

December 5, 2014

To: Economic and Revenue Forecast Council
From: State Budget Outlook Work Group
Subject: Corrections to the November 2014 Outlook

At the November 19, 2014 meeting, the Council adopted the November 2014 Outlook for the 2015-17 Biennium to reflect the Governor's Preliminary Maintenance Level (attached). That analysis projected unrestricted negative ending fund balances of \$2,159.4 million and \$4,726.5 million in 2015-17 and 2017-19, respectively.

The Outlook Work Group has identified three errors in the adopted Outlook. These errors occur in the calculations in the 2017-19 biennium and total \$398 million.

1. In the adopted Outlook, the Adjustments to the FY 2017 Baseline (from the underlying 2013-15 biennium budget) for FY 2019 failed to reflect the compounding of the adjustments made in FY 2018. Correcting this error increases the projected appropriations in 2017-19 by \$317.9 million.
2. The Hospital Safety Net Assessment in the 2013-15 budget is scheduled to phase-out over 5 years, expiring after FY 2017. In the Maintenance Level adjustments, the adopted Outlook includes additional funding of \$60 million in each year of the 2017-19 biennium. The correct phase-out of the Hospital Safety Net is \$100 million per year in 2017-19. Correcting this error increases the projected appropriations in 2017-19 by \$80 million.
3. The adopted Outlook for calculating the K-12 MSOC Adjustments to the FY 2017 baseline contains a formula error. Correcting this error increases the projected appropriations in 2017-19 by \$38.8 million; this amount is included in Item 1 (above).

These adjustments will result in a projected unrestricted negative ending fund balance of \$5,124.5 million in 2017-19; the ending fund balance for 2015-17 is not affected. The corrected Outlook is attached; the items that have changed with this correction are highlighted.

The Outlook Work Group proposes the ERFC formally adjust the November 2014 Outlook at its January 15, 2015 meeting.

Please let us know if you have questions.

