



WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **Budget Outlook Meeting**

July 21, 2015  
4:00 p.m.

- Call to order
- Adopt meeting minutes: July 17, 2015
- Contract renewal: Stephen Lerch, Executive Director
- Outlook adoption

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes  
Budget Outlook

July 17, 2015

John A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

- Andy Hill, Senator, Chair (via phone)
- Jim Hargrove, Senator (via phone)
- Ross Hunter, House of Representatives (via phone)
- Terry Nealey, House of Representatives (via phone)
- Vikki Smith, Department of Revenue (via phone)
- David Schumacher, Office of Financial Management
- James McIntire, Treasurer (via phone)

Staff

- Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

- Richard Ramsey
- Charlie Gavigan
- Pam Davidson

Call to Order

The meeting was called to order by Director Schumacher at 11:02 a.m.

Presentation on Budget Outlook

Richard Ramsey, Charlie Gavigan, and Pam Davidson requested guidance from the council as they prepare the outlook on the 2015 enacted budget.

Life Sciences Discovery Fund

Section 805 of the budget directs the State Treasurer to transfer \$11 million from the Life Sciences Discovery Fund to the state general fund in fiscal year 2016. Section 963 amends RCW 43.350.070, authorizes the transfer and prohibits the use of Life Sciences Discovery Fund for new awards after July 1, 2015. The Governor vetoed Section 963 but did not veto the actual transfer in Section 805. According to the Office of Financial Management, the intent was not to disallow the transfer; rather the intent of the veto was to remove the prohibition on new awards. **Should the Outlook on the enacted budget assume the transfer from the Life Sciences Discovery Fund will occur?**

ERFC Response: Yes, the outlook should assume the transfer from the Life Sciences Discovery Fund will occur.

Health Benefits

The Legislative Budget Outlooks include funding for state government and higher education employees' health benefits. A growth rate of 4.2% per year was assumed for the 2015-17 biennium which resulted in savings from the PEBB carry-forward level in fiscal year 2016 and an increase in fiscal year 2017; no growth from fiscal year 2017 is assumed for fiscal year 2018 and fiscal year 2019. Similarly, the outlooks prepared on the Governor's Current Law and New Law budgets in January 2015 also reflect no growth in the ensuing biennium for employee health benefits. This approach differs from guidance provided by the ERFC. At its January 23, 2014 meeting, the ERFC adopted guidance for future outlooks "to utilize the PEBB modeling funding rate for the budget outlook." Over the last several years, the Health Care Authority's cost projections and balances for state employee health benefits have been variable and several times the enacted budgets have reduced the state cost by using projected PEBB surpluses.

**Should the Outlook on the enacted budget assume: (1) the PEBB funding rate for the ensuing biennium; (2) growth of 4.2% per year; or (3) no growth as assumed by the Legislative budget?**

*ERFC Response: the Council agreed to assume no growth in the official outlook. The Council, requested that the amounts based on the PEBB projections be provided at the Outlook adoption meeting on July 21. The Council also agreed to reconsider this issue for the next Budget Outlook based on updated health benefits costs.*

#### Public Safety Enhancement Account

Section 950 of the budget amends RCW 41.26.802, deleting the requirement that the State Treasurer transfer, subject to appropriation, \$20 million of the state general fund to the Local Public Safety Enhancement Account by September 30, 2015. Subsection (3) of this section states the Legislature's intent to fund a similar transfer and appropriation of at least \$50 million by September 30, 2017 from sources other than the state general fund, which may include transfers from the law enforcement officers' and firefighters' plan 2 retirement fund. The Governor vetoed only subsection (3) of this section. Outlooks for the Governor's budget and all legislative budgets identify the \$50 million transfer, subject to appropriation, as a requirement of current law in the 2017-19 biennium. ***Should the Outlook on the enacted budget reflect the Legislature's intent before the veto or the requirement of current law, RCW 41.26.802, after the veto?***

*ERFC Response: The Council directed the Work Group to reflect current law rather than legislative intent.*

