December 5, 2014

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Corrections to the November 2014 Outlook

At the November 19, 2014 meeting, the Council adopted the November 2014 Outlook for the 2015-17 Biennium to reflect the Governor's Preliminary Maintenance Level (attached). That analysis projected unrestricted negative ending fund balances of \$2,159.4 million and \$4,726.5 million in 2015-17 and 2017-19, respectively.

The Outlook Work Group has identified three errors in the adopted Outlook. These errors occur in the calculations in the 2017-19 biennium and total \$398 million.

- 1. In the adopted Outlook, the Adjustments to the FY 2017 Baseline (from the underlying 2013-15 biennium budget) for FY 2019 failed to reflect the compounding of the adjustments made in FY 2018. Correcting this error increases the projected appropriations in 2017-19 by \$317.9 million.
- 2. The Hospital Safety Net Assessment in the 2013-15 budget is scheduled to phase-out over 5 years, expiring after FY 2017. In the Maintenance Level adjustments, the adopted Outlook includes additional funding of \$60 million in each year of the 2017-19 biennium. The correct phase-out of the Hospital Safety Net is \$100 million per year in 2017-19. Correcting this error increases the projected appropriations in 2017-19 by \$80 million.
- 3. The adopted Outlook for calculating the K-12 MSOC Adjustments to the FY 2017 baseline contains a formula error. Correcting this error increases the projected appropriations in 2017-19 by \$38.8 million; this amount is included in Item 1 (above).

These adjustments will result in a projected unrestricted negative ending fund balance of \$5,124.5 million in 2017-19; the ending fund balance for 2015-17 is not affected. The corrected Outlook is attached; the items that have changed with this correction are highlighted.

The Outlook Work Group proposes the ERFC formally adjust the November 2014 Outlook at its January 15, 2015 meeting.

Please let us know if you have questions.

Attachments

November 2014 Outlook for 2015-17 Biennium--Governor's Preliminary Maintenance Level Corrected December 3, 2014

