looked last spring

- Unprecedented job losses during first months of the pandemic
- May employment was 444,700 (12.6%) lower than expected in February
- June revenue forecast:
 - 2019-21 reduced by \$4.5 billion
 - 2021-23 reduced by \$4.3 billion
 - 2023-25 reduced by \$4.5 billion

How things looked last spring



Even after using **all of its reserves**, including the rainy day fund, the state would still face a **\$6 billion** shortfall.

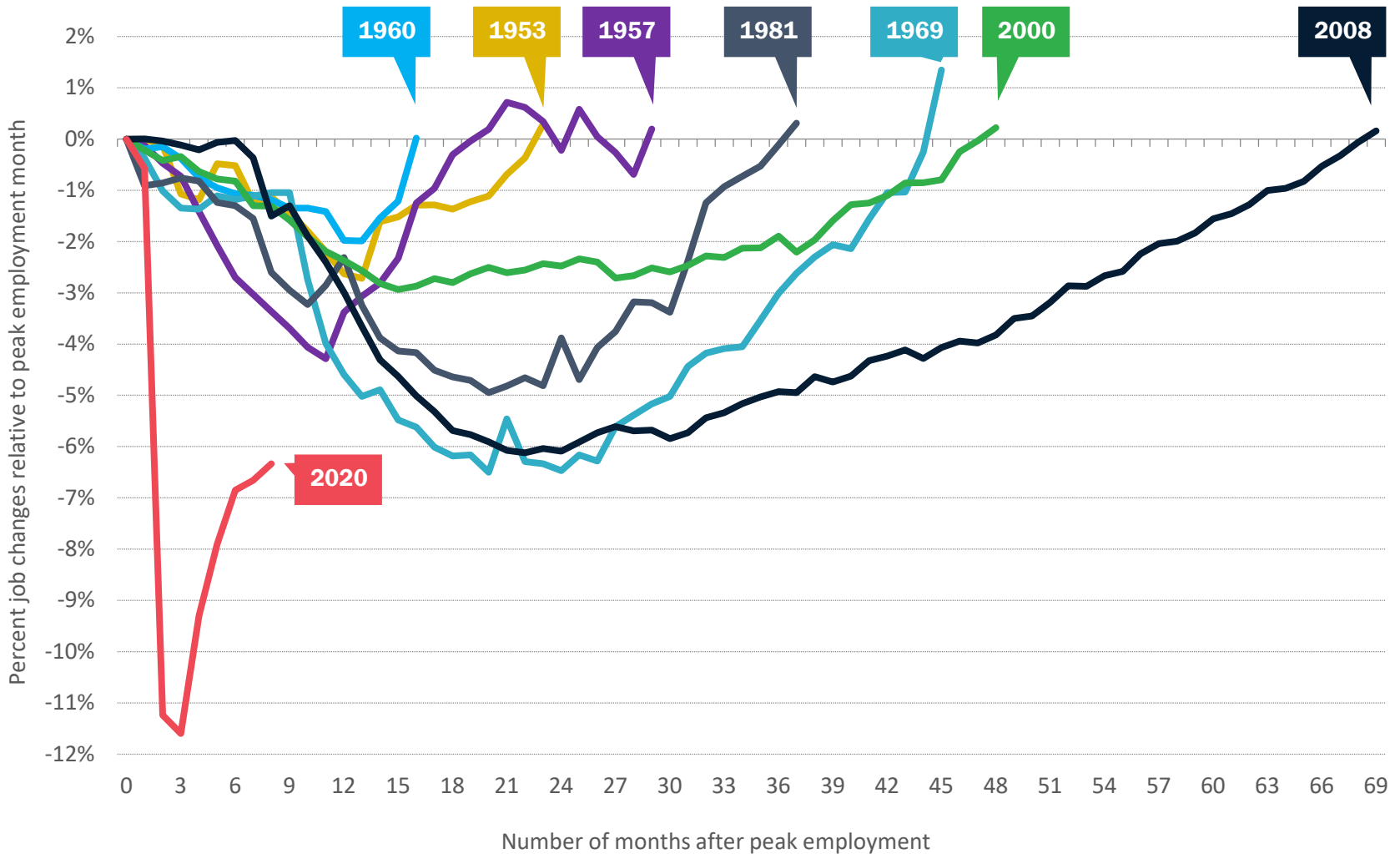
Early actions

- **April:** Governor vetoed \$445 million of new spending

- **May:**
 - Freezes on hiring, contracts and equipment purchases
 - Agency 15% reduction exercise