Attachments

**November 2014 Outlook for 2015-17 Biennium--Governor's Preliminary Maintenance Level
Corrected December 3, 2014**

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	156.4	410.8	156.4	430.1	(940.9)	430.1	(2,159.5)	(3,206.7)	(2,159.5)
Current Revenues									
November 2014 Forecast	16,693.7	17,373.2	34,066.9	18,062.1	18,922.7	36,984.8	19,751.5	20,563.7	40,315.2
Assumed 4.5% Revenue Growth							22.8	100.3	123.1
Other Resource Changes									
Transfer to BSA	(144.5)	(170.5)	(315.0)	(177.3)	(185.4)	(362.7)	(193.0)	(200.6)	(393.6)
SJR 8206 Extraordinary Revenue Growth							-	(426.5)	(426.5)
Enacted Fund Transfers (Net)	204.9	225.2	430.1	-	-	-			-
Revised Child & Family Reinvestment Account	(1.7)	(0.2)	(1.8)	-	-	-			-
Prior Period Adjustments	(4.7)	20.4	15.7	20.4	20.4	40.8	20.4	20.4	40.8
Alignment to the CAFR	(2.9)		(2.9)						
Total Revenues/Resources/Beginning balance	16,901.3	17,858.9	34,349.5	18,335.3	17,816.8	37,093.0	17,442.1	16,850.7	37,499.5
Enacted Appropriations/Baseline	16,573.5	17,220.7	33,794.1	16,573.5	17,220.7	33,794.1	17,220.7	17,220.7	34,441.3
Adjustments to FY 2017 Baseline							304.0	617.7	921.7
K-12 Education	7,384.3	7,878.4	15,262.8	6,526.2	6,826.3	13,352.5	45.1	90.4	135.5
K-12 MSOC				858.1	1,052.4	1,910.5	24.836	51.335	76.2
Higher Education	1,569.3	1,515.5	3,084.7	1,569.3	1,528.9	3,098.2	4.6	9.2	13.8
Early Learning	70.6	92.3	162.9	70.6	92.3	162.9	0.5	1.0	1.5
Low Income Health Care	1,867.8	1,940.5	3,808.3	2,144.8	2,161.9	4,306.7	69.6	141.5	211.1
Children's/Economic Services	975.1	970.8	1,946.0	669.6	673.1	1,342.7	13.0	26.2	39.2
Mental Hlth/DD/Long Term Care	669.6	673.1	1,342.7	1,867.8	1,940.5	3,808.3	66.4	135.0	201.4
DOC/JRA/SCC	2,144.8	2,161.9	4,306.7	975.2	971.0	1,946.2	31.0	62.9	93.9
Debt Service	857.2	990.7	1,847.9	857.2	990.7	1,847.9	43.9	89.7	133.6
All Other	1,034.7	997.4	2,032.1	1,034.6	983.6	2,018.3	5.2	10.5	15.7
Adjustments to Reach Carryforward Level				1,015.5	339.9	1,355.4	347.5	355.2	702.7
K-12 Education				359.5	59.4	418.9	59.8	60.2	119.9
K-12 MSOC				232.3	38.0	270.3	38.9	39.9	78.8
Higher Education				25.2	64.9	90.2	65.1	65.3	130.5
Early Learning				14.8	(4.9)	9.9	(4.9)	(5.0)	(9.9)
Low Income Health Care				3.7	(16.8)	(13.1)	(17.4)	(17.9)	(35.3)
Children's/Economic Services				75.4	67.1	142.5	68.4	69.7	138.1
Mental Hlth/DD/Long Term Care				92.0	19.7	111.8	20.4	21.1	41.5
DOC/JRA/SCC				17.4	17.6	35.0	18.1	18.7	36.8
Debt Service				246.1	91.0	337.1	95.03	99.24	194.3
All Other				(51.2)	3.9	(47.2)	3.97	3.99	8.0
Maintenance Level		104.1	104.1	562.8	953.2	1,516.0	1,452.3	1,630.4	3,082.6
K-12 Education		21.3	21.3	85.6	155.6	241.2	206.5	207.8	414.4
K-12 MSOC		3.1	3.1	24.7	52.2	76.9	53.5	54.9	108.3
K-12 Assessment		16.8	16.8	10.8	11.7	22.5	11.8	11.9	23.6