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

		F			F			ı	
	FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Beginning Balance	156.4	410.8	156.4	430.1	(940.9)	430.1	(2,159.5)	(3,206.7)	(2,159.5
Current Revenues November 2014 Forecast Assumed 4.5% Revenue Growth	16,693.7	17,373.2	34,066.9	18,062.1	18,922.7	36,984.8	19,751.5 22.8	20,563.7 100.3	40,315.2 123.1
Other Resource Changes Transfer to BSA SJR 8206 Extraordinary Revenue Growth	(144.5)	(170.5)	(315.0)	(177.3)	(185.4)	(362.7)	(193.0)	(200.6) (426.5)	(393.6 (426.5
Enacted Fund Transfers (Net)	204.9	225.2	430.1	-	-	-	-	(420.3)	- (420.3
Revised Child & Family Reinvestment Account Prior Period Adjustments Alignment to the CAFR	(1.7) (4.7) (2.9)	(0.2) 20.4	(1.8) 15.7 (2.9)	20.4	20.4	40.8	20.4	20.4	40.8
Total Revenues/Resources/Beginning balance)	16,901.3	17,858.9	34,349.5	18,335.3	17,816.8	37,093.0	17,442.1	16,850.7	37,499.5
Enacted Appropriations/Baseline	16,573.5	17,220.7	33,794.1	16,573.5	17,220.7	33,794.1	17,220.7	17,220.7	34,441.3
Adjustments to FY 2017 Baseline	•	·	•	·	·		304.0	617.7	921.7
K-12 Education K-12 MSOC	7,384.3	7,878.4	15,262.8	6,526.2 858.1	6,826.3 1,052.4	13,352.5 1,910.5	45.1 24.836	90.4 51.335	135.5 76.2
Higher Education	1,569.3	1,515.5	3,084.7	1,569.3	1,528.9	3,098.2	4.6	9.2	13.8
Early Learning	70.6	92.3	162.9	70.6	92.3	162.9	0.5	1.0	1.5
Low Income Health Care	1,867.8	1,940.5	3,808.3	2,144.8	2,161.9	4,306.7	69.6	141.5	211.1
Children's/Economic Services Mental Hlth/DD/Long Term Care	975.1 669.6	970.8 673.1	1,946.0 1,342.7	669.6 1,867.8	673.1 1,940.5	1,342.7 3,808.3	13.0 66.4	26.2 135.0	39.2 201.4
DOC/JRA/SCC	2,144.8	2,161.9	4,306.7	975.2	971.0	1,946.2	31.0	62.9	93.9
Debt Service	857.2	990.7	1,847.9	857.2	990.7	1,847.9	43.9	89.7	133.6
All Other	1,034.7	997.4	2,032.1	1,034.6	983.6	2,018.3	5.2	10.5	15.7
Adjustments to Reach Carryforward Level				1,015.5	339.9	1,355.4	347.5	355.2	702.7
K-12 Education				359.5	59.4	418.9	59.8	60.2	119.9
K-12 MSOC Higher Education				232.3 25.2	38.0 64.9	270.3 90.2	38.9 65.1	39.9 65.3	78.8 130.5
Early Learning				14.8	(4.9)	9.9	(4.9)	(5.0)	(9.9
Low Income Health Care				3.7	(16.8)	(13.1)	(17.4)	(17.9)	(35.3
Children's/Economic Services				75.4	67.1	142.5	68.4	69.7	138.1
Mental Hlth/DD/Long Term Care				92.0	19.7	111.8	20.4	21.1	41.5
DOC/JRA/SCC Debt Service				17.4 246.1	17.6 91.0	35.0 337.1	18.1 95.03	18.7 99.24	36.8 194.3
All Other				(51.2)	3.9	(47.2)	3.97	3.99	8.0
Maintenance Level		104.1	104.1	562.8	953.2	1,516.0	1,452.3	1,630.4	3,082.6
K-12 Education		21.3	21.3	85.6	155.6	241.2	206.5	207.8	414.4
K-12 MSOC		3.1	3.1	24.7	52.2	76.9	53.5	54.9	108.3
K-12 Assessment		16.8	16.8	10.8	11.7	22.5	11.8	11.9	23.6
Initiative 732 (1.9%/1.3%)		-	- 0.1	90.2	174.9	265.1	280.0	404.2	684.2