- **June:**
 - Furloughs and no July 2020 wage increase for many employees
 - Budget instructions asked for 15% reduction options

Job losses and duration of post-WWII recessions in Washington



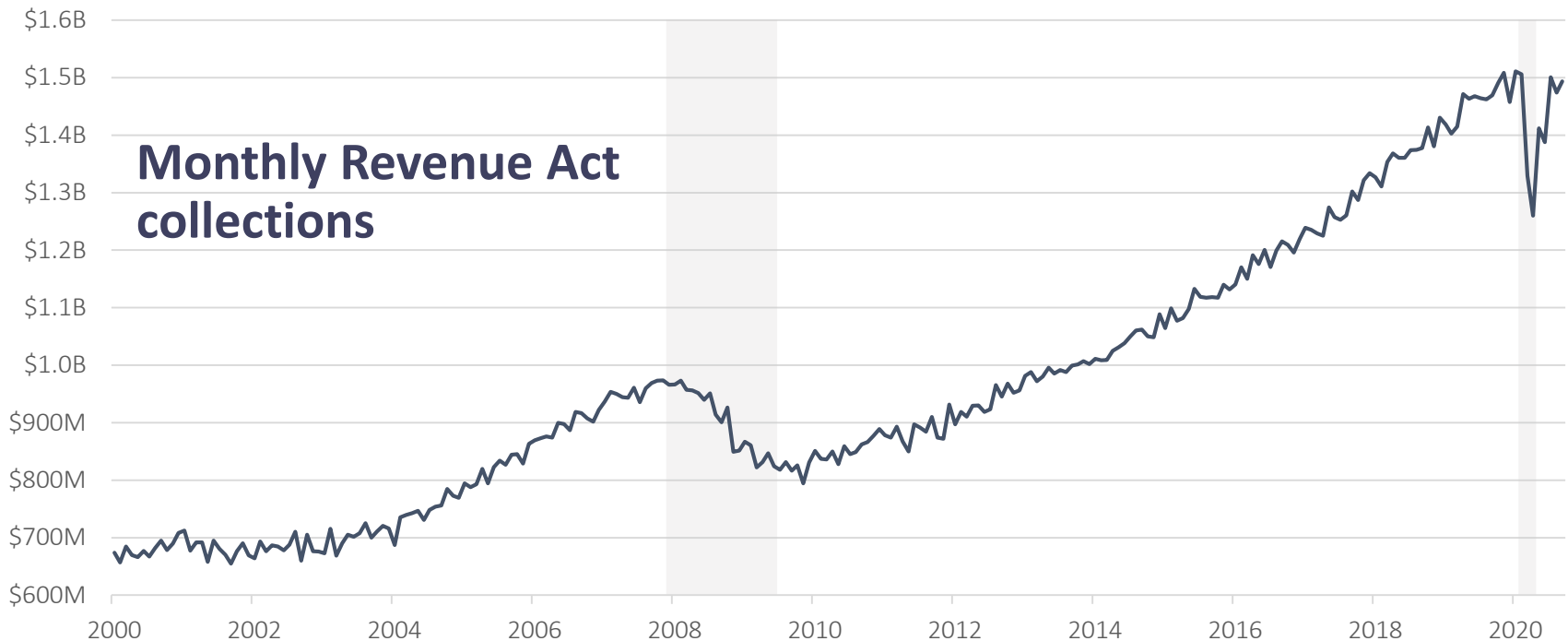
Revenue collections rebound

September revenue forecast:

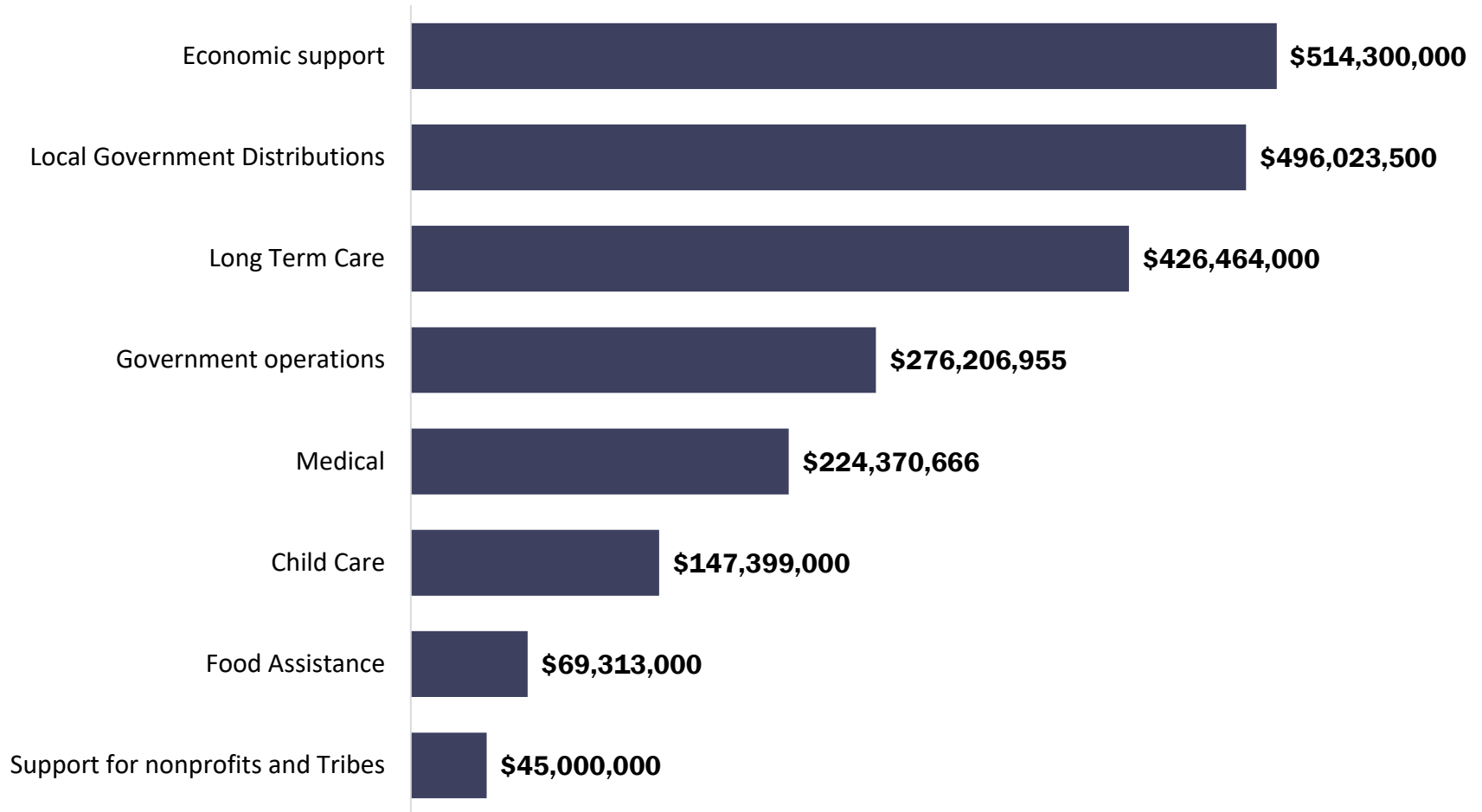
- 2019-21 increased by \$2.2 billion
- 2021-23 reduced by \$2.4 billion

November revenue forecast:

