



Overview of the State Operating Budget

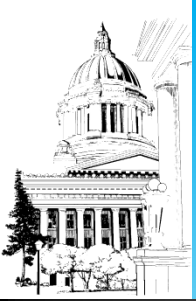
**House Appropriations Committee
January 18, 2021**

Dave Johnson

Office of Program Research



Budget Basics



What is a Budget?

- ▶ A spending plan for the operation of state government.
- ▶ Authorizes state agencies to spend (up to) a certain amount by making appropriations covering a two-year period (biennium).
- ▶ Expectations are established for how agencies will spend their appropriations:
 - Provisos in the budget bill
 - Budget Notes
 - Statutes and previous funding for ongoing agency activities
 - Appropriations are not made at the level of specific activity or object of expenditure.



A Budget is a Bill (Mostly) Like Other Bills

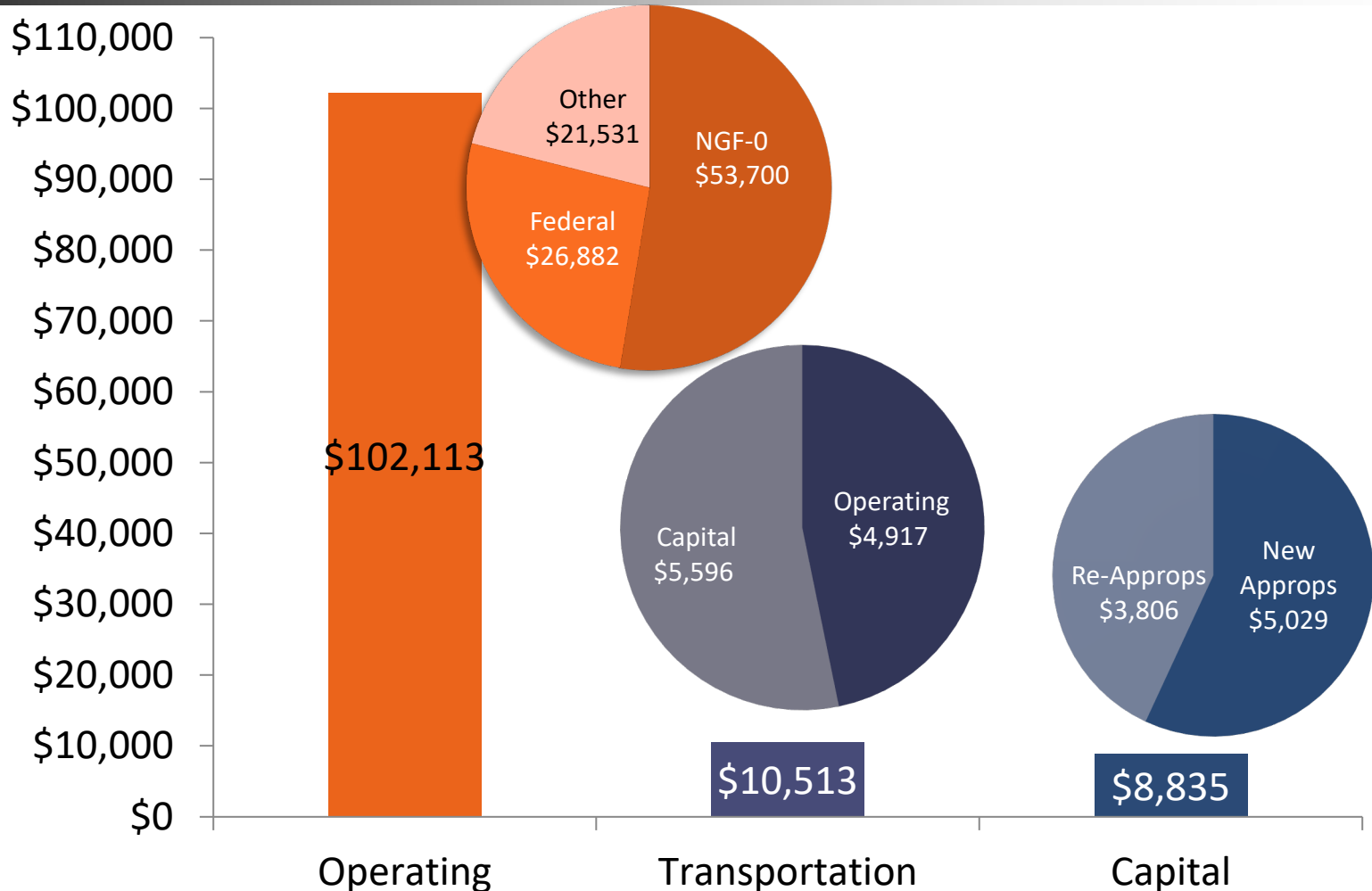
- ▶ Provides agency or program appropriation authority (lump sum by fund). Appropriations are made:
 - To a specified state agency
 - For a specified amount
 - For a specified time period
 - From a specified fund or account (there are approx. 500 accounts).
- ▶ Key similarities:
 - The budget bill follows the same process as other legislation.
 - Changes to a budget bill being considered by the Legislature are made the same way as to any bill – by amendment.
- ▶ Key differences:
 - Practically speaking, a budget must pass.
 - Content of the budget bill is time limited.
 - While the title is broad, the constitutional title-subject rule limits what can be included.
 - The requirement to be balanced (including a 4-year balanced Outlook).
 - Additional supporting documents are provided at various stages of the budget process.



There are Actually Three Different Budgets totaling \$121 billion for the 2019-21 biennium after the 2020 supplemental

(\$ in millions)

Office of Program Research



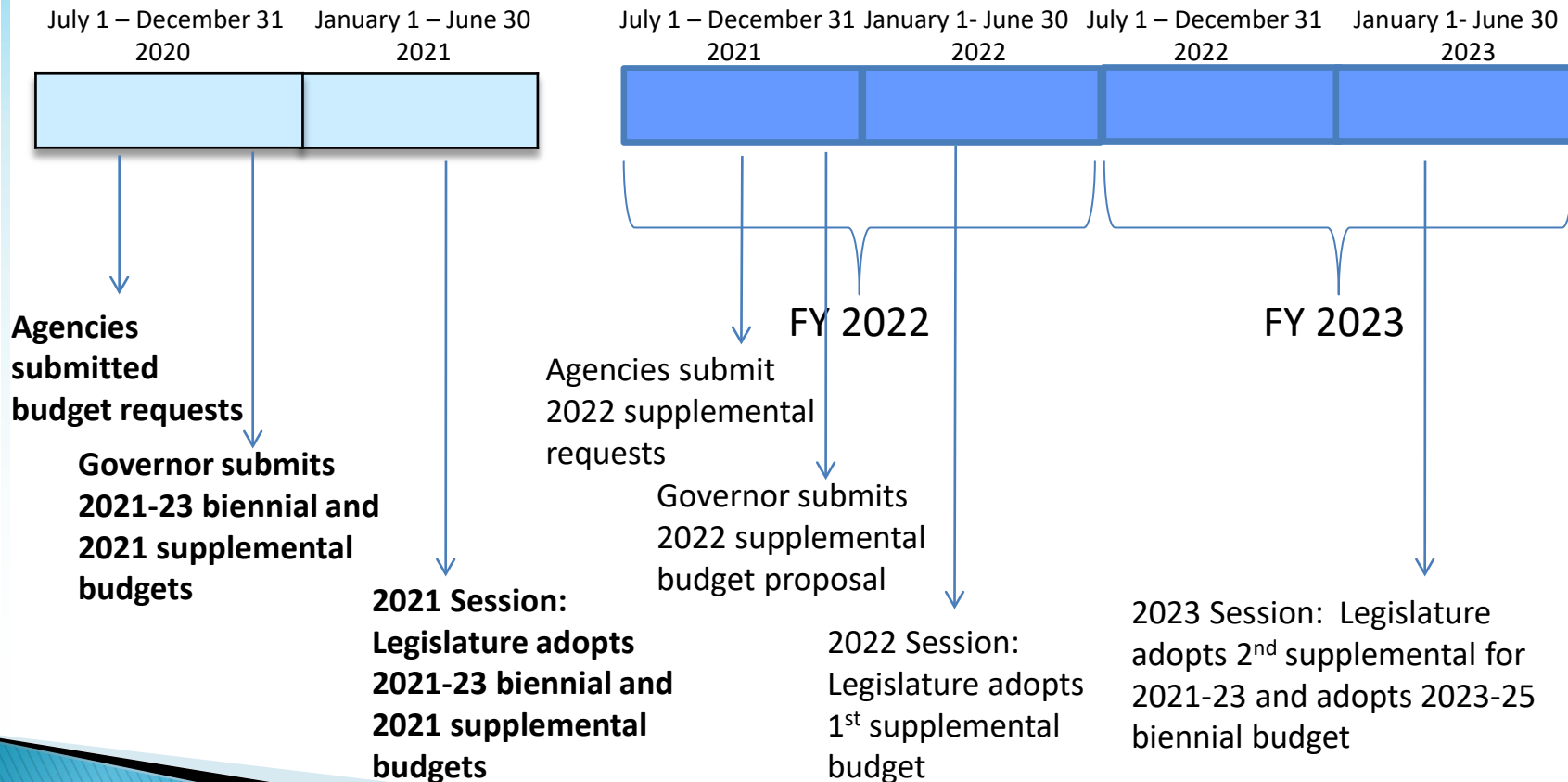
Notes: Debt Service paid in operating budget. Data is 2019-21 enacted budgets, after the 2020 supplemental. NGF-O are those funds subject to the four year balanced budget requirement.



