



Skagit County Interim Report June 17, 2020

State Revenue Forecast

The Washington State Economic and Revenue Forecast Council released its latest report on July 17, 2020. The Council's report confirmed many of the public statements that the Governor and legislators on both sides of the aisle have made in recent months: state revenues are declining amid the coronavirus pandemic.

The revenue forecast estimates that state revenues in the current 2019-21 biennium are predicted to decline by \$4.5 billion, and \$4.3 billion in the 2023-25 biennium compared to the February revenue forecast. Over half of the decrease is from declining sales tax revenues. [Click here](#) to watch the presentation from the Washington State Economic and Revenue Forecast Council.

The February revenue forecast estimated \$1.5 billion in new revenue – the final 2019-21 supplemental operating budget only spent \$726 million of the forecasted \$1.5 billion. Additionally, the current 2019-21 Operating Budget left approximately \$3 billion in the Budget Stabilization Account (a.k.a. "Rainy Day Fund"). To access this account to balance any revenue shortfall in the 2019-21 Operating Budget would require bipartisan support and approval from 2/3 of the Legislature, except for in some narrowly defined circumstances where only a simple majority is required.

It's unclear what actions the Legislature may need to take to balance this shortfall. Democrat legislators have indicated that they do not want to enact draconian cuts as was done during the Great Recession. Rather, they would like to consider new revenue proposals as a way to address any revenue shortfall.

Governor's Actions in Response to Declining Revenue

Canceled State Employee Pay Raise & Furloughs: The Legislature funded collective bargaining agreements that included 3% pay raises for state employees, effective July 1, 2020. The Governor announced on June 17, 2020 that he will be cancelling a scheduled 3% general wage increase for many of the state's highest-paid general government employees and that he will begin furloughs for most state employees. The canceled pay raise impacts exempt employees who earn more than \$53,000 annually – approximately 5,600 general government employees, largely mid-level managers across state government. Other union-represented and non-represented classified employees will still get the general wage increase. In addition to cancelling pay raises, starting no later than June 28, more than 40,000 state employees will be required to take one furlough day per week through July 25. After July, employees will be required to take one furlough day per month at least through the fall. The two actions — cancelling the general wage increase and instituting furloughs through November — together will save the state about \$55 million over the next year, according to preliminary estimates. The Governor urged other agencies not under his authority — including higher education institutions, the Legislature, courts and separately elected



officials — to adopt similar measures. If they do, the State would save another estimated \$91 million.

State Agency Reductions: The Governor directed state agencies to develop preliminary options for across-the-board 15% reduction for the 2021 fiscal year (July 1, 2021-June 30, 2022). State agencies have submitted those options to the Office of Financial Manager for further discussion: <https://ofm.wa.gov/budget/state-budgets/state-agency-fiscal-year-2021-savings-options>. These options are not yet finalized and may not come to fruition based on ongoing discussions between OFM and the Governor's Office. The Governor has the authority to impose across-the-board cuts but does not have the authority to reduce specific programs.

Prospects of a Special Session

In preparation for a significant decline in state revenue, it is possible the Legislature may convene in a special session to adjust the 2019-21 operating budget to make budget reductions and consider a narrow agenda of policy bills related to the coronavirus response. At this time, it seems that the earliest a special session could be convened is August. Earlier today, several media outlets reported Sen. Rolfes, Chair of the Ways and Means Committee, as saying that the Governor and Legislative leaders were in the midst of determining when a special session would occur, and that an announcement would be made within the next two weeks.