#### Opportunity Scholarship

Section 613 (8) of the budget appropriates \$41 million for the Opportunity Scholarship program and includes the provision: "The legislature will evaluate subsequent appropriations to the opportunity scholarship program based on the extent that additional private contributions are made, program spending patterns, and fund balance." In this approach the Legislature is adopting a pay-as-you-go approach that is contingent upon the actual contribution subject to the state match. RCW 28B.145.040 (4) provides: "(4) The source of funds for the program shall be a combination of private grants and contributions and state matching funds. A state match may be earned under this section for private contributions made on or after June 6, 2011. A state match, up to a maximum of fifty million dollars annually, shall be provided beginning the later of January 1, 2014, or January 1st next following the end of the fiscal year in which collections of state retail sales and use tax, state business and occupation tax, and state public utility tax exceed, by ten percent the amounts collected from these tax resources in the fiscal year that ended June 30, 2008, as determined by the department of revenue." The Legislative budget Outlooks assume no funding for the Opportunity Scholarship program in the 2017-19 biennium. This approach differs from Outlooks prepared on the Governor's Current Law and New Law budgets in January 2015, which assumed obligations of \$50 million per year in the 2017-19 biennium. ***How should the Outlook on the enacted budget account for state matching funding for the Opportunity Scholarship program?***

*ERFC Response: The Council agreed that the Outlook should not assume an appropriation in the 2017-19 biennium.*

#### Health Care Authority, Savings Through Waiver Request

Section 1213 of the budget assumed state general fund savings of \$109.9 million in fiscal year 2015. The Governor vetoed the appropriation creating these savings. The Office of Financial Management has directed the Health Care Authority to place \$90.4 million in unallocated status, effectively increasing the GF-S reversions for fiscal year 2015. The Outlook will reflect \$109.9 million in higher GF-S appropriations in fiscal year 2015. ***Should the Outlook on the enacted budget increase the assumption of reversions for fiscal year 2015 from \$70 million to \$160.4 million?***

*ERFC Response: The Council agreed to consider this a one-time reversion to avoid affecting the long-term average used to calculate reversions in the Outlook.*

#### **Adjournment**

Meeting adjourned at 11:32 a.m.

July 20, 2015

To: Economic and Revenue Forecast Council  
From: State Budget Outlook Work Group  
Subject: Enacted 2015-17 Biennial Budget Outlook

Given the guidance provided by the Council on July 17, the State Budget Outlook Work Group prepared the draft 4-year Outlook on the Enacted 2015-17 Budget (ESSB 6052, Chapter 4, Laws 2015, 3rd Special Session PV) (Attachment 1). In addition, the Work Group has prepared a methodology on the preparation of the Outlook (Attachment 2).

**Health Benefits**

On July 17, the Council directed the Work Group to prepare an outlook that assumes no growth in the costs of health benefits provided through the Public Employee Benefits Board (PEBB) in the 2017-19 biennium. The Council also requested a summary of the funding rates, trend assumptions and cost estimates for fiscal years 2018 and 2019. The enacted budget funds rates of \$840 in FY 16 and \$894 in FY 17. The following table illustrates the impact of various PEBB financial projection model scenarios.

Scenario	Description	FY 18	FY 19	GF-S Estimates (millions) *	
				FY 18	FY 19
7.10	HCA/Actuary "best estimate" of trend for CY 2015-2019	\$970	\$1,016	\$47	\$75
7.11	4.2% trend for CY 2015-2017; "best estimate" in CY 2018-2019	\$953	\$998	\$36	\$64
7.12	4.2% trend for CY 2015-2019	\$951	\$989	\$35	\$58

\* Source: OFM Compensation Impact Model

Attachments

1. Draft Outlook for Enacted ESSB 6052
2. 2015 Enacted Budget Outlook Methodology

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**Draft Outlook for Enacted ESSB 6052**  
(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

