Overview of the Methodology for the State Budget Outlook (June 13, 2023)

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 (E2SSB 5237). The enacted budget contains no resources deposited into or expenditures from the Fair Start for Kids Account.

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

Current revenues for the 2021-23, 2023-25, and 2025-27 biennia reflect the adopted March 2023 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 March 2023 forecast projected revenue growth of less than 4.5 percent per year in the 2025-27 biennium. Given the March 2023 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 $1.145 billion.

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 BSA. The estimated transfer amounts are based on the calculation of estimated GSR as defined in Article VIII, section 1, of the Constitution. The calculation of estimated GSR is based on the March 2023 revenue forecast adjusted for the estimated revenue impacts of legislation enacted during the 2023 legislative session (see enacted revenue legislation). The Outlook assumes BSA 1% transfers each biennium to include $610 million in the 2021-23 biennium, $630 million in the 2023-25 biennium, and $674 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 March 2023 revenue forecast does not project ERG for the 2023-25 or 2025-27 biennia. No ERG transfer is predicted for the 2021-23 biennia as 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

The Outlook assumes NGF-O prior period adjustments of $164 million in the 2021-23 biennium and $40.8 million for both the 2023-25 biennium and the 2025-27 biennium. The larger amount for the 2021-23 biennium reflects larger than expected actual adjustments from the FY 2022 fiscal close process and a larger than usual estimated adjustment for FY 2023, as directed at the June 5th ERFC meeting, to account for the state share of remittances paid back to the state by Medicaid Managed Care organizations pursuant to gain share and risk corridor provisions of contracts with the Health Care Authority.

Annual Comprehensive Financial Report Adjustments

The Outlook assumes NGF-O Annual Comprehensive Financial Report adjustments of $196 million in the 2021-23 biennium. This reflects actual adjustments from the FY 2022 fiscal close process and an adjustment to account for a correction to the beginning fund balance because of a correction in the draw of federal Medicaid funds by the Health Care Authority (HCA). The Medicaid draw correction is due to HCA under-claiming federal revenues during the period of 2008-2020. The correction resulted in an increase in resources of $220 million as reflected on the official March 2023 forecast balance sheet.

Prior Enacted Fund Transfers

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

https://fiscal.wa.gov/statebudgets/LBNs

Enacted Fund Transfers in the 2023 Legislative Session

The Outlook assumes transfers to and from NGF-O accounts that were enacted in the 2023 supplemental operating budget and the 2023-25 operating budget as follows:

	2021-23	2023-25	2025-27	6 Yr
Fund Transfers In the Operating Budget ($ in 1,000s)				
Business License Account	0	7,200	0	7,200
Disaster Response Account	-85,818	0	0	-85,818
Financial Services Regulation Account	0	7,000	7,000	14,000
Forest Resiliency Account	0	-4,000	0	-4,000
Home Security Fund Account	0	-49,000	0	-49,000
Judicial Information Systems Account	-9,700	0	0	-9,700
Long-Term Services and Supports Trust Account	0	64,281	0	64,281
Model Toxics Control Operating Account	0	50,000	0	50,000
Salmon Recovery Account	0	-3,000	0	-3,000
State Drought and Response Preparedness Account	0	-2,000	0	-2,000
State Treasurer's Service Account	0	30,000	30,000	60,000
WA Rescue Plan Transition Account	0	1,302,000	0	1,302,000
Washington Student Loan Account	0	40,000	0	40,000
Wildfire Resp, Forest Restoration, & Community Resilience Account	0	-89,806	0	-89,806
Total NGF-O Fund Transfers in the Operating Budget	**-95,518**	**1,352,675**	**37,000**	**1,294,157**
Notes				
1. The impact of transfers included in separate legislation is reflected in the Revenue Legislation table below.				
2. Positive numbers reflect a transfer from a non NGF-O account to a NGF-O account.				
3. Negative numbers reflect a transfer from a NGF-O account to a non-NGF-O account.				