- 2019-21 increased by \$634 million
- 2021-23 reduced by \$328 million



Coronavirus Relief Fund Allocation



Budget calls for \$1.7 billion in new spending

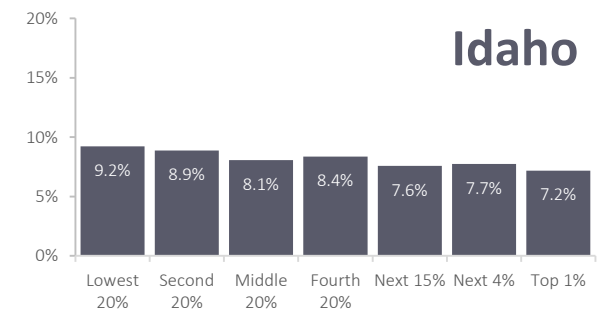
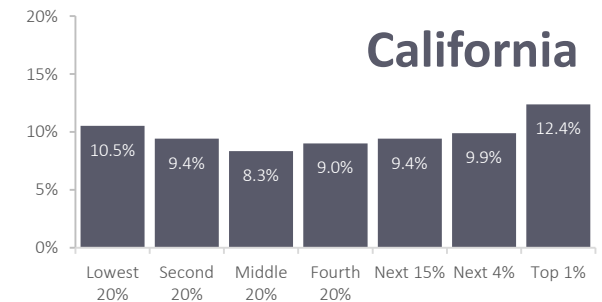
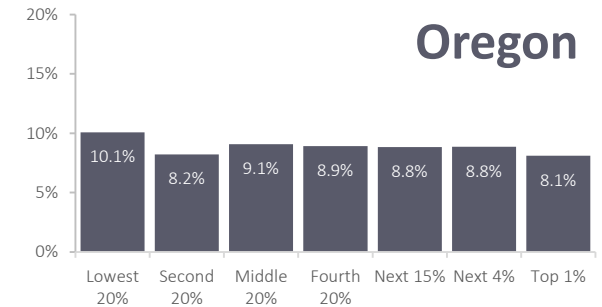
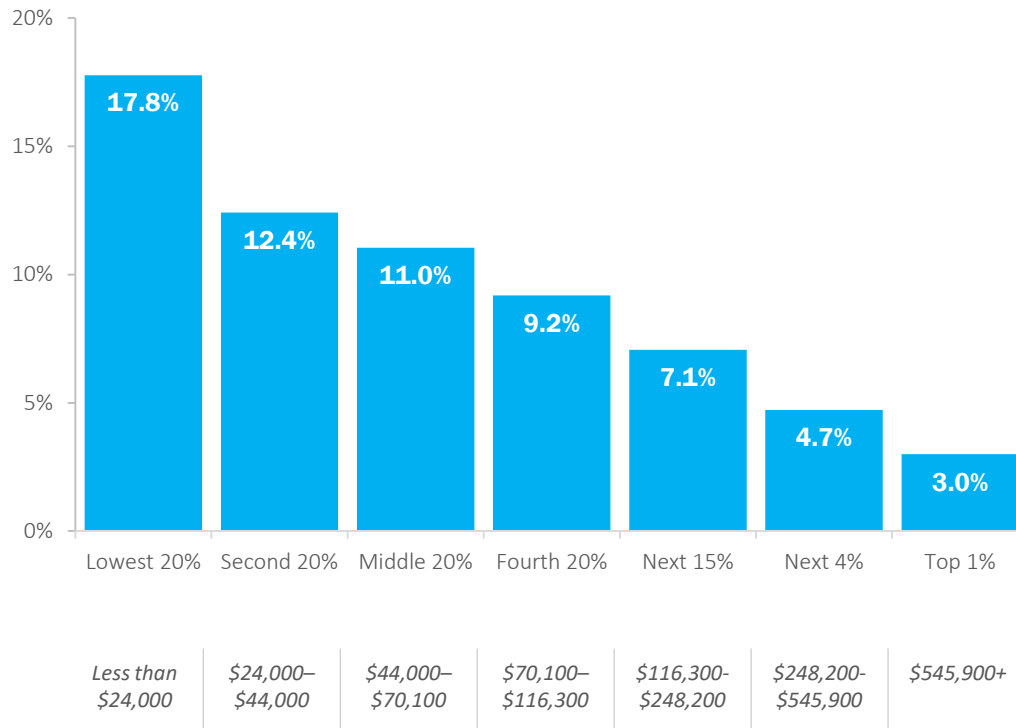
- \$722 million for health and human services
(Public health infrastructure, behavioral health, child care)
- \$570 million for education
(Major investment to help get kids back on track and close the digital divide)
- \$199 million for general government
(Rental assistance, business assistance, local government, One Washington, broadband)
- \$61 million for natural resources
(Climate, clean energy, state parks, invasive species)
- \$172 million in special appropriations, other

Improving outdated, unfair tax system

- Capital gains excise tax
- Covered lives assessment for public health investments

Washington has the most regressive state and local tax system in the nation

State and local taxes as a share of family income for non-elderly taxpayers



Projected reserves

Dollars in millions

	2019-21	2021-23	2023-25
Ending balance	\$ 2,478	\$ 462	\$ 2,219
Budget Stabilization Account	\$ -	\$ 537	\$ 1,124
Total reserves	\$ 2,478	\$ 999	\$ 3,343



FOR MORE INFORMATION:

OFM.WA.GOV

OFM

OFFICE OF FINANCIAL MANAGEMENT