Initiative 732 (1.9%/1.3%)		-	-	90.2	174.9	265.1	280.0	404.2	684.2
Higher Education		0.1	0.1	2.7	4.2	6.9	4.2	4.3	8.5
Higher Education-College Bound		-	-	11.2	14.4	25.6	19.4	24.5	43.9
Early Learning		-	-	(0.3)	0.2	(0.1)	0.2	0.2	0.4
Low Income Health Care		(23.9)	(23.9)	29.4	73.6	103.0	76.0	78.4	154.4
Hospital Safety Net				20.1	40.2	60.2	100.0	100.0	200.0
ACA FMAP Phase-in				(4.3)	54.5	50.2	131.5	159.8	291.3
Children's/Economic Services		6.6	6.6	(10.3)	(1.6)	(12.0)	(1.6)	(1.6)	(3.2)
Mental Hlth/DD/Long Term Care		(2.7)	(2.7)	22.9	59.2	82.1	61.3	63.3	124.6
Children's Mental Health Settlement				4.3	12.2	16.6	20.2	20.2	40.4
Community First Choice				(30.7)	(20.1)	(50.8)	(17.5)	(17.5)	(35.0)
Corrections/JRA/SCC		8.8	8.8	8.4	7.8	16.2	8.0	8.3	16.3
Hepatitis C Treatment		74.7	74.7	71.0	32.6	103.6	33.6	34.7	68.3
Projected Pension Rate Changes (Incl. K-12)		-	-	131.5	158.0	289.4	289.2	348.8	638.0
Debt Service for currently authorized projects		(6.0)	(6.0)	(14.6)	40.6	26.0	42.4	44.3	86.7
Public Safety (See RCW 41.26.802)		-	-	20.0	-	20.0	50.0	-	50.0
All Other		5.2	5.2	90.3	83.1	173.4	83.58	84.02	167.6
Supplemental Policy Items (likely Must-do)		170.9	170.9	-	-	-	-	-	-
Disaster Response Account		27.0	27.0						
Fire Suppression/Fire Mobilization		100.0	100.0						
Rekhter Decision		43.9	43.9						
Other Outlook Items				1,194.5	1,532.5	2,727.0	1,394.4	2,221.2	3,615.6
I-1351 K-12 Education Class Size Initiative				890.0	1,150.0	2,040.0	970.0	1,690.0	2,660.0
K-12 MSOC Phase-in (2776)				317.3	406.3	723.6	418.2	429.0	847.1
Effect of Higher PEBB Rate in 2015-17 (less amount in CFL)				14.7	14.7	29.5	14.7	14.7	29.5
Use Basic Health Plan Account Balance				(15.1)	(46.0)	(61.1)	(46.00)	(46.00)	(92.0)
Hi Ed-Opportunity Scholarships				-	20.0	20.0	50.00	50.00	100.0
DEL Child Care IT Savings				(12.5)	(12.5)	(25.0)	(12.50)	(12.50)	(25.0)
Increase Early Childhood Education Program				-	-	-	-	96.00	96.0
Actual/Estimated Reversions	(79.7)	(70.0)	(149.7)	(70.0)	(70.0)	(140.0)	(70.0)	(70.0)	(140.0)
Other Fund Adjustments	(3.2)	3.2	-						
Revised Appropriations	16,490.5	17,428.8	33,919.4	19,276.2	19,976.4	39,252.6	20,648.8	21,975.2	42,624.0
Projected Unrestricted Ending Balance	410.8	430.1	430.1	(940.9)	(2,159.5)	(2,159.5)	(3,206.7)	(5,124.5)	(5,124.5)
Budget Stabilization Account									
Beginning Balance	269.7	414.4	269.7	585.3	763.2	585.3	949.4	1,143.3	949.4
Transfer From GFS	144.5	170.5	315.0	177.3	185.4	362.7	193.0	627.1	820.1
Interest Earnings	0.3	0.4	0.7	0.6	0.8	1.3	0.9	1.1	2.1
Ending BSA Balance	414.4	585.3	585.3	763.2	949.4	949.4	1,143.3	1,771.5	1,771.5
Near GF-S Unrestricted & BSA Ending Balance	825.2	1,015.4	1,015.4	(177.7)	(1,210.2)	(1,210.2)	(2,063.4)	(3,352.9)	(3,352.9)

