

January 22, 2013

1. Are two budget outlooks required for the Governor's budget: one for the Current Law Budget submitted to comply with RCW 43.88 and one for the Governor's proposed (new law) budget which, in the case of Governor Gregoire's budget, includes new revenue legislation?
2. Does the format of the January Outlook require that revenues and expenditures related to the McCleary decision be separated from other policy items in the Governor's budget? (The Governor proposes a dedicated tax that phases in to support McCleary related expenditures)
3. When the legislature adopts the biennial budget, the 2013-15 biennium must be balanced. In addition, the projected maintenance level spending for 2015-17 must not exceed the projected resources for the 2015-17 biennium. In calculating the 2015-17 biennium, the statute requires that "in the 2013-2015 and 2015-2017 fiscal biennia the costs related to the enhanced funding under the new definition of basic education" not be included in that estimate.

In calculating the 2015-17 maintenance level, should McCleary related funding provided in 2013-15 be included in the 2015-17 maintenance level (excluding only the step up from 2013-15 to 2015-17)? Or, alternatively, should the entire amount (amounts provided in 2013-15 plus the step up) be excluded from the maintenance level estimate for 2015-17? Does the ERFC wish to weigh in on this issue?

### **Excerpts from SSB 6636 relating to a balanced budget and budget outlook**

#### Section 1

(2)

(b) "Projected maintenance level" means estimated appropriations necessary to maintain the continuing costs of program and service levels either funded in that appropriations bill or mandated by other state or federal law, and the amount of any general fund moneys projected to be transferred to the budget stabilization account pursuant to Article VII, section 12 of the state Constitution, but does not include in the 2013-2015 and 2015-2017 fiscal biennia the costs related to the enhanced funding under the new definition of basic education as established in chapter 548, Laws of 2009, and affirmed by the decision in Mathew McCleary et al., v. The State of Washington, 173 Wn.2d 477, 269 P.3d 227, (2012), from which the short-term exclusion of these obligations is solely for the purposes of calculating this estimate and does not in any way indicate an intent to avoid full funding of these obligations;

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Section 4

(3) The outlook must also separately include projections based on the revenues and expenditures proposed in the governor's budget documents submitted to the legislature under RCW 43.88.030.

(5) Each January, the state budget outlook work group shall also prepare, subject to the approval of the economic and revenue forecast council, a state budget outlook for state revenues and expenditures that reflects the governor's proposed budget document submitted to the legislature under chapter 43.88 RCW. Within thirty days following enactment of an operating budget by the legislature, the work group shall prepare, subject to the approval of the economic and revenue forecast council, a state budget outlook for state revenues and expenditures that reflects the enacted budget.

**Excerpt from RCW 43.88.030 the Budget, Accounting and Reporting Act**

(1) The director of financial management shall provide all agencies with a complete set of instructions for submitting biennial budget requests to the director at least three months before agency budget documents are due into the office of financial management. The budget document or documents shall consist of the governor's budget message which shall be explanatory of the budget and shall contain an outline of the proposed financial policies of the state for the ensuing fiscal period, as well as an outline of the proposed six-year financial policies where applicable, and shall describe in connection therewith the important features of the budget. The biennial budget document or documents shall also describe performance indicators that demonstrate measurable progress towards priority results. The message shall set forth the reasons for salient changes from the previous fiscal period in expenditure and revenue items and shall explain any major changes in financial policy. Attached to the budget message shall be such supporting schedules, exhibits and other explanatory material in respect to both current operations and capital improvements as the governor shall deem to be useful to the legislature. The budget document or documents shall set forth a proposal for expenditures in the ensuing fiscal period, or six-year period where applicable, based upon the estimated revenues and caseloads as approved by the economic and revenue forecast council and caseload forecast council or upon the estimated revenues and caseloads of the office of financial management for those funds, accounts, sources, and programs for which the forecast councils do not prepare an official forecast. *Revenues shall be estimated for such fiscal period from the source and at the rates existing by law at the time of submission of the budget document, including the supplemental budgets submitted in the even-numbered years of a biennium. However, the estimated revenues and caseloads for use in the governor's budget document may be adjusted to reflect budgetary revenue transfers and revenue and caseload estimates dependent upon budgetary assumptions of enrollments, workloads, and caseloads. All adjustments to the approved estimated revenues and caseloads must be set forth in the budget document. The governor may additionally submit, as an appendix to each supplemental, biennial, or six-year agency budget or to the budget document or documents, a proposal for expenditures in the ensuing fiscal period from revenue sources derived from proposed changes in existing statutes... [italics added]*