

Criteria Options for Resources Assumed in Outlook

At the 1 May 2014 Outlook meeting, the ERFC directed the workgroup to develop options regarding criteria for when resources may be reflected in the outlook and present these to the ERFC at the June 17th meeting.

Background:

The Outlook adopted on May 1, 2014 reflects \$52.7 million in resources in the 2015-17 biennium related to the Life Sciences Discovery Fund (LSDF). The 2014 Supplemental budget includes language expressing the Legislature's intent to direct the resources from the strategic contributions to the Education Legacy Trust Account (ELTA) rather than the LSDF in the 2015-17 biennium. The 2014 Supplemental budget also eliminated the strategic contribution deposit into the LSDF in the current biennium; however, this was vetoed.

Criteria Options:

The options below for defining the criteria regarding when resources can be reflected in the Outlook are based on the following general premises:

- Impacts of separate legislation that address transfers/redirections to and from funds covered by the Outlook will be included in the Outlook, as prescribed by the legislation.
- Resources reflected in the Outlook must be available. For instance, if the budget includes a one-time fund transfer, leaving the fund with no balance, then the transfer may not be reflected as an available resource in future years in the Outlook.
- The Legislature must specifically identify the fund affected by the transfer/redirection.

Possible Criteria/Options for defining when resources may be reflected in the Outlook:

Option 1

If a redirection/transfer is addressed in the operating budget, the Outlook may reflect the continuation of the policy adopted in the operating budget, provided:

- a. There is Legislative intent language addressing the resource/transfer in the budget;
- b. There is a projected balance in the fund in the ensuing biennium, including balances that result from changes in appropriations that result in resources in the succeeding fiscal period; and
- c. The assumptions in the Outlook are tied to policy in the biennial budget. The outlook cannot assume a policy that has not been enacted in the current budget or separate legislation.

Example: If this option were adopted, the resources in the 2014 Supplemental Budget Outlook would not reflect any resources related to the strategic contribution because the section in the operating budget that eliminated the 2015 strategic contribution transfer to the LSDF was vetoed. Therefore, the intent language affecting the 2015-17 biennium is no longer linked to policy in the current biennial budget. This is a different approach than the one used for the Outlook adopted by the ERFC on May 1, 2014; that Outlook includes resources related to the strategic contribution related to the 2015-17 intent language, as it was not vetoed.

Option 2

If a redirection/transfer is addressed in the operating budget, the Outlook may reflect the continuation of the policy adopted in the operating budget, provided:

- a. There is Legislative intent language addressing the resource/transfer in the budget;

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- b. There is a projected balance in the fund in the ensuing biennium, including balances that result from changes in appropriations that result in resources in the succeeding fiscal period;
- c. The assumptions in the Outlook are linked to policy in the current biennial budget; and
- d. The policy does not assume a permanent elimination/redirection. However, if the policy assumes a permanent elimination/redirection of a resource and there is statute regarding the resource – the change would need to be made to statute.

Examples: (A) The strategic contribution is deposited into the Tobacco Settlement Account. Per statute, the Legislature is directed to transfer the amount associated with the strategic contribution from the Tobacco Settlement Account to the Life Sciences Discover Fund.

The 2014 Supplemental budget modified the transfer to eliminate the strategic contribution deposit to the LSDF – this was vetoed. Because the budget ended the funding for the LSDF, in order to include the resource in the Outlook under this option, the Legislature would need to amend the LSDF statute.

However, if the Legislature did not eliminate the program, it could have expressed its intent to continue a reduced level of funding for the LSDF without changing the statute regarding the LSDF transfer. During the 2009-11, 2011-13, and 2013-15 biennium, the Legislature transferred part of the strategic contribution to the LSDF but not the entire amount.

(B). The current budget could reduce the authorization for appropriated accounts (e.g. Wildlife Account, State Toxics Control Account) that are not covered by the outlook, thereby creating sufficient fund balances for assumed transfer in the outlook for the succeeding fiscal period. The Legislature could express its intent to transfer resources in the succeeding biennium in the budget and reflect these resources in the Outlook. Absent intent language, the resources would be assumed to remain in the account, rather than be available in the accounts covered by the outlook.

Option 3

In order to assume a resource related to a redirection/transfer in a timeframe beyond the budget, the statute would need to be amended. Because amendatory changes included in the budget affect only the timeframe covered by the budget, this would require separate legislation.

Example: Under this option, resource/transfers would not be reflected in the outlook beyond the timeframe covered in the biennial budget, unless separate legislation specified the redirection/transfer addressing the timeframe beyond the biennial budget. Chapter 9, Laws of 2013, 2nd sp.s, (ESHB 2051) amended the statute to redirect the Public Utility Tax and a portion of the Real Estate Excise Tax from the Public Works Assistance Account to the ELTA through FY 2019.