

# Overview of the Methodology for the State Budget Outlook (January 2023)

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## **Introduction**

The purpose of this document is to provide an overview of the methodology used to develop the four-year budget projections pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636). This document summarizes the major components of the projection, the overall approach, as well as the assumptions used in the State Budget Outlook (Outlook) document.

The amounts reflected in the Outlook are the sum of the state General Fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunity Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). These funds are sometimes referred to as the Near General Fund Outlook (NGF-O) funds.

During the 2021 legislative session the Fair Start for Kids Account (FSKA), was added to the NGF-O definition (Chapter 199, Laws of 2021). The Governor's 2023 supplemental and 2023-25 biennial operating proposals do not propose any resources or expenditures into or out of the account and, as such, it is not reflected in the Outlook.

## **Resources**

Pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636), the amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

### Beginning Fund Balance

The Outlook uses the certified fund balance in accordance with generally accepted accounting principles for the most recently closed biennium as the starting point. The beginning fund balance for subsequent Fiscal Years (FY) is equal to the projected ending balance for the previous FY.

### Revenue Forecast

The amounts for the 2021-23, 2023-25, and 2025-27 biennia reflect the adopted November 2022 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). The provisions of Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636) call for the ensuing biennium revenue (in this instance, the 2025-27 biennium) to be based on the greater of:

- (1) the official revenue forecast for the ensuing biennium; or
- (2) an assumed revenue increase of 4.5 percent per year for that ensuing biennium.

The November 2022 forecast projected revenue growth of less than 4.5 percent per year in the 2025-27 biennium. Given the November 2022 forecast projects revenue growth of less than 4.5 percent per year in the 2025-27 biennium, the Outlook includes an adjustment for estimated FY 2026 and FY 2027 revenues. The adjustment for ensuing biennium revenues increases estimated resources in the Outlook by \$1.272 billion.

The November 2022 revenue forecast incorporates an assumed \$2.252 billion NGF-O revenue over the 4-year period from the enactment of Chapter 196, Laws of 2021 (capital gains tax). On March 1, 2022, the Douglas County Superior Court invalidated the tax. The state is appealing the ruling by the Douglas County Superior Court and has filed for direct review of the Superior Court decision by the Washington State Supreme Court. Pursuant to direction by the ERFC on March 31, 2022, the Outlook continues to assume the revenue forecast and does not make an adjustment to remove the Capital Gains revenue.

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### Transfers to Budget Stabilization Account (BSA)

Pursuant to a constitutional amendment approved by the voters in 2007 (Article VII, section 12(1), of the Constitution), this reflects the transfer of one percent of general state revenues (GSR) for each FY to the Budget Stabilization Account (BSA). The estimated transfer amounts are based on the calculation of estimated general state revenues as defined in Article VIII, section 1, of the Constitution. The calculation of estimated GSR is based on the November 2022 revenue forecast adjusted for the estimated revenue impacts of the Governor's proposed revenue changes. The Outlook assumes BSA 1% transfers each biennium to include \$609 million in the 2021-23 biennium, \$634 million in the 2023-25 biennium, and \$678 million in the 2025-27 biennium.

### Extraordinary Revenue Growth

Pursuant to a constitutional amendment approved by the voters in 2011 (Article VII, section 12 of the Constitution), this reflects the transfer of three-quarters of extraordinary revenue growth (ERG) into the BSA. ERG is defined in the state Constitution as growth in general state revenues for the fiscal biennium that exceeds the average biennial percentage growth of the prior five fiscal biennia by one-third. The state Constitution also provides that the transfer only occurs to the extent that it exceeds the normal transfer amount into the BSA and that no ERG transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year. The adopted November 2022 revenue forecast does not project ERG for the 2023-25 or 2025-27 biennia. ERG is predicted for the 2021-23 biennia, but the annual average employment growth for the prior biennium was less than one percent per fiscal year. Based on the state Constitution, no transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year. Given this, there is also no additional BSA transfer for the 2021-23 biennia related to ERG.

