



## Skagit County

# Report on Governor's Budget Proposal

December 16, 2022

### HIGHLIGHTS

- Governor Inslee offers preview of behavioral health policy and funding requests
- Governor's budget proposal released; focus on housing and climate initiatives
- Tax Structure Work Group recommends raising the property tax limit factor to three percent for local governments only
- Advocates and legislators announce police accountability policy proposals
- Funding provided to continue the Riparian Task Force to evaluate effectiveness of voluntary incentive programs
- Funding provided to the Conservation Commission to report on the effectiveness of VSP

## Governor Inslee's Behavioral Health Policy Update

On December 9, Governor Inslee held a press conference to announce his policy approach and requests from the Legislature on behavioral health in Washington State.

The Governor opened the press conference by sharing that there will be a new mental health teaching hospital opening at the University of Washington in June 2024. The facility will offer 150 new beds.

He stated that the approach to mental health treatment needs to shift away from having only two mega facilities in the state and work toward adding capacity in community facilities.

He outlined five requests of the Legislature leading into the 2023 legislative session:

1. Increase availability of intensive services for children and youth in mental health crisis. Expand the Children's Long-term Inpatient Program (CLIP) and Navigator (through state Medicaid) program.
2. Fully fund the new forensic hospital at the Western State campus. This will help with competency restoration.

3. Increase the talent pipeline in the mental health field. The Governor's office will make suggestions on how to boost compensation for workers to attract more talent.
4. Build more community-based facilities and increase services in community, including mobile crisis teams, opioid treatment, and the 988 system. He cited the new substance abuse/mental health facility in Spokane offering services for co-occurring disorders as a model.
5. Establish a competency restoration system in which local law enforcement and prosecutors play a role in getting defendants into the mental health system as opposed to jailing individuals until they are competent to understand the charges against them and stand trial.

## Governor Inslee's 2023-2025 Biennial Budget Proposal

On December 14, Governor Inslee released his budget proposal for the 2023-2025 biennium. He held a press conference to share highlights of the budget package which is available to view [here](#). The Governor highlighted the following topics:

- Homelessness: The budget proposal includes \$4 billion to address homelessness and the housing stock deficit over six years, to be financed through increased bond capacity. He will request that the Legislature send a referendum to the voters.
- Behavioral health: As the Governor mentioned in his press conference last week, the state needs to establish more facilities throughout the state where youth and adults can access treatment.
- Climate change: The focus is on implementing climate policies enacted and transitioning to households and vehicles to clean energy sources.
- Education: The proposal invests in early learning and higher education.

He also shared that there will be full funding for the Working Families Tax Credit. Beginning February 1, 2023, families can apply. An estimated 400,000 households are eligible for the credit up to \$1,200.

Governor Inslee's omnibus operating budget proposes to spend about \$70 billion in the 2023-2025 biennium, which represents a 12 percent increase in spending over the current biennium. While his proposal does not include any new taxes, it does assume revenues from the recently enacted capital gains tax and the carbon cap-and-invest program.

State revenues for the current biennium are projected at nearly \$762 million higher than expected, and the November revenue forecast also projected higher than expected revenues for the next biennium by approximately \$681 million. The state's total reserves are projected to be more than \$2.6 billion at the end of the 2023-2025 biennium and about \$2.4 billion at the end of the 2025-2027 biennium.

The chambers of the Legislature will be hard at work developing their respective budget proposals once the legislative session convenes in January, so it should be noted that

the Governor's proposal is a starting point for policy development on government spending and that budget discussions will rapidly evolve during session.

## Housing and Homelessness

As the Governor noted in his press conference, housing and homelessness is a top priority for his biennial budget proposal. Under this plan, if voters approve a referendum that would enable the state to raise \$4 billion over the next six years, the state will invest \$1.3 billion of the bond revenue during the next biennium on housing and homelessness initiatives. A guide to the budget and policy highlights on this topic is available [here](#). The proposal includes:

- \$440 million in the Capital budget for creating multifamily housing units.
- \$100 million in the Capital budget to acquire, rehabilitate or construct permanent supportive housing units.
- \$75 million in the Capital budget for the Homeownership program within the Housing Trust Fund to assist first-time homebuyers, facilitate new construction and rehabilitation, and manufactured home communities.
- \$58 million in the Capital budget for preserving affordable housing, including upgrades to units in the Housing Trust Fund portfolio and 36 manufactured or mobile home communities.
- \$60 million in the Capital budget to create 400 units for rapid housing solutions to assist individuals residing in state-owned rights-of way.
- \$50 million in the Capital budget for the Connecting Housing Infrastructure Program (CHIP) to assist local governments with one-time costs associated with infrastructure and help utility providers through reimbursement for affordable housing-supportive fee waivers. To be eligible, local governments must have enacted an affordable housing tax.
- \$75 million in the Capital budget and other funds for public-private partnerships to increase transit-oriented development.
- \$15 million in the Operating budget for Commerce to provide grants to local governments to adopt affordable housing ordinances, including amendments needed to zone for middle housing on 30 percent of residential land.
- \$20 million in the Operating budget for Commerce to provide grants for comprehensive plan updates.
- \$35 million in the Capital budget to support the Housing Finance Commission Land Acquisition program.
- \$15 million in the Capital budget to provide grants to local governments for expediting permitting.
- \$10 million in the Capital budget for the Department of Commerce to provide grants for predevelopment and preconstruction assistance.
- \$153 million from various funds to maintain 2,000 existing shelter beds and other emergency housing units.
- \$150 million in the Operating budget for the Encampment Resolution program that addresses homeless encampments in state rights-of-way. The program is executed through partnerships between the Department of Commerce,

Department of Transportation, Washington State Patrol, local governments, and non-profits, and may be utilized to provide wrap-around services.

- \$6.5 million in the Operating budget for homeless youth programs.
- \$6.3 million in the Operating budget for across-the-board 5% increase to homeless service contracts to account for inflation.
- \$8 million in the Operating budget for the Landlord Mitigation program.
- \$40 million in the Operating budget to cover any reductions in revenue for the Document Recording Fee.
- \$15 million in the Operating budget for the Housing and Essential Needs program.
- \$4 million total in the Capital and Operating budgets for grants to local governments to streamline permitting.
- \$5 million in the Operating budget to implement the recommendation of the Homeownership Disparities Workgroup to fund community-based organizations to increase awareness of homeownership assistance programs among BIPOC communities.

## Human Services and Behavioral Health

The Governor's proposal for the Capital and Operating budgets includes a variety of investments in human services and behavioral health. A full summary is available [here](#). Some of these expenditures include:

- \$20 million in the next biennium and \$8 million from the 2022 supplemental budget for behavioral health services for children and youth, including inpatient treatment and navigator resources.
- A total of \$290.4 million for increasing bed capacity, including the Maple Lane campus and facilities in Clark County and Stanwood, the University of Washington, and SCORE in King County.
- A total of \$208.2 million for increasing behavioral health workforce and provider rates.
- \$74 million in the Statewide 988 Behavioral Health and Suicide Prevention Line Account and \$27.4 million in general funds for expanding 988 crisis services and additional training for the crisis response workforce.
- \$11.9 million for OPD to assist counties in funding defense services in response to the State v. Blake decision.
- \$150 million is provided to Managed Care Organizations to implement a 7% increase in Medicaid reimbursement rates, beginning January 1, 2024.

## Natural Resources

In the Natural Resources category, the Governor's budget proposal includes a variety of investments in the natural environment and open spaces. A full summary of the budget items for this category is available [here](#). Here is a brief summary of notable programs:

- \$372,000 in the Operating budget to enhance the Recreation and Conservation Office recreation information center to make it easier for the public to find data sets on trails, parks, open spaces, public lands, and grant programs.
- \$20.2 million in the Operating budget as pass-through dollars to tribes, local governments, fire and conservation districts, non-profit organizations, and others for wildfire prevention and protection.
- \$49.8 million in bond funds for the Floodplains by Design program that combines flood-hazard reduction actions with salmon recovery and habitat restoration.
- \$70 million in bond funds for the Department of Ecology to pursue and oversee an integrated Chehalis Basin strategy to reduce long-term flood damage.
- \$42 million in bond funds for infrastructure, programs, and policies in the Yakima River Basin.
- \$42.4 million in bond funds and \$1.5 million in other funds for the Columbia River Water Supply Development program.
- \$17.2 million in bond funds for the Department of Ecology to study PFAS chemical contamination in the Lower Issaquah Valley and other potentially impacted areas.
- \$435 million in Water Pollution Control Revolving Account funds and \$200 million in federal dollars for the Department of Ecology to provide low-interest loans to local governments, special purpose districts, and recognized tribes for water quality projects.
- \$115.1 million in the Model Toxics Control Capital Account for the Remedial Action Grant program to help clean up contaminated sites in the state in partnership with local governments.
- \$7.5 million in the Model Toxics Control Capital Account to clean up toxics sites in Puget Sound.
- \$68 million in the Model Toxics Control Stormwater Account for the Stormwater Financial Assistance program to finance retrofit projects that treat polluted stormwater in priority areas around the state.
- \$27.3 million in bond funds and \$20.8 million in the Natural Climate Solutions Account for the Brian Abbott Fish Barrier Removal Board to provide funding to design and construct solutions to fish passage barriers.
- \$54 million in the Outdoor Recreation Account, \$12 million in the Farm and Forest Account, and \$54 million in the Habitat Conservation Account for the Washington Wildlife Recreation program to renovate new local and state parks and restore wildlife habitat.
- \$10.8 million in bond funds for the Recreation and Conservation Funding Board to provide grants for projects that improve or renovate community athletic facilities for youth.