2021-23 Biennial Budget Calendar

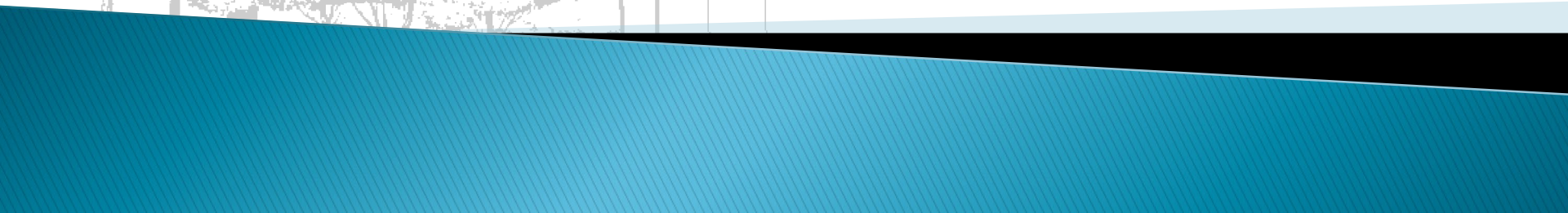
Office of
Program
Research

Agencies develop budget proposals in summer, submit in the fall. Each December the Governor releases proposed budgets. The Legislature develops budgets during session(s) and sends to the Governor.





Overview of the State Operating Budget





Among other things, the Operating Budget pays for:

- ▶ K-12 Education – for more than 1.1 million students
- ▶ Higher Education – for almost 238,000 students
- ▶ Health Care – for almost 1.77 million children and low income adults
- ▶ Social Services – for children, adults, and families
- ▶ Public Safety – including prison for more than 17,000 persons (excluding the violator population), and community supervision for more than 22,000 offenders
- ▶ Natural Resource and Recreation Programs
- ▶ Government Operations
- ▶ Debt Service on bonds for capital projects (including K-12 and higher education)

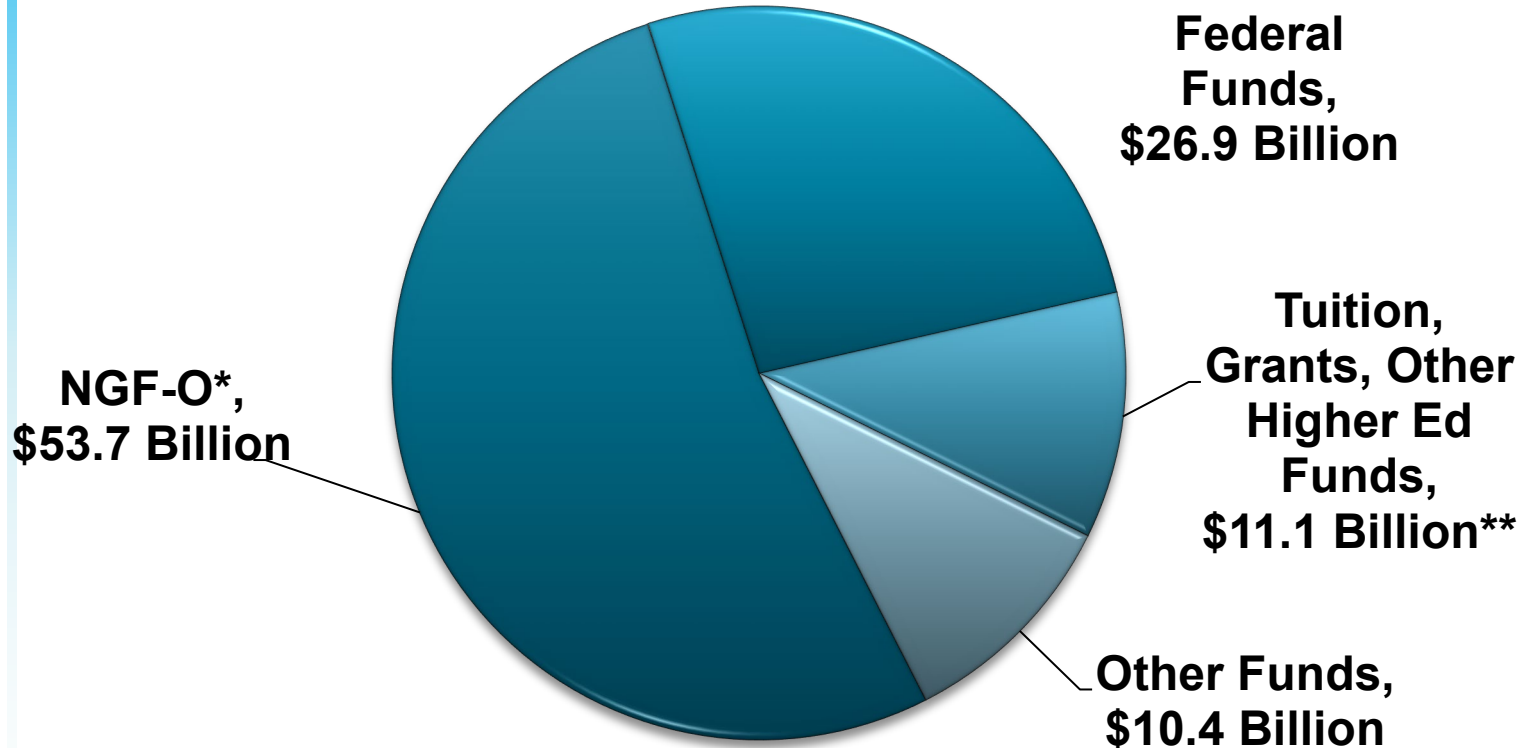
Figures represent FY 2021 funded caseloads (COVID-19 will impact these figures).



Where Does the Money Come From?

Although the Legislature spends the majority of its time on funds subject to the outlook, almost half of operating budget spending is from other accounts.

Office of
Program
Research



2019-21 (Incl. 2020 Supp) Total Budgeted Funds = \$102.1 Billion

* Includes funds subject to the Outlook

** Includes funds 143, 145, 148, 149, and 505



Operating Budget Drivers

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

Office of
Program
Research

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.

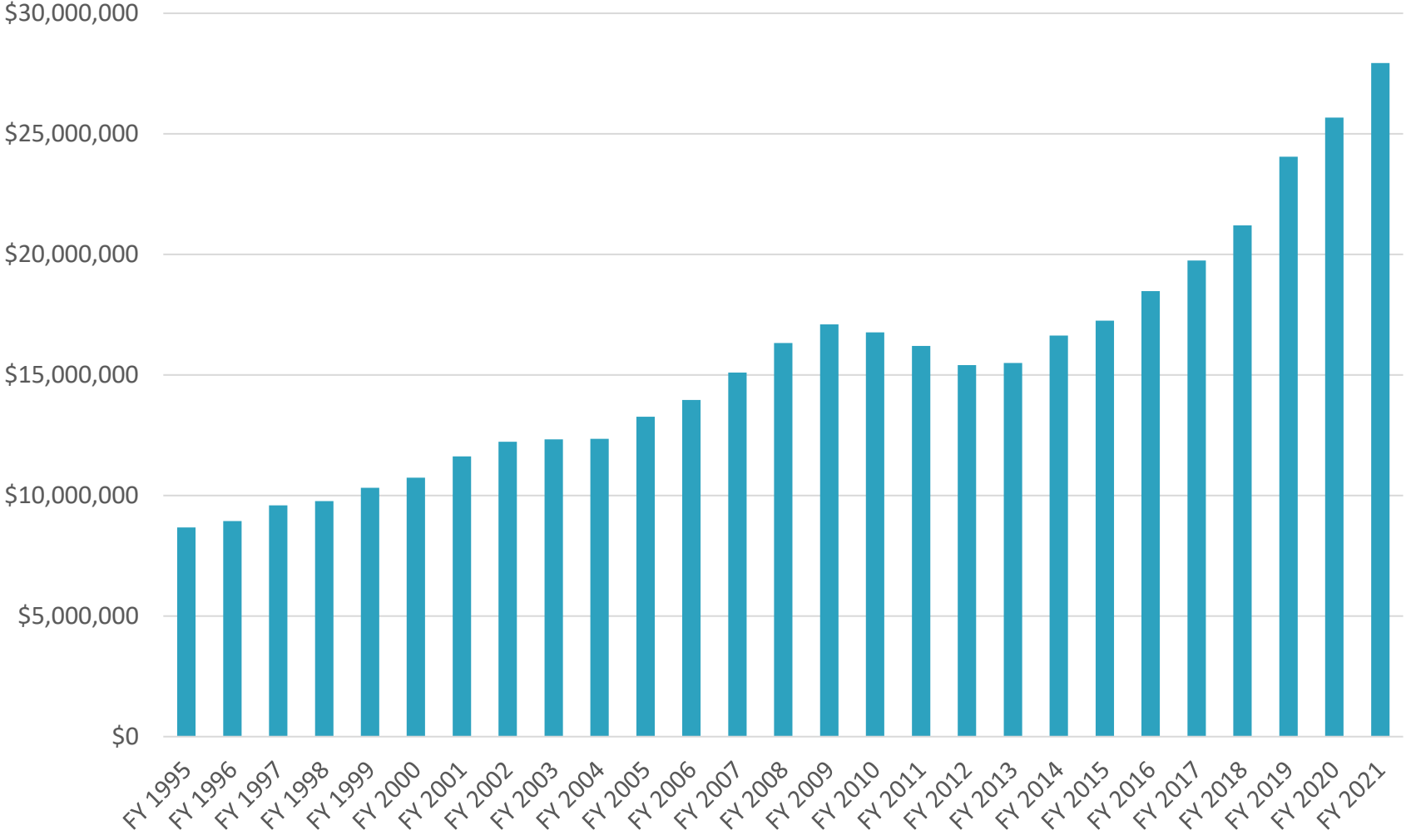
*** Can be changed by legislation.



