

BUDGET OUTLOOK – DISCUSSION:
ENDING BALANCE(S) AS PERCENTAGES OF REVENUES AND RESOURCES

Introduction

At the January 30, 2020 Economic Revenue Forecast Council (ERFC) Outlook Adoption and Economic Review meeting, the Council asked the Budget Outlook Workgroup to explore various options for adding the ending balance(s) as a percent of current revenues to the Outlook.

The purpose of this document is to provide illustrations of how such a percent(s) may be added, if the Council so chooses. Three options are provided below, presented in no particular order and not prioritized.

Options

1. Add the percentages directly to the Outlook Summary broken out by Near General Fund-Outlook (NGF-O), Budget Stabilization Account (BSA), and total reserves- See Attachment 1.
2. Add the percentages directly to the Outlook Summary, total reserves only -See Attachment 2.
3. Include the percentages in the Outlook Methodology broken out by NGF-O, BSA, and total reserves- See attachment 3.

Discussion

The options provided in the attachments calculate estimated reserves as a percentage of Current Revenues and Other Resources Changes as calculated in the Outlook for the Enacted 2020 Supplemental Operating Budget. Current Revenues and Other Resource Changes includes:

- Forecasted Revenues;
- The additional 4.5% Revenue Assumption Per the Outlook Statute;
- Enacted Fund Transfers;
- Mandatory BSA Transfers;
- Enacted Revenue Legislation; and
- Budget Driven Revenue Adjustments.

The beginning fund balance is not included in Current Revenues and Resource Changes for the purposes of this calculation.

**Attachment 1. Percentages Added to Outlook Summary- Broken Out
Outlook for the Enacted 2020 Supplemental Operating Budget (ESSB 6168)**

Funds Subject to Outlook

(Dollars in Millions)

	2019-21			2021-23		
	FY 2020	FY 2021	2019-21	FY 2022	FY 2023	2021-23
Beginning Balance	1,981	2,023	1,981	1,292	1,253	1,292
Current Revenues	25,874	26,466	52,339	27,657	28,901	56,558
February 2020 Revenue Forecast (NGF-O)	25,874	26,466	52,339	27,388	28,301	55,690
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	268	600	868
Other Resource Changes	-124	-15	-139	21	-70	-49
Revenue Forecast Technical Adjustment	0	9	9	16	17	33
GF-S Transfer to BSA (1%)	-248	-259	-507	-268	-277	-545
Prior Period Adjustments	18	20	39	20	20	41
2020 Revenue Legislation	18	97	115	88	86	174
Governor's Vetoes- 2020 Revenue Legislation	0	14	14	18	18	36
Enacted Fund Transfers-2019	91	118	209	147	68	215
New Fund Transfers-2020	-43	-12	-55	-2	16	14
Governor Vetoes- New Fund Transfers	41	0	41	0	-20	-20
Budget Driven Revenue	-2	-2	-4	1	2	3
Total Revenues and Resources	27,731	28,474	54,182	28,969	30,085	57,801
Enacted Appropriations	25,571	26,928	52,499	27,789	28,482	56,271
Maintenance Level Total	69	53	121	-169	-172	-341
K-12 Education	7	-40	-33	-187	-211	-398
Higher Education	-6	5	-1	0	0	0
Low Income Health Care & Comm Behavioral Health	105	147	252	146	147	293
Social & Health Services	-2	17	15	14	14	28
Corrections	2	13	15	8	9	17
All Other	-25	-45	-70	-45	-36	-81
Debt Service	-12	-43	-55	-45	-36	-81
Employee Health & Benefits	0	0	0	-60	-59	-119
Policy Level Total	256	434	690	300	286	586
K-12 Education	77	108	185	100	114	214
SEBB Rate	0	-71	-71	-93	-94	-186
Higher Education	-1	22	22	9	8	18
Low Income Health Care & Comm Behavioral Health	15	16	31	-26	-23	-49
Social & Health Services	17	47	64	143	125	267
Corrections	12	26	38	16	17	33
All Other	166	405	571	206	205	411
Governor Vetoes and Lapsed Items	-30	-119	-149	-54	-67	-121
Reversions	-187	-233	-420	-204	-191	-395
Revised Appropriations	25,709	27,182	52,890	27,716	28,405	56,121
Projected Ending Balance	2,023	1,292	1,292	1,253	1,679	1,679
Budget Stabilization Account						
Beginning Balance	1,618	1,694	1,618	1,979	2,278	1,979
GF-S Transfer to BSA (1%)	248	259	507	268	277	545
Appropriations from BSA	-200	0	-200	0	0	0
Interest Earnings	28	26	53	32	42	74
Budget Stabilization Account Ending Balance	1,694	1,979	1,979	2,278	2,597	2,597
Total Reserves	3,717	3,271	3,271	3,532	4,277	4,277
Percentage of Reserves to Revenues and Other Resources	14.4%	12.4%		12.8%	14.8%	
NGF-O	7.9%	4.9%		4.5%	5.8%	
Budget Stabilization Account	6.6%	7.5%		8.2%	9.0%	

Footnote

Disproportionate Share Hospital (DSH) - The federal Affordable Care Act directed reductions in DSH Medicaid grants to states, beginning in 2014. Subsequent federal legislation has delayed the reductions several times and under current law they are scheduled to take effect during fiscal year 2021. Pursuant to direction at the June 6, 2019 meeting, the Outlook assumes federal legislation will be enacted to further delay the reduction in federal DSH grants beyond the 2021-23 biennium.

**Attachment 2. Percentages Added to Outlook Summary- Not Broken Out
Outlook for the Enacted 2020 Supplemental Operating Budget (ESSB 6168)**

Funds Subject to Outlook

(Dollars in Millions)

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Higher Education	-6	5	-1	0	0	0
Low Income Health Care & Comm Behavioral Health	105	147	252	146	147	293
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Appropriations from BSA	-200	0	-200	0	0	0
Interest Earnings	28	26	53	32	42	74
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Attachment 3: Adding Reserve Percentages to the Outlook Methodology

The following is draft of a new section that would be added to the Outlook Methodology document.

Reserves as a Percentage of Annual Revenues and Resources

The ending fund balance for NGF-O and the BSA constitute state reserves. The estimated combined reserves during the four-year period covered by this Outlook range between \$3.3 to \$4.3 billion. The table below provides a breakout of the estimated reserves as a percentage of estimated annual current revenues and other resource changes by year. Total revenues and other resource changes include forecasted revenues including the additional 4.5% in the ensuing biennium; and all revenue bills and transfers assumed in this budget Outlook. Additional detail related to revenues and resources assumed in the Outlook are described on page _ of this document.

	<i>\$ in millions</i>			
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