Enacted Revenue Legislation in the 2023 Legislative Session

The Outlook assumes NGF-O revenue changes from the following bills that were newly enacted in the 2023 legislative session:

Revenue Legislation Enacted in the 2023 Session ($ in 1,000s)	2021-23	2023-25	2025-27	6 Yr
Chapter 341, Laws of 2023 (HB 1018)	0	-1,817	-3,454	-5,271
Chapter 161, Laws of 2023 (E2SHB 1143)	0	-1,244	-1,658	-2,902
Chapter 343, Laws of 2023 (SHB 1163)	0	-2,400	-3,000	-5,400
Chapter 449, Laws of 2023 (ESHB 1169)	0	-8	-8	-16
Chapter 162, Laws of 2023 (SHB 1240)	0	-400	-400	-800
Chapter 68, Laws of 2023 (SHB 1254)	0	1,649	-806	843
Chapter 351, Laws of 2023 (2SHB 1425)	0	-1,700	-10,000	-11,700
Chapter 416, Laws of 2023 (SHB 1431)	0	-2,679	-3,173	-5,852
Chapter 213, Laws of 2023 (2SHB 1534)	0	615	128	743
Chapter 422, Laws of 2023 (HB 1573)	0	0	-13,600	-13,600
Chapter 388, Laws of 2023 (SHB 1682)	0	-8,018	-8,132	-16,150
Chapter 355, Laws of 2023 (SHB 1711)	0	-3,810	-1,900	-5,710
Chapter 258, Laws of 2023 (HB 1742)	0	28,150	29,825	57,975
Chapter 427, Laws of 2023 (SHB 1756)	0	0	-328	-328
Chapter 307, Laws of 2023 (SHB 1764)	0	-667	-754	-1,421
Chapter 430, Laws of 2023 (SHB 1850)	0	54,230	74,800	129,030
Chapter 218, Laws of 2023 (E2SSB 5001)	0	342	545	887
Chapter 110, Laws of 2023 (SB 5084)	0	-1,268	-1,268	-2,536
Chapter 392, Laws of 2023 (SSB 5096)	0	-229	-852	-1,081
Chapter 317, Laws of 2023 (SB 5166)	0	-404	-420	-824
Chapter 286, Laws of 2023 (E2SSB 5199)	0	-1,604	-2,370	-3,974
Chapter 319, Laws of 2023 (SSB 5218)	0	-580	-670	-1,250
Chapter 337, Laws of 2023 (E2SSB 5258)	0	-250	-500	-750
Chapter 232, Laws of 2023 (ESSB 5447)	0	0	-340	-340
Chapter 285, Laws of 2023 (E2SSB 5634)	0	-570	-676	-1,246
Total Revenue Legislation Enacted in the 2023 Session	**0**	**57,338**	**50,989**	**108,327**

Budget Driven Revenue Adjustments

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor and lottery revenue to GFS in the March 2023 forecast and what is estimated to be available after adjusting for the 2023 legislative session spending levels. Additional adjustments are made to reflect increased state revenue from budget initiatives at the Health Care Authority. These revenue increases are due to managed care premium taxes and inpatient and outpatient directed payment programs.

Budget Driven Revenue	2021-23	2023-25	2025-27	6 Yr
Health Care for the Uninsured	0	933	2,820	3,753
Inpatient Directed Payment Program	0	4,050	5,400	9,450
Liquor Control Board (Liquor)	7,000	-29,311	10,860	-11,451
Lottery	-952	-1,907	-1,708	-4,567
Outpatient Directed Payment Program	0	8,250	6,600	14,850
Total Budget Driven Revenue Adjustments	**6,048**	**-17,985**	**23,972**	**12,035**

Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget for the 2021-23 biennium (the 2022 supplemental operating budget). This becomes the base for the 2023-25 biennium. Adjustments are then made for the 2023 supplemental operating budget Maintenance Level (ML) and Policy Level (PL) changes; the 2023-25 biennial carry forward level (CFL), ML and PL changes; and adjustments for Governor's vetoes. For more information on the 2022 supplemental operating budget, please see:

https://fiscal.wa.gov/statebudgets/LBNs. .

