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
<table>
<thead>
<tr>
<th><strong>Expenditure Limit</strong></th>
<th><strong>4-year Balanced Budget and State Budget Outlook</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Summary</strong></td>
<td>Limits State General Fund expenditures in a particular fiscal year; the limit is suspended until 2021</td>
</tr>
<tr>
<td><strong>Approval Authority</strong></td>
<td>Expenditure Limit Committee (RCW 43.135.025 (5)); if the Committee does not act to set the limit the Attorney General sets the limit</td>
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<tr>
<td><strong>Membership</strong></td>
<td>OFM Director, Attorney General, Chairs and Ranking members of the House and Senate Ways and Means Committees</td>
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<tr>
<td><strong>Subject funds</strong></td>
<td>State General Fund</td>
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<tr>
<td><strong>Timing for analysis</strong></td>
<td>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))</td>
</tr>
<tr>
<td><strong>Calculation</strong></td>
<td>The previous fiscal year's expenditure limit, adjusted for actual expenditures (rebasing) and transfers, and increased by the 10-year average growth in personal income</td>
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<td><strong>Exclusions</strong></td>
<td>No exclusions, except provided by EHB 2267</td>
</tr>
<tr>
<td><strong>Time horizon</strong></td>
<td>Each fiscal year</td>
</tr>
<tr>
<td><strong>Preparation/Staffing</strong></td>
<td>Not specified; by practice, staff from the House Office of Program Research, Senate Committee Services and Office of Financial Management</td>
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