### Prior Period Adjustments and ACFR Adjustments

The Outlook assumes NGF-O prior period adjustments of \$80 million in the 2021-23 biennium, \$40.8 million in the 2023-25 biennium, and \$40.8 million in the 2025-27 biennium, totaling \$161.6 million over the Outlook period. The Outlook assumes NGF-O Annual Comprehensive Financial Report (ACFR) adjustments totaling savings of \$24.3 million in the 2021-23 biennium.

### Enacted Fund Transfers

This category reflects all enacted NGF-O fund transfers made through the 2022 legislative session (including special sessions) after accounting for vetoes. For more information, see the 2021 and 2022 Legislative Budget Notes:

- 2021: <http://leap.leg.wa.gov/leap/budget/lbns/2021LBN.pdf>
- 2022: <http://leap.leg.wa.gov/leap/budget/lbns/2022LBN.pdf>

### Governor's Proposed Resource Changes

#### *Fund Transfers*

The Governor's budget proposes the following NGF-O transfers.

<b>Transfers Proposed in the Governor's FY 2023 Supplemental and FY 2023-25 Biennial Budgets (\$'s in 1,000's)</b>			
	<b>2021-23</b>	<b>2023-25</b>	<b>2025-27</b>
From the GFS to the Disaster Response Account	\$0	\$(20,000)	\$0
From the GFS to the State Drought Preparedness Response Account	\$0	\$(2,500)	\$(2,500)
From the GFS to the Home Security Fund Account	\$0	\$(49,000)	\$0
From the GFS to the WA Auto Theft Prevention Authority Account	\$0	\$(1,102)	\$(1,102)

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From the GFS to the Affordable Housing for All Account	\$0	\$(37,000)	\$(37,000)
From the GFS to the Home Visiting Services Account	\$0	\$(36,746)	\$(44,974)
From the GFS to the Forest Resiliency Account	\$0	\$(6,000)	\$0
From the GFS to the Statewide 988 Behavioral Health Crisis Response and Suicide Prevention Line Account	\$0	\$(10,298)	\$0
From the GFS to the Wildfire Response, Forest Restoration, & Community Resilience Account	\$0	\$(112,000)	\$0
From the GFS to the WA State Leadership Board Account	\$0	\$(2,241)	\$(2,240)
From the GFS to the Washington Housing Trust Fund	\$0	\$(6,374)	\$0
From the GFS to the Developmental Disabilities Community Services Account	\$0	\$(2,000)	\$(2,000)
From the GFS to the Emergency Drought Response Account	\$0	\$(3,000)	\$0
From the Business License Account to the GFS	\$0	\$8,540	\$0
From the Washington Student Loan Account to the GFS	\$50,000	\$0	\$0
From the Financial Services Regulation Account to the GFS	\$0	\$7,000	\$7,000
From the Treasurer's Service Account to the GFS	\$0	\$10,000	\$10,000
From the Long-Term Services & Supports Trust Account to the GFS	\$0	\$78,000	\$0
<b>Total</b>	<b>\$50,000</b>	<b>\$(184,721)</b>	<b>\$(72,816)</b>

### *Transfers from the Washington Rescue Plan Transition Account*

In addition to the proposed fund transfers shown above, the Governor's budget also proposes transferring the balance of \$2.1 billion from the Washington Rescue Plan Transition Account (WRPTA) to the General Fund in FY 2025.

### *Proposed Revenue Changes*

The Governor is proposing two pieces of legislation that will affect NGF-O revenues if enacted:

<b>Governor Inslee's Revenue Proposals (\$'s in 1,000's)</b>			
	<b>2021-23</b>	<b>2023-25</b>	<b>2025-27</b>
DOR Agency Request, Inflation Adjusters (HB 1254/ SB 5406)	\$0	\$(1,713)	\$1,201
L&I Agency Request, Self-Insured Pensions (HB XXXX/ SB 5084)	\$0	\$(1,268)	\$(1,268)
<b>Total</b>	<b>\$0</b>	<b>\$(2,981)</b>	<b>\$(67)</b>

### *Budget Driven Revenue Adjustments*

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor, and lottery revenue to the General Fund in the November forecast and what is estimated to be available after adjusting for the Governor's proposed spending levels.

