

Budget Outlook: Adoption

January 24, 2025



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

GOVERNOR'S PROPOSED BUDGET OUTLOOK: ADOPTION

January 24, 2025
3:00 p.m.

- Call to order
- Approval of meeting minutes from January 14, 2025
- Budget Outlook adoption 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
Budget Outlook: Methodology
January 14, 2025
Conference Call

Economic and Revenue Forecast Council

June Robinson, Senate, Chair
April Berg, House of Representatives
John Braun, Senate
Travis Couture, House of Representatives
Chris Gildon, Senate
Timm Ormsby, House of Representatives
Ed Orcutt, House of Representatives
Yasmin Trudeau, Senate
Mike Pellicciotti, Treasurer
Pat Sullivan, Office of Financial Management

Staff

Dave Reich, Executive Director
Rachel Knutson, Office of Financial
Management
Corban Nemeth, Senate Ways and
Means
Andy Toulon, House Appropriations

Call to Order

Senator Robinson called the meeting to order at 2:00 p.m.

Administrative

Senator Robinson welcomed Senator John Braun back to the Economic and Revenue Forecast Council and also welcomed Representative Couture.

Approval of the Minutes

Representative Ormsby moved, seconded by Representative Orcutt, to adopt the meeting minutes from November 20, 2024. Motion passed at 2:01 p.m.

Budget Outlook: Methodology

The Budget Outlook Work Group members presented an issue in preparation of Governor Inslee's proposed 25-27 biennial operating budget outlook. The Outlook Work Group asked if the council would like Governor Inslee's Budget Outlook to be prepared by the Work Group to assume the \$552 million savings from additional general fund reversions.

Motion

Representative Ormsby moved, seconded by Director Sullivan, to assume the projected reversions in Governor Inslee's budget. Motion passed at 2:09 p.m.

Adjournment

With no further business, the meeting adjourned at 2:09 p.m.

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Overview of the Methodology for the State Budget Outlook (January 2025)

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). Governor Inslee's 2025 supplemental and 2025-27 biennial operating budget proposal 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 2023-25, 2025-27, and 2027-29 biennia reflect the adopted November 2024 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 2027-29 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 2024 forecast projected revenue growth of less than 4.5 percent per year in the 2027-29 biennium. Given the November 2024 forecast projects revenue growth of less than 4.5 percent per year in the 2027-29 biennium, the Outlook includes an adjustment for estimated FY 2028 and FY 2029 revenues. The adjustment for ensuing biennium revenues increases estimated resources in the Outlook by \$1.049 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 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 2024 revenue forecast adjusted for the estimated revenue impacts of Governor Inslee's proposed revenue changes. The Outlook assumes BSA 1% transfers each biennium to include \$636 million in the 2023-25 biennium, \$728 million in the 2025-27 biennium, and \$819 in the 2027-29 biennium.

Overview of the Methodology for the State Budget Outlook (January 2025)

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 2024 revenue forecast does not project ERG for the 2023-25, 2025-27, or 2027-29 biennia.

Prior Period Adjustments and ACFR Adjustments

The Outlook assumes NGF-O prior period adjustments of \$194 million in the 2023-25 biennium, \$41 million in the 2025-27 biennium, and \$41 million in the 2027-29 biennium, totaling savings of \$275 million over the Outlook period. The larger amount for the 2023-25 biennium reflects an adjustment for FY 2024 and FY 2025, as directed at the April 10, 2024 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. The Outlook also assumes NGF-O Annual Comprehensive Financial Report (ACFR) adjustments totaling savings of \$51 million in the 2023-25 biennium.

Enacted Fund Transfers

This category reflects all enacted NGF-O fund transfers made through the 2024 legislative session (including special sessions) after accounting for vetoes. For more information, see the 2023 and 2024 Legislative Budget Notes:

- <https://fiscal.wa.gov/lbns/2023LBN.pdf>
- <https://fiscal.wa.gov/lbns/2024LBN.pdf>.

