



Budget Preview For 2021 Session

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Operating Budget Drivers

(Covers almost 93% of NGF-O for the 2019-21 Biennium)

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Public Schools (50.7%)

- ▶ Enrollment
- ▶ Inflation

Low-Income Health (11.3%)

- ▶ Caseloads
- ▶ Utilization & Inflation

Debt Services (4.5%)

- ▶ Capital Budget (size)
- ▶ Interest Rates

Children, Youth and Families (3.6%)

- ▶ Caseloads
- ▶ Utilization & Inflation

Higher Education (8.2%)

- ▶ Mostly Discretionary
- ▶ Enrollment, Tuition & Financial Aid

Corrections (4.4%)

- ▶ Inmate Population
- ▶ Inmate Mix
- ▶ Community Supervision

DD, LTC, and WSH/ESH (10.2%)

- ▶ Population/Caseloads
- ▶ Acuity Mix
- ▶ Care Settings

Some spending is mandatory and some is discretionary

Requirements With Constitutional Elements

- K-12 Basic Ed
- Debt Service
- Some Pension Contribution Obligations
- Some Level of Funding for Judicial, Legislative & Executive Offices
- Some level of care in institutional and foster care programs*
- Approved collective bargaining agreements & other contracts**

Federal Statutory Requirements

- Since the state participates in Medicaid:
 - Core populations & core services
 - Other requirements (i.e. rate issues)
- TANF/Maintenance of Effort (MOE)
- Cost obligations if state participates in certain federal programs (i.e., admin costs for food stamps)

State Statutory and Other Requirements

- State-created statutory entitlements ***
- Funding that, if reduced, may increase entitlement costs
- Funding to avoid state liability in areas of responsibility
- Other Statutory Programs

Discretionary

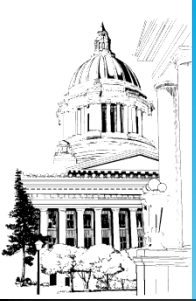
- Programs without a statutory or case law requirement

Green rectangles are illustrative only and not to scale.

* Includes prisons, JRA facilities, state hospitals, DD facilities, foster care, SCC, etc.

** Contracts may be renegotiated. Also, some contracts have termination – and/or fiscal shortfall clauses that may be invoked, while others may include “tail” periods.

*** Can be changed by legislation.



What is the Four-Year Balanced Budget Requirement & Budget Outlook?

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- In the 2021 legislative session, the legislature must adopt a budget that is balanced for the current (21-23) and ensuing (23-25) biennia.
- The requirement applies to a group of accounts (General Fund-State, Education Legacy Trust Account, Opportunity Pathways Account and the Workforce Education Investment Account) taken together.
- The Outlook projects the impact of the adopted (or proposed) biennial budget into the ensuing biennium. The projected maintenance level cannot exceed the available fiscal resources based on statutory methodology.