Higher Education Higher Education-College Bound		0.1	0.1	2.7 11.2	4.2 14.4	6.9 25.6	4.2 19.4	4.3 24.5	8.5 43.9
Early Learning		-	-	(0.3)	0.2	(0.1)	0.2	0.2	0.4
Low Income Health Care		(23.9)	(23.9)	29.4	73.6	103.0	76.0	78.4	154.4
Hospital Safety Net			-	20.1	40.2	60.2	100.0	100.0	200.0
ACA FMAP Phase-in Children's/Economic Services		6.6	6.6	(4.3) (10.3)	54.5 (1.6)	50.2 (12.0)	131.5 (1.6)	159.8 (1.6)	291.3 (3.2)
Mental Hlth/DD/Long Term Care		(2.7)	(2.7)	22.9	59.2	82.1	61.3	63.3	124.6
Children's Mental Health Settlement		, ,	- '	4.3	12.2	16.6	20.2	20.2	40.4
Community First Choice			-	(30.7)	(20.1)	(50.8)	(17.5)	(17.5)	(35.0)
Corrections/JRA/SCC		8.8	8.8	8.4	7.8	16.2	8.0	8.3	16.3
Hepatitis C Treatment Projected Pension Rate Changes (Incl. K-12)		74.7 -	74.7 -	71.0 131.5	32.6 158.0	103.6 289.4	33.6 289.2	34.7 348.8	68.3 638.0
Debt Service for currently authorized projects		(6.0)	(6.0)	(14.6)	40.6	26.0	42.4	44.3	86.7
Public Safety (See RCW 41.26.802)		-	-	20.0	-	20.0	50.0	-	50.0
All Other		5.2	5.2	90.3	83.1	173.4	83.58	84.02	167.6
Supplemental Policy Items (likely Must-do)		170.9	170.9	-	-	-	-	-	-
Disaster Response Account		27.0	27.0						-
Fire Suppression/Fire Mobilization		100.0	100.0 43.9						
Rekhter Decision		43.9	43.9						_
Other Outlook Items				1,194.5	1,532.5	2,727.0	1,394.4	2,221.2	3,615.6
I-1351 K-12 Education Class Size Initiative K-12 MSOC Phase-in (2776)				890.0 317.3	1,150.0 406.3	2,040.0 723.6	970.0 418.2	1,690.0 429.0	2,660.0 847.1
Effect of Higher PEBB Rate in 2015-17 (less am	ount in CFI)			317.3 14.7	406.3 14.7	723.6 29.5	418.2 14.7	429.0 14.7	847.1 29.5
Use Basic Health Plan Account Balance				(15.1)	(46.0)	(61.1)	(46.00)	(46.00)	(92.0)
Hi Ed-Opportunity Scholarships				-	20.0	20.0	50.00	50.00	100.0
DEL Child Care IT Savings Increase Early Childhood Education Program				(12.5)	(12.5)	(25.0)	(12.50)	(12.50) 96.00	(25.0) 96.0
Actual/Estimated Reversions	(79.7)	(70.0)	(149.7)	(70.0)	(70.0)	(140.0)	(70.0)	(70.0)	(140.0)
Other Fund Adjustments	(3.2)	3.2	-	` ,	` '	` ,		, ,	
Revised Appropriations	16,490.5	17,428.8	33,919.4	19,276.2	19,976.4	39,252.6	20,648.8	21,975.2	42,624.0
Projected Unrestricted Ending Balance	410.8	430.1	430.1	(940.9)	(2,159.5)	(2,159.5)	(3,206.7)	(5,124.5)	(5,124.5
Budget Stabilization Account									
Beginning Balance	269.7	414.4	269.7	585.3	763.2	585.3	949.4	1,143.3	949.4
Transfer From GFS	144.5	170.5	315.0	177.3	185.4	362.7	193.0	627.1	820.1
Interest Earnings	0.3	0.4	0.7	0.6	0.8	1.3	0.9	1.1	2.1
Ending BSA Balance	414.4	585.3	585.3	763.2	949.4	949.4	1,143.3	1,771.5	1,771.5
Near GF-S Unrestricted & BSA Ending Balance	825.2	1,015.4	1,015.4	(177.7)	(1,210.2)	(1,210.2)	(2,063.4)	(3,352.9)	(3,352.9)