Governor Inslee's Proposed Resource Changes

Proposed Fund Transfers

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

Transfers Proposed in Governor Inslee's 2025 Supplemental and 2025-27 Biennial Budget				
(\$'s in 1,000's)				
	2023-25	2025-27	2027-29	6-Year Total
From the GFS to the Death Investigations Account	\$(6)	\$(4,100)	\$0	\$(4,106)
From the GFS to the Home Security Fund Account	\$0	\$(199,525)	\$0	\$(199,525)
From the GFS to the Fair Account	\$0	\$3,500	\$0	\$3,500
From the GFS to the Wildfire Response, Forest Restoration, & Community Resilience Account	\$0	\$(84,000)	\$0	\$(84,000)
From the GFS to the Local Government Archives Account	\$0	\$(491)	\$0	\$(491)
From the GFS to the Washington Housing Trust Fund Account	\$0	\$(2,000)	\$0	\$(2,000)
From the Industrial Insurance Premium Refund Account to the GFS	\$4,121	\$0	\$0	\$4,121
From the Business License Account to the GFS	\$200	\$0	\$0	\$200
From the Public Works Assistance Account to the GFS	\$0	\$100,000	\$100,000	\$200,000

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From the Military Department Rent and Lease Account to the GFS	\$1,000	\$0	\$0	\$1,000
From the State Financial Aid Account to the GFS	\$944	\$0	\$0	\$944
From the Economic Development Strategic Reserve Account to the GFS	\$0	\$17,000	\$0	\$17,000
From the Military Department Active State Service Account to the GFS	\$149	\$0	\$0	\$149
From the Electric Vehicle Incentive Account to the GFS	\$0	\$69,000	\$0	\$69,000
From the Financial Services Regulation Account to the GFS	\$0	\$9,350	\$7,000	\$16,350
From the Military Department Capital Account to the GFS	\$350	\$0	\$0	\$350
From the Treasurer's Service Account to the GFS	\$0	\$80,000	\$30,000	\$110,000
From Enterprise Services Account to the GFS	\$0	\$40,000	\$0	\$40,000
From the Administrative Hearings Revolving Account to the GFS	\$2,000	\$0	\$0	\$2,000
From the School Employees' Insurance Account to the GFS	\$0	\$2,551	\$0	\$2,551
From the Department of Retirement Systems Expense Account to the GFS	\$0	\$3,052	\$0	\$3,052
From the Public Employees' and Retirees Insurance Account to the GFS	\$0	\$18,187	\$0	\$18,187
From the Stadium and Exhibition Center Account to the GFS	\$0	\$10,000	\$0	\$10,000
From the Youth Athletic Facility Account to the GFS	\$0	\$8,460	\$0	\$8,460
From the Washington Law Enforcement Officers & Firefighters' System Plan I Retirement Account to the GFS	\$0	\$1,000,000	\$0	\$1,000,000
Total	\$8,758	\$1,070,984	\$137,000	\$1,216,742
Notes:				
1. Positive numbers reflect a transfer from a non-NGF-O account to a NGF-O account.				
2. Negative numbers reflect a transfer from a NGF-O account to a non-NGF-O account.				

Additional BSA Related Transfers

Governor Inslee's budget proposes the following additional transfers between the BSA and GFS accounts.

Additional BSA Related Transfers Proposed in Governor Inslee's 2025-27 Biennial Budget				
(\$'s in 1,000's)				
	2023-25	2025-27	2027-29	6-Year Total
From the BSA to the GFS	\$0	\$1,632,500	\$0	\$1,632,500
From the GFS to the BSA	\$0	\$0	\$(1,632,500)	\$(1,632,500)
Total	\$0	\$1,632,500	\$(1,632,500)	\$0

Overview of the Methodology for the State Budget Outlook (January 2025)

Proposed Revenue Legislation

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

Governor Inslee's Revenue Proposals (\$'s in 1,000's)				
	2023-25	2025-27	2027-29	6-Year Total
Wealth Tax (HB 1319)	\$0	\$3,380,000	\$6,911,000	\$10,291,000
B&O Tax Increase (HB 1320)	\$0	\$1,045,000	\$1,589,000	\$2,634,000
Tribal Tax Compacting (HB 1355/SB 5264)	\$0	\$0	\$(38,900)	\$(38,900)
Unclaimed Property (HB 1127/SB 5316)	\$0	\$4,558	\$6,166	\$10,724
Total	\$0	\$4,429,558	\$8,467,266	\$12,896,824

Budget Driven Revenue Adjustments

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor, and lottery revenue to the General Fund and the Washington Opportunities Pathways Account in the November 2024 forecast and what is estimated to be available after adjusting for Governor Inslee's proposed spending levels.