Historical Summary

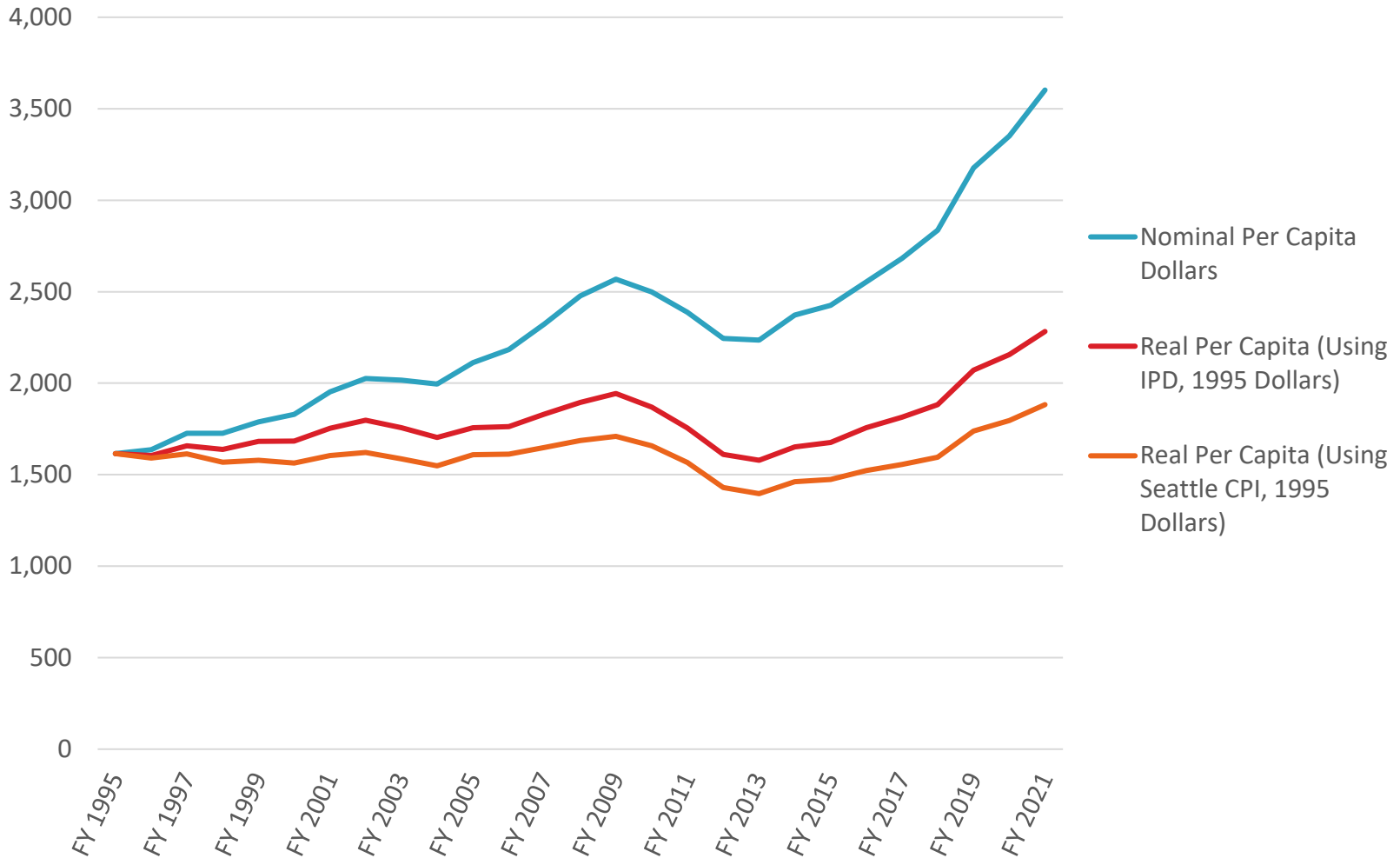
NGF-T & Related Fund Spending: FY 1995 to FY 2021

(Dollars in thousands)



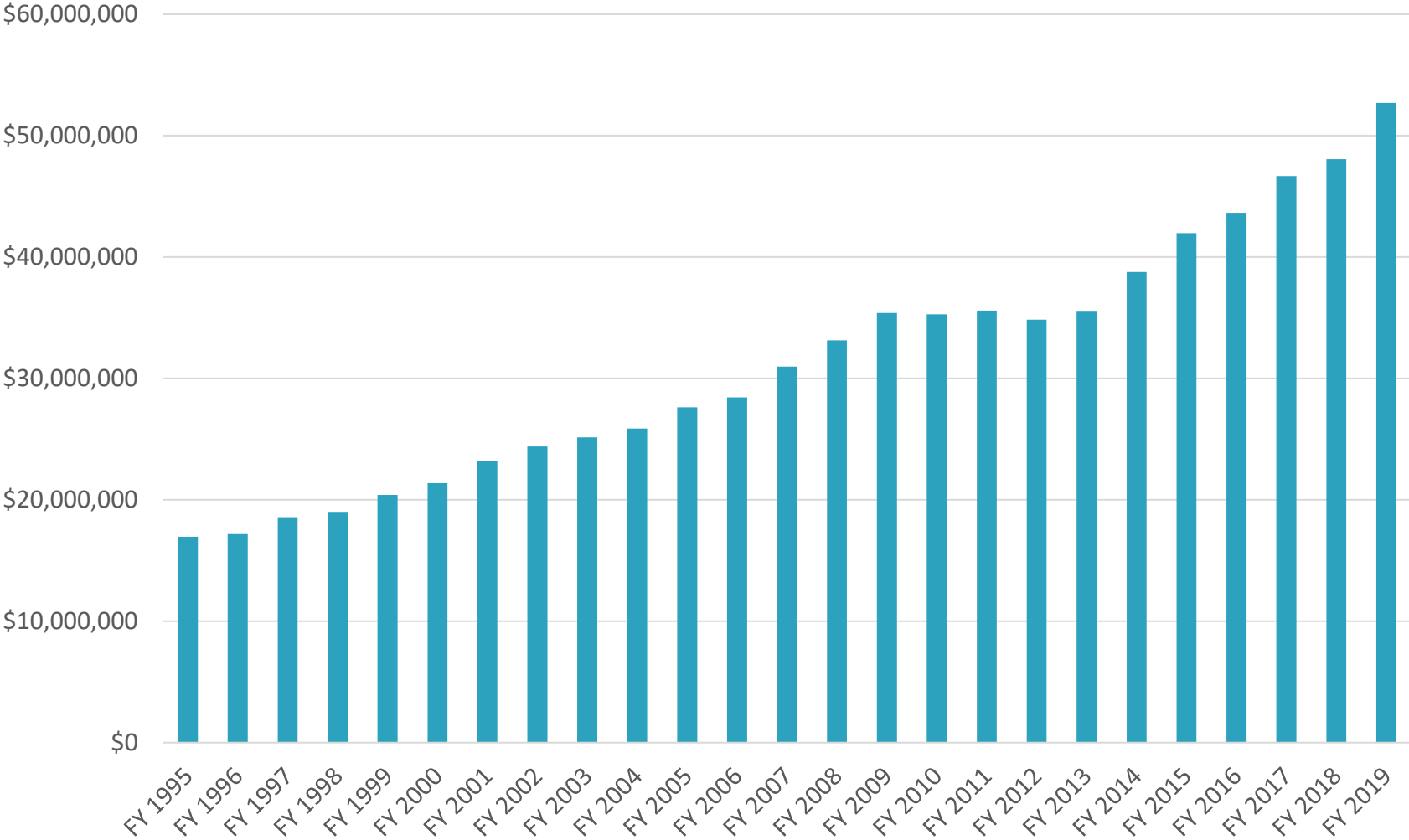
Note: NGF-T includes funds subject to the outlook plus the McCleary Penalty Account and the Pension Funding Stabilization Account. Data is adjusted to add ARRA and education jobs funding used as a direct offset to NGF-T expenditures. Data is adjusted to reverse the apportionment delay and certain large one-time appropriations into “reserve” accounts, as well as changes to timing of debt service payments. FY 2021 is budgeted spending. Prior years are actual spending.