November 2014 Outlook for 2015-17 Biennium--Governor's Preliminary Maintenance Level

(Near GF-S & Opportunity Pathways Account, Dollars in Millions)

Commonity 1,000		FY 2014	FY 2015	2013-15	FY 2016	FY 2017	2015-17	FY 2018	FY 2019	2017-19
Source No. 16,673 73,732 73,732 73,869 18,092 18,092 18,092 18,092 18,092 19,092 19,093	Beginning Balance	156.4	410.8	156.4	430.1	(940.9)	430.1	(2,159.5)	(3,159.9)	(2,159.5)
Mathematic Note 144.5 170.0 125.0 125.0 125.0 126.0 12	Current Revenues									
Column C		16,693.7	17,373.2	34,066.9	18,062.1	18,922.7	36,984.8	•	•	•
Transfer to to SAS 184 225 Carrandinary Revenue Growth 185 225 Carrandinary Revenue								22.8	100.3	123.1
Bancote fund from from from 1949 275 2810 271 2810		(144.5)	(170.5)	(315.0)	(177.3)	(185.4)	(362.7)	(193.0)	(200.6)	(393.6)
Provise Provide Agriculture 1.00	•							-	(426.5)	(426.5)
Prior Profice Anjustments (4,7) (2,0) (1,57) (2,0) (1,57) (, ,				-	-	-			-
Algominants to the CAPP		. ,			20.4	20.4	40.8	20.4	20.4	
Marylaments for JUD Baseline 1,571	Alignment to the CAFR			(2.9)						
Agustronics for P2017 Baseline F-12 fibracis for P2017 Baseline F-	Total Revenues/Resources/Beginning balance)	16,901.3	17,858.9	34,349.5	18,335.3	17,816.8	37,093.0	17,442.1	16,897.6	37,499.5
F1 F1 F1 F1 F1 F1 F1 F1	Enacted Appropriations/Baseline	16,573.5	17,220.7	33,794.1	16,573.5	17,220.7	33,794.1	17,220.7	17,220.7	
1.1 1.1	-		- 0 - 0	45.000.0			40.050.5			
Ingest Education		7,384.3	7,878.4	15,262.8	•					
Low Income Feath Care		1,569.3	1,515.5	3,084.7		•				
Delian Conference 975 970	Early Learning							0.5	0.5	1.0
Memia Infil/DD/Long Term Care		•		•	•	•				
DOC/IMA/SCC				,			-			
Debts Service										
Activation Act	Debt Service	857.2		1,847.9		990.7	1,847.9	43.9	45.8	89.7
K12 Education 39.95 59.4 41.89 59.8 60.2 11.99	All Other	1,034.7	997.4	2,032.1	1,034.6	983.6	2,018.3	5.2	5.2	10.5
Migher Education	Adjustments to Reach Carryforward Level				-	339.9	1,355.4		355.2	
Higher Education										
Sample										
Low Income Health Care	-									
Children's/Economic Services 4 75.4 67.5 11.25 68.4 69.7 13.14 40.4 21.1 41.5 68.4 69.7 13.14 41.5 68.4 69.7 13.1 43.5 40.4 21.1 41.5 50.0 20.7 20.1 41.1 41.5 48.3 18.1 48.2 49.3 30.0 18.1 48.2 49.3 All Other 60.0 61.0 61.0 61.0 61.0 61.0 61.0 61.0 61.2 61.0 81.1 21.2 61.0 81.1 72.2 75.5 241.2 20.5 207.8 41.4 41.4 41.2 40.0 41.4 41.4 41.2 41.1 41.2 41.4 41.2 41.2 41.4 41.2 41.4 41.4 41.2 41.4 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2 41.4 41.2						, ,				` '
DOC/IRA/SCC										
Debt Service										
Maintenance Level 104.1 104.1 562.8 953.2 1,516.0 1,412.3 1,590.4 3,002.6										
Maintenance Level										
R-12 Education R-12 R-13 R-15 R-15 R-14 R-15 R-15 R-14 R-15			104.1	104.1						
K-12 MSOC MSOC MSOC MSOC MSOC MSOC MSOC MSOC							•	-	•	•
Mathematical North Nor										
Higher Education										
Higher Education-College Bound	Initiative 732 (1.9%/1.3%)		-	-	90.2	174.9	265.1	280.0	404.2	684.2
Family Learning	<u> </u>		0.1	0.1						
Low Income Health Care (23.9) (23				-						
Hospital Safety Net			(23.9)	(23.9)						
Children's/Economic Services 6.6 6.6 (10.3) (1.6) (1.10) (1.6)			(20.5)	-						
Mental Hith/DD/Long Term Care (2.7) (2.7) (2.2) (5.9.2 (5.9.2 6.1.3 6.3.3 6.3.3 124.6 (5.1) (5.0.8) (17.5) (17.5) (3.5.0) (2.7) (3.7				-	(4.3)	54.5	50.2	131.5	159.8	291.3
Children's Mental Health Settlement	•									
Community First Choice			(2.7)	(2.7)						
Registric Creatment				-						
Projected Pension Rate Changes (Incl. K-12) - -	•		8.8	8.8						
Debt Service for currently authorized projects (6.0) (6.0) (14.6) 40.6 26.0 42.4 44.3 86.7 Public Safety (See RCW 41.26.802) 20.0 50.0 50.0 All Other 5.2 5.2 90.3 83.1 173.4 83.58 84.02 167.6 Supplemental Policy Items (likely Must-do) 170.9 170.9	•		74.7	74.7						
Public Safety (See RCW 41.26.802)			- ()	- ()						
All Other			(6.0)	(6.0)		40.6			44.3	
Disaster Response Account			5.2	5.2		83.1			84.02	
Disaster Response Account					_			_		