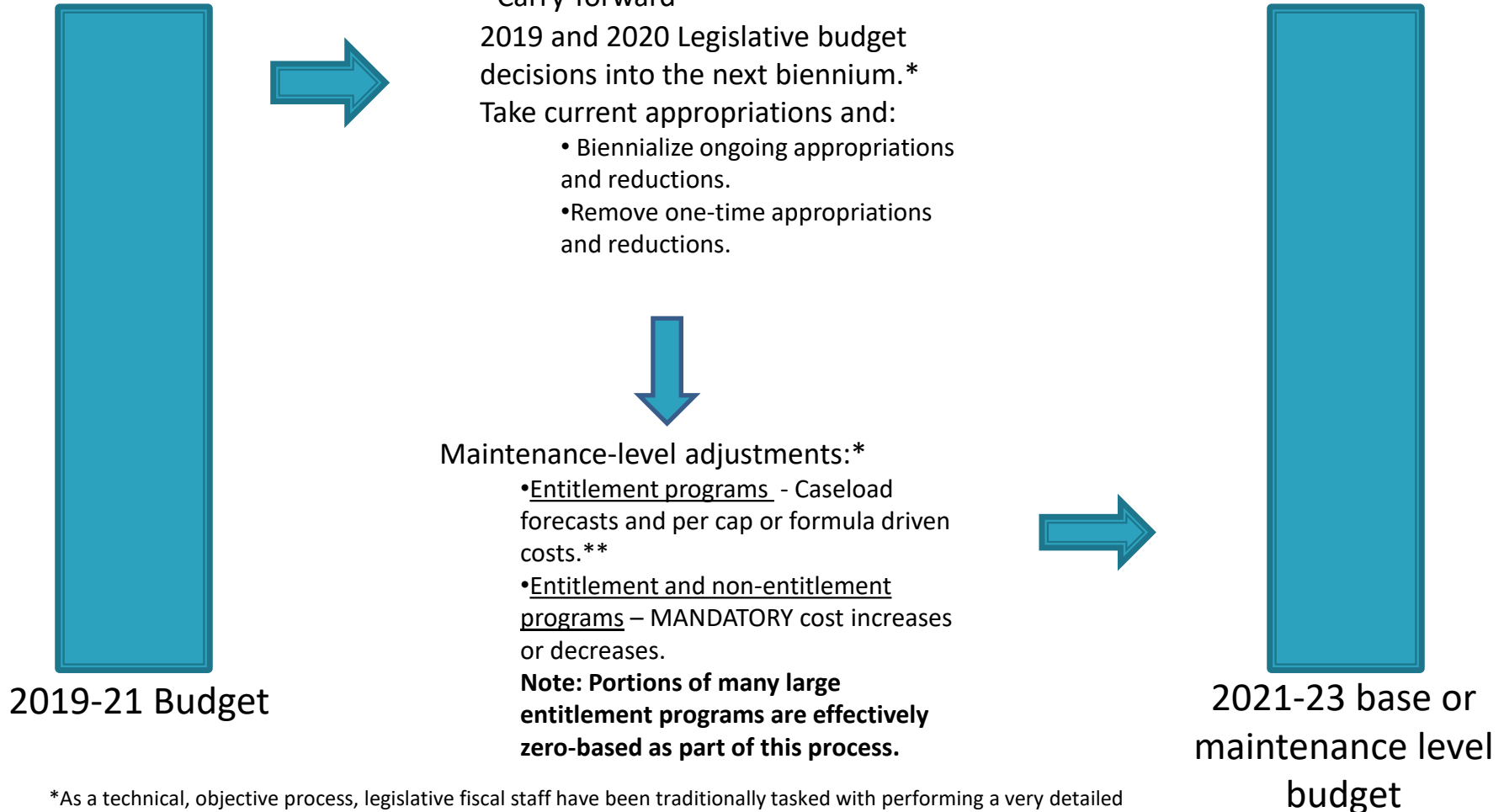


Budget Stabilization Account (BSA)

- ▶ Serves as a “rainy day” account.
- ▶ Constitutional creation (2007 and 2011; Art. 7, Sec. 12).
- ▶ Funds must be transferred into the BSA each year (one percent of general state revenues). In certain conditions, additional transfers are required.
- ▶ Funds May Be Appropriated:
 - For Any Purpose:
 - If estimated employment growth in any fiscal year is less than 1%, moneys may be appropriated in that year with a constitutional majority vote.
 - Otherwise, with at least a three-fifths vote.
 - For Declared Disasters:
 - With a constitutional majority vote and limited to that purpose.