## Climate

In 2021, the Legislature passed the *Climate Commitment Act (CCA)* which included the cap-and-invest program that launches on January 1, 2023. The law requires investing the proceeds of the price on emissions to reduce climate pollution. It is a market-based program so the proceeds cannot be predicted with certainty, so the Governor's budget

package makes conservative assumptions and proposes spending \$1.7 billion in CCA revenues. These budget expenditures are also informed by the 2021 *Healthy Environment for All (HEAL) Act* that directed certain state agencies to work to eliminate environmental and health disparities across the state. The Climate budget highlights are available [here](#). Some of these budget items include:

- \$38.6 million in the Climate Commitment Account funds to support a community participatory budgeting process and grants for projects that reduce health burdens in overburdened communities.
- \$11.4 million in the Air Quality and Health Disparities Account and \$2.5 million in the Climate Commitment Account for improving air quality in overburdened communities.
- \$50 million in the Climate Commitment Account to reduce emissions in hard-to-decarbonize sectors such as industry, maritime, and aviation through grants, with 40 percent to benefit overburdened communities.
- \$7.9 million in the General Fund and \$111.64 million in the Climate Commitment Account to implement the *HEAL Act*.
- \$10 million in the Climate Commitment Account for the Department of Commerce to provide grants to local entities including port districts, counties, and cities to support clean energy siting and permitting.
- \$1 million in the Climate Commitment Account for the Department of Commerce to coordinate a new inter-agency Clean Energy Siting Council to engage rural communities to understand their needs and concerns in siting clean energy projects.
- \$55 million in the Climate Commitment Account and \$30 million in bond funds as additional investment in the Department of Commerce's Clean Energy Fund.
- \$7.7 million in the Climate Commitment Account to establish a research center at Washington State University's Tri-Cities campus to provide analysis to inform the integration of new and emerging energy sources into a modern carbon-free energy system.
- \$1.54 million in the Climate Commitment Account for staffing at the Department of Commerce and the Utilities and Transportation Commission (UTC) to shape and inform regional energy transmission planning.
- \$105 million in the Climate Commitment Account and \$83 million in federal dollars to help low-income and vulnerable populations and small businesses install high-efficiency electric heat pumps and equipment.
- \$50 million in the Climate Commitment Account to leverage federal funding to help income-qualified households with utility bills and replacement of fossil gas furnaces with electric heat pumps.
- \$30 million in bond funds and \$16 million in the Climate Commitment Account for weatherization and energy-efficient measures for low-income and vulnerable households.
- \$82 million in *Inflation Reduction Act* federal funding for home energy retrofits.
- \$83 million in the Carbon Emissions Reduction Account to accelerate the transition to zero-emission medium- and heavy-duty vehicles.



- \$16 million in the Carbon Emission Reduction Acct for grants to local governments, including ports and transit agencies, to support innovative transportation electrification demonstration projects.
- \$6.3 million in the Carbon Emission Reduction Account to advance pilot decarbonization measures in partnership with the Northwest Seaport Alliance, including shore power.
- \$22 million to support the federal hydrogen hub application.
- \$14 million in the Carbon Emission Reduction Account to support the construction of a new electric Anacortes-Guemes Island ferry.
- \$27.4 million in Multimodal Transportation Account funds to build electric vehicle charging infrastructure and create an interconnected network.
- A total of \$157.8 million in the Multimodal Transportation and Climate Active Transportation Accounts to fund active transportation projects including safe routes to school, school-based bike programs, and bicycle/pedestrian safety grants.
- \$1.79 million in the Clean Fuels Program Account to implement the Clean Fuel Standard and collaboration with California in co-developing a new market platform.
- The Governor will request legislation in 2023 that requires local governments to plan for climate resiliency while reducing their contributions to the climate crisis. Proposed funding to accompany these mandates includes:
  - \$27.5 million to ensure that cities and counties have resources for compliance.
  - \$10 million in grants for cities and counties
- \$7.9 million in the Climate Commitment Account for clean energy education and apprenticeship opportunities at comm colleges and Western Washington University.
- \$1.8 million for the Department of Ecology to continue the Washington Fuel Reporting System, an online market platform to allow entities regulated under the state clean fuel standard to track and trade compliance credits.

