



**DATE:** January 22, 2024

**SUBJECT:** December State Legislative Update

**2024 Legislative Session on the Horizon:**

The 2024 Legislative Session will begin on Monday, January 8. Legislative proposals have begun being pre-filed for consideration.

***Governor's Proposed Supplemental Budgets***

In mid-December Governor Jay Inslee released his proposed 2024 supplemental operating, capital and transportation budgets.

During the 2023 session, the Legislature adopted, and the Governor signed into law three biennial budgets: an operating budget, capital budget, and transportation budget that are effective July 1, 2023 through June 30, 2025. During the 2024 session, legislators will develop supplemental budgets that make mid-biennial adjustments to these budgets. Over the legislative interim, state revenues have increased by over \$2.9 billion for the four-year outlook period (through 2027). Caseloads or the costs for operating current state programs have also increased during this time, meaning that these new resources are likely to be spent on current programs.

Legislative budget committees will hold public hearings on these proposals during the first week of the legislative session. Each legislative chamber will then begin developing their respective budget proposals, which will be released in late February. The two chambers will then negotiate a final budget by March 7 to submit to the Governor to be signed into law.

**Operating Budget**

The Operating Budget funds all state agencies' operations including the K-12 and higher education systems. Capital construction is not funded within this budget. The Governor's proposed supplemental operating budget includes \$1 billion in new expenditures. Some of the notable expenditures include:

- \$150 million is allocated to provide grants for public and private electric utilities to provide low- and moderate-income residents with a one-time \$200 credit on residential electricity bills. Governor Inslee also released his [proposal](#) of \$941 million in additional investments in climate action and clean energy efforts, as well as three policy proposals aimed at oil company accountability, [strengthening the state's cap-and-invest program](#) and [phasing out methane gas](#).
- The Governor proposes paying the \$100.3 million fine mandated by a federal court under *Trueblood*. His proposed budget also makes significant investments in behavioral health, including:



- \$394 million on behavioral health, including the operating funds needed for 110 new beds in state facilities, and an increase in reimbursement rates for community-based providers.
  - \$10 million is included for the expansion of local behavioral health mobile crisis response team capacity to ensure each region has one adult and one youth mobile crisis team that is able to respond to calls coming into the 988-crisis hotline.
  - \$17 million is allocated to integrate a client referral system into the 988-crisis line.
- \$64 million to combat the fentanyl epidemic. This includes:
  - \$2.7 million for multijurisdictional drug task forces previously funded by federal Byrne Justice Assistance Grants.
  - \$7 million to expand Medication for Opioid Use Disorder (MOUD) treatment in jails.
  - \$2.5 million to update and prepare educational materials for school districts about fentanyl prevention. This is accompanied by Governor-request legislation. Additionally, \$6.1 million is allocated to expand Community Prevention and Wellness Initiatives and a statewide public health campaign on the risks of opioids.
  - \$1.3 million to provide first responders with Naloxone.
- \$34 million on affordable housing initiatives. This includes \$10 million to backfill declining recording fee revenues used by local governments to fund affordable housing programs by providing grants to local governments, preventing the closure of affordable housing and homelessness programs. The department would prioritize grants for local emergency shelters and transitional housing programs that are at the highest risk of closing.

### Capital Budget

The Capital Budget utilizes bonds that a portion of the Operating Budget are dedicated to pay back to fund construction projects needed for state operations, including the education system, and investments in community projects. Transportation projects are not funded in this budget. The 2023-2025 biennial capital budget left \$120 million in bond capacity for the 2024 supplemental budget. Governor Inslee proposes spending about \$115 million in bonded revenue, in addition to cash received from Climate Commitment Act allowance auctions and other dedicated revenues. Highlights include:

- \$100 million rapid capital housing acquisition program to create an additional 1,350 units of transitional housing.
- \$55 million on behavioral health facilities, including \$45 million to purchase a behavioral health facility in Tukwila called the Olympic Heritage Behavioral Health facility. As



patients move to this facility from Western State Hospital, DSHS will add at least 72 beds of new capacity for behavioral health patients by the end of fiscal year 2024. The governor's budget also provides funding to re-open wards at Western State Hospital and Eastern State Hospital, bringing an additional 38 forensic beds online in January 2024.