Getting to the 2021-23 Budget Starting Point

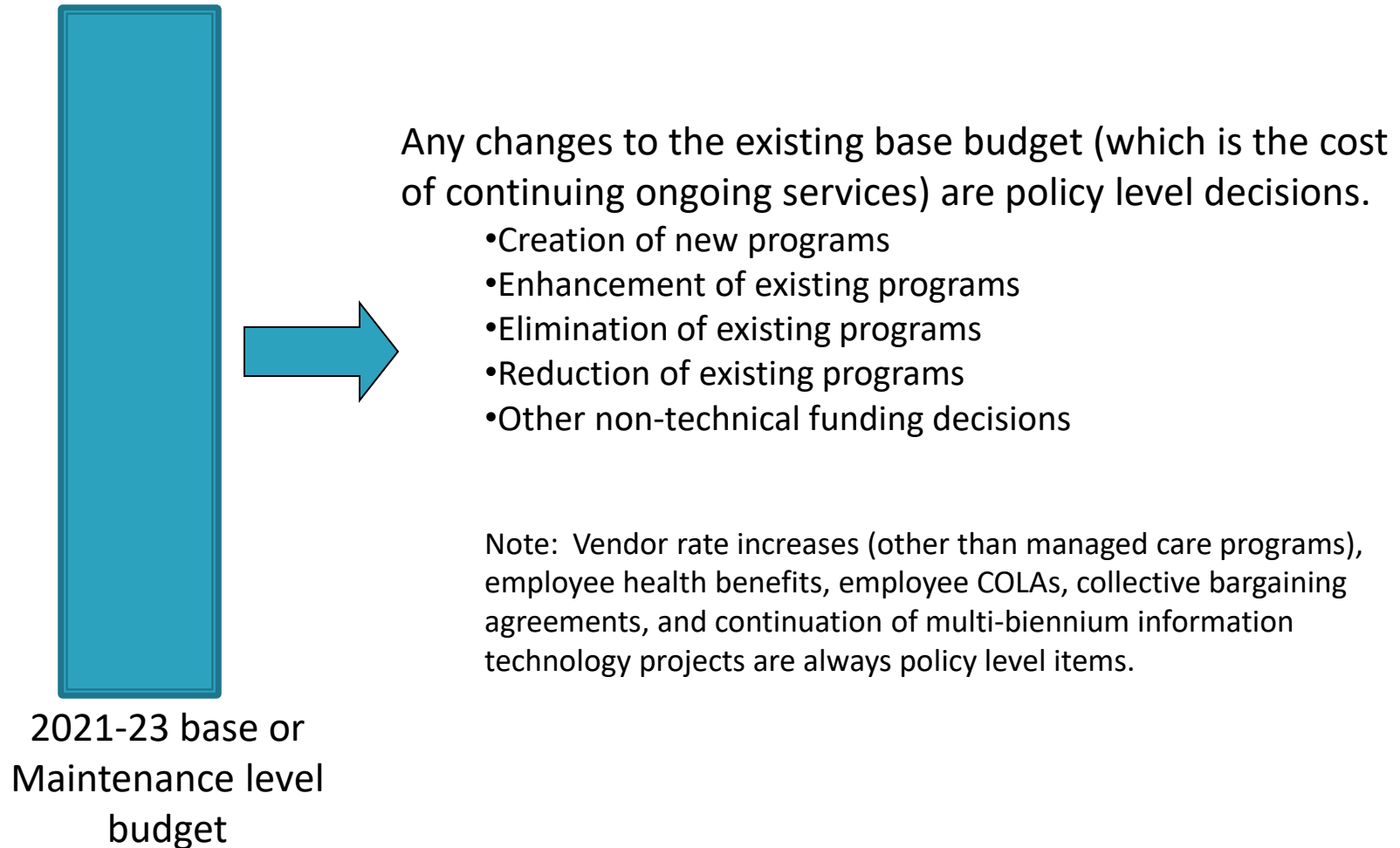
\$53.7 billion NGF-O

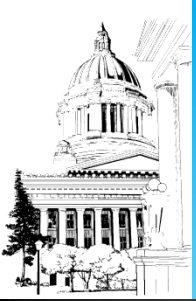


*As a technical, objective process, legislative fiscal staff have been traditionally tasked with performing a very detailed analysis and review of these items.

**Caseload forecasts are prepared and adopted by the Caseload Forecast Council (typically using a collaborative process).

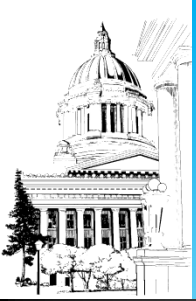
Policy-Level Budget Decisions





Potential Policy Items

- ▶ Collective bargaining agreements if submitted to the Legislature and other compensation related proposals.
- ▶ Vendor rate changes.
- ▶ Other policy choices (K-12 education, behavioral health, natural resources, higher education, health care, other human services, early learning, etc.) – increases or decreases.
- ▶ Increasing or decreasing resources (redirecting existing revenue, modifying existing tax or fee rates/bases, creating or eliminating taxes or fees, etc.).



Spending: Key Questions Related To COVID-19 Still To Be Answered

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- ▶ What additional COVID-related costs will agencies incur (particularly after December 30th)?
- ▶ What will the federal government do (amounts, timing, uses)?
- ▶ What impacts will various gubernatorial actions have on spending or revenue (up or down)?
- ▶ What will the next caseload, revenue, and per capita forecasts show? (COVID impacts seem different from prior recessions).
- ▶ What legislative actions will be taken to increase/decrease spending?
- ▶ How will any remaining federal funds be utilized?



