



Fiscal Update

Dave Johnson
Office of Program Research
November 18, 2021



Enacted 2021-23 Operating Budget

NGF-O* (Dollars in Millions)

Office of Program
Research

Public Schools	28,260
Health Care Authority	6,445
DSHS: DD, LTC, & State Hospitals	6,032
Higher Education	4,993
DSHS: Other	1,194
Debt Service	2,650
Department of Corrections	2,519
Department of Children, Youth & Families	2,148
Natural Resources	697
Judicial	505
Legislative	213
All Other	3,410
	59,067

*NGF-O are those funds subject to the outlook. Please see glossary for more information.



Enacted Budget Outlook (After 2021 Session)

NGF-O (Dollars in Millions)

Office of Program
Research

	2019-21	2021-23	2023-25
Beginning Balance	1,981	2,996	789
Total Revenue and Resources	52,878	56,563	60,189
Revised Appropriations	51,863	58,771	60,894
Projected Ending NGF-O Balance	2,996	789	83
Budget Stabilization Account Ending Balance	0	543	1,121
Total Reserves	2,996	1,332	1,205

Note: Net of assumed reversions and includes vetoes. As adopted by the ERFC.
Revenue for 2023-25 reflects forecasted amounts rather than 4.5% annual growth.



Since the 2021-23 Biennial Budget Was Enacted, Estimated NGF-O Resources Have Increased.

Economic Changes (Dollars in Millions)			
	2019-21	2021-23	2023-25
June Forecast Changes	840	1,399	1,436
September Forecast Changes	-40	927	931
Total	800	2,327	2,367

Notes:

Does not include November revenue forecast update or changes in collections since September.
Does not include final accounting adjustments for FY 2021 (not yet available).
Adjustments for 4.5% and BSA interest are not shown above.



Increases In Projected Resources Has Increased Projected Reserves (Unofficial Staff Estimate).

NGF-O and BSA Reserves (Dollars in Millions)

	2021-23 Reserves			2023-25 Reserves		
	NGF-O	BSA	Total	NGF-O	BSA	Total
Enacted	789	543	1,332	83	1,121	1,205
After June Revenue Forecast	3,007	562	3,569	3,723	1,156	4,879
After September Revenue Forecast	3,885	571	4,456	5,524	1,177	6,701

This analysis was prepared by OPR staff for legislative deliberations of House members. The figures shown above are not reflective of an official Outlook. Calculated amounts reflect the September revenue forecast and assume the 2021-23 enacted budget prior to any supplemental changes. 2023-25 does not assume 4.5% revenue growth.



The Optimistic & Pessimistic ERFC Revenue Forecasts (From September 2021)

Office of Program
Research

Difference From GF-S Baseline Forecast (Dollars in Millions)				
	2021-23	2023-25	4 Year	
Optimistic	2,962	5,642	8,604	
Pessimistic	-3,046	-5,750	-8,796	



Additional Information On Resources

- ▶ Significant economic uncertainty remains (consumer demand, inflation, international trade, supply chain issues, pandemic related impacts, labor market, etc.)
- ▶ Litigation risks- Positive and Negative
 - Bank Tax Ruling- upward adjustment for November (4-Year approx. \$425m)
 - Capital Gains Tax- currently under litigation, Sept. forecast assumes \$1.26 billion (4-Year)
 - Negative ruling in Tobacco Settlement Arbitration, full impact not yet known
- ▶ Impact of federal legislation
 - Infrastructure (signed by President)
 - Reconciliation (in discussion)
- ▶ Potential legislative policy choices to increase or decrease resources (redirecting existing revenue, modifying existing tax or fee rates/bases, creating or eliminating taxes or fees, etc.).



Additional Information On Expenditures

- ▶ All figures are based on the 2021-23 enacted budget.
- ▶ There almost certainly will be a 2022 Supplemental Budget.
 - Legislative policy choices will increase or decrease expenditures.
 - No estimate yet for maintenance level.
 - November caseload estimates are mostly lower than earlier estimates. Most notably in K-12 and corrections.
 - Inflation will be higher.
 - There will be \$266m in GF-S savings from using residual federal funds in FY 22.
 - Likely extension of enhanced FMAP (savings with some costs) but for how long?
 - Potential policy items:
 - Likely increased pressures related to labor market conditions and inflation.
 - Several collective bargaining agreements have been submitted to the legislature.
 - There will presumably be pressure to increase rates for service providers not subject to bargaining.
 - Responding to federal legislation (reconciliation?), rule changes and interpretations.
 - Policy proposals in mental health, higher education, K-12, human services, health care, natural resources, etc.



Coronavirus Relief Fund (CRF)

- ▶ Coronavirus Relief Fund (CRF) was included in Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- ▶ Funds must be used by December 31, 2021.
- ▶ Washington received a state payment of \$2.167 billion.
 - Accounted for and expended as General Fund-Federal (GF-F)
 - \$1.827 billion was actually spent in the 2019-21 biennium.
 - This leaves \$340 million for the first six months of the 2021-23 Biennium.
 - The enacted operating budget appropriated \$39 million (Commerce, Agriculture, Employment Security) assuming CRF as the revenue source.
 - OFM, using broader GF-F appropriations, authorized \$35 million (Administrative Office of the Courts, DSHS via DOH, HCA via DOH)
 - This leaves \$266 million.
 - The operating budget directed OFM to use any remaining funds (up to \$280 million) to preserve either GF-S or CSFRF.
 - OFM has directed agencies (DSHS and DOC) to use \$266m of FY 2022 CRF funds to offset GF-S spending and place \$266m GF-S in reserve.



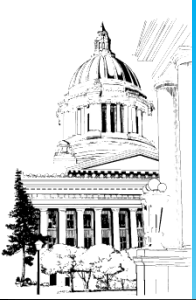
Coronavirus State Fiscal Recovery Fund (CSFRF)

- ▶ Coronavirus State Fiscal Recovery Fund (CSFRF) was included in the American Rescue Plan Act.
- ▶ The funds must be obligated by December 31, 2024, and fully spent by December 31, 2026.
- ▶ Washington will receive state payments of \$4.428 billion. This is \$175 million more than was assumed during session.
 - Federal funds deposited into a dedicated account (CSFRF).
 - Allowable uses may be changing. Lost revenue calculation being done by OFM remains important.
 - Of the \$4.428 billion:
 - \$1.000 billion was appropriated in the transportation budget;
 - \$0.400 billion was appropriated in the capital budget;
 - \$1.765 billion was appropriated in the operating budget (over the five years); and
 - \$1.263 billion remains unappropriated (will likely increase with reversions).



Washington Rescue Plan Transition Account (WRPTA)

- ▶ Created in the 2021 session (ESSB 5092) with \$1 billion transferred from GF-S.
- ▶ Allowable uses include, “responding to the impacts of the COVID-19 pandemic including those related to education, human services, health care, and the economy. In addition, the legislature may appropriate from the account to continue activities begun with, or augmented with, COVID-19 related federal funding.”
- ▶ While the budget made conditional appropriations from this account, those conditions were not met.



Glossary

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

2022 Supplemental Budget: A modification to the budget for the current biennium (2021-23). A 2022 Supplemental Budget will likely be adopted in the 2022 session.

Funds Subject to the Outlook (NGF-O): The State General Fund plus the Education Legacy Trust Account, Workforce Education Investment Account and the Opportunity Pathways Account. Definition now also includes the Fair Start For Kids Account.

Budget Stabilization Account (BSA): Serves as a “rainy day” account. A constitutional creation (2007 and 2011; Art. 7, Sec. 12) with specific requirements about when deposits must be made and how money in the account may be accessed.