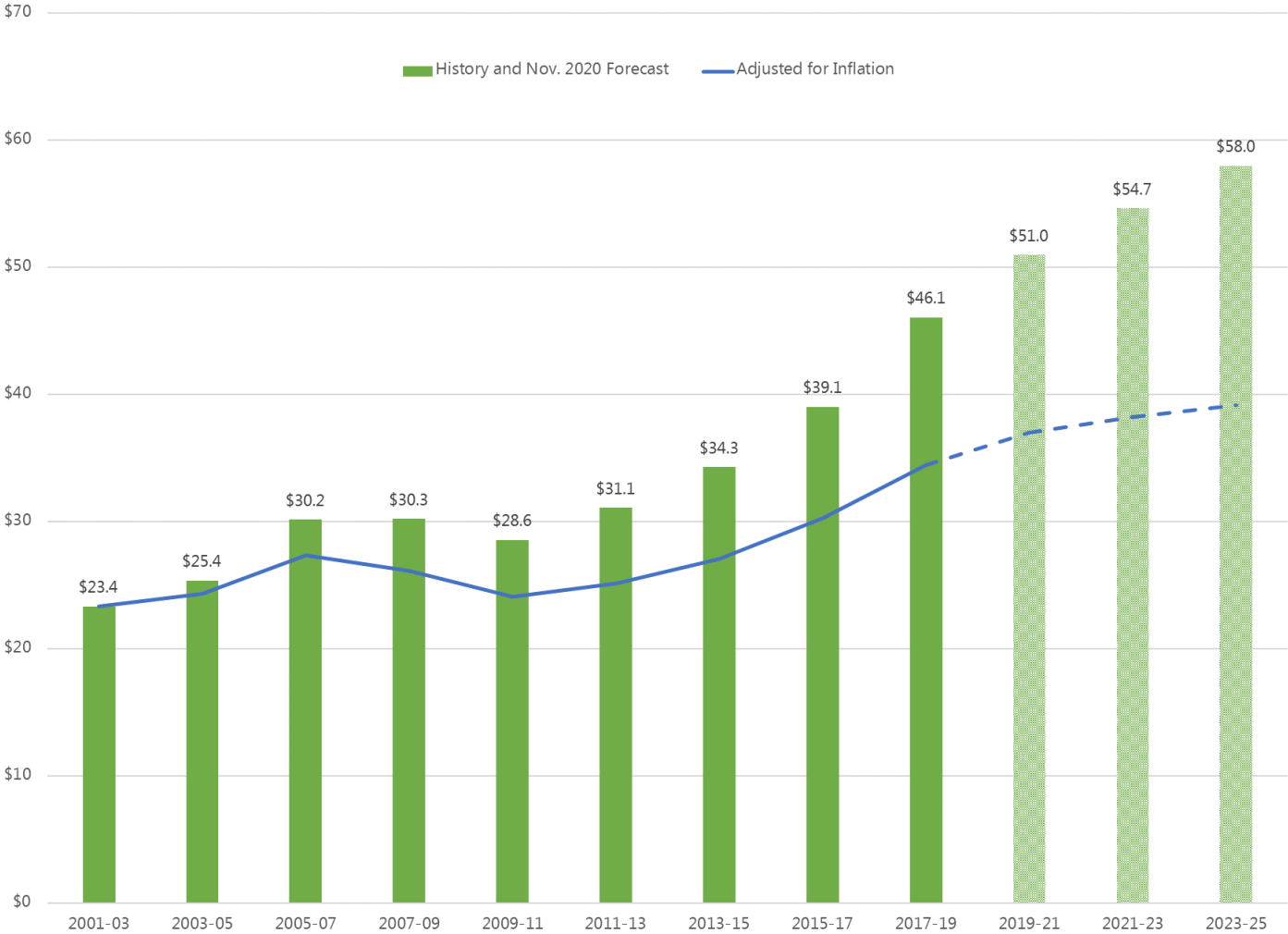


State Budget Outlook

Feb. 21, 2021

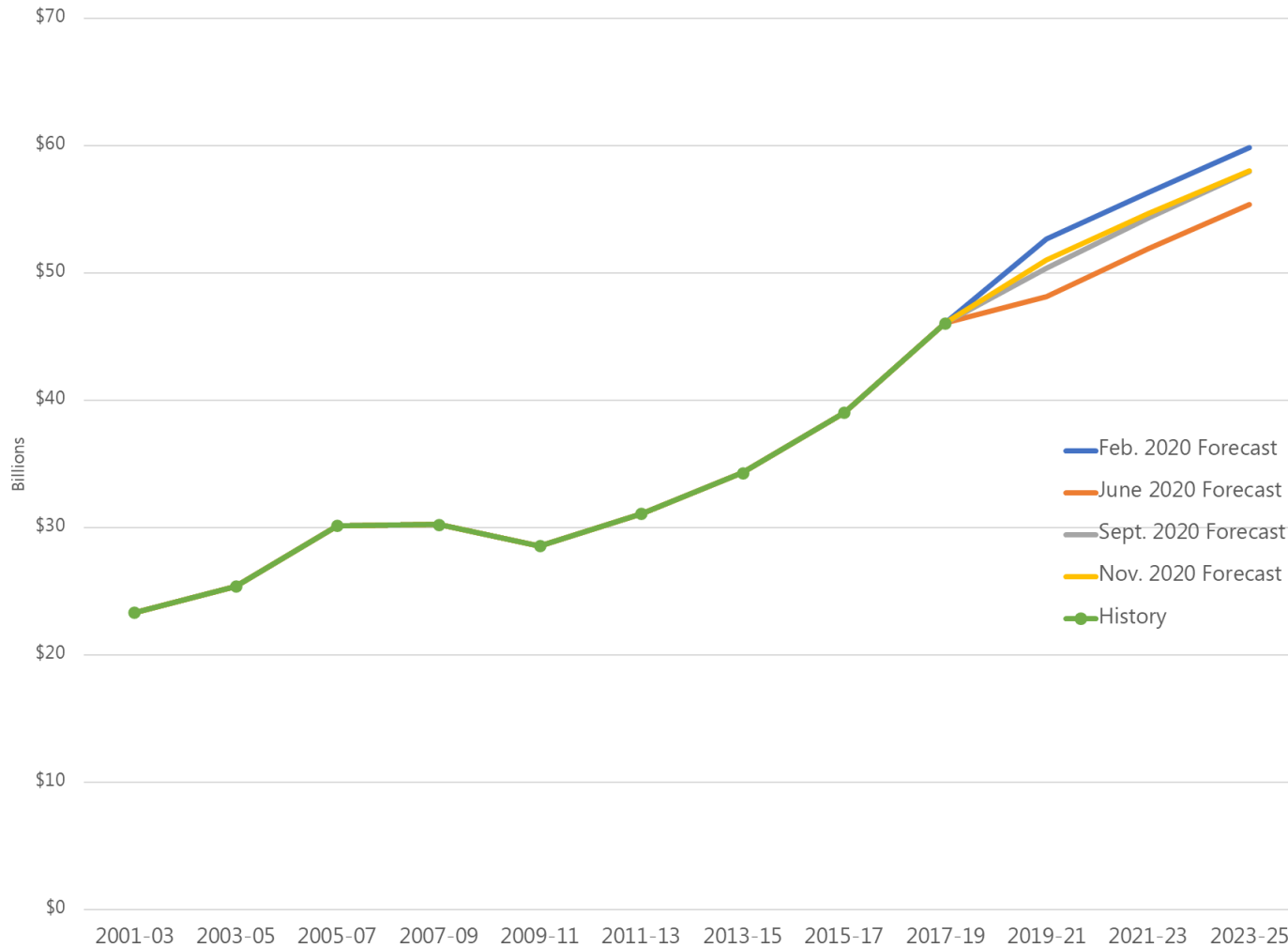
2019-21 revenues are expected to increase 10.7% over 2017-19. Adjusted for inflation, revenues are up 35% over 2005-07.

NGFO Revenues (Dollars in Billions)



Even in the June revenue forecast, 2019-21 biennial revenues were still expected to increase over 2017-19.

NGFO Revenues



Revenues are still estimated to be lower than expected in February, but higher than estimated in June. Collections signal an even better March forecast.