	FY 2015	2013-15	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
<b>Beginning Balance</b>	411	156	910	624	910	343	(23)	343
<b>Current Revenues</b>								
May 2015 Revenue Forecast	17,587	34,280	18,269	19,182	37,451	20,057	20,882	40,938
Additional Revenue Based on 4.5% Growth Rate Assumption	-	-	-	-	-	(12)	65	54
	17,587	34,280	18,269	19,182	37,451	20,045	20,947	40,992
<b>Other Resource Changes</b>								
Transfer to BSA	(173.9)	(318.4)	(180.2)	(189.3)	(369.5)	(198.0)	(205.9)	(403.9)
BSA Transfer Adjust (Resource Changes)	(0.1)	(0.1)	(0.7)	(1.4)	(2.1)	(1.4)	(1.6)	(3.0)
Use of BSA	37.9	37.9	-	4.7	4.7	-	515.7	515.7
Extraordinary Revenue	(37.9)	(37.9)	-	(4.7)	(4.7)	-	(515.7)	(515.7)
Enacted Fund Transfers (Net)	86.4	151.1	-	-	-	-	-	-
Capital Budget Transfers	138.6	277.2	-	-	-	-	-	-
Prior Period Adjustments	20.4	15.7	20.4	20.4	40.8	20.4	20.4	40.8
CAFR Adjustment	-	(2.9)	-	-	-	-	-	-
Proposed Transfers and Other Resource Changes (Net)	2	2	96	82	178	51	51	101
HB 2136 Marijuana Regulation	7	7	(2)	17	15	16	25	41
Other Revenue Legislation Increases	-	-	82	120	202	134	149	283
Other Revenue Legislation Decrease	-	-	(16)	(20)	(37)	(29)	(38)	(67)
Budget Driven Revenue	1	1	11	26	37	26	26	52
<b>Total Revenues and Resources (Including Beginning Balance)</b>	<b>18,079</b>	<b>34,569</b>	<b>19,190</b>	<b>19,859</b>	<b>38,425</b>	<b>20,407</b>	<b>20,949</b>	<b>41,380</b>
<b>Enacted Appropriations</b>	<b>17,221</b>	<b>33,794</b>	<b>16,573</b>	<b>17,221</b>	<b>33,794</b>			
<b>Continue FY 2017 Appropriation Level</b>						<b>17,221</b>	<b>17,221</b>	<b>34,441</b>
<b>Adjustments To FY 2017 Baseline</b>						<b>305</b>	<b>618</b>	<b>923</b>
<b>Adjustments to CFL</b>			<b>1,015</b>	<b>340</b>	<b>1,355</b>	<b>348</b>	<b>355</b>	<b>703</b>
Actual/Estimated Reversions	(160)	(240)	(86)	(86)	(173)	(86)	(86)	(173)
Other Fund Adjustments	3	-	-	-	-	-	-	-
<b>Maintenance Level</b>	<b>(37)</b>	<b>(37)</b>	<b>1,624</b>	<b>2,381</b>	<b>4,005</b>	<b>2,723</b>	<b>3,676</b>	<b>6,399</b>
<b>Policy Level</b>	<b>142</b>	<b>142</b>	<b>(560)</b>	<b>(339)</b>	<b>(899)</b>	<b>(80)</b>	<b>(812)</b>	<b>(891)</b>
K-12 Education	0	0	18	13	31	13	13	26
Local Effort Assistance	-	-	(13)	(7)	(20)	8	19	27
K-3 Class Size	-	-	83	268	350	524	590	1,114
Full Day K	-	-	55	125	180	151	158	309
McCleary: Counselors, etc.	-	-	2	2	3	2	2	4
K-12 Health Benefits	-	-	11	14	24	14	14	28
K-12: One-Biennium Salary Increase	-	-	53	99	152	21	-	21
Initiative 1351 Class Size	-	-	(893)	(1,150)	(2,043)	(993)	(1,762)	(2,755)
Higher Education	-	-	2	4	6	4	4	9
Opp Scholarship	-	-	20	21	41	-	-	-
Backfill tuition with GF-S	-	-	32	81	113	82	82	164
Higher Education Enhancement	-	-	28	47	75	47	47	95
Dept of Early Learning	-	-	23	37	60	37	37	75
Early Start Act	-	-	10	13	23	13	13	27
ECEAP Expansion	-	-	20	20	41	21	21	41
Lean	-	-	(13)	(13)	(25)	(13)	(13)	(25)
Corrections/JRA/SCC	4	4	2	(4)	(3)	(4)	(5)	(9)
Mental Health/Dev. Disabilities/Long Term Care	28	28	37	60	97	62	64	126
Children's/Economic Svcs	14	14	12	40	52	41	42	83
Low Income Health Care/I-502	-	-	(76)	(125)	(201)	(158)	(180)	(339)
Low Income Health Care	(1)	(1)	6	(3)	3	(6)	(9)	(15)
Hospital Safety Net	-	-	(66)	(86)	(152)	(146)	(146)	(292)
ACA CHIP match	-	-	(50)	(65)	(115)	(67)	(69)	(137)
Public Safety Enhancement Account	-	-	(20)	-	(20)	-	-	-
All Other	(13)	(13)	23	(9)	13	(7)	(7)	(14)
WorkFirst	-	-	(14)	(14)	(29)	(1)	(1)	(1)
PEBB (Non-Rep)	-	-	(7)	3	(5)	3	3	5
Debt Service	-	-	4	33	37	35	36	71
IT Pool	-	-	23	14	36	11	11	21
K-12 Staff Mix	-	-	(9)	(27)	(36)	(47)	(51)	(98)
Non-Employee CBA/Parity	-	-	50	101	151	105	105	211
Non-Represented Employee Salary	-	-	32	50	82	50	50	100
Represented Employee CB Agreements	-	-	45	96	141	96	96	193
Anticipated 2016 Supplemental (June 2015 Caseloads)	-	-	13	23	36	23	23	45
Governor Veto	110	110	-	-	-	-	-	-
<b>Revised Appropriations</b>	<b>17,169</b>	<b>33,660</b>	<b>18,566</b>	<b>19,516</b>	<b>38,082</b>	<b>20,430</b>	<b>20,972</b>	<b>41,402</b>
<b>Projected Unrestricted Ending Balance</b>	<b>910</b>	<b>910</b>	<b>624</b>	<b>343</b>	<b>343</b>	<b>(23)</b>	<b>(23)</b>	<b>(23)</b>
<b>Budget Stabilization Account</b>								
Beginning Balance	415	270	513	695	513	894	1,120	894
Transfer From GFS	174	318	180	189	370	198	206	404
Additional Transfer From GFS	0	0	1	1	2	1	2	3
Extraordinary Revenue	38	38	-	5	5	-	516	516
Transfer to GFS	(38)	(38)	-	(5)	(5)	-	(516)	(516)
Appropriations from BSA	(77)	(77)	-	-	-	-	-	-
Interest Earnings	2	2	1	8	10	27	39	66
<b>Ending BSA Balance</b>	<b>513</b>	<b>513</b>	<b>695</b>	<b>894</b>	<b>894</b>	<b>1,120</b>	<b>1,367</b>	<b>1,367</b>
<b>Combined Near GF-S Total &amp; BSA Ending Balance</b>	<b>1,423</b>	<b>1,423</b>	<b>1,319</b>	<b>1,237</b>	<b>1,237</b>	<b>1,097</b>	<b>1,344</b>	<b>1,344</b>

