



WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **Budget Outlook Meeting**

January 15, 2015  
10:00 a.m.

- Call to order
- Adopt meeting minutes: November 19, 2014
- Adopt the corrected November Outlook
- Presentation by Budget Outlook Work Group members on guidance for preparing the Outlooks on the Governor's proposed budget

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STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

### Meeting Minutes Revenue Review

November 19, 2014

John L. O'Brien, Hearing Room A

#### **Economic and Revenue Forecast Council**

##### *Members Present*

Ross Hunter, House of Representatives, Chair  
Andy Hill, Senate  
Jim Hargrove, Senate  
Terry Nealey, House of Representatives (via phone)  
James McIntire, State Treasurer  
Carol Nelson, Department of Revenue  
David Schumacher, Office of Financial Management

##### *Staff*

Steve Lerch, ERFC  
Pam Davidson, OFM  
Melissa Palmer, House  
Richard Ramsey, Senate

#### **Call to Order**

The meeting was called to order by Representative Hunter at 10:03 a.m.

#### **Motion**

Senator Hill, made a motion to approve the meeting minutes from the November 6, 2014, seconded by Representative Hunter. Council approved the motion at 10:03 a.m.

#### **Presentation on the Budget Outlook**

Members of the Budget Outlook Work Group presented information on the methodology and the November 2014 Outlook for the 2015-17 biennium.

#### **Presentation on Revenue Forecast**

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes.

#### **Motion**

Senator Hill moved, seconded by Treasurer McIntire that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:36 a.m.

#### **Motion**

Director Schumacher moved, seconded by Senator Hill that the budget outlook be adopted as proposed by the Budget Outlook Work Group. Council unanimously approved the motion at 10:37 a.m.

#### **Other Business**

Representative Hunter announced Senator Hill will take over chairmanship on January 1, 2015. This is a two-year term that alternates between party and house of government.

#### **Adjournment**

Meeting adjourned at 10:38 a.m.

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*Budget Outlook:*

**Request for Guidance, January  
2015**

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January 12, 2015

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Guidance for preparing the Outlooks on the Governor's proposed budget

On January 28, 2015, the Economic and Revenue Forecast Council is scheduled to adopt a 4-year Outlook on the Governor's proposed budget. In order to prepare the Outlook, the work group seeks guidance from the Council on Thursday, January 15 on the following items:

1. **November Outlook Corrected.** On December 5, 2014, the work group sent the Council an Outlook correcting errors in the Outlook adopted on November 19, 2014. That Outlook and explanation are attached. Does the Council wish to approve the corrected November Outlook?



Outlook  
correction.msg

2. **Current Law, New Law Outlooks.** In January, 2013, the Council approved an Outlook on the Governor's proposed current law "book 1" budget as well as an Outlook on the Governor's proposed new law "book 2" budget. Should the work group continue to prepare Outlooks on the Governor's "book 1" and "book 2" budgets?
3. **Extraordinary Revenue.** The Office of Financial Management submitted a correction to the budget the Governor submitted in December. Without correction, the calculation of extraordinary revenue growth under current law would result in additional revenues being transferred to the Budget Stabilization Account, which was not the intent of the Governor's proposal. The correction dedicates new law revenues proposed in the budget to the Education Legacy Trust Account, rather than the general fund. Does the Council wish to use the most recent release for the Outlook preparation reflecting the Governor's proposed new law budget?
4. **Initiative-1351.** The Governor's budget assumes passage of legislation that exempts the requirements of I-1351 from the 4-year outlook. As a result of the exemption, the Outlook prepared for the Governor's proposed budget will not reflect I-1351. A footnote will be included describing the Governor's proposed exemption.

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*Budget Outlook:*

## **November Outlook Documents**

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December 5, 2014

To: Economic and Revenue Forecast Council  
From: State Budget Outlook Work Group  
Subject: Corrections to the November 2014 Outlook

At the November 19, 2014 meeting, the Council adopted the November 2014 Outlook for the 2015-17 Biennium to reflect the Governor's Preliminary Maintenance Level (attached). That analysis projected unrestricted negative ending fund balances of \$2,159.4 million and \$4,726.5 million in 2015-17 and 2017-19, respectively.

The Outlook Work Group has identified three errors in the adopted Outlook. These errors occur in the calculations in the 2017-19 biennium and total \$398 million.

1. In the adopted Outlook, the Adjustments to the FY 2017 Baseline (from the underlying 2013-15 biennium budget) for FY 2019 failed to reflect the compounding of the adjustments made in FY 2018. Correcting this error increases the projected appropriations in 2017-19 by \$317.9 million.
2. The Hospital Safety Net Assessment in the 2013-15 budget is scheduled to phase-out over 5 years, expiring after FY 2017. In the Maintenance Level adjustments, the adopted Outlook includes additional funding of \$60 million in each year of the 2017-19 biennium. The correct phase-out of the Hospital Safety Net is \$100 million per year in 2017-19. Correcting this error increases the projected appropriations in 2017-19 by \$80 million.
3. The adopted Outlook for calculating the K-12 MSOC Adjustments to the FY 2017 baseline contains a formula error. Correcting this error increases the projected appropriations in 2017-19 by \$38.8 million; this amount is included in Item 1 (above).

These adjustments will result in a projected unrestricted negative ending fund balance of \$5,124.5 million in 2017-19; the ending fund balance for 2015-17 is not affected. The corrected Outlook is attached; the items that have changed with this correction are highlighted.

The Outlook Work Group proposes the ERFC formally adjust the November 2014 Outlook at its January 15, 2015 meeting.

Please let us know if you have questions.

Attachments

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