Caseload Estimates: Nov. Compared to June

(Source: Caseload Forecast Council)

November 2020 Forecast Comparison to June 2020 Forecast by Direction and Magnitude of Change										
Caseload Category		Academic or Fiscal Year 2021			Academic or Fiscal Year 2022			Academic or Fiscal Year 2023		
Direction of Change*	Caseload Forecast Category	Nov 20 Forecast	Change from June 2020 Forecast	Percent Change	Nov 20 Forecast	Change from June 2020 Forecast	Percent Change	Nov 20 Forecast	Change from June 2020 Forecast	Percent Change
Higher than June 2020 Forecast	HCA Low Income Adults	664,154	36,805	5.9%	570,864	7,814	1.4%	548,209	-6,699	-1.2%
	DCYF Working Connections Child Care	20,637	-1,293	-5.9%	23,123	-7	0.0%	24,281	2,270	10.3%
	DCYF Early Childhood Education and Assistance Program	12,633	-743	-5.6%	13,355	-21	-0.2%	18,661	1,033	5.9%
	Charter Schools	3,373	-598	-15.1%	4,806	163	3.5%	5,719	443	8.4%
	DOC Community Custody Violators	811	-569	-41.2%	1,393	56	4.2%	1,504	107	7.6%
Lower than June 2020 Forecast	OSPI Common Schools Enrollment	1,064,611	-55,109	-4.9%	1,114,165	-15,959	-1.4%	1,117,198	-18,407	-1.6%
	HCA Adult Caretakers and Children	1,011,657	-6,136	-0.6%	960,451	-10,787	-1.1%	954,494	-10,814	-1.1%
	HCA Aged, Disabled, and Other Medical	272,736	-2,031	-0.7%	270,615	-2,178	-0.8%	273,177	-2,902	-1.1%
	OSPI Common School Special Education	142,871	-10,641	-6.9%	154,018	-2,319	-1.5%	156,302	-2,246	-1.4%
	Washington College Grant Program	96,113	-1,441	-1.5%	99,823	-14,867	-13.0%	99,385	-21,757	-18.0%
	ESA Temporary Assistance for Needy Families	29,414	-232	-0.8%	27,077	-2,025	-7.0%	26,981	-1,648	-5.8%
	WSAC College Bound Scholarship Program	22,159	347	1.6%	24,467	-309	-1.2%	23,774	-211	-0.9%
	ESA Aged, Blind, Disabled Assistance Grant	21,205	-791	-3.6%	20,803	-227	-1.1%	20,859	-397	-1.9%
	DOC Contact Required Community Supervision	19,673	-1,171	-5.6%	18,860	-473	-2.4%	19,461	259	1.4%
	DOC Adult Inmate	15,099	-1,552	-9.3%	15,565	-1,836	-10.5%	16,091	-1,319	-7.6%
	DCYF Early Support for Infants and Toddlers	8,972	-1,214	-11.9%	9,922	-715	-6.7%	10,476	-641	-5.8%
Negligible or Unchanged from June 2020 Forecast**	LTC Nursing Homes	8,525	-876	-9.3%	8,799	-593	-6.3%	8,982	-386	-4.1%
	OSPI Common School Bilingual Education	126,447	-8,478	-6.3%	136,917	1,046	0.8%	136,440	-655	-0.5%
	LTC Home and Community Services	62,579	145	0.2%	65,111	227	0.3%	67,633	311	0.5%
	DDA Total Personal Care	16,075	-250	-1.5%	16,789	-81	-0.5%	17,497	110	0.6%
	DCYF Adoption Support	15,732	-19	-0.1%	15,698	-36	-0.2%	15,684	-48	-0.3%
	DCYF Licensed Foster Care	5,652	14	0.2%	5,724	-20	-0.3%	5,783	-26	-0.5%
	DCYF Screened-In Reports	3,430	-469	-12.0%	4,019	46	1.2%	4,039	46	1.2%
	DCYF Tiered Reimbursement	2,539	-105	-4.0%	2,576	-72	-2.7%	2,748	30	1.1%
	DCYF Extended Foster Care	799	-3	-0.4%	820	-12	-1.5%	841	-12	-1.4%
	DSHS / DCYF Juvenile Rehabilitation	419	-35	-7.7%	470	-6	-1.3%	494	-14	-2.8%

*Direction of change applies to the 2021-23 biennial average. **Negligible is defined as a 0.5% change or less (5.0% or less for caseloads lower than 5,000), as a 2021-23 biennial average from the prior forecast.