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## Overview of the Methodology for the State Budget Outlook (July 2015)

### 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, and 1st sp. sess. (SSB 6636) on the 2015-17 enacted budget, Chapter 4, Laws of 2015, 3rd Special Session, Partial Veto (ESSB 6052). 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, the Education Legacy Trust Account, and the Opportunity Pathways 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 years is equal to the projected ending balance for the previous year.

#### Revenue Forecast

The amounts for 2013-15, 2015-17, and 2017-19 reflect the May 2015 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 (in this instance, the 2017-19 biennium) to be balanced 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. Because the May 2015 forecast projects revenue growth of less than 4.5 percent per year in the 2017-19 biennium, the July 2015 Outlook uses the 4.5 percent growth rate.

#### Other Revenue Legislation

The Enacted budget assumes passage of legislation either increasing or decreasing revenue. The totals for these revenue changes follow, in millions:

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
Revenue Increases		\$200.5	\$282.0
Revenue Decreases		(\$35.2)	(\$65.9)
Marijuana Regulation	\$6.9	\$14.8	\$41.3

#### Other Enacted Fund Transfers

This category reflects all previously enacted fund transfers made in the 2013 and 2014 legislative sessions (including special sessions). For more information, see the 2013 and 2014 Legislative Budget Notes at <http://leap.leg.wa.gov/leap/budget/lbns/2014Operating.pdf>

#### Fund Transfers

The newly enacted budget transfers total \$1.9 million for 2013-15, \$178.1 million for 2015-17 and \$101.2 million in 2017-19. The largest among these transfers are: Public Works Assistance Account,

## Overview of the Methodology for the State Budget Outlook (July 2015)

\$73 million in both 2015-17 and 2017-19, Tobacco Settlement Account, \$51.4 million in 2015-17, Treasurer's Service Account, \$20 million in both 2015-17 and 2017-19 and \$11 million from the Life Science Discovery Fund in 2015-17.

