

# 2022 Outlook Growth Factor Update

11/4/2022

Outlook Technical Workgroup

Presentation to the Economic Revenue and Forecast Council

# Outlook statute background

- Estimated expenditures in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law
- The cost to continue current programs and reflect growth in entitlement programs in some areas is estimated in the Outlook by using growth factors
- Other changes that are required by law (including items with future implementation dates) are generally reflected separately or accounted for by custom adjustments in the Outlook
- The Outlook statute specifically excludes any future costs related to policy items (including collective bargaining agreements that have not been approved by the Legislature) unless required by statute

# How are the Outlook growth factors used?

- Growth rates applied to budget items for purposes of meeting Outlook balanced budget requirements
- Used to create an estimate of ensuing biennium maintenance level (ML) expenditures
  - When calculating the Outlook for operating budgets written for the 2023-25 biennium, the growth factors will be applied to estimate growth in fiscal year 2026 and in fiscal year 2027
  - Reflected in the ensuing biennium amounts in the Outlook document

# How are the growth factors calculated?

- In most cases, percent change in ML expenditures from first to second year of a biennium, averaged over five most recent biennia
- Grouped by category
  - Corrections
  - DSHS
  - Higher Education
  - Low Income Health Care & Community BH
  - All Other (Including DCYF)
- Exceptions: K-12 (K-12 Model) and Debt Service (Bond Model)

# COVID-19 Fiscal Considerations

- Significant swings between fiscal years in the 2021 Supplemental and 2021-23 budgets
- Caseload impacts from pandemic and public health emergency created abnormal ML changes

# 2022 Growth Factor Update Results

<b>Default Growth Rate Category</b>	<b>2020 Growth Factor- Current</b>	<b>2022 Growth Factor- Calculated</b>
All Other (Including Dept. Children, Youth, and Families)	0.00%	-0.38%
Corrections	1.53%	0.72%
Debt Service	Use Bond Model	Use Bond Model
Dept. of Social and Health Services	3.31%	4.06%
Higher Education	0.69%	0.92%
K-12 Education	Use K12 Model	Use K12 Model
Low Income Health Care & Community Behavioral Health	2.86%	2.37%

2022 Growth Factor Calculations use the same methodology as the 2020 ERFC approved Outlook Growth Factors, updated to incorporate data from budgets enacted in the 2021 and 2022 Legislative Sessions

# Options to the ERFC from the Technical Workgroup

- *Recommended:* Option 1: Maintain 2020 Growth Rates
- Option 2: Use 2022 Calculated Growth Rates but 0% for All Other
- Option 3: Use 2022 Calculated Growth Rates

# Fiscal Impact of Options on Four-Year CFL

(NGF-O, Dollars in Thousands)

Fiscal Impact of Growth Rate Options on 2023-25 + 2025-27 CFL Compared to 2020 Rates	Option 1: Maintain 2020 Rates	Option 2: Update per model	Option 3: Update per model, 0% for All Other
All Other (Including Dept. of Children, Youth, and Families)	\$0	(\$41,479)	\$0
Corrections	\$0	(\$32,305)	(\$32,305)
Debt Service	\$0	\$0	\$0
Dept. of Social and Health Services	\$0	\$97,718	\$97,718
Higher Education	\$0	\$18,215	\$18,215
K12 Education	\$0	\$0	\$0
Low Income Health Care & Community Behavioral Health	\$0	(\$52,956)	(\$52,956)
<b>Total</b>	<b>\$0</b>	<b>(\$10,807)</b>	<b>\$30,672</b>



# Options for Growth Factors to be used for writing the 2023-25 Operating Budget

- *Recommended:* Option 1: Maintain 2020 Growth Rates
- Option 2: Use 2022 Calculated Growth Rates but 0% for All Other
- Option 3: Use 2022 Calculated Growth Rates