

**Six-Year Outlook, assuming Governor's November 21, 2011 Supplemental Budget
Restoration of Initiatives 728 and 732 and State Employee and K-12 Salary Reductions**

Dollars in Millions

	2012	2013	2014	2015	2016	2017
Beginning Balance (General Fund-State)	(92)	(590)	601	(69)	(891)	(1,910)
Revenues						
November 2011 Revenue Forecast	14,697	15,491	16,188	16,917	17,678	18,474
B&O Tax Surcharge Sunset			(258)	(269)	(281)	(294)
High Tech B&O Credit and Sales Tax Deferral Sunset				35	71	74
Transfers to Budget Stabilization Account	(128)	(136)	(142)	(149)	(156)	(163)
Statutory Transfer to Education Construction Account	(102)	(102)	(102)	(102)	(102)	(102)
Other Enacted Revenue Transfers	223	225	-	-	-	-
Governor's 2012 Supplemental Budget						
Transfers from Other Accounts	153	23	-	-	-	-
Transfers from Budget Stabilization Account	129	136	-	-	-	-
Reduced Distributions to Local Governments	-	74	77	81	84	88
Total Revenue	14,972	15,711	15,763	16,512	17,295	18,077
Biennial Total		30,683		32,276		35,372
Expenditures						
2011-13 Enacted Budget						
Governor's 2012 Supplemental Budget	15,766	15,955				
	(297)	(1,435)				
Baseline Expenditures (assumptions below)	15,470	14,520	14,797	15,607	15,922	16,237
Changes from the 2011-13 Base Budget						
Restore FY 2013 Apportionment Payment Delay			330			
Restore K-12 Salary Allocation Reduction of 1.9% and 3%			74	94	95	96
I-732 K-12 and Community Colleges Teachers/Staff Pay Increases			76	166	273	399
I-728 K-12 Class Size			403	519	539	561
Continue Implementation of Basic Education bill (HB 2776)			317	724	1,105	1,305
K-12 Bus Depreciation			49			
K-12 Assessments			22			
K-12 Local Effort Assistance			67	-	-	-
Restore State Employee 3% pay cut			88			
Collectively Bargained Additional Pay Step			20			
Projected Pension Rate Changes			153	186	339	382
Restore Use of Health Insurance PEBB Fund Balance (K-12 and State Employees)			36	39	41	43
Total Expenditures	15,470	14,520	16,434	17,334	18,314	19,023
Biennial Total		29,990		33,767		37,337
General Fund State ENDING BALANCE	(590)	601	(69)	(891)	(1,910)	(2,855)
Budget Stabilization Account	-	-	142	291	447	609
Total Reserves	(590)	601	73	(599)	(1,463)	(2,246)

See Page 2 for assumptions.

Baseline Expenditure Assumptions in Forecasting Model

- a. After FY 13, revenue grows at 4.5% per year.
- b. There are no salary increases assumed for state employees or vendors (except for I-732 COLAs).
- c. Health Care inflation is assumed at 2.91%, 3.12%, 3.26%, and 3.21% for FY 2014-17 (IPD plus population growth).
- d. Employee Health Benefits are assumed to grow at 6% per year (based on historical growth).

Adjustments to the Baseline

- e. No assumptions are made regarding the effect of changes in the federal budget or in federal health care reform.
- f. The K-12 costs assume a 176-day school year, per the Governor's 2012 Supplemental budget.
- g. I-732 K-12 Teachers/Staff Pay Increase Rate by year: 1.8%, 1.6%, 2.1%, and 2.2% based on Seattle CPI, per RCW 28A.400.205.
- h. I-728 Class Size initiative is restarted.
- i. Continue Implementation of Basic Education bill (HB 2776), which includes Full Day Kindergarten, K-3 Class Size, Materials/Supplies/Operating Costs, and Transportation costs.
- j. K-12 Bus Depreciation--a one-time FY 2013 Shift.
- k. K-12 Assessments--restores the delay of this process.
- l. K-12 Local Effort Assistance--a one-time FY 2013 Shift. The Governor's 2012 Supplemental implements a new policy that reduces the program by half. Because the program runs on a calendar year basis, savings are realized in FY 2013 by shifting a portion of the costs into FY 2014, creating a one-time bump. For FY 2015 and beyond, funding is back to the FY 2013 level.
- m. Pension increase uses Office of the State Actuary's estimates for FY 2014-2017.
- n. Restore use of PEBB fund balance (K-12 and State Employees) by increasing the PEBB rate.