### Transfers to Budget Stabilization Account

Pursuant to a constitutional amendment approved by the voters in 2007, this reflects the transfer of 1 percent of general state revenues for each fiscal year (FY) to the Budget Stabilization Account. This transfer is legally required and estimated transfer amounts are based on the May revenue forecast plus revenue legislation impacting general state revenues.

### Extraordinary Revenue Growth

Pursuant to a constitutional amendment approved by the voters in 2011, this reflects the transfer of three-quarters of extraordinary revenue growth into the budget stabilization account. Extraordinary revenue growth 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 occur to the extent that it exceeds the normal transfer amount into the budget stabilization account.

The Enacted budget assumes projected transfers of extraordinary revenue growth from the general fund to the budget stabilization account in fiscal years 2015, 2017 and 2019 are returned to the general fund.

### **Expenditures**

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget. In this case, this is based on the 2014 supplemental budget appropriation levels, and then reflects adjustments for carryforward level (CFL) and preliminary maintenance level (ML). For more information on the 2014 supplemental Budget, please see [http://leap.leg.wa.gov/leap/budget/index\\_lbns.asp](http://leap.leg.wa.gov/leap/budget/index_lbns.asp)

### Assumed Reversions

In the enacted budget, reversions are assumed to be \$86 million per year in fiscal years 2016, 2017, 2018, and 2019. In fiscal year 2015, reversions are expected to be \$160 million. The greater reversion assumption reflects guidance from the Office of Financial Management to the Health Care Authority associated with the Governor's veto of changes to the general fund appropriation for fiscal year 2015. This is expected to generate, on a one-time basis, a larger reversion than is typical.

### **Carryforward Level Revisions**

The Outlook then adjusts the most recently enacted spending level (2013-15 including the 2014 Supplemental) to the CFL. In short, 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. CFL adjustments total \$1.35 billion in 2015-17 and \$702 million in 2017-19 reflecting the increasing the base budget by the growth factors adopted by the ERFC. For more information on the CFL adjustments, please see: [http://www.erfc.wa.gov/forecast/documents/bo\\_201501\\_NovemberOutlookCorrected.pdf](http://www.erfc.wa.gov/forecast/documents/bo_201501_NovemberOutlookCorrected.pdf)

### **Maintenance Level Revisions**

In this section, additional adjustments are made to reflect the expenditure level based on the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated by using the

## Overview of the Methodology for the State Budget Outlook (July 2015)

CFL as a starting point and making adjustments for the forecasted changes in the entitlement caseload/enrollment and other mandatory expenses.

### K-12 Education

This is based on the February 2015 enrollment forecast and budget driver information for required K-12 entitlement changes. This estimate will continue to be updated as more information like staff-mix is received from local school districts. The K-12 funding will be adjusted 0.66 percent from FY 2017 each year of the ensuing biennium. The Materials, Supplies, and Operating Costs (MSOC) amount is adjusted by both enrollment and the implicit price deflator (IPD).

Larger adjustments in the 2015-17 ML include: enrollment/workload adjustments (\$335 million), Local Effort Assistance (\$49 million), K-12 staff mix (\$48 million savings), and MSOC (\$741 million). In 2015-17, these items total \$1.370 billion. In 2017-19, these same items are expected to total \$2.054 billion.

The larger 2015 supplemental items include: enrollment and workload adjustments (\$31 million) and local effort assistance (\$4.0 million).

### Initiative 732 K-12 and Community College Staff Increases

Funding is provided for costs associated with cost of living increases to K-12 and certain community college staff pursuant to Initiative 732. The costs are generally based on the February 2015 Seattle consumer price index (CPI) forecast with projections for a 1.8 percent increase in FY 2016, 1.2 percent increase in FY 2017, 2.4 percent increase in FY 2018, and 2.1 percent increase in FY 2019; these costs total \$244 million for 2015-17.

### Higher Education

The largest adjustment is related to the College Bound Scholarship program and is based on the most recent caseload information. Other Higher Education items are related to maintenance and operations and lease adjustments. The cost of College Bound is displayed separately. The remaining Higher Education items are adjusted by 0.3 percent per year from FY 2017.

The larger adjustment in the 2015-17 ML is related to College Bound (\$17 million).

### Low-Income Health Care

The amounts depicted reflect the caseload and per capita as well as other mandatory maintenance level changes. Some of the major cost components include utilization and medical inflation. Assumed future growth is estimated at 3.22 percent per year from FY 2017.