Per Capita NGF-T: FY 1995 to FY 2021



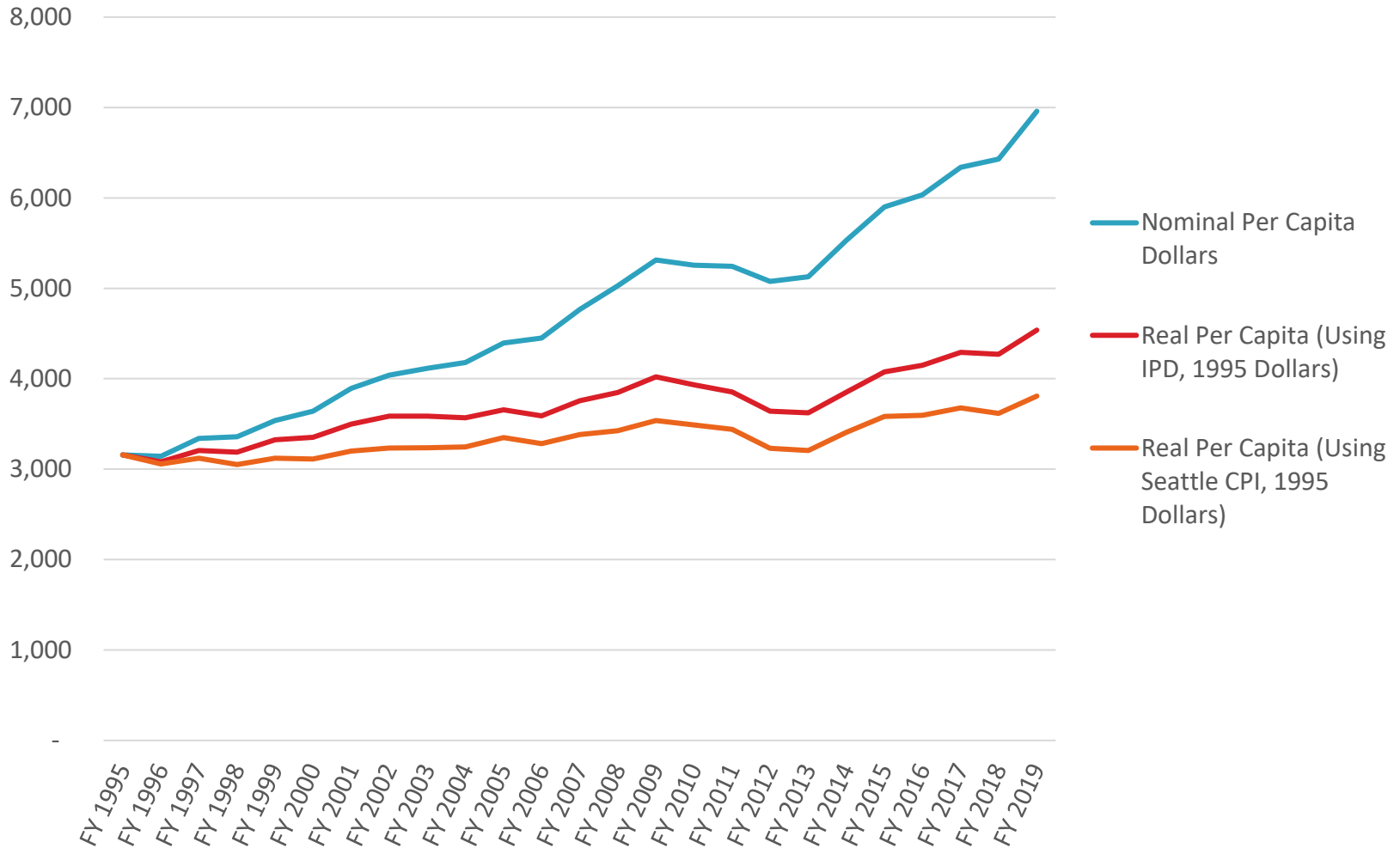
Note: NGF-T includes funds subject to the outlook plus the McCleary Penalty Account and the Pension Funding Stabilization Account. Data is adjusted to add ARRA and education jobs funding used as a direct offset to NGF-T expenditures. Data is adjusted to reverse the apportionment delay and certain large one-time appropriations into “reserve” accounts, as well as changes to the timing of debt services payments. Inflation and population measures from November 2020 forecasts. FY 2021 is budgeted spending.

Total Budgeted Funds Spending: FY 1995 to FY 2019



Note: Data is adjusted to reverse the apportionment delay and certain large one-time appropriations into “reserve” accounts, as well as changes to timing of debt service payments. Excludes capital spending but includes the operating costs in the Transportation budget.

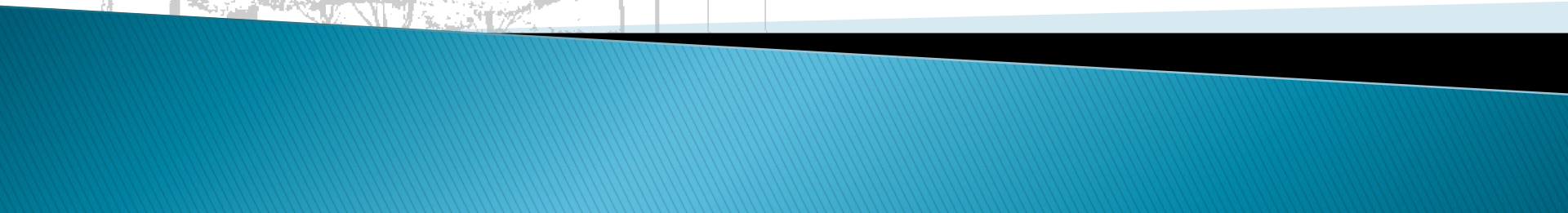
Per Capita Total Budgeted Funds Spending: FY 1995 to FY 2019



Note: Data is adjusted to reverse the apportionment delay and certain large one-time appropriations into “reserve” accounts, as well as changes to the timing of debt services payments. Inflation and population measures from November 2020 forecasts. Figures exclude Capital spending but include Transportation operating.



Developing the 2021-23 Operating Budget



Getting to the 2021-23 Budget Starting Point

\$53.7 billion NGF-O



2019-21 Budget



“Carry-forward”

2019 and 2020 Legislative budget decisions into the next biennium.*

Take current appropriations and:

- Biennialize ongoing appropriations and reductions.
- Remove one-time appropriations and reductions.



Maintenance-level adjustments:*

- Entitlement programs - Caseload forecasts and per cap or formula driven costs.**
- Entitlement and non-entitlement programs – MANDATORY cost increases or decreases.

Note: Portions of many large entitlement programs are effectively zero-based as part of this process.



2021-23 base or maintenance level budget

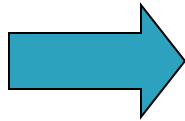
*As a technical, objective process, legislative fiscal staff have been traditionally tasked with performing a very detailed analysis and review of these items.

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

Policy Level Budget Decisions



2021-23 base or
maintenance level
budget



Any changes to the existing base budget (which is the cost of continuing on-going services) are policy level decisions.

- Creation of new programs
- Enhancement of existing programs
- Elimination of existing programs
- Reduction of existing programs
- Other non-technical funding decisions

Note: Vendor rate increases (other than managed care programs), employee health benefits, employee COLAs, collective bargaining agreements, and continuation of multi-biennium information technology projects are always policy level items.



Potential Policy Items

- ▶ Collective bargaining agreements 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.).



Balancing The Budget During The 2021 Session

- ▶ The Legislature will almost certainly adopt both a 2021 Supplemental Budget and a 2021-23 Biennial Budget.
- ▶ By statute, both the 2019-21 and 2021-23 Biennial budgets must be balanced.
- ▶ By statute, the 2021-23 budget is projected into 2023-25 and that must also be balanced (4-year Outlook).
- ▶ 2023-25 is a projection -- the Legislature will not be enacting an actual budget for 2023-25 until the 2023 session.