Governor Inslee's Budget Driven Revenue (\$'s in 1,000's)				
	2023-25	2025-27	2027-29	6-Year Total
Liquor & Cannabis Board (Marijuana)	\$25	\$854	\$856	\$1,735
Liquor & Cannabis Board (Liquor)	\$12,750	\$(29,532)	\$(10,223)	\$(27,005)
Lottery	\$721	\$(1,428)	\$(1,189)	\$(1,896)
Marijuana Distribution Changes	\$0	\$0	\$0	\$0
Total	\$13,496	\$(30,106)	\$(10,556)	\$(27,166)

Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget (the 2024 Supplemental budget). It is based on these appropriation levels for the 2023-25 biennium. Adjustments are then made for Carry Forward Level (CFL), Governor Inslee's proposed Maintenance Level (ML), and Governor Inslee's proposed Policy Level (PL) changes. For more information on the 2024 supplemental budget, please see: <https://fiscal.wa.gov/lbns/2024LBN.pdf>.

Estimating Costs for the 2027-29 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 2027-29 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. Per direction by the ERFC on September 13, 2024, the growth factors calculated and adopted for 2024 will be used for Outlooks prepared to reflect the 2025-27 biennium.

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The current ERFC adopted growth rates are shown below:

Default Growth Rate Category	Adopted 2024 Growth Factors
All Other	1.02%
Corrections	1.49%
Debt Service	Use Bond Model
Department of Social and Health Services	3.09%
Higher Education	1.17%
K-12 Education	Use K-12 Model
Low Income Health Care & Community Behavioral Health	2.83%

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 2027-29 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 2025-27 biennial budget adjusts the most recently enacted spending level (2023-25) including the FY 2024 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 \$479 million in costs in the 2025-27 biennium and \$2.216 billion in savings in the 2027-29 biennium. The 2027-29 adjustments include application of the growth factor methodology adopted by the ERFC on September 13, 2024.

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

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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.

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

- ❖ 2023-25 biennial estimate: \$620 million increased costs,
- ❖ 2025-27 biennial estimate: \$4.936 billion increased costs, and
- ❖ 2027-29 biennial estimate: \$7.071 billion increased costs.

These estimates are total impacts. These amounts are based on Governor Inslee's budget proposal and will change prior to the enacted 2025 supplemental and 2025-27 biennial budgets.

Kindergarten – Grade 12 (K-12) Education

The amounts depicted reflect the November 2024 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 \$146 million in the 2023-25 biennium, \$1.313 billion in the 2025-27 biennium, and \$2.463 billion in the 2027-29 biennium.

The larger increases are related to anticipated changes to the inflation rate for the 2025-26 and 2026-27 school years, health, life and other rate adjustments for the 2025-27 biennium, and caseload adjustments related to transitional kindergarten, special education, and the special education safety net. The largest savings in this category are related to caseload adjustments for the basic K-12 student population, year-to-year changes in July and August payments made by the Office of the Superintendent of Public Instruction (OSPI) to school districts, and adjustments made for anticipated enrollment changes for alternative learning environment students in the 2025-26 and 2026-27 school years.

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 2.83 percent per FY from FY 2027 levels.

- ❖ ML adjustments total increased costs of \$172 million in the 2023-25 biennium, \$548 million in the 2025-27 biennium, and \$547 million in the 2027-29 biennium.

The larger state costs are related primarily to projected increases in utilization of medical services by some Medicaid-eligible clients and adjusted rates for certain Medicaid-eligible clients. Larger state savings are related to projected mandatory caseload adjustments and adjustments to behavioral health managed care rates to reflect changes in caseload mix and utilization of services.

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 3.09 percent per FY from FY 2027 levels.