<b>Governor Inslee's Budget Driven Revenue (\$'s in 1,000's)</b>			
	<b>2021-23</b>	<b>2023-25</b>	<b>2025-27</b>
Liquor & Cannabis Board (Marijuana)	\$2	\$(3,652)	\$(3,610)
Liquor & Cannabis Board (Liquor)	\$9,000	\$(25,213)	\$13,683
Lottery	\$(952)	\$(2,290)	\$(1,740)
<b>Total</b>	<b>\$8,050</b>	<b>\$(31,155)</b>	<b>\$8,333</b>

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### Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget (the 2022 Supplemental budget). It is based on these 2021-23 budget appropriation levels. Adjustments are then made for Carry Forward Level (CFL), the Governor's Maintenance Level (ML), and the Governor's Policy Level (PL) changes. For more information on the 2022 supplemental budget, please see: <http://leap.leg.wa.gov/leap/budget/lbns/2022LBN.pdf>.

### Estimating Costs for the 2021-23, 2023-25, and 2025-27 Fiscal Biennia

Per statute, the estimated expenditures in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law in the subsequent fiscal biennium (i.e. the 2025-27 biennium). The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the FY cost or savings associated with a budget item.

The historical growth factors used to estimate increased costs in the subsequent fiscal biennium are updated each biennium through a joint effort by legislative and executive branch staff and ultimately adopted by the ERFC. For 2022, per direction by the ERFC, the growth factors adopted on November 18, 2020 will continue to be used for Outlooks prepared over the next two years. Additional information on the calculation of the historical growth factors adopted by the ERFC for the current outlook can be found in the following document available on the ERFC website:

<https://erfc.wa.gov/sites/default/files/public/documents/forecasts/rev20201118.pdf>

The current ERFC adopted growth rates are shown below:

2022 Outlook Growth Rates Summary Table	
Default Growth Rate Category	Adopted 2022 Growth Factors
All Other	0.00%
Corrections	1.53%
Debt Service	Use Bond Model
Department of Social and Health Services	3.31%
Higher Education	0.69%
K-12 Education	Use K-12 Model
Low Income Health Care & Community Behavioral Health	2.86%

There are some cases whereby simply applying the growth factor to the cost or savings of a budget item is not used to estimate costs in the subsequent fiscal biennium. These include the following situations:

- **K-12 Education.** K-12 Outlook calculations are derived from the K-12 model, which is updated quarterly based on the caseload forecast for growth and inflationary factors. The K-12 model is periodically updated for other factors such as levy equalization and student transportation.
- **Debt Service.** Debt service calculations are derived from the debt service model. The Outlook statute specifies that "estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature." Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook continues to assume enactment of a bond bill and capital budget for the ensuing 2025-27 biennium.
- **Custom adjustments.** Custom adjustments are used when the estimated annual costs in the subsequent fiscal biennium are expected to be significantly different from the second FY of the current biennium. This occurs primarily when a policy is being phased in during the second FY of a biennium or may be delayed until the subsequent fiscal biennium. In most cases, the growth factor is applied after a custom adjustment is made to reflect the phase in for the policy item. In

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a small number of cases, the custom adjustment already accounts for the types of growth captured by the growth factor and so the growth factor is not applied.

- **One-Time costs.** Certain items in the budget are one-time for the current biennium and therefore the related costs or savings are not carried forward into the subsequent biennium.
- **Compensation items.** Because the Outlook statute specifically excludes any additional future costs related to collective bargaining agreements (CBAs) not approved by the Legislature, or salaries and benefits, no growth factor is applied to compensation related items. However, a custom adjustment is applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

### **Carry Forward Level Revisions**

The 2023-25 biennial budget adjusts the most recently enacted spending level (2021-23) including the FY 2022 Supplemental budget to the CFL. The CFL is a relatively mechanical calculation based on the removal of any one-time items and adjusting for the bow wave impact of items assumed in existing appropriations (costs or savings). In many instances, this means simply biennializing to the second year enacted funding levels. The CFL adjustments total \$1.506 billion savings in the 2023-25 biennium and \$6.703 billion savings in the 2025-27 biennium. The 2025-27 adjustments include application of the growth factor methodology adopted by the ERFC on November 4, 2022.

