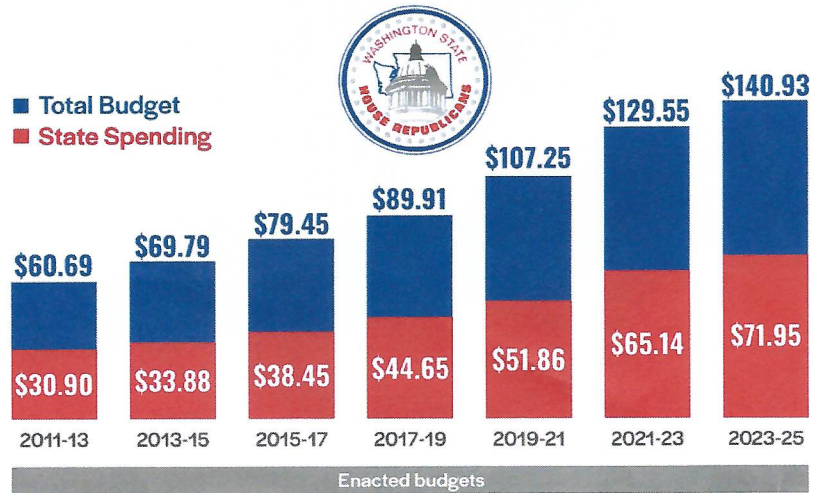




Representative Michelle Caldier 26th District

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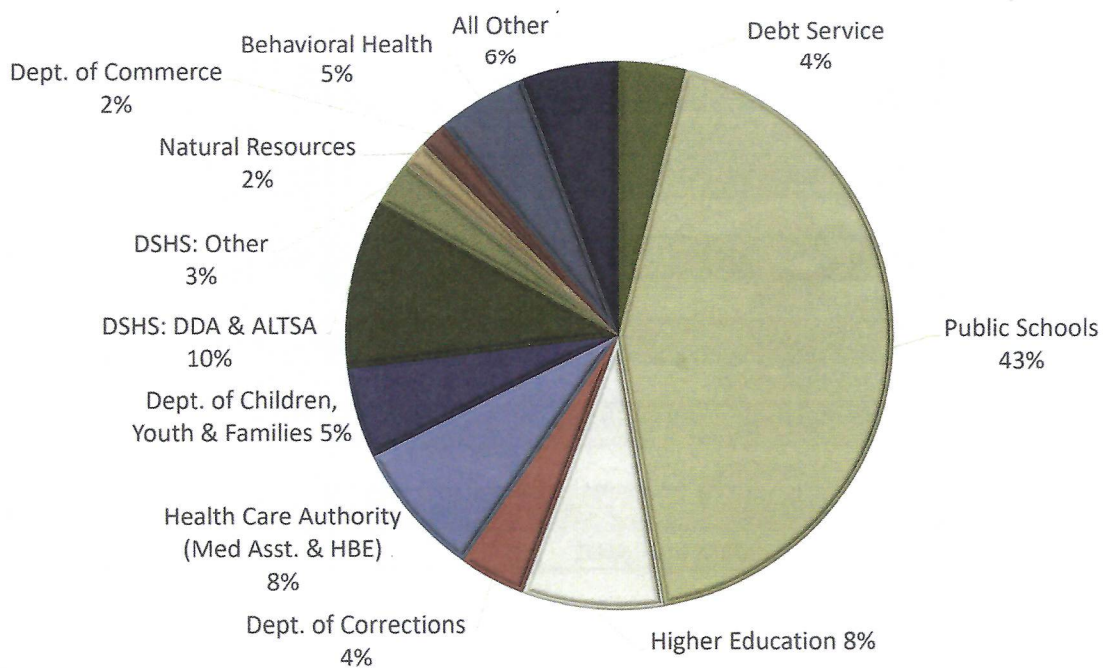
Operating Budget Spending by Biennium *dollars in billions*



The state budget has more than doubled in 14 years.