If Projected Spending Exceeds Projected Resources, There are Two Broad Approaches

Office of
Program
Research

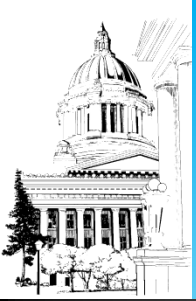
- ▶ Reduce projected spending
 - Eliminate programs or services
 - Shift costs to other payers
 - Serve fewer clients
 - Reduce the value of the services
 - Reduce employee/provider compensation/rates
 - Improve efficiency and/or effectiveness of services
 - Shift timing of expenses

- ▶ Increase projected resources
 - Fund transfers/redirections
 - Enact new taxes or fees
 - Broaden bases and/or increase rates for existing taxes or fees
 - Shift timing of resources

Note: Many options would require separate legislation

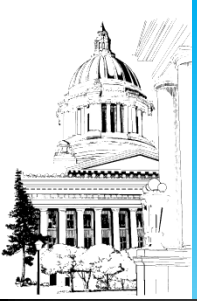


Budget Reserves, Balanced Budgets, and the Four-Year Outlook



Budget Stabilization Account (BSA)

- ▶ Serves as a “rainy day” account.
- ▶ Constitutional creation (2007 and 2011; Art. VII, Sec. 12).
- ▶ Specific requirements about when deposits must be made and accessing the money in the account.
- ▶ Uses the concept of General State Revenues (GSR).



BSA: How Does Money Get In?

- ▶ Treasurer, each June, transfers an amount equal to 1% of General State Revenues (GSR) from the State General Fund to the BSA. Transfers are made annually.
- ▶ Extraordinary revenue:
 - When GSR grows from one biennium to the next by more than a certain amount, 75% of that amount (less the deposits pursuant to the 1% transfer) is transferred from the State General Fund to the BSA.
 - This condition is met when growth in GSR exceeds by one-third the average biennial percentage growth over the prior five fiscal biennia. (Except in the biennium following a biennium where state employment growth averaged less than one percent per fiscal year).
 - Transfers are made (at most) once a biennium.



BSA:

How may funds be appropriated?

- ▶ For Any Purpose:
 - If estimated employment growth in any fiscal year is less than 1%, moneys may be appropriated for 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.



What is the Four-Year Budget Outlook (Outlook)?

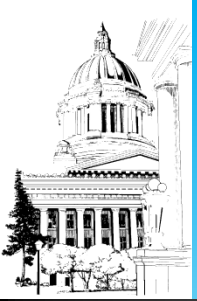
- The Outlook is prepared to facilitate compliance with the four-year balanced budget requirement.
- The Outlook projects the impact of the current biennial budget into the ensuing biennium.
- Generally speaking, the Legislature is required to adopt a budget that balances for the current fiscal biennium and balances the projection for the ensuing fiscal biennium (Outlook Biennium).
- In the Outlook biennium, the projected maintenance level cannot exceed the available fiscal resources based on statutory methodology.
- The “Outlook biennium” is not required to be balanced in a fiscal biennium in which money is appropriated from the Budget Stabilization Account (with low employment).



How does the Outlook affect the Budget?

Office of
Program
Research

- Legislators' decisions in the operating budget (or separate legislation) are reflected for both the current biennium and the ensuing biennium.
 - Examples include items that are one-time, are phased in, or delayed.
 - The Outlook statute provides guidance on how certain items are handled.
- The budget may include language to express legislative intent for Outlook purposes.
- The outlook requirement applies to four accounts: General Fund-State, Education Legacy Trust Account, Wa. Opportunity Pathways Account, and the Workforce Education Investment Account.



How often are Outlooks prepared?

- ▶ Official Outlooks are required to be developed and approved by the ERFC two times per year:
 - January: Each January to reflect the Governor's budget proposal; and
 - Post Session: Each year 30 days after the enacted budget (adopted by the Legislature and signed by the Governor).
- ▶ Throughout the budget development process, unofficial Outlooks are prepared by legislative staff for proposed budgets.



Budget Outlook & Federal Legislation



Forecast Revisions Since The Enacted Budget (Economic Changes, Millions of Dollars)

Office of
Program
Research

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | 4 Years |
|--|---------|---------|---------|---------|---------|
| June Forecast Change (GFS+OpPW+ELTA+WEIA) | (1,136) | (3,556) | (2,414) | (2,198) | (9,305) |
| September Forecast Change (GFS+OpPW+ELTA+WEIA) | 116 | 2,123 | 1,225 | 1,194 | 4,658 |
| November Forecast Change (GFS+OpPW+ELTA+WEIA) | 0 | 634 | 240 | 88 | 962 |
| June + Sept + Nov Forecast Change (GFS+OpPW+ELTA+WEIA) | (1,020) | (799) | (949) | (916) | (3,684) |

Notes: Reflects economic changes and excludes the impact of legislation enacted between the February and June revenue forecasts. Also excludes other changes (reversions, CAFR adjustments).



COVID-19 (SARS-CoV2) Timeline

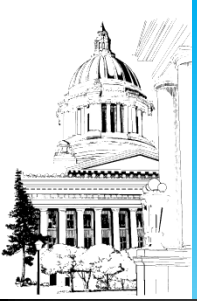
- ▶ **January 21:** First COVID-19 case reported (US and Washington).
- ▶ **March 6:** The federal Coronavirus Preparedness and Response Supplemental Appropriations Act (\$8.3 billion) is enacted.
- ▶ **March 12:** Legislature passes 2020 Supplemental Budget (ESSB 6168) and State Response to Novel Coronavirus (EHB 2965).
- ▶ **March 13:** President Trump declares national emergency.
- ▶ **March 18:** The federal Families First Coronavirus Response Act (initial estimate \$192 billion) is enacted. This included enhanced FMAP funding.
- ▶ **March 27:** The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (\$1.8 to 2.2 trillion) is enacted, including the Coronavirus Relief Fund.
- ▶ **April 24:** The federal Paycheck Protection Program and Health Care Enhancement Act (\$484 billion) is enacted.
- ▶ **December 27:** Consolidated Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (Consolidated Appropriations Act) signed.



Major Federal Coronavirus Funding (Prior to the Coronavirus Response and Relief Supplemental Appropriations Act).

Office of
Program
Research

- ▶ FEMA—Federal Stafford Act funding.
- ▶ Coronavirus Relief Fund (CRF)—\$2.95 billion.
- ▶ Enhanced FMAP—Federal share increases from 50% to 56.2%.
- ▶ K-12 Fund (ESSER) —\$217 million.
- ▶ Higher Education—\$228 million (direct to colleges and universities, typically half must be used for emergency financial aid).
- ▶ Governor’s Fund—\$57 million (higher education).
- ▶ Child Care Development Block Grant—\$59 million.
- ▶ Others—Payroll Protection, UI, Food, Testing, Providers, Transportation, Individuals, etc. (Many flow directly to individuals, businesses, non-profits, and other governmental organizations.)

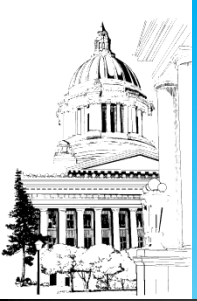


Coronavirus Relief Fund (CRF)

Office of
Program
Research

- ▶ Washington Total: \$2.953 billion
 - Direct To Locals: \$786 million (Seattle, King, Spokane, Snohomish, Pierce).
 - Direct to State: \$2.2 billion. Of that:
 - Round One to Local Governments: \$297 million*
 - Round Two to Local Governments: \$240 million*
 - Remainder to state (including some additional funding for local health).
- ▶ May only be used to cover expenses that:
 - are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
 - were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
 - were incurred during the period that begins on March 1, 2020 and ends on ~~((December 30, 2020))~~ December 31, 2021.
- ▶ Allocations, less reversions, are expected to exceed available funds by approximately \$32 million. OFM will be taking action to address the shortfall.

* There is no federal statutory requirement that these funds be dedicated to local uses.



December Federal Action: CRRSA

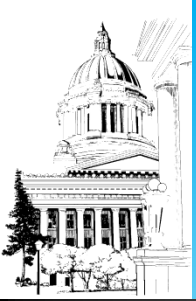
- ▶ In many instances, precise amounts and federal guidance is not yet available.
- ▶ Selected Amounts:
 - Rental Assistance: \$510 million (some of that total – perhaps \$190 million – will go directly to local governments)
 - Education:
 - K-12 Fund (ESSER): \$824 million
 - Private K-12 schools: \$46 million
 - Flexible funding: \$25 million
 - Funding directly to public/private colleges & universities (\$367 million*, of that at least \$111 million* must be for student grants).
 - Increases to various block grant amounts (Child Care, substance abuse prevention/treatment, mental health, etc.)

* Unofficial estimates for Washington state share provided by American Council of Education.



