



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

Budget Outlook Assumptions Meeting

January 23, 2014
2:15 a.m.

- Call to order
- Presentation by Budget Outlook Work Group members on questions proposed to the ERFC

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January 22, 2014

To: Economic and Revenue Forecast Council
From: State Budget Outlook Work Group
Subject: State employee health benefits in the 4-year outlook

At its January 16 meeting, the Council requested clarification on how the Outlook would address the costs of state employee benefits. This memo, and attached table, is intended to assist the council in directing the work group in preparing the Outlook to reflect Governor Inslee's Proposed 2014 Supplemental Budget.

Question: How should the outlook reflect funding for employee health benefits in a proposed collective bargaining agreement?

Background

SSB 6636 (Chapter 8, Laws of 2012) requires the Legislature adopt a four-year balanced budget that specifies the estimate is based on projected maintenance level and is defined to be the "continuing costs of program and service levels either funded in that appropriations bill or mandated by other state or federal law." (RCW 43.88.055 (2)(b)).

In 2012, a collective bargaining agreement (CBA) on employee health benefits was not reached. The Governor's proposed 2014 supplemental budget includes the recently negotiated "super coalition" CBA, which specifies the health benefit package and employee/employer share of the cost. The statute requires the outlook reflect the continuation of policy in the Governor's proposed 2014 supplemental budget. Thus, the employee/employer share of the cost of the benefit would remain intact for 12 months (per RCW 41.56.123).

The attached table provides an illustration of funding rates for state employee health benefits. In the 2013-15 enacted budget, the state contribution for employee health benefits (the state employee funding rate) is \$763 per member per month (PMPM) in FY 2015. This rate reflects offsetting the state contribution by using an accumulated surplus in the PEBB fund. The impact of the use of this PEBB surplus has not been reflected in any prior outlook. Absent the uses of the surplus, this rate would be roughly \$900 PMPM for FY 2015.

There is an additional use of the PEBB surplus and assumed savings in the Governor's Supplemental Budget proposal, lowering the rate to \$703 PMPM in FY 2015.

Recommendation

In preparing the outlook, the work group recommends using the rate estimate from the latest PEBB model. For FY 2016 this is \$956 PMPM; this rate would carry through FY 2017. The GF-S impact is estimated to be \$118 million each year.

These PEBB model rates are the best numbers available for the January outlook. The work group recognizes that, during the 2014 session, the Legislature and the executive may make choices that reflect updates and changes to the PEBB model.

The work group further recommends legislative members of the council monitor the use of the PEBB model as it will affect draft outlooks.

Attachment

State Employee Funding Rate
Dollars Per Member Per Month (PMPM)

For purposes of illustration

1	FY 2015	For Outlook	FY 2016	FY 2017
Base Model Funding Rate	\$900	Modified PEBB Model Funding Rate for FY 16 and FY 17	\$956	\$956
Use of PEBB Surplus	-\$137	Use of PEBB Surplus	\$0	\$0
Enacted 2013-15 Funding Rate	\$763	Rate Assumed in the November Outlook	\$763	\$763
		Rate Difference Required to Maintain Policy	\$193	\$193

2	FY 2015	For Outlook	FY 2016	FY 2017
Use of PEBB Surplus/Savings	-\$60	Use of PEBB Surplus	\$0	\$0
Gov's Proposed 2014 Budget Funding Rate	\$703	Rate Required to Maintain Policy	\$763	\$763

Funding Required to Maintain the Benefit Package and Employer/Employee Share
General Fund-State in Thousands

3	FY 2015	For Outlook	FY 2016	FY 2017
Gov's Proposed 2014 Budget	-\$36,683	Impact of Gov's proposed policy on Outlook	\$0	\$0
		Effect of higher funding rate (\$956-\$763)	\$117,998	\$117,998