WASHINGTON STATE HOUSE REPUBLICAN CAUCUS

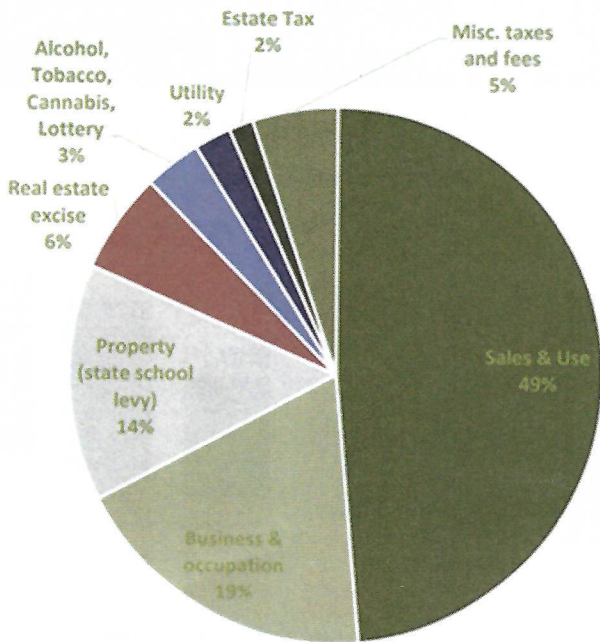
Where does your money go?



2023-25 Operating Budget Including 2024 Supplemental (\$71.9 billion NGF-O)

REPRESENTATIVE MICHELLE CALDIER – 26th District

Revenue – A more detailed breakdown



Source	Dollars in Millions
Sales & Use	30,636
Business & occupation	11,812
Property (state school levy)	9,007
Real estate excise	3,857
Alcohol, Tobacco, Cannabis, Lottery	2,167
Utility	1,412
Estate Tax	931
Misc. taxes and fees	3,260
Total	63,082

*Includes General Fund- State, Education Legacy Trust Account, and Opportunity Pathways Account

*Based off the November 2022 Forecast

**Impacts
if federal
funds
withheld**

Category	Total Fed (thousands)	Federal Percentage
Legislative	\$ -	0.00%
Judicial	\$ 2,290	0.20%
Governmental Operations	\$ 1,151,522	13.40%
Medicaid (All Categories)	\$ 30,769,069	100%
Other Human Services	\$ 5,820,185	50.5%*
DSHS	\$ 2,170,003	48.4%*
Natural Resources	\$ 640,095	16.30%
Transportation	\$ 17,030	5.10%
Public Schools	\$ 2,571,981	7.1%*
Higher Education	\$ 17,460	0.10%
Other Education	\$ 59,337	31.10%
Special Appropriations	\$ 18,203	0.40%
Statewide Total	\$ 43,237,175	28.50%
*Medicaid Funding Included		



The “\$10 billion” budget shortfall: how did we get here?



Background.

The state operating budget is facing a multi-billion-dollar shortfall ranging from \$7-10+ billion depending on your assumptions about spending and revenue. In this case, the figure is comprised of two main parts:

1. The amount of money it would take to continue funding state operations at currently authorized levels (\$6.7 billion over four years¹); and
2. The amount of money it would take to fully fund all of the **new** collective bargaining agreements (\$4.1 billion over four years²).

Economic Facts: state revenue is growing but caseloads are not.

No serious economist believes we are in a recession. The economy is growing, as are state tax collections. We'll collect more tax revenue this year than last year, and more next year than this year.

1. **State tax revenue is growing year-over-year.**³
 - Tax revenue is increasing by \$5 billion this biennium (a 7.6% increase over 2023-25).
 - Tax revenue has grown by \$18 billion since 2019 (34%).
2. **Caseloads have flatlined or decreased.**
 - The majority of state spending is focused on education, healthcare (Medicaid), and incarceration, but caseloads are down in all three areas:
 - K-12 enrollment still below 2019 levels.
 - 150,000 fewer Medicaid clients compared to 2024.
 - Prison population 4,000 lower than pre-pandemic levels.

