

November 1, 2017

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the November 2017 Outlook

The State Budget Outlook Work Group (work group) poses the following issues for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the November 2017 Outlook.

Methodology for November 2017

Resource Updates

- The November 2017 Outlook will be updated for the November 2017 revenue forecast. However, the extraordinary revenue growth (ERG) calculation based on the November 2017 forecast will not be available. The work group will use the ERG calculation from the September 2017 forecast.
- Reversions for fiscal year 2017 will reflect actuals. Future year reversion assumptions will not be changed from the enacted outlook.

Maintenance Level Updates

- The November 2017 Outlook will begin with the enacted budget and include a preliminary estimate by the Office of Financial Management of projected maintenance level costs. These estimates are to reflect projected expenditures based on the estimated cost of providing services currently authorized in the budget. The 2017-19 maintenance level projection will be the basis for the 2019-21 projection using the outlook growth factors and adding any mandatory items that start in 2019-21. This estimate of the Governor's projected maintenance level is not final.

Outlook Growth Factors

At its September 21, 2016 meeting, the ERFC adopted updated growth factors for the Outlook. These updated growth factors will remain constant for Outlooks prepared during the 2017-19 biennium, from November 2016 through the Outlook on the enacted 2018 supplemental budget, unless otherwise modified by the ERFC.

Other Items

- The November 2017 Outlook will include the preliminary updates to maintenance level, however there have been costs in the past that are not maintenance level that the ERFC has opted to include. In prior Outlook preparations, these were limited to things such as costs incurred from new statewide ballot measures, certain fire/disaster response, and lawsuits. Following are two items for consideration in preparation of the November 2017 Outlook:
 - Costs related to fire mobilization in 2017 will continue to be further refined but initial costs are estimated to be approximately \$30 million. Does the ERFC want to include fire mobilization costs in the November 2017 Outlook? For all future November Outlooks, does the ERFC want to include an estimate for fire mobilization costs?
 - The Department of Social and Health Services is incurring fines for the *Trueblood* case which deals with delays in providing forensic mental health services. The fines are based on

the number of days a person waits for admission to a forensic bed in excess of court mandated timelines. The monthly fines have been trending upward since they began in July 2016. In addition, the court recently ordered new fines on delays for a subgroup of the class which prior to now had not been subject to fines.

Funding was provided in FY 2017 for Trueblood fines, however no specific funding was included in the FY 2017-19 operating budget for fines. The legislature included funding for FY 2017-19 to increase the capacity to provide forensic evaluation and restoration services for class members. DSHS is delayed in implementing the new beds that were funded back to July and does not expect to have these beds implemented until the spring.

From July 1st through October 12th of this fiscal year, DSHS has incurred a little over \$11 million in Trueblood fines. The following table provides the monthly fines going back to July 2016:

TRUEBLOOD FINES

Start Date	End Date	Total Fine Amount
07/08/2016	07/14/2016	199,500
07/15/2016	08/14/2016	529,000
08/15/2016	09/14/2016	962,500
09/15/2016	10/13/2016	1,395,500
10/14/2016	11/14/2016	2,344,000
11/15/2016	12/14/2016	2,139,000
12/15/2016	01/12/2017	2,162,500
01/13/2017	02/14/2017	1,827,000
02/15/2017	03/14/2017	1,907,000
03/15/2017	04/13/2017	2,307,500
04/14/2017	05/11/2017	2,573,000
05/12/2017	06/13/2017	3,153,000
06/14/2017	07/13/2017	2,872,500
07/14/2017	08/14/2017	3,020,500
08/15/2017	09/14/2017	3,344,500
09/15/2017	10/12/2017	3,529,000
		34,266,000

Does the ERFC want to include an adjustment for Trueblood fine costs in the November 2017 Outlook? If so, should the estimated costs be through November 20, 2017 (date the Outlook is prepared), the beginning of legislative session, or some other date?