

Prevention Alliance

BUDGET MEMO: SPRING 2025 REVENUE & CASELOAD FORECASTS

March 2025

Spring Revenue Forecast

On March 18th, the Economic and Revenue Council (ERFC) released the [spring quarterly revenue forecast](#). These revenue projections provide House and Senate budget writers with the fiscal landscape they must work with as they draft their respective proposed operating budgets. 2025 is the first year of the biennium, which means they will be putting forward proposals for the full two-year (biennial) operating budget.

In the March 18th forecast, the forecast of funds subject to the [budget outlook](#)¹ for the current 2023-25 biennium is projected to increase by \$54.4 million, but then is projected to *decrease* by \$479 million for the 2025-27 biennium, and *decrease* by \$420 million for the 2027-29 biennium. This means the state budget shortfall is projected to grow for the next two ensuing biennia. The combined change in revenue projections compared to the November 2024 forecast is a *decrease* of \$845 million over the period of the current biennium and the next two ensuing biennia (2025-27 and 2027-29). This projected shortfall is in addition to the estimated \$15 billion shortfall over the four-year outlook that the legislature has already been contemplating as they have been considering legislation this session and working to prepare budget proposals.

Overview: The Economic & Revenue Forecast Council

In Washington, the [Economic & Revenue Forecast Council](#) (ERFC) releases and adopts four official revenue forecasts each year: spring during legislative session (February in short session years; March in long session years), summer (June), fall (September), and winter before the governor releases their proposed budget (November).

These revenue forecasts look at the various revenue sources (sales tax, property tax, real estate excise tax, business & occupation tax, tobacco/marijuana/liquor tax, etc.) and the projected impact of economic factors such as unemployment, sales, airline travel (for the ripple effect on Boeing), housing construction and sales, exports, etc. Looking at all of these factors, the ERFC builds a forecast for what the state's estimated revenue will be and how much larger/smaller it is than the previous forecast.

Reasons that explain the downward trend in the spring forecast include:

- The WA employment numbers and building permit levels are lower than they were in the November 2024 forecast.
- Personal income levels are lower.
- Inflation and federal interest rates remain high.
- Other negative impacts to the forecast since November include: recent tariff increases and retaliation, federal changes in employment and spending, Washington revenue collections growth continues to be slow.

¹ Funds subject to the budget outlook include the state general fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunities Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). [Chapter 8, Laws of 2012](#), requires the legislature to adopt a four-year balanced budget. Since the 2013-2015 biennium, the legislature has been required to enact a balanced operating budget that leaves a positive ending fund balance in the general fund and related funds (ELTA, OPA, and WEIA). For more background on the Four-Year Outlook, see the [Prevention Alliance policy brief on Washington's Four Year Outlook](#).

The total reserves are now estimated at \$3.462 billion for 2023-25. Reserves are comprised of the projected ending balance (projected revenue and other resources minus estimated expenditures) combined with the amount in the Budget Stabilization Account (also known as the Rainy Day Fund).

The quarterly revenue forecast always provides both potential upside risks and downside risks that could impact the forecast that was released, for better or for worse. For the March 2025 forecast, on the potential upside there could be inflation falling faster than anticipated, stronger consumer spending, quicker resolution to international conflicts in the Middle East and Russia-Ukraine, and if tariffs are avoided or lower than currently anticipated. For the potential downside, inflation could stay higher longer and elevated interest rates could slow the economy, international conflicts could intensify, trade policies including tariffs could intensify, and there could be further federal employment and spending reductions. Any of these factors could impact realized revenue collections and/or future forecasts, positively or negatively.

February Caseload Forecast

Another factor that impacts the state budget landscape in Washington is projected changes in caseload for the various state-funded programs and services. The state Caseload Forecast Council met back on February 14th to discuss their [February caseload forecast](#). A summary of the caseload forecast is available [here](#). When looking at the February 2025 caseload forecast compared to the November 2024 caseload forecast (which was the most recent caseload forecast), some of the projected caseloads with *higher* than anticipated caseloads in fiscal year 2025 include Working Families Tax Credit (+34.1%), College Bound Scholarship Program (+16.1%), WA College Grant Program (+9.9%), and Aged, Disabled, and Other Medical (+1.2%). Some of the caseloads that were *lower* than the November 2024 forecast for fiscal year 2025 include DCYF Tiered Reimbursement (-13.2%), DDA Waiver Requests (-5.1%), Working Connections Child Care (-3.1%), Licensed Foster Care (-1.4%), and Temporary Assistance for Needy Families (-1.1%).

