

Governor's Proposed Budget Outlook: Methodology

January 11, 2024



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

GOVERNOR'S PROPOSED BUDGET OUTLOOK: METHODOLOGY

January 11, 2024
9:00 a.m.

- Call to order
- Approval of meeting minutes from November 20, 2023
- Budget Outlook methodology presentation
- Adjournment

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STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
PO Box 40912 • Olympia, Washington 98504-0912 • (360) 534-1560

Meeting Minutes
Revenue Review
November 20, 2023
Conference Call

Economic and Revenue Forecast Council

Lynda Wilson, Senate, Chair
April Berg, House of Representatives
Chris Corry, House of Representatives
Chris Gildon, Senate
Timm Ormsby, House of Representatives
June Robinson, Senate
Ed Orcutt, House of Representatives
Yasmin Trudeau, Senate
Mike Pellicciotti, Treasurer
Drew Shirk, Department of Revenue
David Schumacher, Office of Financial Management

Staff
Steve Lerch, Executive Director

Call to Order

Senator Wilson called the meeting to order at 10:07 a.m.

Approval of the Minutes

Representative Orcutt moved, seconded by Senator Wilson, to adopt the meeting minutes from November 6, 2023. Motion passed at 10:08 a.m.

Revenue Forecast Presentation

Dr. Lerch presented information on the economic and revenue forecast. Dr. Lerch summarized the forecast changes.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to adopt the revenue forecast as presented. Motion passed at 10:23 a.m.

Fiscal Growth Factor Presentation

Dr. Lerch presented information on the Fiscal Growth Factor. Dr. Lerch summarized the growth factor changes and presented the proposed growth factor for 2025.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to adopt the Fiscal Growth Factor as presented. Motion passed at 10:26 a.m.

Administrative

As his final meeting, Dr. Lerch spoke to the council to thank them for the opportunity to serve as the ERFC executive director. He extended his thanks to his staff and all other staff who help the forecasts come together.

In response, the council members expressed their appreciation for his work. Newly appointed Executive Director, Dave Reich, was then introduced and welcomed by the council.

Adjournment

With no further business, the meeting adjourned at 10:32 a.m.

Draft

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January 11, 2024

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the Governor’s 2024 Supplemental Operating Budget Outlook

The State Budget Outlook Work Group (work group) poses the following issue for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the Outlook for the proposed Governor’s 2024 Supplemental Operating Budget.

1. Additional Reversions Assumption. The proposed Governor’s 2024 supplemental operating budget outlook assumes additional general fund-state (general fund) reversions. For the purposes of the Budget Outlook, reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation.

Prior to the outlook prepared for the enacted 2023-25 biennial budget, the ERFC has directed that reversions be estimated at approximately 0.5% of general fund appropriations. Actual reversion levels have been larger than typical in the past four years.

On June 5, 2023, the ERFC directed that reversions for the enacted 2023-25 biennial operating budget be estimated as 1% of general fund appropriations in FY 2023, 0.8% of general fund appropriations in FY 2024, before returning to 0.5% of general fund appropriations in FY 2025, FY 2026, and FY 2027. These levels were assumed in the outlook published for the conference budget in April 2023. These reversion assumptions are in addition to ERFC adopted reversion assumptions for K-3 enrollment allocations that are tied to class sizes.

The Governor’s 2024 supplemental operating budget proposal assumes reversions of 1.2% of general fund appropriations in FY 2024 and FY 2025, before returning to 0.5% of general fund appropriations in FY 2026 and FY 2027. The higher reversion assumptions for FY 2024 and FY 2025 result in reduced expenditure projections of \$131 million in FY 2024 and \$245 million in FY 2025, totaling \$376 million over the four-year outlook period.

Table 1 shows the recent history of actual general fund reversions and the reversion percentage.

Table 1. Historical GFS Appropriations and Actual Reversions, FY 2018 – FY 2023

(\$ in Millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GFS Appropriations	\$ 20,528	\$ 23,023	\$ 24,506	\$ 24,988	\$ 28,379	\$ 31,808
Actual GFS Reversions	\$ 80	\$ 86	\$ 540	\$ 404	\$ 410	\$ 792
Percentage	0.4%	0.4%	2.2%	1.6%	1.4%	2.5%

Note: In addition to annual general fund reversions, there have been reversions from the other three NGF-O accounts which are appropriated and revert on a biennial rather than annual basis. Over the last three biennia, the reversions from the other three NGF-O accounts were as follows:

- 2017-19 biennium: \$1 million
- 2019-21 biennium: \$23 million
- 2021-23 biennium: \$33 million

Table 2 provides a comparison of the amount of reversions that would be included in the Outlook using the assumptions proposed by the Governor to those adopted by the ERFC in June 2023.

Table 2. Comparison of Reversions Using Governor’s Proposal vs. Enacted Outlook Assumptions

(\$'s in Millions)	FY 2024	FY 2025	FY 2026	FY 2027
Governor’s Proposed GFS Appropriations	\$32,822	\$35,060	\$35,214	\$35,845
Governor’s Proposed Reversion Assumptions	1.2%	1.2%	0.5%	0.5%
Reversions Using Governor’s Reversion Assumptions	\$394	\$421	\$176	\$179
June 2023 ERFC Adopted Outlook Reversion Assumptions	0.8%	0.5%	0.5%	0.5%
Reversions Using June 2023 ERFC Adopted Reversion Assumptions	\$263	\$175	\$176	\$179
Difference in Reversions	\$131	\$245	\$0	\$0

Question: Does the ERFC want the Governor’s Budget Outlook being prepared by the work group to assume the \$376 million savings from additional general fund reversions?