Estimating Costs for the 2023-25 and 2025-27 Fiscal Biennia

Estimated costs for the 2023-25 biennium are based on appropriations in the enacted 2023-25 operating budget. 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/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 are ultimately adopted by the ERFC. Per direction provided by the ERFC on November 4, 2022, the growth factors adopted on November 18, 2020, will continue to be used for Outlooks prepared for the 2023 and 2024 sessions. 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
- https://erfc.wa.gov/sites/default/files/public/documents/meetings/20221104%20Outlook%20Growth%20Factor%20Update.pdf

The current adopted growth rates are shown below:

2022 Outlook Growth Rates Summary Table	
Default Growth Rate Category	Adopted 20202 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 assumes enactment of a 2025-27 biennium bond bill and capital budget.
- **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 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 budget adjusts the most recently enacted spending level (2021-23) including the FY 2022 Supplemental to the CFL. The CFL is a primarily 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 savings of $1.506 billion in the 2023-25 biennium and savings of $6.703 billion in the 2025-27 biennium. The 2025-27 adjustments include application of the growth factor methodology adopted by the ERFC.

Maintenance Level Items

In this section, adjustments are made to reflect the NGF-O costs of continuing to comply with current law provisions. This is often referred to as maintenance level (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.

Following are the total statewide ML impacts, by biennial period:

- 2021-23 biennium: $401 million increased costs.
- 2023-25 biennium: $2.442 billion increased costs.
- 2025-27 biennium estimate: $4.451 billion increased costs.

Kindergarten – Grade 12 (K-12) Education

The amounts depicted reflect the February 2023 caseload forecast 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 $26 million increased costs in the 2021-23 biennium, $1.223 billion increased costs in the 2023-25 biennium, and $2.305 billion increased costs in the 2025-27 biennium.

The larger increases are related primarily to salary inflation, student support staffing, and enrollment and workload adjustments. The largest savings in this category are related primarily to local effort assistance and a technical correction to CFL.

Low-Income Health Care and Community Behavioral Health

The amounts depicted reflect the February 2023 caseload forecast 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 $422 million increased costs in the 2021-23 biennium, $138 million increased costs in the 2023-25 biennium, and $61 million increased costs in the 2025-27 biennium.

The larger increases are related primarily to utilization changes, physical health managed care rate adjustments, and increases in the state share of prescription drug costs for clients with dual eligibility for Medicaid and Medicare. The larger savings are related to mandatory caseload adjustments and behavioral health managed care rate adjustments.

In addition, there is an increase reflected for the 2025-27 biennium of $292 million related to the expiration of the Hospital Safety net program which is displayed on a separate row of the Outlook.

Social and Health Services

The amounts depicted reflect the February 2023 caseload forecast and updated 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 $7 million savings in the 2021-23 biennium, $342 million increased costs in the 2023-25 biennium, and $515 million increased costs in the 2025-27 biennium.

The larger increases are related to mandatory caseload adjustments, mandatory nursing home and assisted living rebases, and backfilling reductions in federal Disproportionate Share Hospital grants used in lieu of state funds for operating costs at Eastern State Hospital. The larger savings are due to forecasted cost/utilization adjustments and removing funding for a one-time skilled nursing facility rate adjustment.

Higher Education

Higher Education adjustments are generally related to the Initiative 732 cost of living adjustments, the Washington College Grant program, the College Bound Scholarship program, and maintenance, operations, and lease adjustments. The amounts depicted reflect the February 2023 caseload forecast. The average growth factor for this grouping is 0.69 percent per FY from FY 2025 levels.