Larger adjustments in the 2015-17 ML are related to caseload and utilization changes (-\$228 million). Other adjustments include managed care rates (\$155 million) and expansion state Federal Medical Assistance Percentage (FMAP) changes (\$58 million). In 2017-19, the impact of expansion state FMAP changes is expected to be approximately \$350 million.

The larger adjustments in the 2015 supplemental budget is related to caseload and utilization -\$155 million).

### Hepatitis C

## Overview of the Methodology for the State Budget Outlook (July 2015)

This item reflects costs identified in Health Care Authority, Department of Corrections, Mental Health, and the Special Commitment Center associated with the new Hepatitis C drug treatment and include \$55 million in the 2015 supplemental budget and \$68 million in 2015-17.

### Expiration of Hospital Safety Net GF-S Offset

This reflects the GF-S required to cover the rate increases that were allowed as a result of the establishment of a hospital safety net assessment (HSNA). The HSNA phases down during FY 16 and FY 17 and is set to expire June 30, 2017. Based on legislative expectations, funding is adjusted assuming the replacement of a portion of the hospital safety net assessment revenue with state funds (consistent with statute); these costs are \$60 million in 2015-17 and \$200 million in 2017-19.

### DSHS Mental Health, Long-Term Care, and Developmental Disabilities

The amounts depicted reflect the February 2015 caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. Some of the major cost components include utilization and severity of client needs. Assumed future growth is estimated at 3.42 percent per year from FY 2017.

Larger adjustments in the 2015-17 ML include: implementation of community first choice (-\$73 million), caseload and utilization changes (\$106 million), and continued implementation of the children's mental health settlement (\$17 million).

Larger adjustments in the 2015 Supplemental ML include funding for the Rekhter decision (\$35 million),

### DSHS Children's Services and Economic Services

The amounts depicted reflect the February 2015 caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. Some of the major cost components include foster care and adoption support caseload, eligibility experience and revised growth trends. Assumed future growth is estimated at 1.93 percent per year from FY 2017.

Larger adjustments in the 2015-17 ML are related to caseload adjustments (-\$29 million).

Larger adjustment in the 2015 supplemental budget is related to caseload (\$6.3 million).

### Department of Corrections, DSHS Juvenile Rehabilitation and Special Commitment Center

The amounts depicted reflect the February 2015 caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. A major cost component is the proportion of community and institution population. Assumed future growth is estimated at 3.19 percent per year from FY 2017.

Larger adjustments in the 2015-17 ML include: mandatory caseload adjustment (\$14 million) and utility rate adjustments (\$2 million).

Mandatory caseload adjustment (\$3 million) is the largest adjustment in the 2015 supplemental ML.

### Other

## Overview of the Methodology for the State Budget Outlook (July 2015)

This area includes all other agencies not reflected in the proceeding Outlook groups. Many are general government agencies, smaller human service agencies, natural resource agencies, legislative agencies and judicial agencies. Assumed future growth is estimated at 0.53 percent per year from FY 2017.

### Special Appropriation Items (Part of Other in the Outlook)

This category reflects the typical special appropriation items that are removed in the development of the CFL, but have historically been restored in the ML. It also includes a few new items associated with recent legislation or budgetary actions. An itemization is listed in the table below:

#### Dollars in Millions

#### Detail of Items in Special Appropriations

	2015-17	2017-19
Governor's Emergency Fund	\$ 1.7	\$ 1.7
K-20 Network	\$ 16.0	\$ 16.0
County Public Health Assistance	\$ 72.8	\$ 72.8
Fire Contingency	\$ 8.0	\$ 8.0
O'Brien Building COP Payment	\$ 5.9	\$ 5.9
SERA Account Repayment	\$ 10.2	\$ 10.2
Common School Construction Account	\$1.2	\$1.2
Real Property Replacement Account	\$0.6	\$0.6
Impaired Driving	\$0.7	\$0.7
Local Public Safety Enhancement Account RCW 41.26.802	\$ 20.0	\$ 50.0
<b>Total</b>	<b>\$ 127</b>	<b>\$157</b>

### Initiative 1351

Maintenance level in the Enacted budget reflects the cost of I-1351 (class size reduction): \$2.043 billion in 2015-17 and \$2.755 billion in 2017-19.