### **Maintenance Level Revisions**

In this section, additional adjustments are made to reflect the NGF-O costs of continuing to comply with current law provisions. This is often referred to as ML. Pursuant to the provisions of Chapter 8, Laws of 2012, 1st sp.s. (SSB 6636), this excludes the costs of policy enhancements, including new CBAs not approved by the Legislature, other proposed compensation increases, and costs of any adverse court rulings within 90 days of each respective legislative session.

The Governor's total statewide ML change estimate, by biennial period:

- ❖ 2021-23 biennial estimate: \$356 million increased costs,
- ❖ 2023-25 biennial estimate: \$2.907 billion increased costs, and
- ❖ 2025-27 biennial estimate: \$4.907 billion increased costs.

These estimates are total impacts. These amounts are based on the Governor's budget and will change prior to the enacted FY 2023 Supplemental budget and enacted 2023-25 Biennial budget.

### **Kindergarten – Grade 12 (K-12) Education**

The amounts depicted reflect the November 2022 caseload and K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model, which updates the growth and inflationary factors with each forecast. The K-12 model is also periodically updated for other factors such as levy equalization and student transportation.

- ❖ ML adjustments total increased costs of \$87 million in the 2021-23 biennium, \$1.433 billion in the 2023-25 biennium, and \$2.648 billion in the 2025-27 biennium.

The larger increases are related to salary inflation and student support staffing. The largest savings in this category are related primarily to enrollment and workload adjustments.

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### Low-Income Health Care and Community Behavioral Health

The amounts depicted reflect the caseload and per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include utilization, caseload, and medical inflation. The average growth factor for this grouping is 2.86 percent per FY from FY 2025 levels.

- ❖ ML adjustments total increased costs of \$301 million in the 2021-23 biennium, \$91 million in the 2023-25 biennium, and \$41 million in the 2025-27 biennium.

The larger state costs are related primarily to changes in medical utilization for Medicaid-eligible clients and Medicare Part D claw back. Larger state savings are related to reductions in certain caseloads and behavioral health managed care rates.

### Social and Health Services

The amounts depicted reflect caseload and per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include caseload, utilization, and severity of client needs. The average growth factor for this grouping is 3.31 percent per FY from FY 2025 levels.

- ❖ ML adjustments total \$32 million savings in the 2021-23 biennium, increased costs of \$353 million in the 2023-25 biennium, and \$475 million in the 2025-27 biennium.

The larger increases are related to a forecasted mandatory caseload adjustment for certain long term care populations. The larger savings are due to forecasted mandatory caseload adjustments for developmentally disabled populations and projected cost changes related to utilization of residential and personal care services.

### Higher Education

Higher Education adjustments are generally related to the Initiative 732 cost of living adjustments, the Washington College Grant program, and to maintenance, operations, and lease adjustments. The average growth factor for this grouping is 0.69 percent per FY from FY 2025 levels.

- ❖ ML adjustments total \$25 million savings in the 2021-23 biennium, increased costs of \$143 million in the 2023-25 biennium, and \$241 million in the 2025-27 biennium.

The larger increases are related to Initiative 732 cost of living adjustments. The larger savings are due to caseload reductions in the Washington College Grant program.

### Corrections

The amounts depicted reflect caseload, as well as other mandatory maintenance level changes. The average growth factor for this grouping is 1.53 percent per FY from FY 2025 levels.

- ❖ ML adjustments total increased costs of \$7 million in the 2021-23 biennium, \$95 million in the 2023-25 biennium, and \$111 million in the 2025-27 biennium.

The larger increases are related to costs associated with the male offender and community supervision caseload forecasts. The larger savings are due to changes in the community violator caseload forecast.

### All Other

This area includes all other agencies not reflected in the preceding Outlook groups. Many are general government agencies, smaller human service agencies, the department of children, youth and families (DCYF), natural resource agencies, legislative agencies, and judicial agencies. The average growth factor for this grouping is zero percent per FY from FY 2025 levels.

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- ❖ ML adjustments total increased costs of \$16 million in the 2021-23 biennium, \$527 million in the 2023-25 biennium, and \$712 million in the 2025-27 biennium.

The larger increases are related to forecasted cost and rate increases for the Working Connections Child Care program, an update to the forecasted cost of the Working Families Tax Credit refund, and an adjustment to the amount needed to fund the state's wildfire response and suppression needs. The larger savings are funding adjustments related to forecast costs for the foster care program and Behavioral Rehabilitation Services (BRS).