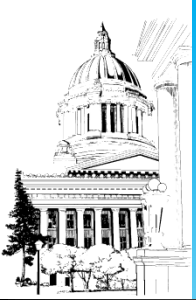
CRRSA Amounts – Continued

- Additional Selected Amounts:
 - CDC Testing & Contact Tracing: \$438 million
 - Vaccine Preparedness: \$68 million
- Selected other provisions:
 - Extends/modifies/funds Paycheck Protection Program (PPP)
 - Extends various unemployment insurance programs (the add-on is \$300/week)
 - Creates a broadband connection credit program for families meeting financial eligibility criteria
 - \$600 per person tax credit (phased out with higher income)
 - Modifications to SNAP (eligibility and benefit amounts)
 - Various transportation provisions related to transportation
 - Coronavirus Relief Fund extended one year,



Budget Outlook For This Session

- ▶ Based on the November 2020 revenue forecast as adopted by the ERFC.
- ▶ Covers primarily the costs of continuing current programs -- but excludes possible policy changes like employee compensation, vendor rates, policy enhancements or reductions, tax policy changes.
- ▶ Perspectives may differ on whether certain policy items are “must-do”.
- ▶ Covers the six-year period legislators will consider this session.



There Is A Lot We Don't Know Yet

- ▶ Spending does not include any policy items. Examples include:
 - Legislation
 - Coronavirus (COVID-19) impacts
 - Costs of responding (directly/indirectly) to the pandemic
 - Any choices around rates or eligibility
 - Vendor and employee increases
 - Much more
- ▶ Depending on the choices, impacts are in the billions (over four years).
- ▶ The forecast range is very large. The pessimistic and optimistic revenue forecasts are about +/- 5 billion from the baseline (just through the 2021-2023 biennium). Caseload estimates are also less certain.
- ▶ Updated caseload and revenue forecasts will be available during the legislative budget development process.

Staff Analysis For Planning Purposes: Budget Outlook Governor's 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 | 1,025 | 84 | 1,025 | -621 | -823 | -621 |
| 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 | 26,310 | 51,744 | 27,558 | 28,271 | 55,829 | 29,011 | 29,634 | 58,645 |
| Projected Ending Balance | 1,378 | 1,025 | 1,025 | 84 | -621 | -621 | -823 | -349 | -349 |
| 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 | 2,973 | 2,973 | 2,431 | 2,005 | 2,005 | 2,085 | 2,851 | 2,851 |
| Total Reserves Pessimistic | 3,061 | 1,661 | 1,661 | -709 | -3,429 | -3,429 | -5,746 | -7,485 | -7,485 |

Note: Projected spending is net of assumed reversions and reflects the Governor's maintenance level budget request (including caseload savings). Resources consist of forecasted revenues, enacted transfers, and an assumed repayment to the BSA of \$125m (in FY 22). In the November forecast, the likelihood of the optimistic scenario was judged to be 25% (as was the pessimistic scenario). Potential policy level budget items are not included in this analysis. This analysis was prepared by OPR staff for legislative deliberations of House members. It is not an official Outlook.



Appendix



2019-21 Operating Budget

NGF-O

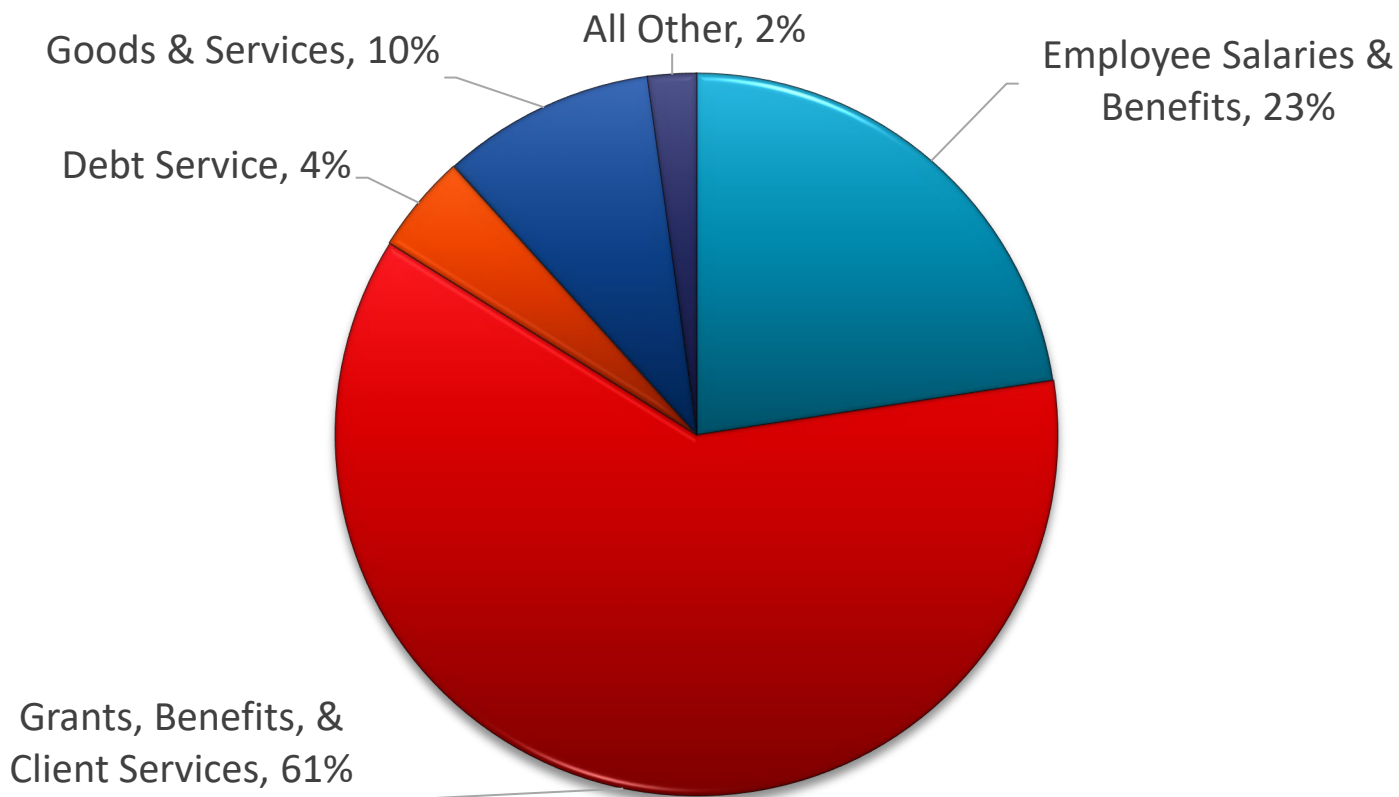
(Dollars in thousands)

Office of
Program
Research

| | |
|-------------------------------------|------------|
| Legislative | 194,153 |
| Judicial | 340,797 |
| Debt Service | 2,406,790 |
| Public Schools | 27,251,197 |
| Higher Education | 4,427,478 |
| Department of Corrections | 2,347,839 |
| Health Care Authority | 6,047,285 |
| Dept. of Children, Youth & Families | 1,920,236 |
| DSHS: DD, LTC & State Hosp | 5,464,403 |
| DSHS: Other | 1,005,594 |
| Natural Resources | 500,460 |
| All Other | 1,793,455 |
| | 53,699,687 |



What Did the State Purchase?



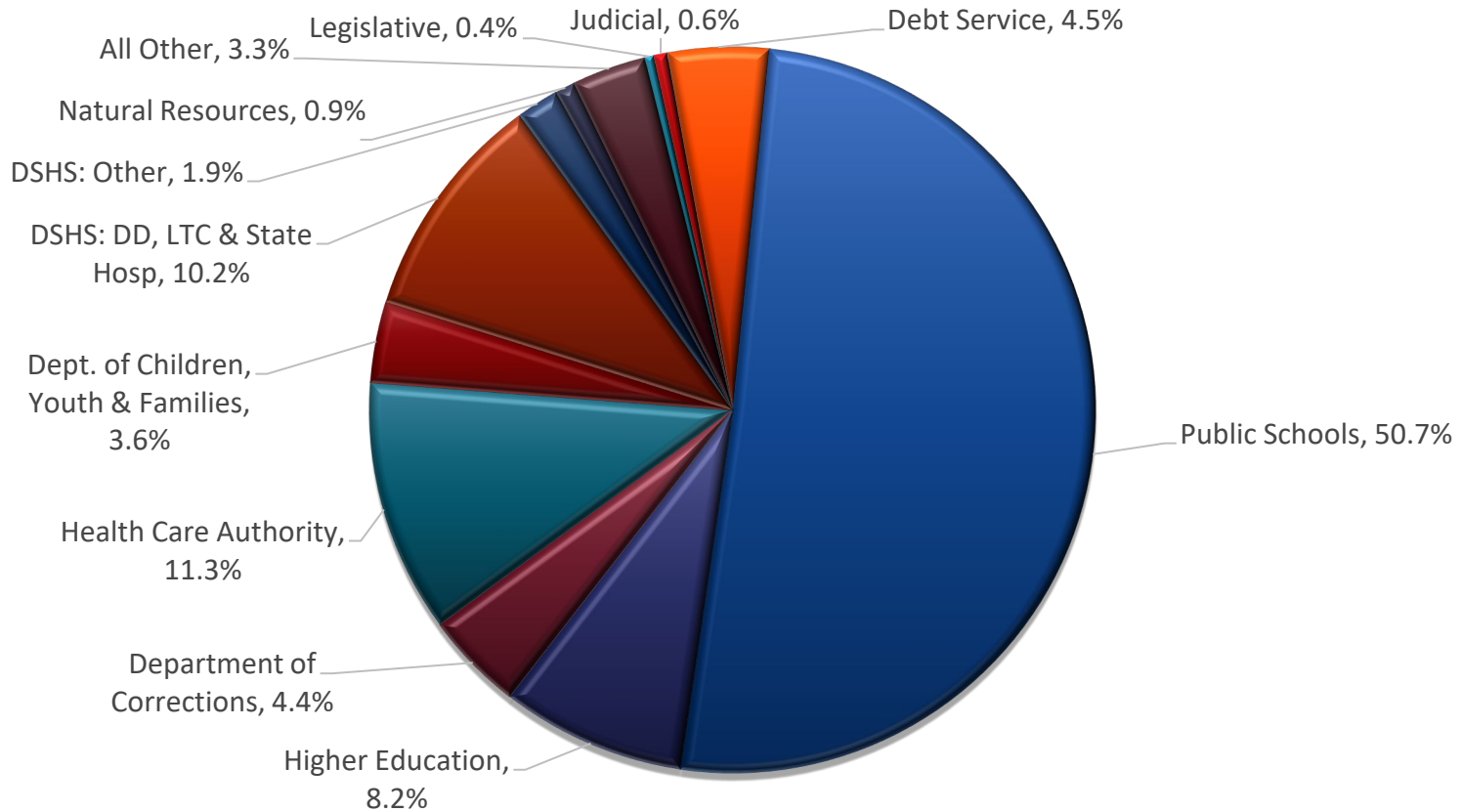
Note: Most K-12 spending is displayed as Grants, Benefits, and Client Services.