- ❖ ML adjustments total increased costs of \$489 million in the 2023-25 biennium, \$1.024 billion in the 2025-27 biennium, and \$1.362 billion in the 2027-29 biennium.

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The larger increases are due to forecasted utilization and caseload increases related to nursing homes, home and community-based services, and utilization of residential services for the developmentally disabled population. The larger savings are due to technical corrections to enacted budget appropriations for certain DSHS programs and adjustments to pension and department of retirement services rates.

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 1.17 percent per FY from FY 2027 levels.

- ❖ ML adjustments total increased costs of \$4 million in the 2023-25 biennium, \$207 million in the 2025-27 biennium, and \$313 million in the 2027-29 biennium.

The larger increases are related to caseload adjustments in the Washington College Grant program and adjustments to Public Employee Benefits Board (PEBB) health benefit funding rates. The larger savings are related to Initiative 732 cost of living adjustments to correct duplicative funding from the 2023-25 biennial budget.

Corrections

The amounts depicted reflect caseload, as well as other mandatory maintenance level changes. The average growth factor for this grouping is 1.49 percent per FY from FY 2027 levels.

- ❖ ML adjustments total savings of \$302 million in the 2023-25 biennium and increased costs of \$88 million in the 2025-27 biennium and \$64 million in the 2027-29 biennium.

The larger increases are related to adjustments to Public Employee Benefits Board (PEBB) health benefit funding rates and food service provider costs. The larger savings are due to adjustments to pension and department of retirement services rates.

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 1.02 percent per FY from FY 2027 levels.

- ❖ ML adjustments total increased costs of \$116 million in the 2023-25 biennium, \$1.537 billion in the 2025-27 biennium, and \$1.907 billion in the 2027-29 biennium.

The larger increases are related to forecasted caseload adjustments for the Working Connections Child Care (WCCC) program, increases in child care subsidy base rates, increases in subsidy child care rates for family homes, adjustments to Early Childhood Education and Assistance Program (ECEAP) entitlements, and the continued implementation of 2SHB 1219, an appointed council program for children and youth throughout the state. The larger savings are due to adjustments to pension and department of retirement services rates.

Debt Service

The amounts depicted reflect the cost of the debt on all capital budget bonds that were authorized through the 2024 session using the bond model to calculate estimated costs for the 2027-29 biennium.

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- ❖ ML adjustments total savings of \$5 million in the 2023-25 biennium and increased costs of \$219 million in the 2025-27 biennium and \$416 million in the 2027-29 biennium.

Policy Level Items

In this section, adjustments are made to reflect the policy level (PL) expenditures included in Governor Inslee's proposed budget. Growth in the ensuing biennium is calculated using the same growth factors and methodologies as outlined above.

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

- ❖ 2023-25 biennial estimate: \$299 million increased costs,
- ❖ 2025-27 biennial estimate: \$2.086 billion increased costs, and
- ❖ 2027-29 biennial estimate: \$1.9 billion increased costs.

Kindergarten – Grade 12 (K-12) Education

Governor Inslee proposes no changes to spending levels for K-12 schools in the 2023-25 biennium and savings of \$221 million in the 2025-27 biennium and \$308 million in the 2027-29 biennium. The major components for K-12 schools are:

- ❖ Additional resources to support school district financial health;
- ❖ A pause to the national board bonus for budgetary savings;
- ❖ Adjustments to pension and department of retirement services rates; and
- ❖ Adjustments to health insurance rates.

Low-Income Health Care and Community Behavioral Health

Governor Inslee proposes to increase funding for low income health care and community behavioral health by \$13 million in the 2023-25 biennium, by \$157 million in the 2025-27 biennium, and by \$93 million in the 2027-29 biennium. The major components for low income health care and community behavioral health are:

- ❖ Implementation of phase 4 of the Trueblood settlement agreement;
- ❖ Increased costs related to the 1915i state plan that provides tiered enhanced payments to certain long-term care settings serving individuals with complex behavioral health needs;
- ❖ Additional matching funds for non-native substance use disorder treatment at tribal facilities; and
- ❖ A shift in hospital safety net assessment funding to reduce general fund costs.