ML adjustments total $13 million savings in the 2021-23 biennium, $90 million increased costs in the 2023-25 biennium, and $180 million increased costs in the 2025-27 biennium.

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

Corrections

The amounts depicted reflect the February 2023 caseload forecast, 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 $5 million increased costs in the 2021-23 biennium, $67 million increased costs in the 2023-25 biennium, and $74 million increased costs in the 2025-27 biennium.

The larger increases are related to forecasted increases in the male prison and community supervision caseloads. The larger savings are due to forecasted reductions in the community violator caseloads.

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 child 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.

ML adjustments total $34 million in savings in the 2021-23 biennium, $379 million increased costs in the 2023-25 biennium, and $675 million increased costs in the 2025-27 biennium.

The larger increases are related to mandatory rate increases and caseload adjustments for the Working Connections Child Care program, fire suppression adjustments, and costs related to the Early Childhood Education an Assistance Program (ECEAP) becoming an entitlement in the 2026/27 school year. The larger savings are related to reductions in the February 2023 forecast for Foster Care services.

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. Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2025-27 biennium bond bill and capital budget.

ML adjustments total $2 million increased costs in the 2021-23 biennium, and $203 million increased costs in the 2023-25 biennium, and $349 million increased costs in the 2025-27 biennium.

Policy Level Items

In this section, adjustments are made to reflect the policy level (PL) expenditures included in the enacted budget as well as appropriations made in other legislation. Growth in the ensuing biennium is calculated using the same growth factors and methodologies as outlined above.

The total statewide PL impacts, by biennial period:

- 2021-23 biennium: $1.179 billion savings.
- 2023-25 biennium: $4.744 billion increased costs.
- 2025-27 biennium estimate: $4.867 billion increased costs.

K-12 Education

PL adjustments total $27 million savings in the 2021-23 biennium, $1.035 billion increased costs in the 2023-25 biennium, and $1.612 billion increased costs in the 2025-27 biennium.

The larger increases are related to K12 salary inflation, adjustments for the School Employee Benefits Board rate, and adjustments for the special education multiplier and cap. The larger savings are due to reductions in local effort assistance.

Low-Income Health Care and Community Behavioral Health

PL adjustments total $29 million increased costs in the 2021-23 biennium, $510 million increased costs in the 2023-25 biennium, and $639 million increased costs in the 2025-27 biennium.

The larger increases are related to behavioral health rate increases, expansion of health care for uninsured adults, and operating costs for new behavioral health crisis and residential facilities. The larger savings are due to adjustments in GF-S and Dedicated Cannabis Account funding.

In addition, there are savings reflected from extension and expansion of the Hospital Safety net program which is displayed on a separate row of the Outlook.

Social and Health Services

PL adjustments total $19 million savings in the 2021-23 biennium, $1.015 billion increased costs in the 2023-25 biennium, and $1.160 billion increased costs in the 2025-27 biennium.

The larger increases are related to long-term care and developmental disability provider rates, expansion of behavioral health beds on the Maple Lane and Vancouver campuses, cash grants and elimination of recoveries for aged and blind disabled clients. The larger savings are due to assumptions that the federal government will continue to delay reductions to Disproportionate Share Hospital grants and a reduction of beds at the Rainier School Residential Habilitation Center.

Higher Education

PL adjustments total $1 million increased costs in the 2021-23 biennium, $341 million increased costs in the 2023-25 biennium, and $257 million increased costs in the 2025-27 biennium.

The larger increases are related to increases in state support for employee compensation and one-time support for the University of Washington and Harborview medical centers.

Corrections

PL adjustments total $3 million increased costs in the 2021-23 biennium, $61 million increased costs in the 2023-25 biennium, and $53 million increased costs in the 2025-27 biennium.

The larger increases are related to adjustments for central service charges and compensation for inmates enrolled in work programs.