FY 2020: Actual Spending By Object
Total Budgeted Operating (\$53.0 billion)
(Includes transportation operating)



Where Are Funds in the Operating Budget Spent?

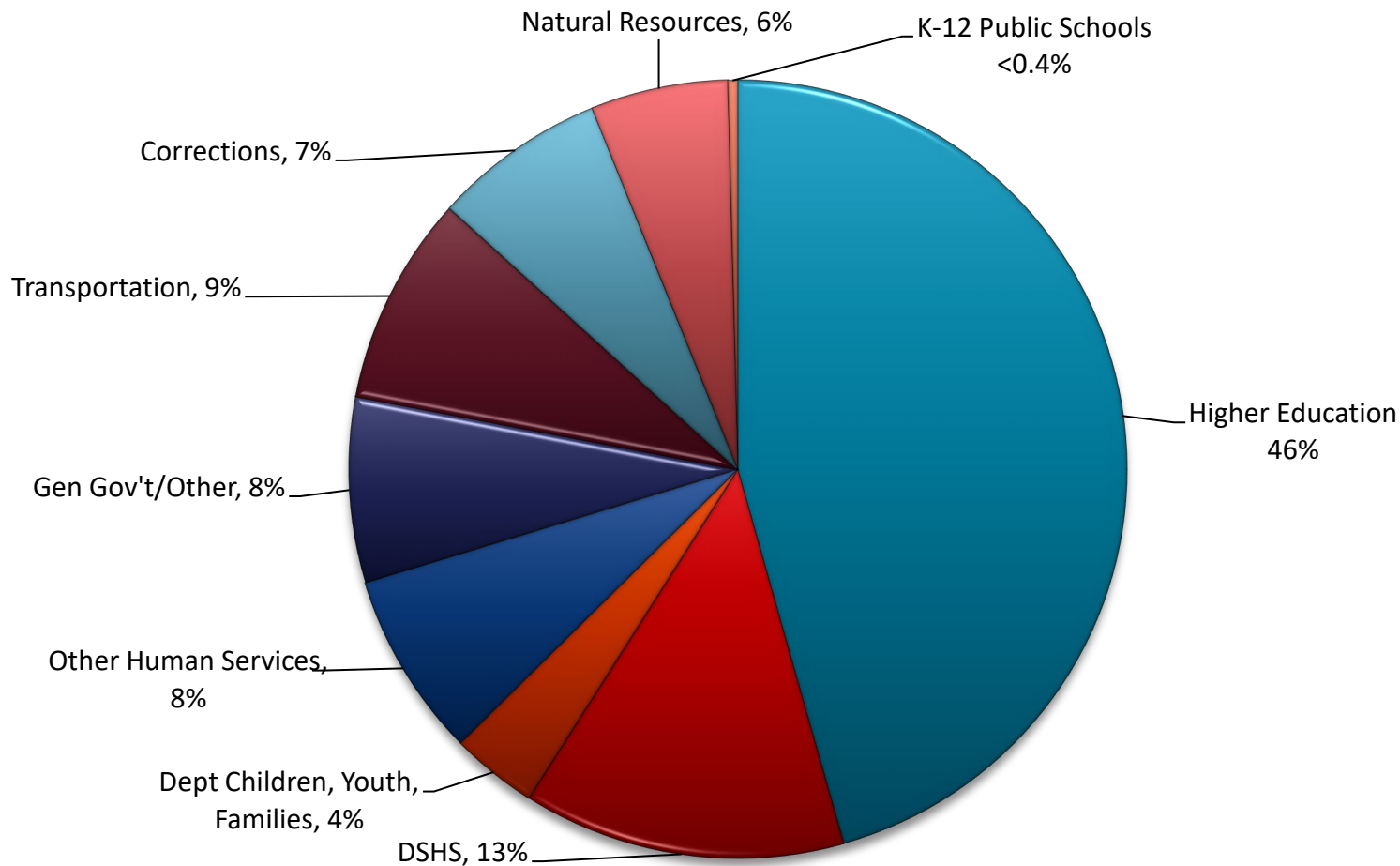
Office of Program Research



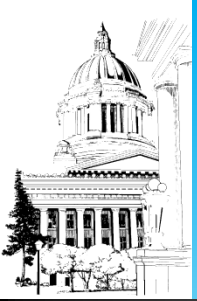
2019-21 Operating Budget Including 2020 Supplemental (\$53.7 billion)
Funds subject to the Outlook



Where Did State Employees Work?

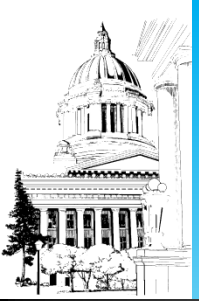


FY 2020: Actual FTEs
(Operating, Capital, and Transportation Total Budgets; 120,293 FTEs)



Other Selected Budget Related Considerations of Note

- ▶ Over 500 funds/accounts
 - In the state treasury or in the custody of the state treasury
- ▶ Economic and Revenue Forecast Council and Caseload Forecast Council
- ▶ Fees and Taxes
- ▶ Legal considerations including:
 - Lending the state's credit/gift of public funds
 - Title-subject and one subject rules
 - Appropriations requirements
 - Governor's budget item veto authority
- ▶ Fiscal Notes