Change from February Forecast

(Billions of Dollars)

	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
June Forecast	(\$4.568)	(\$4.399)	(\$4.476)
September Forecast	(\$2.329)	(\$1.979)	(\$1.863)
November Forecast	(\$1.694)	(\$1.651)	(\$1.836)

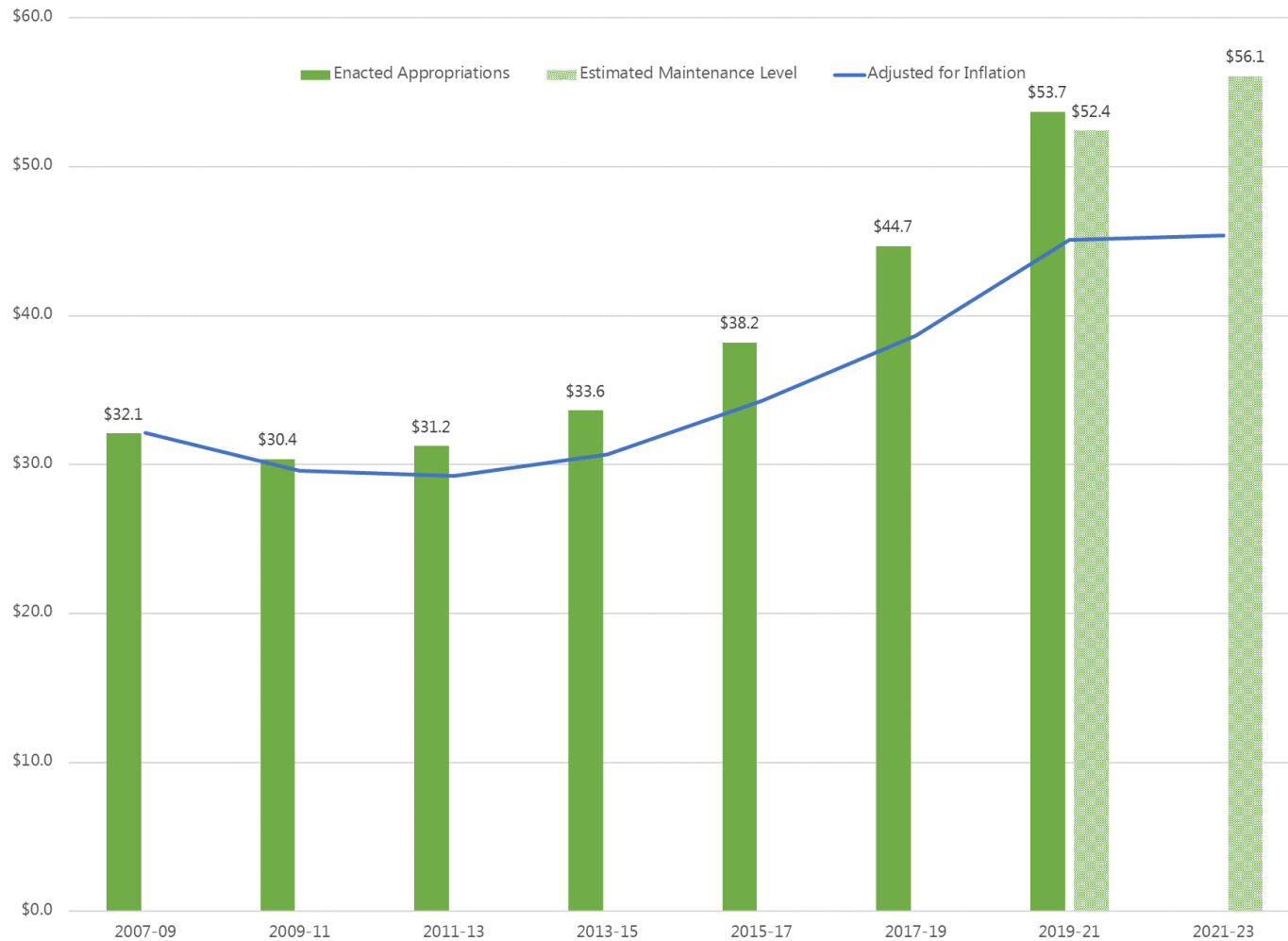
**Revenue Collections Above the
Nov. 2020 Forecast**