### Debt Service

The amounts depicted reflect the cost of the debt on all capital budget bonds that were authorized through the 2022 session using the bond model to calculate estimated costs for the 2025-27 biennium.

- ❖ ML adjustments total increased costs of \$2 million in the 2021-23 biennium, \$265 million in the 2023-25 biennium, and \$386 million in the 2025-27 biennium.

### Hospital Safety Net

The Hospital Safety Net Assessment (HSNA) program allows the Health Care Authority to collect assessments from Washington State hospitals and use the proceeds for payments to hospitals. Funding is adjusted to align with forecasted enrollment increases for the HSNA program.

- ❖ ML adjustments total increased costs of \$292 million in the 2025-27 biennium.

### Policy Level Items

In this section, referred to as PL, adjustments are made to reflect the PL expenditures included in the Governor's proposed budget.

The Governor's total statewide PL change estimate, by biennial period:

- ❖ 2021-23 biennial estimate: \$1.333 billion savings,
- ❖ 2023-25 biennial estimate: \$4.873 billion increased costs,
- ❖ 2025-27 biennial estimate: \$4.551 billion increased costs.

### Kindergarten – Grade 12 (K-12) Education

The Governor proposes to increase funding for K-12 Schools by \$577 million in the 2023-25 biennium and by \$678 million in the 2025-27 biennium. The major components of this increase are:

- ❖ K-12 salary inflation;
- ❖ An increase to the special education funding cap; and
- ❖ Residential outdoor school.

The Governor's proposed costs related to the School Employee Benefits Board (SEBB) health benefit funding rates are also included in this category. These rates are adjusted based to incorporate new data from SEBB open enrollment regarding plan choice and demographic information.

### Low-Income Health Care and Community Behavioral Health

The Governor proposes savings for Low Income Health Care and Community Behavioral Health of \$19 million in the 2021-23 biennium, to increase funding by \$321 million in the 2023-25 biennium, and to increase funding by \$393 million in the 2025-27 biennium. The major components for Low Income Health Care and Community Behavioral Health are:

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- ❖ Behavioral health facility grants, funding for the additional bed capacity created as a result of the Governor's proposed capital budget investments in behavioral health;
- ❖ An increase to Medicaid behavioral health provider rates;
- ❖ Non-Medicaid funding, for various behavioral health related services; and
- ❖ Program integrity activities.

### Social and Health Services

The Governor proposes savings for DSHS programs of \$316 million in the 2021-23 biennium and to increase funding by \$1 billion in the 2023-25 biennium, and by \$1.009 billion in the 2025-27 biennium.

The major components for DSHS are:

- ❖ Adjustment of Consumer Directed Employer (CDE) rates;
- ❖ Vancouver Residential Treatment Facility (RTF), operation and delivery of service for 48 beds at this site;
- ❖ Adult Family Home Award/Agreement;
- ❖ Medicaid provider rates are increased for home and community-based service providers who serve Medicaid clients; and
- ❖ Disproportionate Share Hospital (DSH), savings result from assumed federal legislation in FY 2024 to further delay scheduled reductions in federal DSH grants.

### Higher Education

The Governor proposes to increase funding for Higher Education by \$100 million in the 2021-23 biennium, by \$338 million in the 2023-25 biennium, and by \$279 million in the 2025-27 biennium. The major components for Higher Education are:

- ❖ Support for workforce programs at community and technical colleges;
- ❖ Preventative maintenance fund shift from the capital to the operating budget; and
- ❖ Compensation support for institutions where costs exceed forecasted undergraduate fee revenue.

### Corrections

The Governor proposes to increase funding for the Department of Corrections (DOC) by \$20 million in the 2021-23 biennium, by \$84 million in the 2023-25 biennium, and by \$84 million in the 2025-27 biennium. The major components for DOC are:

- ❖ Amend program collaboration and training;
- ❖ Addiction care delivery;
- ❖ Central service charges, to reflect DOC's costs for existing statewide applications; and
- ❖ CTS central service charges, to reflect DOC's cost for consolidated technology services.