Social and Health Services

Governor Inslee proposes savings for DSHS programs of \$8 million in the 2023-25 biennium and increases in funding by \$596 million in the 2025-27 biennium and by \$603 million in the 2027-29 biennium. The major components for DSHS are:

- ❖ Implementation of Adult Family Home collective bargaining agreements;
- ❖ An adjustment to Consumer Directed Employer (CDE) labor and administration rates;
- ❖ Elimination of the recovery of certain payments to the aged, blind, and disabled (ABD) population;
- ❖ Closing the Rainer School, a residential habilitation center serving individuals with developmental disabilities; and
- ❖ Caseload reductions for the nursing home to community program;

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Higher Education

Governor Inslee proposes no changes to funding for higher education for the 2023-25 biennium and to increase funding for Higher Education by \$83 million in the 2025-27 biennium and by \$7 million in the 2027-29 biennium. The major components for higher education are:

- ❖ An adjustment to the Washington College Grant based on median family income;
- ❖ Funding to the University of Washington Behavioral Health Teaching Facility (BHTF) to operate 75 long-term beds; and
- ❖ An adjustment to College Bound Scholarship funding based on median family income.

Corrections

Governor Inslee proposes to increase funding for the Department of Corrections (DOC) by \$2 million in the 2023-25 biennium, by \$40 million in the 2025-27 biennium, and by \$7 million in the 2027-29 biennium. The major components for DOC are:

- ❖ An adjustment to the custody relief factor to maintain suitable staffing levels for 24/7 positions;
- ❖ Closure of the Mission Creek Corrections Center for Women and opening a new unit at the Washington Corrections Center for Women; and
- ❖ Closure of Ahtanum View Reentry Center.

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 increase funding by \$291 million in the 2023-25 biennium, by \$651 million in the 2025-27 biennium, and by \$185 million in the 2027-29 biennium. The major components are:

- ❖ Office of Public Defense: Public defense improvement grants to counties and cities;
- ❖ Department of Revenue: Implementation and administration of Governor Inslee's proposed wealth tax;
- ❖ Department of Children, Youth & Families: Family childcare collective bargaining agreement;
- ❖ Department of Children, Youth & Families: Compliance with federal Child Care Development Fund (CCDF) requirements;
- ❖ Department of Agriculture: Sustained enhanced food assistance;
- ❖ Department of Children, Youth & Families: Delay of the Working Connections Childcare (WCCC) program expansion to 75 percent of state median income from FY 2026 to FY 2031; and
- ❖ Department of Children, Youth & Families: Delay of the Early Childhood Education and Assistance Program (ECEAP) entitlement date from the 2026-27 school year to the 2030-31 school year.

Compensation and Benefits

Governor Inslee's proposed spending on compensation and benefits reflects the impacts associated with collective bargaining agreements (CBAs). For the 2025-27 biennium the Office of Financial Management reached 32 agreements. Key provisions include:

- ❖ Maintaining the health care premium split,
- ❖ General wage increases,
- ❖ Competitive pay for low-wage workers,
- ❖ Targeted wage increases for roles with recruitment and retention challenges, and
- ❖ Premium pay for employees who accept positions in hard-to-fill environments or shifts.

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The details associated with the major elements of these agreements are provided in OFM Document 2025-4 that is available here: [OFM Document 2025-4: Collective Bargaining Agreements](#).

Additionally, PL changes reflect a general wage increase for non-represented employees and the cost projected for employer health and benefits, including updated employer funding rates for Public Employee Benefits.

- ❖ PL adjustments for compensation and benefits total additional costs of \$726 million in the 2025-27 biennium and \$840 million in the 2027-29 biennium.

Pensions

PL changes fund an adjustment to pension contribution rates, including a benefit increase of 3 percent, up to \$110 per month, for eligible Public Employees Retirement System (PERS) Plan 1 and Teachers Retirement System (TRS) Plan 1 members. Additionally, an adjustment is made to base pension rates and amortization of Plan 1 benefit increases. For more information see HB 1474 and HB 1467/SB 5357.

- ❖ PL adjustments total \$18 million savings in the 2025-27 biennium and \$18 million savings in the 2027-29 biennium.

