

Methodology for the July 2013 State Budget Outlook Based on the Enacted 2013 Supplemental and 2013-15 Biennial Budgets

Introduction

According to Chapter 8, Laws of 2012, 1st Special Session (SSB 6636), within 30 days following enactment, the State Budget Outlook Work Group must prepare a state budget outlook that reflects the enacted budgets.

This document outlines the major assumptions for the outlook. General definitions and overall approach remain the same as utilized in previous outlooks. Dollars are expressed as the sum of the following accounts: state General Fund, the Education Legacy Trust Account, and the Opportunity Pathways Account. All dollar figures are rounded to the nearest million.

Resources

The June 2013 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC) is the most recent forecast and therefore is the one used for this outlook. Per RCW 43.88.055 (2) (a), and consistent with a decision made by the ERFC in November 2012 to prepare a single outlook, revenue amounts in fiscal years 2016 and 2017 are based on a 4.5% per year growth rate rather than the actual revenue forecast. However, for informational purposes, the magnitude of this difference is displayed on a separate line.

Other Resource Changes

In addition to the June forecast of available revenues, the outlook estimate includes the other resource changes included in the enacted budget as well as the projected impact in fiscal years 2016 and 2017. This includes: (1) legislation addressing the Bracken estate tax decision (incorporated in the June revenue forecast); (2) \$521 million in various fund transfers and revenue redirection for fiscal years 2013, 2014, and 2015 and the continued redirection of certain Public Works Assistance Account revenue sources in fiscal years 2016 and 2017; (3) elimination of the \$204 million Opportunity Pathways/School Construction statutory related transfer requirement; (4) telecommunications related revenue changes; and (5) budget-driven revenue.

Expenditures

Enacted Budget/Maintenance Level Estimate

The fiscal years 2013, 2014, and 2015 spending amounts depicted in the outlook reflect the enacted budget levels (including appropriation contained in other legislation and after accounting for the Governor vetoes). The 2015-17 maintenance level estimate reflects the mandatory caseload and enrollment, debt service and pension rates based on current information and historical growth rates. These amounts also reflect adjustments for the expiration of temporary suspensions (e.g. Initiative 732) and other major one-time savings/costs.

Annual growth rates for fiscal year 2016 and 2017 are similar to what was assumed in the January outlook (e.g. 4.32% for low income health care, 6.0% for debt service, 0.50% for certain K-12 costs; and 2% for most other entitlement programs).

Actual/Estimated Reversions

The outlook includes actual under spending or reversions in fiscal year 2012 and includes assumed reversions for fiscal years 2013 through 2017.

Projected Ending Balance

The projected balances represent expected end-of-biennium totals after all expenditures contained in the budget are subtracted from proposed resources. Each biennium's ending balance is assumed to carry over as a resource for the next biennium. The projected "unrestricted ending balance" is the one that is required to be positive in order to meet the requirements of Chapter 8, Laws of 2012, 1st Special Session (SSB 6636).

Budget Stabilization Account Balance (“Rainy Day Fund”)

The enacted budget does not make any use of the Budget Stabilization Account (BSA). The balance includes the effect of new revenues on the BSA transfer to the GF-S, and updated assumptions of interest to the account.