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# FOUR-YEAR BUDGET OUTLOOK



# WHAT'S THE ORIGIN OF THE FOUR-YEAR OUTLOOK?

- Chapter 8, Laws of 2012 requires the Legislature to adopt a budget that balances for the current fiscal biennium and the succeeding biennium.
  - In the ensuing fiscal biennium, the projected maintenance level or current law budget cannot exceed the available fiscal resources.
  - The Outlook is prepared to facilitate compliance with the four-year balance budget requirement.
- The Outlook projects the impact of the current biennial budget in the ensuing biennium
  - The Outlook does not bind a future Legislature.

# WHEN IS THE OUTLOOK PREPARED? WHO PREPARES IT?

- Outlooks are required to be completed three times per year:
  - November, in preparation for the Governor's budget proposal
  - January, to reflect the Governor's proposal
  - 30 days after enactment of the Legislative budget
- The statute specifies that Economic and Revenue Forecast Council (ERFC) oversees the preparation and approves the Outlook.
  - Methodology must be published on website
- State Budget Outlook Work Group
  - Prepares, subject to the approval of the ERFC, the official budget outlook.
  - Workgroup includes staff from seven agencies
- During the Legislative session, Senate and House committee staff prepare Outlook documents
  - Continuous process
  - Multiple Outlooks scenarios are generated during budget development

# OUTLOOK NUTS AND BOLTS: WHAT'S INCLUDED? WHAT'S NOT?

- Spending
  - Excluded from the Outlook are some policy items:
    - Legislation not yet enacted,
    - Collective bargaining agreements not yet approved, and
    - Changes to salaries and benefits, unless required by statute.
    - Costs of court rulings issued during or within fewer than 90 days before the legislative session.
    - Other policy enhancements, such as investments required by the McCleary (K-12 funding)
  - Includes maintenance items:
    - Continuation of current programs,
    - Forecasted growth of current entitlement programs,
    - Actions required by law, including legislation with a future implementation date
- Apply historic growth rates to functional areas of budget

# NUTS AND BOLTS CONTINUED

- Resources
  - Fiscal Resources include:
    - Three Accounts: General Fund-State, Education Legacy Trust Account, and Opportunity Pathways.
      - Includes beginning fund balances (not Budget Stabilization)
      - Forecasted revenue or adjusted revenue after transfer to the Budget Stabilization Account.
      - Adjustment for legislation affecting these funds
  - The Outlook requires projected revenue to be the greater of the actual forecast or 4.5% annual growth for the ensuing biennium.

# HOW DOES THE OUTLOOK AFFECT THE BUDGET?

- Legislators' decisions in the biennial operating budget (or separate legislation) are reflected for both the current biennium and the ensuing biennium - the Outlook is part of the conversation.
- There are caveats:
  - The Legislature adopts a biennial budget.
  - The four-year outlook is not a budget.
  - The Outlook statute provides guidance on how certain items are handled.
- As a practical matter, an Outlook needs to be prepared for each budget release and during budget development.

# LESSONS LEARNED

- Someone or group will need to decide the rules (no statute will cover all scenarios)
- In beginning, it is frequent to encounter situations that generate new rules or revisions to rules - unforeseen situations
- Think about how it interacts with other budget constructs such as expenditure limits
- Be aware of the margin of error and areas most likely to change in the future (revenue forecasts)

## Washington State Legislature

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