Additionally, Governor Inslee proposes a merger between the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 1 and Plan 2 pension systems. Under this proposal LEOFF Plan 1 and LEOFF Plan 2 will remain separate, but their funding will be combined into a single, stable pool dedicated to paying benefits. This proposal leaves a \$1 billion buffer in the LEOFF system while also allowing for \$1 billion previously contributed by the state to the LEOFF Plan 1 system to be transferred to the general fund.

Debt Service

PL changes reflect the additional debt service required for bonds assumed in the Governor's proposed Capital budget.

- ❖ PL adjustments total \$73 million in the 2025-27 biennium and \$492 million in the 2027-29 biennium.

Assumed Reversions

Reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Consistent with ERFC guidance provided on January 14, 2025, reversions are estimated at 1.25 percent of General Fund F-S appropriations for FY 2025, 1.0 percent of GF-S appropriations for FY 2026, 0.75 percent of GF-S appropriations for FY 2027, and 0.5 percent of GF-S appropriations for FY 2028 and FY 2029. Additional adjustments to reversions are made in accordance with prior direction from the ERFC.

The total reversions assumed are \$870 million savings in the 2023-25 biennium, \$700 million savings in the 2025-27 biennium, and \$436 million in savings in the 2027-29 biennium. Reversions total \$2.007 billion in savings over the Outlook period. These totals include:

- ❖ Actual reversion savings of \$402 million in FY 2024 and 1.25 percent of GF-S appropriation reversions of \$452 million savings in FY 2025, totaling \$854 million savings in the 2023-25 biennium. In the 2023-25 biennium there is also an unanticipated reversion, adjustment between FY 2024 and FY 2025 of \$17.4 million.

Overview of the Methodology for the State Budget Outlook (January 2025)

- ❖ 1.0 percent GF-S appropriation reversions of \$371 million savings in FY 2026 and 0.75 percent GF-S appropriation reversions of \$287 million savings in FY 2027, totaling \$658 million savings in the 2025-27 biennium.
- ❖ 0.5 percent GF-S appropriation reversions of \$195 million savings in FY 2028 and \$198 million in FY 2029, totaling \$392 million savings in the 2027-29 biennium.
- ❖ In addition, K-3 reversion assumptions include \$16 million savings in the 2023-25 biennium, \$42 million savings in the 2025-27 biennium, and \$43 million savings in the 2027-29 biennium, totaling \$102 million savings over the Outlook period.

Budget Stabilization Account

Per Article VIII, section 12(2)(d), of the Constitution, money may be withdrawn and appropriated from the Budget Stabilization Account (BSA) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety. For that fiscal year money may be withdrawn and appropriated from the BSA, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature.

On August 2, 2024 Governor Inslee issued Emergency Proclamation 24-04 related to 2024 Wildfires: [24-04 2024 Wildfires and Fuel Truck Driver Hour Waiver Proc.pdf](#).

The Governor proposes to use BSA funds to pay for qualified wildfire suppression costs as described in HB 1473.

- ❖ Total PL appropriations from the BSA are \$72.4 million in the 2023-25 biennium.

Additionally, Governor Inslee proposes to transfer \$1.633 billion from the BSA to the general fund in FY 2026. This is planned to be repaid by making a transfer from the general fund to the BSA of \$816 million in FY 2028 and \$816 million in FY 2029. For more information see HB 1471/SB 5392.

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.

Governor Inslee's Proposed 2025-27 Biennial Omnibus Operating Budget Official Outlook (Draft)

Funds Subject to Outlook

(Dollars in Millions)

