

November 2, 2017

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Clarification from the November 1 Council Meeting

At the November 1, 2017 meeting of the ERFC, there was discussion and some questions pertaining to the handling of fires and McCleary costs in prior outlooks. After reviewing past information, workgroup staff would like to provide some clarification and supplemental information related to these discussions.

Fire Costs

There was discussion related to how to handle emergency fire costs for the 2017 fire season. Staff were not clear during the discussion that past direction from the ERFC related to these costs has varied.

First as a point of clarification, there was a question regarding whether fire suppression costs are in maintenance or policy level. There is an amount that is included in the maintenance level budget for fire suppression that generally reflects a ten-year average of costs with some adjustment to remove outlier years. Emergency fire suppression costs incurred above the amount provided for in maintenance level are traditionally handled on a one-time basis in policy level in the supplemental operating budget. These latter costs are the ones that staff were seeking direction on.

The table below describes how fire costs were handled in prior November outlooks as well as what occurred in the enacted budget.

Outlook	Fire Suppression Costs in the November Outlook Adopted by ERFC	Final Enacted Policy Level Budget
November 2012	Included \$18 million ML adjustment costs only.	The enacted 2013 supplemental budget included \$42 million GF-S in policy level for emergency fire suppression costs at DNR and the State Patrol.
November 2013	Included \$10 million ML adjustment costs only.	The enacted 2014 supplemental budget included \$6 million GF-S in policy level for DNR emergency fire suppression costs.
November 2014	Included \$100 million for estimated costs above maintenance level in addition to maintenance level.	The enacted 2015 supplemental budget included \$85 million total funds for emergency fire suppression costs at DNR and the State patrol. The majority of the funds were from the Budget Stabilization Account and the remainder were from the Disaster Response Account and General Fund-Federal.
November 2015	Included ML adjustment costs only. ERFC specifically directed excluding \$150 million in estimated costs above maintenance level. A footnote was included that identified that fire	The enacted 2016 supplemental budget included \$190 million in funds for emergency fire suppression costs for DNR and the State Patrol out of the Budget Stabilization Account.

Outlook	Fire Suppression Costs in the November Outlook Adopted by ERFC	Final Enacted Policy Level Budget
	suppression and McCleary fines were not included.	
November 2016	Included ML adjustment costs only. The adjustment was not called out in the Outlook but was included within the all other category adjustment.	The enacted 2017 supplemental budget included \$38 million in funds for emergency fire suppression costs for DNR and the State Patrol out of the Budget Stabilization Account.

The only funds that are included in the calculation of the four-year budget outlook are General Fund-State, the Education Legacy Trust Account, and the Opportunity Pathways Account. Funds appropriated from other accounts for emergency fire suppression are excluded from the four-year outlook estimates in accordance with the outlook statute.

As a reminder, the Council directed staff to include an estimate for policy level emergency fire suppression costs for the November 2017 Outlook with a footnote. Staff will prepare the Outlook with the policy level fire costs clearly delineated from any maintenance level costs.

Trueblood Contempt Fines

During the discussion on Trueblood fines, there was a specific question regarding whether McCleary contempt fines have been included in prior November outlooks. As you may recall, there has been some differences in the way that McCleary costs were handled in prior years in terms of the November Outlook, some of which are related to a temporary exemption that was provided for under the outlook statute. For the November 2016 Outlook, the exemption was no longer in place and the ERFC decided to carry a placeholder estimate of \$3.5 billion related to the policy costs of addressing McCleary compensation issues. There were no amounts explicitly identified in the November 2016 or prior November outlooks for McCleary contempt fines.

As a reminder, the Council directed staff to include an adjustment for Trueblood fines through the end of the 2018 fiscal year in the November 2017 Outlook.

To the extent the additional information provided above changes some of the direction that was provided at the November 1 meeting, we will be prepared to update a final November outlook accordingly.