



WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

---

## AGENDA

### **Budget Outlook Meeting**

July 17, 2015  
11:00 a.m.

- Call to order
- Presentation by Budget Outlook Work Group members on guidance for preparing the Outlook

*This page left intentionally blank.*

July 15, 2015

To: Economic and Revenue Forecast Council  
From: State Budget Outlook Work Group  
Subject: Enacted 2015-17 Biennial Budget Outlook

The State Budget Outlook Work Group poses the following issues for the Economic and Revenue Forecast Council (ERFC) to provide guidance at its July 17 meeting on the preparation of the 4-year Outlook on the Enacted 2015-17 Budget (ESSB 6052, Chapter 4, Laws 2015, 3rd Special Session PV).

### **Life Sciences Discovery Fund**

Section 805 of the budget directs the State Treasurer to transfer \$11 million from the Life Sciences Discovery Fund to the state general fund in fiscal year 2016. Section 963 amends RCW 43.350.070, authorizes the transfer and prohibits the use of Life Sciences Discovery Fund for new awards after July 1, 2015. The Governor vetoed Section 963 but did not veto the actual transfer in Section 805. According to the Office of Financial Management, the intent was not to disallow the transfer; rather the intent of the veto was to remove the prohibition on new awards.

***Should the Outlook on the enacted budget assume the transfer from the Life Sciences Discovery Fund will occur?***

### **Health Benefits**

The Legislative budget Outlooks include funding for state government and higher education employees' health benefits. A growth rate of 4.2% per year was assumed for the 2015-17 biennium which resulted in savings from the PEBB carry-forward level in fiscal year 2016 and an increase in fiscal year 2017; no growth from fiscal year 2017 is assumed for fiscal year 2018 and fiscal year 2019. Similarly, the outlooks prepared on the Governor's Current Law and New Law budgets in January 2015 also reflect no growth in the ensuing biennium for employee health benefits. This approach differs from guidance provided by the ERFC. At its January 23, 2014 meeting, the ERFC adopted guidance for future outlooks "to utilize the PEBB modeling funding rate for the budget outlook." Over the last several years, the Health Care Authority's cost projections and balances for state employee health benefits have been variable and several times the enacted budgets have reduced the state cost by using projected PEBB surpluses. ***Should the Outlook on the enacted budget assume: (1) the PEBB funding rate for the ensuing biennium; (2) growth of 4.2% per year; or (3) no growth as assumed by the Legislative budget?***

### **Public Safety Enhancement Account**

Section 950 of the budget amends RCW 41.26.802, deleting the requirement that the State Treasurer transfer, subject to appropriation, \$20 million of the state general fund to the Local Public Safety Enhancement Account by September 30, 2015. Subsection (3) of this section states the Legislature's intent to fund a similar transfer and appropriation of at least \$50 million

by September 30, 2017 from sources other than the state general fund, which may include transfers from the law enforcement officers' and firefighters' plan 2 retirement fund. The Governor vetoed only subsection (3) of this section.

Outlooks for the Governor's budget and all legislative budgets identify the \$50 million transfer, subject to appropriation, as a requirement of current law in the 2017-19 biennium. ***Should the Outlook on the enacted budget reflect the Legislature's intent before the veto or the requirement of current law, RCW 41.26.802, after the veto?***

### **Opportunity Scholarship**

Section 613 (8) of the budget appropriates \$41 million for the Opportunity Scholarship program and includes the provision: "The legislature will evaluate subsequent appropriations to the opportunity scholarship program based on the extent that additional private contributions are made, program spending patterns, and fund balance." In this approach the Legislature is adopting a pay-as-you-go approach that is contingent upon the actual contribution subject to the state match.

RCW 28B.145.040 (4) provides:

"(4) The source of funds for the program shall be a combination of private grants and contributions and state matching funds. A state match may be earned under this section for private contributions made on or after June 6, 2011. A state match, up to a maximum of fifty million dollars annually, shall be provided beginning the later of January 1, 2014, or January 1st next following the end of the fiscal year in which collections of state retail sales and use tax, state business and occupation tax, and state public utility tax exceed, by ten percent the amounts collected from these tax resources in the fiscal year that ended June 30, 2008, as determined by the department of revenue."

The Legislative budget Outlooks assume no funding for the Opportunity Scholarship program in the 2017-19 biennium. This approach differs from Outlooks prepared on the Governor's Current Law and New Law budgets in January 2015, which assumed obligations of \$50 million per year in the 2017-19 biennium. ***How should the Outlook on the enacted budget account for state matching funding for the Opportunity Scholarship program?***

### **Health Care Authority, Savings Through Waiver Request**

Section 1213 of the budget assumed state general fund savings of \$109.9 million in fiscal year 2015. The Governor vetoed the appropriation creating these savings. The Office of Financial Management has directed the Health Care Authority to place \$90.4 million in unallocated status, effectively increasing the GF-S reversions for fiscal year 2015. The Outlook will reflect \$109.9 million in higher GF-S appropriations in fiscal year 2015. ***Should the Outlook on the enacted budget increase the assumption of reversions for fiscal year 2015 from \$70 million to \$160.4 million?***