	2023-25			2025-27			2027-29		
	FY 2024	FY 2025	2023-25	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
NGF-O Beginning Balance	5,287	4,884	5,287	1,407	186	1,407	508	1,048	508
Forecasted Revenues	32,672	33,719	66,390	34,981	36,450	71,431	38,090	39,804	77,894
Nov 2024 Revenue Forecast (NGF-O)	32,672	33,719	66,390	34,981	36,450	71,431	37,765	39,080	76,845
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	0	0	0	325	724	1,049
Other Resource Changes	1,176	548	1,724	2,666	3,749	6,416	3,107	3,076	6,183
GF-S Transfer to BSA (1%)	-314	-322	-636	-339	-389	-728	-403	-416	-819
Prior Period Adjustments	157	37	194	20	20	41	20	20	41
ACFR Adjustments	51	0	51	0	0	0	0	0	0
Enacted Fund Transfers	1,282	811	2,093	0	0	0	0	0	0
Other Proposed Transfers	0	9	9	988	83	1,071	69	69	137
Transfer BSA to GFS	0	0	0	1,633	0	1,633	0	0	0
Transfer GFS to BSA	0	0	0	0	0	0	-816	-816	-1,633
Revenue Legislation	0	0	0	384	4,045	4,430	4,244	4,223	8,467
Budget Driven Revenue	0	13	13	-20	-10	-30	-6	-5	-11
Total Revenues and Resources	39,135	39,151	73,402	39,054	40,385	79,254	41,705	43,927	84,585
Enacted Appropriations	34,670	37,275	71,945	34,670	37,275	71,945	37,680	38,096	75,776
Carryforward Level Adjustments	0	0	0	1,560	-1,081	479	-1,099	-1,117	-2,216
Maintenance Level Total	0	620	620	1,924	3,012	4,936	3,408	3,663	7,071
K-12 Education	0	146	146	455	859	1,313	1,124	1,339	2,463
Low Income Health Care & Comm Behavioral Health	0	172	172	285	262	548	270	278	547
Social & Health Services	0	489	489	383	640	1,024	672	690	1,362
Higher Education	0	4	4	85	122	207	143	170	313
Corrections	0	-302	-302	47	41	88	32	32	64
All Other	0	116	116	614	923	1,537	968	939	1,907
Debt Service	0	-5	-5	54	164	219	200	216	416
Policy Level Total	0	299	299	1,106	981	2,086	884	1,016	1,900
K-12 Education	0	0	0	-86	-135	-221	-153	-155	-308
Low Income Health Care & Comm Behavioral Health	0	13	13	89	68	157	56	37	93
Social & Health Services	0	-8	-8	276	320	596	296	307	603
Higher Education	0	0	0	41	42	83	4	4	7
Corrections	0	2	2	32	8	40	3	3	7
All Other	0	291	291	452	199	651	88	96	185
Compensation & Benefits	0	0	0	304	423	726	420	420	840
Pensions	0	0	0	-9	-9	-18	-9	-9	-18
Debt Service	0	0	0	8	65	73	178	314	492
Reversions	-420	-451	-870	-392	-309	-700	-216	-220	-436
Revised Appropriations	34,251	37,744	71,994	38,868	39,878	78,746	40,658	41,438	82,096
Projected Ending Balance	4,884	1,407	1,407	186	508	508	1,048	2,489	2,489
Budget Stabilization Account									
Beginning Balance	652	971	652	1,255	0	1,255	390	1,620	390
GF-S Transfer to BSA (1%)	314	322	636	339	389	728	403	416	819
Transfer BSA to GFS	0	0	0	-1,633	0	-1,633	0	0	0
Transfer GFS to BSA	0	0	0	0	0	0	816	816	1,633
Appropriations from BSA	-21	-72	-94	0	0	0	0	0	0
Actual Reversions	1	0	1	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0
Interest Earnings	24	35	59	39	0	39	10	43	54
BSA Ending Balance	971	1,255	1,255	0	390	390	1,620	2,895	2,895
Washington Rescue Plan Transition Account									
Beginning Balance	2,100	798	2,100	0	0	0	0	0	0
Transfer Balance from WRPTA to GF-S	-1,302	-798	-2,100	0	0	0	0	0	0
WRPTA Ending Balance	798	0	0	0	0	0	0	0	0
Total Reserves	6,653	2,662	2,662	187	897	897	2,667	5,384	5,384
% of Reserves to Revenues and Other Resources	19.7%	7.8%		0.5%	2.2%		6.5%	12.6%	
NGF-O	14.4%	4.1%		0.5%	1.3%		2.5%	5.8%	
Budget Stabilization Account	2.9%	3.7%		0.0%	1.0%		3.9%	6.8%	
Washington Rescue Plan Transition Account	2.4%	0.0%		0.0%	0.0%		0.0%	0.0%	