Key Outlook Assumptions

- ▶ Assumes the November revenue forecast. (Note: the pessimistic and optimistic revenue forecasts are about +/- 5 billion from the baseline over three years).
- ▶ Per statute, assumes annual revenue growth of 4.5% for 23-25 (\$1.4B).
- ▶ Assumes no fund transfers in/out of NGF-O except for:
 - The one percent transfer to the BSA
 - Accounting for the return of \$125m to the BSA (out of the \$200m)
- ▶ Maintenance level costs are very preliminary staff estimates.
 - Does not include continuation of COVID-related temporary rate increases, response efforts, or policy changes.
 - In some cases, key variables are not yet known. (Example: managed care rates)
 - In many cases, lower than anticipated caseloads generate assumed savings.
 - Forecast margins of error are likely much larger than is typical.
 - Does reflect updated reversion information (FY 20 is \$571m vs est. of \$187m)
- ▶ Spending does not include any policy items.
 - Does not assume debt service for future capital budgets.
 - Perspectives may differ on whether certain policy items are “must-do”.

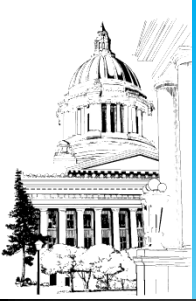
Staff Analysis For Planning Purposes: 2020 Budget Outlook

Preliminary Maintenance Level Only

Dollars in Millions

	FY 2020	FY 2021	2019-21	FY 2022	FY 2023	2021-23	FY 2024	FY 2025	2023-25
Beginning Balance	1,981	1,378	1,981	1,008	13	1,008	-738	-979	-738
Total Revenues and Resources	24,831	25,957	50,788	26,618	27,565	54,183	28,809	30,108	58,917
Projected Spending Through ML	25,434	26,327	51,762	27,612	28,317	55,929	29,050	29,674	58,724
Projected Ending Balance	1,378	1,008	1,008	13	-738	-738	-979	-545	-545
Budget Stabilization Account Ending	1,683	1,949	1,949	2,346	2,626	2,626	2,908	3,201	3,201
Total Reserves	3,061	2,956	2,956	2,360	1,887	1,887	1,929	2,655	2,655
Total Reserves Pessimistic	3,061	1,644	1,644	-780	-3,547	-3,547	-5,902	-7,681	-7,681

Note: Projected Spending is net of assumed reversions and is a staff estimate of maintenance based on very preliminary information (including caseload savings). Potential policy level budget items are not included in this analysis. These figures will change and come with a greater margin of error than is typical. This analysis was prepared by OPR staff for legislative deliberations of House members. It is not an official Outlook.



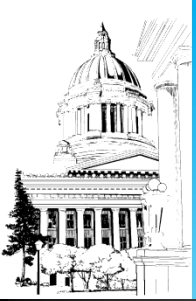
Glossary

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Carry Forward Level: A projected expenditure level for each biennial budget which is mechanically calculated by adjusting current appropriations by the bow wave impact of items assumed in existing appropriations (costs or savings). For example, accounting for the biennial cost of a new program that was funded beginning in the second year of the biennium is a common bow wave item.

Maintenance Level: A projected expenditure level representing the estimated cost of providing currently authorized services in the ensuing biennium. It is calculated by using the carry forward level and making adjustments for the forecasted changes in the entitlement caseload/enrollment and other mandatory expenses. This number establishes a base from which policy changes are made to create a new budget.

Policy Level: The authorized spending level for the next biennium is calculated by taking the maintenance level and making a series of discrete decisions that increase or decrease the budget of an agency. Examples include: creating a new program; eliminating a current program; increasing or decreasing vendor or employee payment rates; expanding or contracting program eligibility; expanding or contracting the value of services provided by a program; and increasing or decreasing the administrative costs of a program. Appropriations are the sum of maintenance level and policy level.



Glossary cont'd.

2021 Supplemental Budget: A modification to the budget for the current biennium (2019-21). A 2020 Supplemental Budget was adopted in the first year of the biennium. A 2021 supplemental, sometimes called the second supplemental, will likely be adopted in the 2021 session.

2021-23 Budget: Legislation that will authorize spending for the biennium beginning July 1, 2021 and ending June 30, 2023.

General Fund: The account that receives general revenues and is spent for operations such as education, social services, and corrections.

Funds Subject to the Outlook: The State General Fund plus the Education Legacy Trust Account, Workforce Education Investment Account and the Opportunity Pathways Account.