## General Government

Governor Inslee's budget package funds a variety of general government functions. A full summary is available [here](#). Here are some select highlights:

- \$700,000 in the General Fund for the Department of Archaeology and Historic Preservation to administer the Mainstreet Program, including the needs of current participants and an anticipated increase in applications.
- \$3.5 million in the General Fund and \$21.2 million in other funds for the Military Department to administer the State and Local Cybersecurity Grant program. Federal funds will be made available to state, tribes, and local governments.
- \$5 million in Other funds for social equity in cannabis initiatives.
- \$7.2 million in the General Fund to implement the Department of Commerce's Equity Review community recommendations to remove barriers for BIPOC, very rural, and other historically oppressed communities to develop local organizational, project, and program capacity.

- \$15 million in the General Fund for the Digital Navigator program to increase high-speed internet access.

## Transportation

Improving traffic safety is a primary focus area for the Governor’s Transportation budget proposal. A summary is available [here](#). The Transportation budget includes some of the transportation-related items listed under the Climate category as well. Additional highlights include:

- \$15 million in the Multimodal Transportation and Connecting Washington Accounts to fund bicycle and pedestrian safety projects in the Connecting Washington package that have not yet begun.
- \$5 million in the Multimodal Transportation Account as flexible funds for infrastructure improvements to respond to emerging safety issues.
- \$3 million in the Motor Vehicle Account to construct pedestrian signals at nine locations on State Route 7.
- \$46 million in the Capital Vessel Replacement Account for the state’s hybrid-electric ferry program.
- \$74 million in the Carbon Emissions Reduction Account to convert three Jumbo-Mark II vessels to hybrid-electric propulsion and build necessary shoreside power for ferry electrification.
- \$2 million in the Move Ahead Washington Flexible Account for the Office of Minority and Women Owned Business Enterprise to increase the number of certified minority- and women-owned businesses in the transportation sector.
- \$398,000 in Move Ahead Washington Flexible Account funds to support the Department of Licensing’s ongoing work to provide free identification cards to individuals experiencing homelessness.
- \$2.4 million in the Move Ahead Washington Flexible Account and \$2 million in the Motor Vehicle Account to continue the Pre-Apprenticeship Support Services (PASS) program.

## Public Safety

- \$10.4 million for the Office of Public Defense (OPD) for competitive grants for counties and cities to implement creative approaches to improve local public defense services.
- \$7.57 million for the Criminal Justice Training Commission to establish 2 regional law enforcement training academies, one located in Pasco, the other located in a site with sufficient demand. This appropriation is intended to cover 75 percent of costs to provide 4 BLEA classes, beginning in FY 24.

## Tax Structure Work Group

In 2017, the Legislature established the Tax Structure Work Group to identify options to make the Washington State tax code more fair, adequate, stable, and transparent. The Work Group is tasked with providing guidance to the Washington State Department of



Revenue on final rate setting and any necessary fine tuning to approve a policy recommendation and legislation by the end of this year.

At their November meeting, the Work Group voted to advance discussions on the concept of replacing the business and occupation tax with a margin tax, with members highlighting the potential benefit for small businesses. The Work Group also addressed the property tax limit factor and decided to only advance modeling for local governments.

At their final meeting on December 13, the Work Group voted to advance the recommendation on the margin tax for businesses as well as revising the property tax limit factor to three percent for local governments only.

## Police Accountability Package

The Washington Coalition for Police Accountability (WCPA) and legislators have announced a package of four new bills to be introduced in the 2023 legislative session to build upon police reform legislation passed in the last legislative cycle. These policies include:

- “Traffic Safety for All” bill would prohibit law enforcement agencies from conducting traffic stops for expired tabs or equipment failure, such as a taillight malfunction, unless it presents a safety risk.
- A bill authorizing the Attorney General to initiate pattern-or-practice investigations into police departments over systemic abuses and misconduct. This would enable the Attorney General’s office to sue law enforcement departments that systematically violate the law.
- A bill to establish an independent prosecutor to prosecute police misconduct at the state level as a follow-up to the enacted legislation establishing the Office of Independent Investigations.
- A bill that will instruct state courts to not consider the doctrine of qualified immunity if a plaintiff sues for state constitutional violations regarding police misconduct.

Proponents of the legislative proposals include Senator Joe Nguyen (D-34<sup>th</sup> LD, White Center), and Representatives My-Linh Thai (D-41<sup>st</sup> LD, Bellevue), Drew Hansen (D-23<sup>rd</sup> LD, Kitsap County), and newly elected Darya Farivar (D-46<sup>th</sup> LD, North Seattle). Darya Farivar (D-46<sup>th</sup> LD, North Seattle).