CHAPTER 5

CARRY-FORWARD, MAINTENANCE AND POLICY LEVELS

What is carry-forward level?

The carry-forward level (CFL) is a reference point created by calculating the biennialized cost of decisions already recognized in appropriations by the Legislature.

OFM calculates and provides CFL to agencies

In collaboration with legislative staff, OFM calculates and provides CFL to each agency. OFM budget analysts will discuss these calculations with agencies as soon as possible after passage of the 2018 supplemental budgets. We expect CFL to be finalized in June 2018 when the Agency Budget System (ABS) goes live.

Agencies do not recalculate CFL for their budget requests. ABS will be populated with CFL control items – which the agency cannot change.

How OFM calculates the CFL

The OFM calculation starts with the 2017–19 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. The Governor's Emergency Fund allocations are considered nonrecurring costs and not added to the base. Adjustments are then made for biennialization of workload and service changes directed by the Legislature and for deletion of costs that the Legislature considered nonrecurring. Nonappropriated funds are adjusted to match allotments through the agency recast process.

Unanticipated receipts received and approved in 2017–19 that will continue in 2019–21 are also considered part of CFL if approved prior to the finalization of the CFL cost calculation.

Examples of CFL adjustments

- **Legislatively directed workload changes.** Only those changes already recognized by the legislative appropriation level in 2017–19 (or for nonappropriated accounts through a change in the legislative budget database or allotments/recast) are included. Examples include staffing for opening of new facilities and biennialization of the cost of mandatory caseload, enrollment or population growth that occurred during 2015–17.
- **Legislatively directed changes in level of services.** Again, only the CFL of those changes recognized by the Legislature through revised appropriations are included in CFL. Examples include a change from annual to semi-annual inspections or an increased resident-counselor ratio.
- **Nonrecurring costs.** Nonrecurring costs usually reflect deletions of what the Legislature has identified as projects or other short-term expenditures. Legislatively directed nonrecurring costs are eliminated in CFL. Agency-generated savings would be shown as negative adjustments in ML.

What is maintenance level?

Maintenance level (ML) reflects the cost of mandatory caseload, enrollment, inflation and other legally unavoidable costs not contemplated in the current budget. Expenditure adjustments may be positive or negative, depending on expected experience in the ensuing biennium.

Who prepares ML?

Agencies prepare the ML component of the budget submittal. Like CFL, ML is a reference point for budget consideration. It is not a guarantee of that amount of funding.

ML includes mandatory caseload and enrollment changes

A mandatory caseload or enrollment change arises from an explicit statutory requirement for state-funded services. A change in the demand or the need for a service is not mandatory unless the recipients of that service (or benefactors of the activity) are entitled by statute or rule. Mandatory ML changes are entered as ML items in ABS.

Be sure to identify projected caseload growth separately for each discrete service provided by the agency at the same level of detail as forecasted by the Caseload Forecast Council.

ML includes inflation and other rate changes

Costs related to inflation and mandatory rate changes are included in ABS as ML items. Examples of these types of changes are OASI rate revisions, salary increments (for agencies with fewer than 100 FTE staff), current lease/purchase contract payments, utility expenses and increased costs for current leases. Costs for new leases, moves or acquisition of new space not associated with mandatory caseload, workload or service level changes should be included in a policy level (PL) budget request.

Also included in ML are:

- » Costs related to replacing existing, but worn-out equipment.
- » Operating costs for just-completed capital projects. These costs should be previously assumed in the capital project plan. Operating costs related to changes in assumptions or scope should be included in PL.

Merit system salary increments

Because vacancy rates typically result in savings that can offset salary increment costs in large agencies, agencies exceeding 100 FTE staff per year should not include merit system salary increments in their ML calculation. The Court of Appeals (which functions as three autonomous courts, each with fewer than 100 FTEs) and other smaller agencies may identify increments as long as the cost does not exceed 2.5 percent of annual salaries for classified staff.

If agencies believe they have justification for salary increments beyond these limits, they should include the increments in their PL request. Merit system salary increments should not be added for exempt or Washington Management Service employees.

Nonappropriated expenditure adjustments

Unless they are part of a PL decision package (DP), budgeted/nonappropriated expenditures beyond the current allotment belong in the ML category. DPs for nonappropriated accounts that reflect a policy change should be requested in the PL of the agency's budget.