Budget Facts: how state budget writers amassed the shortfall.

1. **Consistently spending more than the state was collecting in tax revenue.**⁴
 - 2019-21 budget spent \$1.9 billion more than was collected.
 - 2021-23 budget spent \$2.6 billion more than was collected.
 - 2023-25 budget spent \$4.1 billion more than was collected.
2. **“Juicing” revenue assumptions in excess of the actual revenue forecast.**
 - For the past several years, state budget writers assumed a 4.5% growth rate that is higher than what was forecasted by the state economist. Last biennium, this amounted to over \$1.1 billion in “ghost revenue” that was spent but never projected to actually be collected.

¹ See [OPR Overview of the State Operating Budget](#), January 15, 2025.

² The CBAs include \$1.2 billion for state employee compensation, \$1.8 billion for state and K-12 employee health benefits, and \$1.1 billion in provider rate increases (for individual providers, adult family home providers, family child care providers, and language access providers).

³ “State tax revenue” means revenue to the NGF-O Accounts which receive general state tax revenue (including sales tax, B&O tax, property tax, and REET) and are considered the state’s “flexible” accounts for spending purposes.

⁴ Based on NGF-O revenue and spending for the adopted biennial budget conference report outlooks ([2019-21](#), [2021-23](#), [2023-25](#)).

3. Delaying paying for costly programs and policies.

- State funded pre-K expansion (ECEAP) was passed in 2021, but not fully paid for until 2026 (\$214M over four years).
- Child care subsidy expansion (WCCC) was passed in 2021, but not fully paid for until 2025 (\$300M over four years).
- The state tort liability payout account has been running a negative balance for several years and now needs a cash infusion of over \$1 billion to get back in the black.

4. Expending one-time funds for ongoing programs.

- In 2021 and 2023, Democrats drained \$2.3 billion from the state's Rainy-Day Fund and used the money to fund new, ongoing state programs.
- The state distributed over \$11 billion in federal COVID stimulus funds to state agencies and school districts, which was used to create or expand programs that now have to be supported by state tax dollars.

5. Failed programs.

- Right now, state budget writers have a “fund it and forget it” mentality, where programs are funded indefinitely with no review of whether they are achieving their expected outcomes.
- For example, in 2006, an independent audit found the state was operating a program with a *negative* benefit-cost ratio and zero percent odds of achieving a positive outcome.⁵ The state could have saved \$50 million if it had repealed this program when the audit was published.

6. Member earmarks.

- Earmarks have become increasingly common and expensive, some of which were adopted decades ago. While spending on “pet projects” is generally well intended, costs snowball quickly and often lead to wasteful spending with little to no oversight.

Budget Reforms: building a stronger economic future.

State Democrat leaders have announced plans to address the multi-billion-dollar deficit with new taxes on jobs, innovation and employers. But instead of economy killing taxes, the state needs structural budget reforms. House and Senate Republicans are offering legislation to increase transparency and accountability to ensure taxpayer dollars are being spent wisely—not just being spent.

- ✓ Reduce spending to sustainable levels.
- ✓ Require regular zero-based budget reviews to identify programs that aren't working. (HB 1225)
- ✓ Implement performance-based spending requirements. (SB 5145)
- ✓ Prioritize spending for essential services like education, healthcare and public safety. (HB 1225)
- ✓ Reinstate a state spending limit. (SB 5151)
- ✓ Budget to the official revenue forecast, not optimistic assumptions. (HB 1411)
- ✓ Eliminate member earmarks that are more than five years old.
- ✓ Reduce the quantity and frequency of nonessential agency reports.

⁵ Washington State Institute for Public Policy, [Intensive Family Preservation Services Report](#), updated December 2023.