- \$22 million for culvert replacements through the Brian Abbot Fish Barrier Removal Board.
- \$100 million for grants to local governments for planning, design and implementation of projects and clean energy technologies that reduce greenhouse gas emissions in vulnerable, overburdened and tribal communities.

### **Transportation Budget**

Of the state's three budgets, the Transportation Budget continues to face the most significant challenges. During Committee Assembly Days, both the House and Senate Transportation Committees heard from the Washington State Department of Transportation that several projects will cost more than the amount appropriated in the current biennial budget and the associated multi-year transportation plan. Current projects going to bid are reportedly coming in 50% higher than anticipated.

The rising cost of replacing culverts is also impacting the transportation budget. In 2013, a federal court injunction was issued after 21 tribes sued Washington State, mandating that the state replace state-owned culverts to restore fish passage and honor tribal fishing rights. When the 2022 Move Ahead Washington Transportation Package was enacted, it was estimated that replacing the culverts would cost the state \$3.8 billion. The Package fully funded that obligation based on those estimates. However, the cost has now increased to between \$7.3 billion and \$7.8 billion. Under the injunction, the state has until 2030 to repair or replace enough culverts to open the bulk of upstream habitat. To meet the 2030 deadline, an additional \$725 million needs to be appropriated in the supplemental budget that legislators will be developing during the 2024 Legislative Session. Latest estimates indicate that the average cost per barrier is \$20 million, with the median being \$14 million. Transportation committee chairs have indicated that addressing this revenue shortfall may cause funding to be delayed for projects previously scheduled to be funded.

Given that the transportation budget is under significant pressure and Governor Inslee's proposed 2023-25 transportation budget made investments that are predictably modest, with a focus on ferries, public and traffic safety, homelessness and repairing fish blocking culverts.

Public and traffic safety investments include:

- \$30 million for additional Washington State Patrol troopers and staff.
- \$9.5 million for an additional training cadre of WSP troopers.
- \$1.4 million for increased forensics and rapid DNA testing capabilities.
- \$1 million to implement a speed-camera pilot.



\$10 million is allocated to expand the Rights-of-Way Safety Initiative that moves unhoused individuals off state rights of way and into transitional housing.

\$150 million is allocated to replace fish blocking culverts on state highways.

The [Governor's proposed transportation project list](#) phases funding for projects over the next 8 biennia, while the current transportation budget phases funds over the next 3 biennia.

### ***Initiatives to the Legislature***

There are several Initiatives to the Legislature that have collected the adequate number of signatures to be submitted to the Legislature for consideration. For each initiative, the Legislature has three options: 1) pass the proposed initiative into law; 2) forward the proposed initiative to voters in November 2024, taking no independent action; or 3) forward the proposed initiative to voters in November 2024 along with an alternative, i.e. a competing proposal. Below are the initiatives that have collected the necessary number of signatures as of this writing:

Initiative-2117 would repeal the Climate Commitment Act or "cap and invest" system.

Initiative-2081 is called the "parents' bill of rights" by its sponsors and mandates parental access to educational materials used in public schools.

Initiative-2113 would erase requirements in state law restricting when law enforcement officers may engage in vehicular pursuits. Under the initiative vehicular pursuits would be allowed if there is a reasonable suspicion that the person has violated the law. This measure also appears to have the required signatures and will go before the Legislature in January.

Initiative-2111 would repeal the capital gains tax. Revenue collected from that tax is directed to the state's education legacy trust account and common school construction account. As of November 8, 2023, 3,765 capital gains tax returns have been filed. As of November 8, 2023, there have been estimated net capital gains collections of \$889 million.

The organization "Let's Go Washington" is still gathering signatures for two additional initiatives to the Legislature. Regardless of whether these are also submitted, the four that are already moving forward are guaranteed to demand a significant amount of the Legislature's time next session.