Projected Biennial Reserve Levels Have Increased In Recent Years

Office of
Program
Research

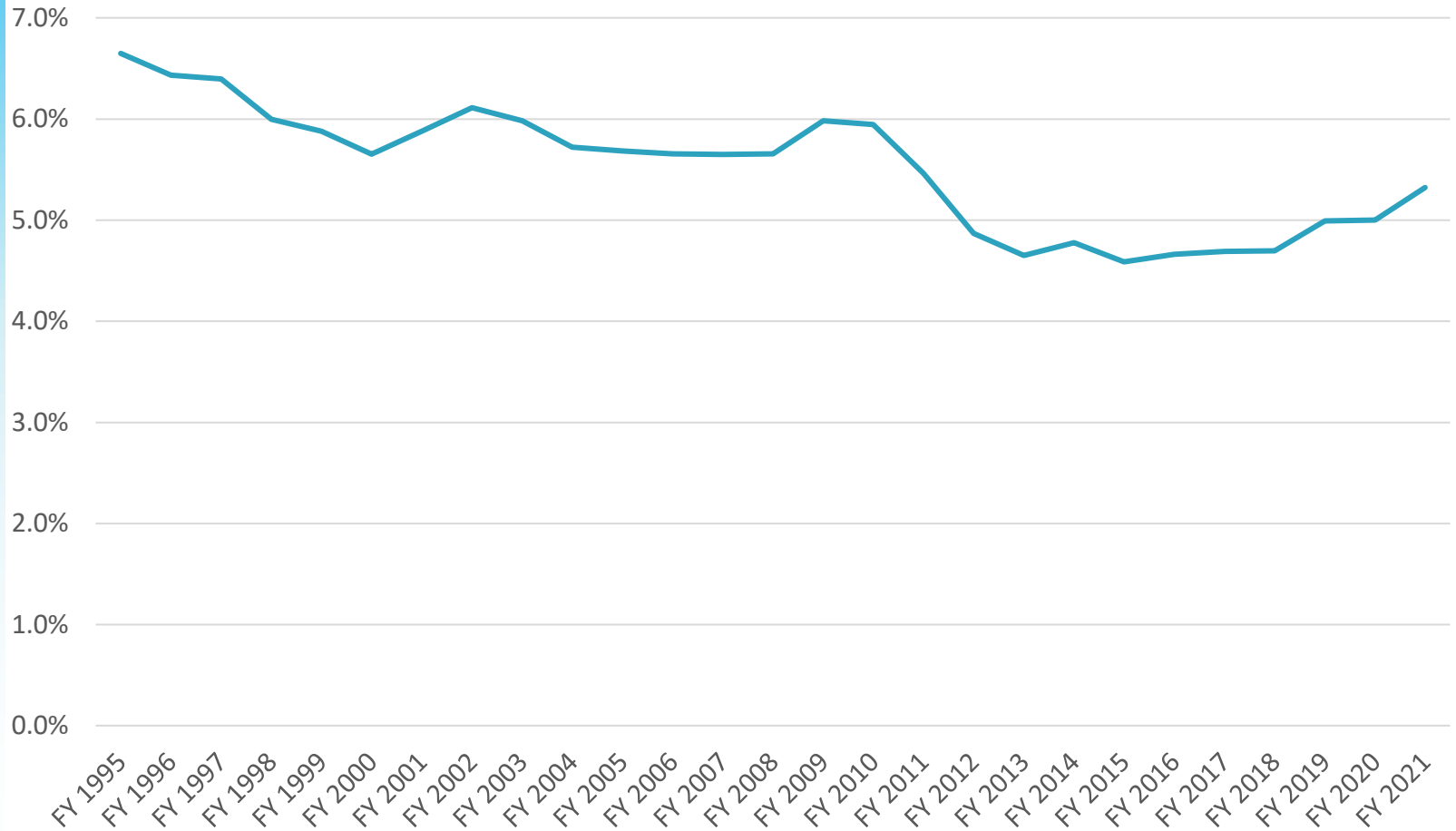
| Session | Biennial Ending Fund Balance | BSA | Total Reserves |
|---------|------------------------------|-------|----------------|
| 2012 | 46 | 265 | 311 |
| 2013 | 58 | 577 | 636 |
| 2014 | 296 | 583 | 879 |
| 2015 | 343 | 894 | 1,237 |
| 2016 | 508 | 701 | 1,208 |
| 2017 | 925 | 1,158 | 2,083 |
| 2018 | 1,228 | 1,139 | 2,367 |
| 2019 | 372 | 2,248 | 2,620 |
| 2020* | 1,292 | 1,979 | 3,271 |

* Before the impact of the COVID-19 pandemic was broadly recognized in the revenue forecast.
Note: All figures above represent the “budget biennium” and not the “Outlook biennium.” The source of the data is the Legislative Budget Notes



NGF-O Spending As A Percentage of State Personal Income

Office of Program Research





Revenue Collections During The Last Recession (NGF-O, before WEIA)

| Fiscal Year | Millions of Dollars | % Change From Prior Year | Amt as % of FY 2007 |
|-------------|---------------------|--------------------------|---------------------|
| FY 2007 | 15,734 | | |
| FY 2008 | 15,872 | 0.9% | 100.9% |
| FY 2009 | 14,382 | -9.4% | 91.4% |
| FY 2010 | 13,728 | -4.6% | 87.3% |
| FY 2011 | 14,859 | 8.2% | 94.4% |
| FY 2012 | 15,107 | 1.7% | 96.0% |
| FY 2013 | 16,009 | 6.0% | 101.8% |

Source: Economic and Revenue Forecast Council, September 2020 forecast



Projected Revenue Collections as of November 2020 (NGF-O excluding WEIA)

Office of
Program
Research

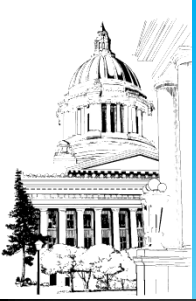
| Fiscal Year | Millions of Dollars | % Change From Prior Year | Amt as % of FY 2019 |
|-------------|---------------------|--------------------------|---------------------|
| FY 2019 | 23,938 | | |
| FY 2020 | 24,883 | 3.9% | 103.9% |
| FY 2021 | 25,768 | 3.6% | 107.6% |
| FY 2022 | 26,561 | 3.1% | 111.0% |
| FY 2023 | 27,500 | 3.5% | 114.9% |
| FY 2024 | 28,195 | 2.5% | 117.8% |
| FY 2025 | 29,116 | 3.3% | 121.6% |

Source: Economic and Revenue Forecast Council, November 2020 forecast.



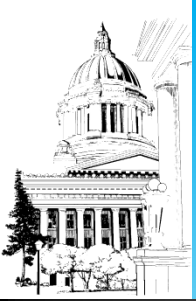
The three budgets overlap in a variety of ways

- ▶ **Capital & Operating**
 - Debt service on general obligation bonds is paid by the operating budget.
 - Operating budget and policy decisions may impact the need for capital facilities.
 - New facilities funded in the capital budget must be operated and maintained through the operating budget.
 - A variety of accounts are appropriated in both the capital and operating budgets, primarily in natural resources and higher education.
- ▶ **Capital, Operating & Transportation**
 - Decisions regarding the lease of state office space and cost allocation methods can impact multiple budgets.
 - Several agencies receive funding in two or more budgets.
 - Certain employee compensation and pension funding decisions impact multiple budgets.



Resource Links

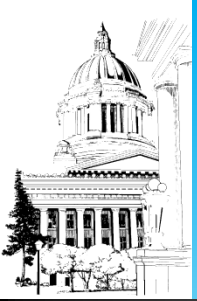
- ▶ Four-Year Budget Outlook
 - Information and requirements available at:
<https://erfc.wa.gov/budget-outlook>
 - Note: Page also includes archives of prior Outlook materials provided to the ERFC as well as descriptions of the methodology.



Resource Links (cont'd)

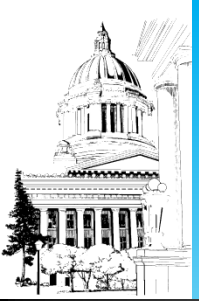
- ▶ Guide to Office of Program Research (OPR) Services - <http://walishome/house/Category/?OPR>
 - Overview of the committee structure of the House of Representatives and the committee process
 - The staff of the Office of Program Research (OPR) and the services we provide.
 - Staff Assignments, Contact Information, and Pictorial Directory
 - Issue/Staff Cross Reference

- ▶ LEAP Website - <http://leap.leg.wa.gov/leap/default.asp>
 - Enacted and Proposed Budgets – Governor, House, and Senate
 - Legislative Budget Notes
 - Publications – Operating, Capital, Transportation, K-12, and Property Tax Resource Guides
 - LEAP Documents and Project Lists



Resource Links (cont'd)

- ▶ **WA State Fiscal Information** - <http://fiscal.wa.gov/>
 - Budgets, Spending, and Revenue
 - Staffing Data, Salary Information
 - Statewide and School District Reporting
 - Capital and Transportation Project Mapping
- ▶ **Office of Financial Management (OFM)** – <http://www.ofm.wa.gov/budget/>
 - Governor Proposed Budgets
 - Budget Instructions
 - Agency Activities, Performance Measures, and Strategic Plans
 - Other Budget-Related Information
- ▶ **Washington State Institute for Public Policy (WSIPP)**
 - <http://www.wsipp.wa.gov/>



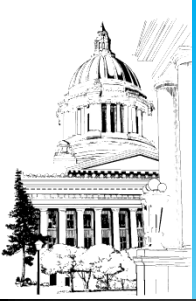
Glossary

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.



Glossary cont'd.

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.



Information About Historical Expenditure Data

- ▶ Expenditures are operating only and exclude Capital expenditures.
- ▶ “Total Budgeted” charts include transportation funds and some non-appropriated accounts.
- ▶ FY 1995-1999 reflects pre-history data reported by LEAP. FY 2000-2017 reflect actual spending reflected in LEAP historical data. FYs 2018-2020 represent actual spending as reported in AFRS. FY 2021 is budgeted. For total funds, current biennium data is not displayed.
- ▶ Data was also adjusted to enhance comparability over time. Adjustments made included:
 - removing large one-time appropriations into other accounts (FY 2006 and FY 2007);
 - reversing a one-time shift in apportionment payments (FY 2011 and FY 2012);
 - reversing one-time federal education jobs funding (FY 2011 and FY 2012); and
 - reversing ARRA funding (FMAP and fiscal stabilization grants) that directly offset state spending (FYs 2009-FY 2011).
 - adjusting for changes to timing of debt services appropriations (FYs 2000-2001, FYs 2004-2009, FYs 2013-2015).
 - adjusted for timing of transferring certain behavioral health programs and the creation of the new Department of Children, Youth, and Families.
- ▶ NGF-T includes funds subject to the outlook plus the Pension Funding Stabilization Account and the McCleary Penalty Account.