### **Policy Level Revisions in 2015-17**

In this section, adjustments are made to reflect the policy level expenditures included in the recently enacted 2015-17 budget.

### K-12 Education

Enhancements include Full Day Kindergarten (\$180 million in 2015-17 and \$309 million in 2017-19), K-3 Class Size Reduction (\$350 million in 2015-17 and \$1,114 million in 2017-19), K-12 Health Benefits (\$24 million in 2015-17 and \$28 million in 2017-19) and a one-biennium salary increase (\$152 million in 2015-17 and \$21 million in 2017-19).

The budget assumes the enactment of HB 2266 (class size & school staffing) (Chapter 38, Laws of 2015, 3rd Special Session) which amends I-1351 by delaying the implementation date; the outlook assumes savings of \$2.042 billion in 2015-17 and \$2.755 billion in 2017-19.

Savings associated with K-12 staff mix are \$36 million in 2015-17 and \$98 million in 2017-19.

### Higher Education

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Funding for the Opportunity Scholarship program is \$41 million in 2015-17; the enacted budget assumes a "pay-as-you-go" approach where state funding will be contingent upon the actual contribution subject to the state match.

Higher education compensation enhancements and a general fund back-fill associated with tuition reduction totals \$189 million in 2015-17 and \$259 million in 2017-19.

### Early Learning

Funding for the Department of Early Learning and the Early Start Act total \$83 million in 2015-17 and \$101 million in 2017-19. Expansion of the Early Childhood Education and Assistance Program (ECEAP) is \$41 million in both 2015-17 and 2017-19.

### DSHS Mental Health, Developmental Disabilities and Long Term Care

The enacted budget provides funding to meet the requirements of mental health-related lawsuits and includes: \$31.4 million for single bed certification, \$26.6 million for a competency restoration ward at Western State Hospital and \$10.8 million for assisted outpatient treatment. \$28.5 million is provided for vendor rate increases for community-based care the developmental disabled and the aged. Note: non-employee collective bargaining agreements are summarized below.

### DSHS Children's Administration and Economic Services

The enacted budget provides funding for the FPAWS litigation (\$12.5 million), Braam compliance and child protective service staffing (\$6.4 million), increasing the TANF grant (\$30.6 million) and Working Connections Child Care 12-month eligibility (\$22.2 million).

### Low Income Health Care/I-502

Revenue generated from the regulation of recreational and medical marijuana offsets general fund costs of low income health care (\$201 million savings)

### Hospital Safety Net

The budget assumes savings of \$152 million in 2015-17 and \$292 million in 2017-19 attributable to extending and increasing the amount collected under the Hospital Safety Net Assessment by 5.5 percent.

### ACA CHIP Match

Savings associated with the federal extension of the Child Health Insurance Program (CHIP) are \$115 million in 2015-17 and \$137 million in 2017-19.

### Public Safety Enhancement Account

The enacted budget suspends a \$20 million transfer from the general fund to the Public Safety Enhancement Account in 2015-17. The outlook reflects a \$50 million transfer from the general fund to the Public Safety Enhancement Account in fiscal year 2018.

### IT Pool

The enacted budget provides funding for information technology projects in some agencies; however, many IT projects were funded by a IT pool with a general fund appropriation of \$25 million. The costs

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shown in the outlook include both the IT Pool and the system replacement project at the Department of Revenue. The total of the two items is \$36.5 million in 2015-17 and \$21.0 million in 2017-19.

### Collective Bargaining Agreements

The Enacted budget provided funding for collective bargaining agreements for represented employees and comparable salary increases for non-represented employees; these total \$223 million in 2015-17 and \$293 million in 2017-19. Additionally, funding is provided for agreements for non-employee agreements which include home care providers and agency parity, licensed family child care providers and exempt-providers; these agreements total \$151 million in 2015-17 and \$211 million in 2017-19.

### Health Benefits

The Enacted budget provides funding for state government and higher education employees' health benefits. The budget assumes a growth rate of 4.2% in claims experience in fiscal years 2016 and 2017

### Anticipated 2015 Supplemental (June 2015 Caseloads)

The outlook reflects costs of \$36 million in 2015-17 and \$45 million in 2017-19 attributable to the effects of the June 2015 Caseload Forecast. The enacted budget does not appropriate these funds; such appropriations would be considered in the 2016 supplemental budget.