All Other

PL adjustments total $26 million increased costs in the 2021-23 biennium, $1.868 billion increased costs in the 2023-25 biennium, and $1.250 billion increased costs in the 2025-27 biennium.

The larger increases are related to the family childcare collective bargaining agreement, emergency housing and shelter services, foundational public health services and a rate increase for ECEAP providers. The larger savings are due shifts in funding to available federal dollars and the closure of the Naselle Youth Camp.

Debt Service

PL adjustments total $60 million increased costs in the 2023-25 biennium and $434 million increased costs in the 2025-27 biennium. Consistent with prior ERFC direction, the calculation of debt service in the ensuing biennium assumes enactment of a 2025-27 bond bill and capital budget.

Pensions

PL adjustments total $550 million savings in the 2021-23 biennium, $764 million savings in the 2023-25 biennium and $1.073 billion savings in the 2025-27 biennium. There is no growth factor applied to these items although custom adjustments are 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.

The larger increases include a benefit increase for the Public Employees' and Teachers' Retirement System Plan 1 members. The larger savings is related to reductions for the unfunded actuarial accrued liability (UAAL) portion of the pension rates related to plans 1 of the Teachers' Retirement and Public Employees' Retirement Systems, as provided in Chapter 396, Laws of 2023 (ESSB 5294).

FMAP Adjustments

PL adjustments total $653 million savings in the 2021-23 biennium, $107 million savings in the 2023-25 biennium. These adjustments reflect state savings from utilization of increases to the Federal Medical Assistance Percentages (FMAP) to offset state spending in the Medicaid program.

Employee Compensation and Health Benefits:

The PL budget adjustment for employee compensation is $884 million in the 2023-25 biennium and $976 million in the 2025-27 biennium. There is no growth factor applied to these items although custom adjustments are 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.

Governor Vetoes & Lapses

The Outlook separately reflects the NGF-O impacts of budget items vetoed by the Governor as well as funding lapses from legislation that were not enacted into law. The NGF-O impacts from the Governor's budget vetoes total $11 million increased costs in the 2021-23 biennium, $3 million increased costs in the

2023-25 biennium, and $10 million increased costs in the 2025-27 biennium. The net increase in costs is related to a veto of a step which required savings from reductions in leased office space. Pursuant to direction at the ERFC meeting on June 5, 2023, the Outlook does not assume these savings in the form of additional reversions.

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% of GF-S appropriations. Additional adjustments for reversions are made in accordance with direction from the ERFC as follows:

- Increase reversion assumption for FY 2023 to 1% and for FY 2024 to 0.8%
- Continue reversion assumption for K-3 class size

The following table includes a breakout of reversions by type and biennium assumed pursuant to direction at the ERFC meeting on June 5, 2023.

Reversion Assumptions ($ in 1,000s)	**2021-23**	**2023-25**	**2025-27**	**6 Yr**
Actual Reversions (FY 2022) and Standard 0.5% Assumption	569,009	331,277	345,811	1,246,097
Additional Reversion Assumption	159,042	96,998	0	256,040
K-3 Reversion Assumptions	0	65,034	30,454	95,488
Total Reversion Assumptions	**728,051**	**493,309**	**376,265**	**1,597,625**

Additional information regarding reversion assumptions is available in the June 5th memo to the ERFC which can be found at:

https://erfc.wa.gov/sites/default/files/public/documents/meetings/20230605%20Budget%20Outlook%20Methodology.pdf

Total Reserves

Pursuant to the direction of the ERFC, the summary document for the Outlook shows reserves in the NGF-O Accounts, the Washington Rescue Plan Transition Account (WRPTA) created in Chapter 334, Laws of 2021 (ESSB 5092), and the Budget Stabilization Account. To calculate percentage of reserves to revenues and other resources, ending balances are divided by the sum of forecasted revenues and total resource changes. Beginning fund balances are not included in the percentage calculation.