November 2014 Outlook for 2015-17 Biennium--Governor's Preliminary Maintenance Level

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	156.4	410.8	156.4	430.1	(940.9)	430.1	(2,159.5)	(3,159.9)	(2,159.5)
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Assumed 4.5% Revenue Growth							22.8	100.3	123.1
Other Resource Changes									
Transfer to BSA	(144.5)	(170.5)	(315.0)	(177.3)	(185.4)	(362.7)	(193.0)	(200.6)	(393.6)
SJR 8206 Extraordinary Revenue Growth							-	(426.5)	(426.5)
Enacted Fund Transfers (Net)	204.9	225.2	430.1	-	-	-			-
Revised Child & Family Reinvestment Account	(1.7)	(0.2)	(1.8)	-	-	-			-
Prior Period Adjustments	(4.7)	20.4	15.7	20.4	20.4	40.8	20.4	20.4	40.8
Alignment to the CAFR	(2.9)		(2.9)						
Total Revenues/Resources/Beginning balance)	16,901.3	17,858.9	34,349.5	18,335.3	17,816.8	37,093.0	17,442.1	16,897.6	37,499.5
Enacted Appropriations/Baseline	16,573.5	17,220.7	33,794.1	16,573.5	17,220.7	33,794.1	17,220.7	17,220.7	34,441.3
Adjustments to FY 2017 Baseline							297.2	306.6	603.8
K-12 Education	7,384.3	7,878.4	15,262.8	6,526.2	6,826.3	13,352.5	45.1	45.4	90.4
K-12 MSOC			-	858.1	1,052.4	1,910.5	18.0	19.4	37.4
Higher Education	1,569.3	1,515.5	3,084.7	1,569.3	1,528.9	3,098.2	4.6	4.6	9.2
Early Learning	70.6	92.3	162.9	70.6	92.3	162.9	0.5	0.5	1.0
Low Income Health Care	1,867.8	1,940.5	3,808.3	2,144.8	2,161.9	4,306.7	69.6	71.9	141.5
Children's/Economic Services	975.1	970.8	1,946.0	669.6	673.1	1,342.7	13.0	13.2	26.2
Mental Hlth/DD/Long Term Care	669.6	673.1	1,342.7	1,867.8	1,940.5	3,808.3	66.4	68.6	135.0
DOC/JRA/SCC	2,144.8	2,161.9	4,306.7	975.2	971.0	1,946.2	31.0	32.0	62.9
Debt Service	857.2	990.7	1,847.9	857.2	990.7	1,847.9	43.9	45.8	89.7
All Other	1,034.7	997.4	2,032.1	1,034.6	983.6	2,018.3	5.2	5.2	10.5
Adjustments to Reach Carryforward Level				1,015.5	339.9	1,355.4	347.5	355.2	702.7
K-12 Education				359.5	59.4	418.9	59.8	60.2	119.9
K-12 MSOC				232.3	38.0	270.3	38.9	39.9	78.8
Higher Education				25.2	64.9	90.2	65.1	65.3	130.5
Early Learning				14.8	(4.9)	9.9	(4.9)	(5.0)	(9.9)
Low Income Health Care				3.7	(16.8)	(13.1)	(17.4)	(17.9)	(35.3)
Children's/Economic Services				75.4	67.1	142.5	68.4	69.7	138.1
Mental Hlth/DD/Long Term Care				92.0	19.7	111.8	20.4	21.1	41.5
DOC/JRA/SCC				17.4	17.6	35.0	18.1	18.7	36.8
Debt Service				246.1	91.0	337.1	95.03	99.24	194.3
All Other				(51.2)	3.9	(47.2)	3.97	3.99	8.0
Maintenance Level		104.1	104.1	562.8	953.2	1,516.0	1,412.3	1,590.4	3,002.6
K-12 Education		21.3	21.3	85.6	155.6	241.2	206.5	207.8	414.4
K-12 MSOC		3.1	3.1	24.7	52.2	76.9	53.5	54.9	108.3
K-12 Assessment		16.8	16.8	10.8	11.7	22.5	11.8	11.9	23.6
Initiative 732 (1.9%/1.3%)		-	-	90.2	174.9	265.1	280.0	404.2	684.2
Higher Education		0.1	0.1	2.7	4.2	6.9	4.2	4.3	8.5
Higher Education-College Bound				11.2	14.4	25.6	19.4	24.5	43.9
Early Learning				(0.3)	0.2	(0.1)	0.2	0.2	0.4
Low Income Health Care		(23.9)	(23.9)	29.4	73.6	103.0	76.0	78.4	154.4
Hospital Safety Net				20.1	40.2	60.2	60.0	60.0	120.0
ACA FMAP Phase-in				(4.3)	54.5	50.2	131.5	159.8	291.3
Children's/Economic Services		6.6	6.6	(10.3)	(1.6)	(12.0)	(1.6)	(1.6)	(3.2)
Mental Hlth/DD/Long Term Care		(2.7)	(2.7)	22.9	59.2	82.1	61.3	63.3	124.6
Children's Mental Health Settlement				4.3	12.2	16.6	20.2	20.2	40.4
Community First Choice				(30.7)	(20.1)	(50.8)	(17.5)	(17.5)	(35.0)
Corrections/JRA/SCC		8.8	8.8	8.4	7.8	16.2	8.0	8.3	16.3
Hepatitis C Treatment		74.7	74.7	71.0	32.6	103.6	33.6	34.7	68.3
Projected Pension Rate Changes (Incl. K-12)				131.5	158.0	289.4	289.2	348.8	638.0
Debt Service for currently authorized projects		(6.0)	(6.0)	(14.6)	40.6	26.0	42.4	44.3	86.7
Public Safety (See RCW 41.26.802)				20.0	-	20.0	50.0	-	50.0
All Other		5.2	5.2	90.3	83.1	173.4	83.58	84.02	167.6
Supplemental Policy Items (likely Must-do)		170.9	170.9	-	-	-	-	-	-
Disaster Response Account		27.0	27.0						
Fire Suppression/Fire Mobilization		100.0	100.0						
Rekhter Decision		43.9	43.9						
Other Outlook Items				1,194.5	1,532.5	2,727.0	1,394.4	2,221.2	3,615.6
I-1351 K-12 Education Class Size Initiative				890.0	1,150.0	2,040.0	970.0	1,690.0	2,660.0
K-12 MSOC Phase-in (2776)				317.3	406.3	723.6	418.2	429.0	847.1
Effect of Higher PEBB Rate in 2015-17 (less amount in CFL)				14.7	14.7	29.5	14.7	14.7	29.5
Use Basic Health Plan Account Balance				(15.1)	(46.0)	(61.1)	(46.00)	(46.00)	(92.0)
Hi Ed-Opportunity Scholarships				-	20.0	20.0	50.00	50.00	100.0
DEL Child Care IT Savings				(12.5)	(12.5)	(25.0)	(12.50)	(12.50)	(25.0)
Increase Early Childhood Education Program				-	-	-	-	96.00	96.0
Actual/Estimated Reversions	(79.7)	(70.0)	(149.7)	(70.0)	(70.0)	(140.0)	(70.0)	(70.0)	(140.0)
Other Fund Adjustments	(3.2)	3.2	-						
Revised Appropriations	16,490.5	17,428.8	33,919.4	19,276.2	19,976.4	39,252.6	20,602.0	21,624.1	42,226.1
Projected Unrestricted Ending Balance	410.8	430.1	430.1	(940.9)	(2,159.5)	(2,159.5)	(3,159.9)	(4,726.5)	(4,726.5)
Budget Stabilization Account									
Beginning Balance	269.7	414.4	269.7	585.3	763.2	585.3	949.4	1,143.3	949.4
Transfer From GFS	144.5	170.5	315.0	177.3	185.4	362.7	193.0	627.1	820.1
Interest Earnings	0.3	0.4	0.7	0.6	0.8	1.3	0.9	1.1	2.1
Ending BSA Balance	414.4	585.3	585.3	763.2	949.4	949.4	1,143.3	1,771.5	1,771.5
Near GF-S Unrestricted & BSA Ending Balance	825.2	1,015.4	1,015.4	(177.7)	(1,210.2)	(1,210.2)	(2,016.5)	(2,955.0)	(2,955.0)