Agencies must use OFM-specified RecSum codes for selected ML items

OFM has DP codes to more clearly identify certain ML items of change at the statewide level. Agencies must use the RecSum codes identified below for these ML changes. Agencies are free to use other available codes and titles for other ML items.

ML Code	DP Code	Description
Workload, caseload and utilization type adjustments		
	93	Mandatory caseload adjustments (for officially forecasted caseloads only)
	94	Mandatory workload adjustments (for DSHS, HCA and DOC)
	95	Enrollment/workload adjustments (OSPI)
	96	Utilization changes (DSHS and HCA)
Wage and compensation type adjustments		
	9C	Initiative 732 COLA
	8C	Minimum wage adjustments
	97	Merit system increments (only for agencies with fewer than 100 FTEs)
	99	OASI adjustments
	9P	Pension adjustments, other than rate changes
	8R	Retirement buyout costs
Budget structure change, cost allocation and transfer type adjustments		
	8D	Budget structure changes (LEAP-approved)
	9T	Transfers (between programs, agencies, years or funds)
	8Y	Cost allocation adjustment (cost must net to zero in the agency)
Specific cost type adjustments		
	8F	Fuel rate adjustments
	8L	Lease rate adjustments (Also see: 8V – lease adjustments > 20,000 sq. ft.)
	8M	Mileage rate adjustments
	8P	Postage rate adjustments
	8U	Utility rate adjustments (non-Department of Enterprise Services utility billings)
	8V	Lease adjustments > 20,000 sq. ft. (*See Chapter 11*)
	9E	Other fund adjustments
	9F	Federal funding adjustment
	9H	FMAP match adjustment
	9I	K-12 inflation (OSPI only)
	9J	Nonappropriated fund adjustment
	9K	Levy equalization update (OSPI only)
	9L	Local funding adjustment
	9Q	Equipment maintenance/software licenses
	9S	Equipment replacement costs
	9U	Unanticipated receipts not in CFL
	9V	Operating costs for just-completed capital projects (costs previously planned)
	9W	Operating costs for proposed capital projects
	9M	Medical inflation
Summary and recast type adjustments		
	90	ML revenue (all ML revenue not related to individual expenditure DPs)
	9Z	Recast to activity
OFM use only		
	98	General inflation
	9D	Pension rate changes

How to treat payments to central service agencies in ML

Do not include ML changes in the agency budget submittal for payments for the central service accounts listed in Chapter 11. These are calculated and uploaded by OFM in the fall when decisions are final for these central service agency budgets.

Note: Agencies will be provided with a base amount and proposed fund splits in the spring and will be asked to review and request changes to fund splits at that time in order for OFM to recalibrate the central service model. (See Chapter 11 for more information.)

What is policy level?

Incremental expenditure changes that do not fall under the definitions of CFL or ML are considered policy level (PL) changes. These changes may represent revised strategies or substantial differences in program direction, and can include proposed program reductions. Each significant change to current policy must be justified in a DP. Examples of PL items are:

- **Discretionary workload.** The expenditures necessary to address workload not defined as mandatory.
- **New programs or services.** New programs or any change in the level or scope of existing programs. This category also covers improvements that would result in more effective delivery of services or higher quality services, and proposals for enhanced employee development or training programs. Funding changes for new program structures requiring legislative authorization should also be included in the RecSum at the PL. (See Chapter 1.)
- **Program reductions and other changes.** Requests for new programs can sometimes replace lesser priority programs. Any policy decision that would result in a reduction of service level or the number of clients served should be displayed as a separate decision package item.

Include related revenues in the same DP. Revenue changes related to a PL item should be included in the same DP with the expenditures.

PL DPs must be allocated by activity. Each PL DP must include the costs and FTEs by activity. (See Chapter 2 for more information.)

Unanticipated receipts

Unanticipated receipts are monies received from the federal government or other nonstate sources that were not anticipated in the budget approved by the Legislature and that can be used only for a purpose specified by the grantor. A statutory process described in RCW 43.79.270 allows agencies to request expenditure authority for these unanticipated revenues through OFM.

Where should they be included in the budget? OFM will work with agencies to review unanticipated receipts already approved this biennium to determine if there is a realistic expectation that the original funding source support will continue. If the support is expected to continue, and if the activity remains consistent with statewide priorities, the funding should be included in the 2019–21 budget requests. This will enable the Legislature to consider the activity as part of the regular budget process.