

Vision

To promote state government financial stability by producing an accurate forecast of economic activity and General Fund revenue for the legislature and governor to be used as the basis of the state budget.

Mission

To combine statistical models and the best available data with sound judgment based on knowledge of the state's economy and revenue system to produce forecasts in a collaborative environment.

Statewide goal

Effective, efficient, & accountable government.

Statutory Authority

RCW 82.33

For more information about the Economic and Revenue Forecast Council please visit our website at www.erfc.wa.gov

Assessment of Internal Capacity and Financial Health:

The Economic and Revenue Forecast Council is one of the few state agencies that employs the same number of full time employees as it did when created. The capacity to take on additional tasks, ranging from the annual Economic Climate Study to the Budget Outlook, has been created by increasing the efficiency of our core forecasting duties.

Our funding has been adequate to sustain the agency but we do anticipate several challenges. These include an upcoming relocation and change of culture, a lack of any clear method for funding cost of living increases, and potential reductions to technology, data subscription and staff development allotments.

Performance Analysis

The General Fund-State (GF-S) revenue forecasts during the 2013-15 biennium met our performance measure standards. The average revenue variance per month (adjusted for non-economic factors) was 1.7% in FY 14 and 2.1% in FY 15, below the 2.5% maximum variance specified. Final biennial revenue excluding non-economic factors was 2.7% higher than the projected revenue at the time of the initial biennial budget in June 2013.

In the current biennium, the average adjusted revenue variance per month was 2.7% in FY 16, just above the standard. As of June 2016, however, projected final biennial revenue is only 1.3% higher than the projected revenue at the time of the initial biennial budget in June 2015.

Assessment of External Challenges

The accuracy of the economic and revenue forecasts is strongly affected by the external environment. The primary external factors affecting forecast accuracy are revisions to external data and unforeseeable events. The economic and revenue forecasts depend upon data from a variety of sources, including the state and federal government. These data often undergo extensive and unpredictable revisions after they are used in a forecast. The revisions frequently extend several years backward into history. While the Economic and Revenue Forecast Council continuously monitors the accuracy of the data to the best of its ability, it cannot control or predict the full extent of data revisions. These revisions affect not only the data used in our state model, but also data that feed into the model used for the national forecast.

However, we actively work to understand data revision processes and to identify potential revenue changes due to administrative factors. We monitor the employment data collection and estimation techniques used by the U.S. Bureau of Labor Statistics and the Employment Security Department to understand any changes in employment survey techniques, and work with the Department of Revenue to obtain advance notice concerning audit assessments or court cases which may affect the revenue forecast.

Economic and Revenue Forecast Council



Strategic Plan

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What do we do?

The Economic and Revenue Forecast Council (ERFC) supports statewide goals by accurately forecasting economic activity and state tax revenue for Washington State. ERFC is comprised of both legislative and executive members and the state Treasurer. Four times a year the organization adopts a bipartisan revenue forecast that is then used to build the state operating budget. The ERFC is also charged with providing the state budget outlook to increase transparency and to promote state government financial stability.

How do we do it?

- Prepare quarterly General Fund-State and Near General Fund revenue forecasts for approval by the Economic and Revenue Forecast Council.
- Produce quarterly baseline, optimistic, and pessimistic forecasts of the national and state economy for approval by the Economic and Revenue Forecast Council.
- Prepare monthly reports to the Economic and Revenue Forecast Council and Workgroup Members, comparing tax collections with estimates and providing recent economic information.
- Monitor economic trends, re-estimate economic and revenue models, and update data sets.

What else do we do?

The agency's secondary goals are i) to provide timely information and analysis to our customers and ii) to promote state financial stability and transparency. Our objectives and strategies to meet these goals include:

- Provide timely, accurate responses to inquiries from individuals, the public and private sectors, and the press.
- Use our website to display data and publications related to the revenue forecast and state and national economic activity.
- Provide presentations on the state economy and the forecast process to private sector groups and public agencies.
- Use the four-year Budget Outlook process and related documents to increase transparency of the state budget and state revenues.
- Solicit customer input through biennial surveys and analyze feedback.
- Provide the strategic plan to Economic and Revenue Forecast Council for review and constructive feedback.
- Convene and participate in workgroups to review the economic and revenue forecasts and the Budget Outlook .

What strategies do we employ?

Quarterly Forecast Process

1. Refine Washington employment estimates
2. Receive input from Forecast Council Workgroup members
3. Receive input from Governor's Council of Economic Advisors
4. Present preliminary economic forecast to Council members
5. Use input from workgroup, GCEA, and Council along with additional data to finalize economic forecast
6. Develop revenue forecast and present to Council for adoption

Enhancements and reviews of the process and inputs

1. Review and assess changes to tax laws and administrative practices and reflect changes in the forecast.
2. Incorporate the consensus Blue Chip GDP forecasts and oil futures prices into the U.S. economic model to improve forecast accuracy.
3. Continually monitor changes made to the national forecast and when necessary work with data suppliers to update assumptions or question methodology changes.
4. Examine state tax collection trends to inform the Washington revenue forecast and to produce monthly collection reports.
5. Produce a quarterly publication explaining the forecast process and containing forecast details following each adopted revenue forecast.
6. Conduct continual review of data and methodology to improve forecast accuracy.
7. Collaborate with the Research Division of the Department of Revenue on issues related to tax legislation impacts and revenue data.

Data collection & supporting sound judgment

1. Participate in presentations to state agencies and other public and private entities and gather information from the ground up
2. Annually update and publish the Washington State Economic Climate Study
3. Participate in quarterly Dept. of Commerce/Business Roundtable meetings
4. Encourage agency staff to attend and participate in economic conferences

Produce forecasts in a collaborative environment

1. Assist agencies with their near general fund and general fund-state forecasts
2. Participate in and help develop material for meetings with rating agencies prior to bond sales
3. Provide model-building and forecast assistance to Liquor Cannabis Board and Lottery
4. Forecast lottery revenues

5. Create extended revenue forecast for use in budget outlook
6. Provide data sets to various agencies including but not limited to Office of Financial Management, Department of Labor and Industries, Workforce Training Board, Council of Presidents, Commission on Salaries for Elected Officials
7. Assist with the preparation of the transportation forecast
8. Participate on the Pension Funding Council work group
9. Provide input to JLARC on studies with an economic/analytic component