### All Other

This area includes all other agencies not reflected in the preceding Outlook groups. Many are general government agencies, smaller human service agencies, natural resource agencies, legislative agencies, and judicial agencies. Other PL changes total \$100 million savings in the 2021-23 biennium, increased funding of \$1.854 billion in the 2023-25 biennium, and increased funding of \$1.964 billion in the 2025-27 biennium. The major components are:

- ❖ An appropriation to the foundational public health services account;
- ❖ Department of Commerce: Maintain emergency housing;
- ❖ Department of Commerce: Encampment resolution program;
- ❖ Consolidated Technology Services: Electronic health records funds;



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- ❖ Department of Children, Youth & Families: Family childcare collective bargaining agreement (CBA);
- ❖ Department of Children, Youth & Families: Provider rate increase for the Working Connections Childcare (WCCC) program;
- ❖ Department of Children, Youth & Families: Early Childhood Education & Assistance Program (ECEAP) expansion and rate increases; and
- ❖ Department of Agriculture: Enhanced food assistance.

### Pensions

PL changes fund a one-time 3 percent cost of living adjustment (COLA) for Plan 1 retirees. Additional savings are realized due to eliminating the unfunded liability rates for the Teachers Retirement System (TRS) Plan 1 in FY 2023, at which point actuarial estimates indicate that 100% funded status will be reached without additional contributions.

- ❖ PL adjustments total \$800 million savings in the 2021-23 biennium, \$294 million savings in the 2023-25 biennium, and \$1.133 billion savings in the 2025-27 biennium.

### Debt Service

PL changes reflect the additional debt service required for bonds assumed in the Governor's proposed Capital budget, which includes the Washington Housing Crisis Response Referendum proposal.

- ❖ PL adjustments total \$74 million in the 2023-25 biennium and \$560 million in the 2025-27 biennium.

### FMAP Adjustments

The federal Families First Coronavirus Relief Act authorized additional Federal Medical Assistance Program (FMAP) funds for the duration of the public health emergency. State funds are reduced, and Medicaid spending is increased to reflect an additional 6.2 percent federal Medicaid matching rate from April through June 30, 2023. Savings are associated with a longer period of enhanced FMAP resulting from extension of the public health emergency.

- ❖ PL adjustments total \$606 million savings in the 2021-23 biennium.

### Hospital Safety Net

The Hospital Safety Net Assessment (HSNA) program allows the Health Care Authority to collect assessments from Washington State hospitals and use the proceeds for payments to hospitals. Funding is adjusted to align with forecasted enrollment increases for the HSNA program. It is assumed that legislation will be enacted to extend the HSNA program.

- ❖ PL adjustments total \$292 million savings for the 2025-27 biennium.

### Compensation and Benefits

The Governor's proposed spending reflects the impacts associated with collective bargaining agreements (CBAs) that include a 4% general wage increase for most state employees effective July 1, 2023, a 3% general wage increase for most state employees effective July 1, 2024, as well as a similar general wage increases for non-represented state employees. Additionally, PL changes reflect the cost projected for employer health and benefits, including updated employer funding rates for Public Employee Benefits.

- ❖ PL adjustments total additional costs of \$917 million in the 2023-25 biennium and \$1.010 billion in the 2025-27 biennium.

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### Assumed Reversions

Reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Consistent with prior outlooks, reversions are estimated at approximately 0.5 percent of GF-S appropriations. Additional adjustments for reversions are made in accordance with prior direction from the ERFC.

The total reversions assumed are \$578 million savings in the 2021-23 biennium, with \$410 million of this amount being the actual reversions for FY 2022. Additional reversion amounts of \$339 million savings in the 2023-25 biennium and \$361 million savings in the 2025-27 biennium are also assumed. Reversions total \$1.278 billion in savings over the Outlook period.

Reversion totals include:

- 0.5% of GF-S appropriation reversions of \$568 million savings in the 2021-23 biennium, \$334 million savings in the 2023-25 biennia, and \$346 million in the 2025-27 biennia; totaling \$1.248 billion savings over the Outlook period;
- Additional K-3 reversion assumption of \$10 million savings in the 2021-23 biennium; and
- Additional office space use reduction assumptions of \$5 million savings in the 2023-25 biennium and \$15 million savings in the 2025-27 biennium.