(Millions of Dollars)

	<u>2019-21</u>
Dec. 2020 Collections	\$62
Jan. 2021 Collections	\$261
Feb. 2021 Collections	\$270
Total	\$593

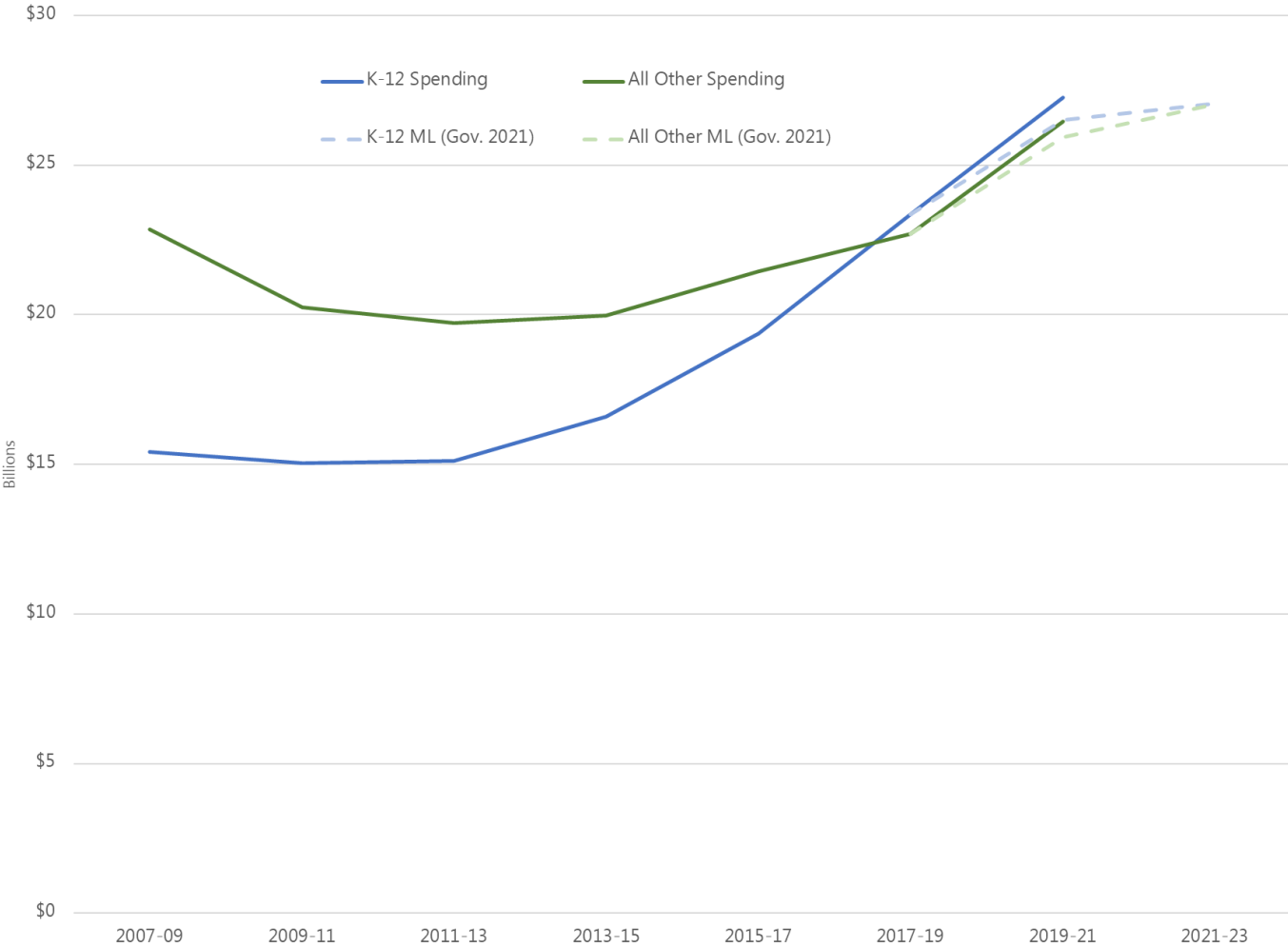
Enacted 2019-21 spending increased 20% over 2017-19.
Adjusted for inflation, spending is up 40% over 2007-09.

