

September 24, 2015

To: Economic and Revenue Forecast Council

Senator Andy Hill, Chair

Senator Jim Hargrove

Representative Terry Nealey

David Schumacher, Director, Office of Financial Management

James L. McIntire, State Treasurer

Vikki Smith, Director, Department of Revenue

Note: A position representing the Democratic Caucus in the House of Representatives is vacant.

Expenditure Limit Committee

Senator Andy Hill, Chair, Senate Ways and Means Committee

Senator Jim Hargrove, Ranking Member, Senate Ways and Means Committee

Representative Hans Dunshee, Chair, House Appropriations Committee

Representative Bruce Chandler, Ranking Member, House Appropriations Committee

David Schumacher, Director, Office of Financial Management

Bob Ferguson, Attorney General

From: State Budget Outlook Work Group

Subject: EHB 2267 (Chapter 29, Laws of 2015, 3rd Special Session)

This memo relates to EHB 2267 and actions it requires of the Expenditure Limit Committee (ELC) and the Economic and Revenue Forecast Council (ERFC). The bill suspends the state expenditure limit until the 2021-23 fiscal biennium. Relative to the ELC and ERFC, section 4 provides:

"The economic and revenue forecast council, in consultation with the state expenditure limit committee, shall prepare draft legislation for introduction in the 2016 legislative session that revises the state expenditure limit to synchronize the requirements of this chapter with the four-year balanced budget requirement under RCW 43.88.060 and the state budget outlook under RCW 82.33.060."

To meet the requirements of this section, the State Budget Outlook Work Group (Work Group) seeks guidance from the ELC and the ERFC. At the November 4, 2015 meeting of the ERFC, the Work Group will present the attached summary comparing the requirements and processes of the Expenditure Limit and the Balanced Budget/Outlook. Work Group staff are available to meet with members of the ELC and the ERFC prior to the November 4 meeting. Future meetings of the ERFC, November 18, 2015 and in January 2016, may be used to provide guidance to the Work Group staff on draft legislation.

Attachment

Copy: Budget Outlook Work Group

Richard Ramsey, Senate Ways and Means Committee Staff
Melissa Palmer/Dave Johnson, House Appropriations Committee Staff
Pam Davidson, Office of Financial Management
Steve Lerch, Economic and Revenue Forecast Council
Tom Jensen, Legislative Evaluation and Accountability Program
Elaine Deschamps, Caseload Forecast Council
Rick Peterson, Office of the State Treasurer

Expenditure Limit

4-year Balanced Budget and State Budget Outlook

Summary	Limits State General Fund expenditures in a particular fiscal year; the limit is suspended until 2021	Requires the enacted budget to balance over 4 years
Approval Authority	Expenditure Limit Committee (RCW 43.135.025 (5)); if the Committee does not act to set the limit the Attorney General sets the limit	Economic and Revenue Forecast Council (RCW 82.33.010); if the Council does not act to adopt the Outlook, the Outlook as presented to the Council is adopted
Membership	OFM Director, Attorney General, Chairs and Ranking members of the House and Senate Ways and Means Committees	2 members appointed by the Governor (currently the OFM Director and the Director of the Department of Revenue); State Treasurer; 4 members, one each appointed by the 2 largest caucuses in the House and Senate
Subject funds	State General Fund	State General Fund, Education Legacy Trust Account, Opportunity Pathways Account
Timing for analysis	Each November, prior to November 30th; the expenditure limit is not required until July 1, 2021 (Chapter 29, Laws of 2015, 3rd Special Session (EHB 2267))	3 times each year: November to reflect the adopted budget plus updated information; January to reflect the Governor's proposed budget(s); within 30 days of enactment of the legislative budget
Calculation	The previous fiscal year's expenditure limit, adjusted for actual expenditures (rebasings) and transfers, and increased by the 10-year average growth in personal income	"Projected maintenance level" shall not exceed the available fiscal resources for the next ensuing biennium (RCW 43.88.055 (b)); RCW 82.33.060 (2) specifies process and requirements for this calculation.
Exclusions	No exclusions, except provided by EHB 2267	The 4-year balancing is not required when an appropriations bill makes net reductions in the general fund or when an appropriation is made from the Budget Stabilization Account (RCW 43.88.055 (3) and (4))
Time horizon	Each fiscal year	The current biennium and the ensuing biennium; 4-years
Preparation/Staffing	Not specified; by practice, staff from the House Office of Program Research, Senate Committee Services and Office of Financial Management	State budget outlook work group: staff from the OFM, LEAP, State Treasurer, Economic and Revenue Forecast Council, Caseload Forecast Council, Senate Ways and Means Committee, House Ways and Means Committee (RCW 82.33.070)