When looking at the caseload forecast, it is important to note that a reduction in caseload counts could in some cases mean a reduction in need, but it also means that programs and services aren't being utilized at a rate that was expected or even hoped for.

What's Next

The House and Senate are both releasing their proposed budgets on Monday, March 24th. With the significant budget shortfall the state was already facing, combined with the continued downward trend of the spring revenue forecast, it is anticipated the proposed budgets will include both new revenue proposals as well as cuts to existing programs, services, and other state spending reductions. Not all portions of the budget are equally vulnerable to cuts. This is explained in more detail in the section below.

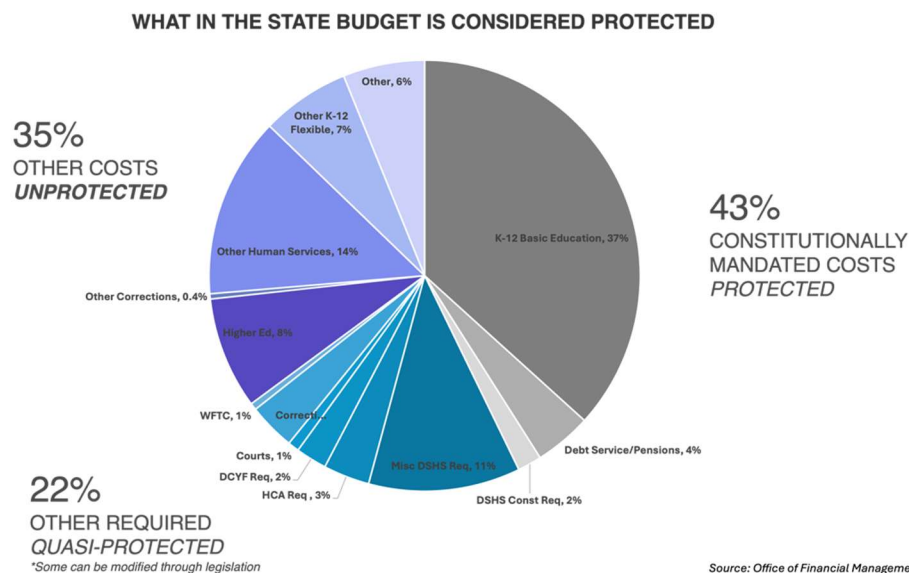
After the House and Senate budget proposals are released, budget leaders will spend the next few weeks working towards a final budget that they are aiming to pass before the 2025 legislative session adjourns on April 27th.

What Is and Isn't 'Protected' in the State Budget

When looking at a budget shortfall as significant as our state is facing, it is important to note certain portions of the budget are considered 'protected'. This year we are adding a layer that some things that may in normal budget times be considered 'protected' under state law, may be considered more 'quasi-protected' this year, meaning that they may be currently required, but that requirement could be changed which could make them vulnerable to cuts (*See chart 1 for more detail*):

- **Protected: Constitutionally Required (43%):** Includes K-12 basic education, debt service/pensions, and certain DSHS services
- **Quasi-Protected: Required cost under state law (22%):** Includes Medicaid, adoption support, foster care, courts, certain corrections costs, etc. While this bucket is often viewed as 'protected' because it is required in state law, state law can be modified or repealed by the legislature. So, items in this bucket could become vulnerable/unprotected. We see that through legislation being considered that modifies existing law in order for cost reductions to be allowed. An example of this from this session is [SB 5752](#), which makes modifications to state statute under the Fair Start for Kids Act in order to delay implementation and make other spending reductions.
- **Unprotected: No requirement to fund under state constitution or state law (35%):** this includes things higher education, human services, K-12 flexible services, other corrections costs, natural resources, etc. It is from this portion of the state budget that cuts or program elimination are most easily implemented.

Chart 1: Breakdown of Protected vs Unprotected Costs in the Washington State Operating Budget



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