NGFO Appropriations (Dollars in Billions)



The increase in spending has been driven by K-12, but all other spending jumped in 2019-21.

NGFO Spending, Adjusted for Inflation



Post-session actions have eased the budget shortfall.

- Spending reductions initiated by Gov. Inslee:
 - He vetoed \$149 million of spending before signing the 2020 supplemental
 - In May, Gov. Inslee ordered a freeze on hiring, personal service contracts, and purchases
 - In June, Gov. Inslee canceled the scheduled 3% raise for some highest-paid employees and required most state employees to take furlough days
- Federal relief bills have sent billions of dollars to Washington
 - Enhanced federal Medicaid match
 - In FY 2020, federal grants to Washington increased by \$1.5 billion over 2019, not including \$1.8 billion from the coronavirus relief fund
 - More federal money will be allocated in FY 2021 (e.g., \$825 million for school districts)
- The caseload forecast is down.
 - As a result, the maintenance level for 2019-21 is estimated to drop by \$1.261 billion (59% of that is in public schools).

The current budget is balanced.

Estimated NGFO Balance Sheet, Dollars in Millions

	2019-21	2021-23
Beginning Balance	1,981	1,625
Revenue		
Nov. 2020 Revenue Forecast	50,995	54,666
Dec. 2020 Collections	62	
Jan. 2021 Collections	261	
Feb. 2021 Collections	270	
<i>Total Revenue</i>	<i>51,587</i>	<i>54,666</i>
Other Resource Changes		
Transfer to Budget Stabilization	(486)	(524)
Other Enacted Fund Transfers	195	
CAFR/Prior Period Adjustments	84	41
<i>Total Other Resource Changes</i>	<i>(207)</i>	<i>(483)</i>
<i>Total Resources</i>	<i>53,362</i>	<i>55,808</i>
Spending		
Enacted 2019-21 Appropriations	53,700	
Maintenance Level Change	(1,261)	
Maintenance Level		56,100
Actual/Assumed Reversions	(702)	(291)
<i>Total Spending</i>	<i>51,737</i>	<i>55,809</i>
Unrestricted Ending Fund Balance	1,625	(1)
Budget Stabilization Account Balance	1,618	1,809
Transfers from GFS and Interest	530	536
Appropriations from BSA	(200)	
Return of 2020 Appropriations	25	
HB 1367 (If Enacted)	(164)	
Projected BSA Ending Fund Balance	1,809	2,345
<i>Total Reserves</i>	<i>3,434</i>	<i>2,344</i>

Sources: ERFC, OFM, WRC estimates

There is a lot of uncertainty.

- Course of the pandemic?
- Any new federal funds?
- What new policies will Legislature enact?
 - Hold harmless funding for K-12 (related to enrollment drops)?
 - Public health funding?
 - Relief for businesses and individuals?

Budget proposals released so far do not include hold harmless funding for schools.

Operating Budget Proposals (NGFO, Dollars in Millions)

	<u>Gov. Inslee</u>	<u>Senate Republicans</u>	<u>House Republicans</u>
<u>2021 Supplemental</u>			
Total Change	(\$907.8)	(\$1,420.8)	(\$1,572.7)
K-12 Change	(\$738.2)	(\$739.1)	(\$739.5)
<u>2021-23</u>			
Total Appropriations	\$57,893.3	\$55,504.7	\$55,352.1
K-12 Appropriations	\$28,673.9	\$28,124.3	\$28,045.4
<u>Major K-12 Policy Level Items (2021-23)</u>			
Accelerated Learning Opportunities	\$400.0		
Connectivity Enhancement	\$75.6		
Counselors	\$32.0		
Paraeducator Training	\$14.8		\$14.8
SEBB Rate	\$91.9	\$59.5	\$85.0
National Board Bonus			(\$118.3)
Unrestricted Ending Balance at End of 2023-25	\$1,904	\$220	\$732
Total Reserves at End of 2023-25	\$3,028	\$1,279	\$1,809

The state budget outlook is much better than expected last summer.

- There is not a budget shortfall.
- The rainy day fund balance is at a historic high.
- As things stand now, new revenue would only be needed for new policies.