Fire Suppression/Fire Mobilization 100.0 100.0 43.9 43.9 43.9	·				-	-	-	-	-	
Other Outlook Items 1,194.5 1,532.5 2,727.0 1,394.4 2,221.2 3,615.6 I-1351 K-12 Education Class Size Initiative 890.0 1,150.0 2,040.0 970.0 1,690.0 2,660.0 K-12 MSOC Phase-in (2776) 317.3 406.3 723.6 418.2 429.0 847.1 Effect of Higher PEBB Rate in 2015-17 (less amount in CFL) 14.7 14.7 29.5 14.7 14.7 29.5 Use Basic Health Plan Account Balance (15.1) (46.0) (61.1) (46.00) (46.00) (92.0) DEL Child Care IT Savings (12.5) (12.5) (12.5) (25.0) 50.00 50.00 100.0 Increase Early Childhood Education Program -	·									
Figure First Fir	• • • • • • • • • • • • • • • • • • • •									
Figure First Fir	Other Outlook Items				1,194.5	1,532.5	2,727.0	1,394.4	2,221.2	3,615.6
R-12 MSOC Phase-in (2776) 317.3 406.3 723.6 418.2 429.0 847.1								-		
Use Basic Health Plan Account Balance Hi Ed-Opportunity Scholarships DEL Child Care IT Savings Increase Early Childhood Education Program Actual/Estimated Reversions Other Fund Adjustments (3.2) Revised Appropriations 16,490.5 17,428.8 33,919.4 430.1 430.1 430.1 (46.0) (61.1) (46.0) (61.1) (46.00) (46.00) (46.00) (46.00) (46.00) (92.0) (10.0) (10.0) (12.50) (12.50) (12.50) (12.50) (12.50) (12.50) (12.50) (12.50) (12.50) (12.50) (25.0) (92.0) (12.50)	K-12 MSOC Phase-in (2776)				317.3	406.3	723.6			847.1
Hi Ed-Opportunity Scholarships DEL Child Care IT Savings Increase Early Childhood Education Program Actual/Estimated Reversions Other Fund Adjustments (3.2) Revised Appropriations 16,490.5 Budget Stabilization Account Beginning Balance 269.7 414.4 269.7 Transfer From GFS 144.5 Interest Earnings 0.3 0.4 10.0 100.0	,	ount in CFL)								
DEL Child Care IT Savings (12.5) (12.5) (12.50) (12.50) (12.50) (25.0) Increase Early Childhood Education Program 7 7 7 7 7 96.00 96.0 Actual/Estimated Reversions Other Fund Adjustments (3.2) 3.2 7 (70.0) (70.0) (70.0) (140.0) (70.0)					(15.1)	, ,	, ,		, ,	, ,
Increase Early Childhood Education Program					(12.5)					
Other Fund Adjustments (3.2) 3.2 - Servised Appropriations 16,490.5 17,428.8 33,919.4 19,276.2 19,976.4 39,252.6 20,602.0 21,624.1 42,226.1 Projected Unrestricted Ending Balance 410.8 430.1 430.1 (940.9) (2,159.5) (2,159.5) (3,159.9) (4,726.5) (4,726.5) Budget Stabilization Account Beginning Balance 269.7 414.4 269.7 585.3 763.2 585.3 949.4 1,143.3 949.4 Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 1,143.3 1,771.5 1,771.5					-	-	-	-		, ,
Projected Unrestricted Ending Balance 410.8 430.1 430.1 (940.9) (2,159.5) (2,159.5) (3,159.9) (4,726.5) (4,726.5) Budget Stabilization Account 269.7 414.4 269.7 585.3 763.2 585.3 949.4 1,143.3 949.4 Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5	•		, ,	(149.7) -	(70.0)	(70.0)	(140.0)	(70.0)	(70.0)	(140.0)
Budget Stabilization Account Beginning Balance 269.7 414.4 269.7 585.3 763.2 585.3 949.4 1,143.3 949.4 Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5	Revised Appropriations	16,490.5	17,428.8	33,919.4	19,276.2	19,976.4	39,252.6	20,602.0	21,624.1	42,226.1
Budget Stabilization Account Beginning Balance 269.7 414.4 269.7 585.3 763.2 585.3 949.4 1,143.3 949.4 Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5	Projected Unrestricted Ending Balance	410.8	430.1	430.1	(940.9)	(2,159.5)	(2,159.5)	(3,159.9)	(4,726.5)	(4,726.5)
Beginning Balance 269.7 414.4 269.7 585.3 763.2 585.3 949.4 1,143.3 949.4 Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5					-	,		-	,	•
Transfer From GFS 144.5 170.5 315.0 177.3 185.4 362.7 193.0 627.1 820.1 Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5	_	260.7	1111	260.7	505 0	762.2	בטב ס	040 4	1 1/12 2	040.4
Interest Earnings 0.3 0.4 0.7 0.6 0.8 1.3 0.9 1.1 2.1 Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5									*	
Ending BSA Balance 414.4 585.3 585.3 763.2 949.4 949.4 1,143.3 1,771.5 1,771.5										
THE TAX TO	Near GF-S Unrestricted & BSA Ending Balance	825.2	1,015.4	1,015.4	(177.7)	(1,210.2)	(1,210.2)	(2,016.5)	(2,955.0)	(2,955.0)