

Budget Outlook
Methodology & Adoption

January 23, 2018



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

Budget Outlook Methodology & Adoption Meeting

January 23, 2018
10:00 a.m.

- Call to order
- Approval of meeting minutes: November 20, 2017
- Discussion: Resource Criteria
- Discussion: Methodology for the Budget Outlook
- Budget Outlook Adoption
- Adjourn

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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 20, 2017

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Christine Rolfes, Senate (via phone)
John Braun, Senate
Timm Ormsby, House of Representatives
Terry Nealey, House of Representatives (via phone)
Duane Davidson, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director,
ERFC
Andy Toulon, House
Pam Davidson, OFM
Amanda Cecil, Senate

Call to Order

Director Schumacher called the meeting to order at 10:02 a.m.

Motion

Director Smith moved, seconded by Representative Ormsby, to adopt the November 1, 2017 meeting minutes. Motion passed at 10:02 a.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding the U.S. economic forecast assumptions, nonstore retailer employment, and tax growth rates between biennia.

Motion

Representative Ormsby moved, seconded by Director Smith, to adopt the baseline revenue forecast. Council approved the motion at 10:17 a.m.

Budget Outlook Presentation

Members of the Budget Outlook Work Group presented the state budget outlook. Discussion ensued regarding the budget stabilization fund, general state revenues, capital budget, and the typical timing of federal health care funding for the Children's Health Insurance Program.

Motion

Representative Ormsby moved to adopt an official outlook, seconded by Senator Braun. Motion passed at 10:33 a.m.

Adjournment

With no further business, the meeting adjourned at 10:33 a.m.

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January 23, 2018

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Criteria for use of resources and preparation of the Outlook for the Governor's proposed 2018 supplemental operating budget

This memo provides background information regarding the criteria for use of resources related to the outlook for the Governor's proposed 2018 supplemental operating budget.

Criteria for Resources Assumed in the Outlook

At the November 2014 Outlook meeting, the ERFC adopted the following criteria for when resources related to a revenue redirection or transfer in the ensuing biennium may be reflected in the outlook:

"The Outlook may assume a resource related to a revenue redirection or transfer in the ensuing biennium, provided:

- A. Enactment of separate legislation requiring the revenue redirection or transfer in the ensuing biennium, or
- B. Absent separate legislation, the current biennium's budget provides legislative intent language to continue the current budget's revenue redirection or transfer in the ensuing biennium's budget. The revenue redirection or transfer in the ensuing biennium (1) may be assumed only to the extent there is a projected balance in the fund in the ensuing biennium; and (2) must be consistent with and not exceed the policy in the current budget. Fund balance determination in the ensuing biennium must reflect the continuation of the current budget's policy and the official revenue forecast as adjusted to reflect the current budget's policy."

Governor's Proposed Carbon Bill

The Governor is proposing separate legislation (Senate Bill 6203, Reducing Carbon Pollution) that would enact a carbon pollution tax. The revenue from this tax would be deposited into a new account called the Carbon Pollution Reduction Account. As drafted, the bill does not permit any transfers to the state general fund.

The Governor's proposed operating budget includes the following intent language:

"It is the intent of the legislature to transfer one billion five hundred thousand dollars from the carbon pollution reduction account to the general fund in the 2019-2021 fiscal

biennium. To the extent possible, these funds will be used for expenditures related to clean energy, natural resources, and the environment."

The technical workgroup met to review the proposed language and determined that the approach outlined above does not fit within either of the two criteria previously adopted by the ERFC in November 2014. Therefore, based on the language of the previously adopted criteria, the outlook prepared by the workgroup for consideration by the ERFC does not include the \$1.5 billion as a resource.

January 23, 2018

TO: Economic and Revenue Forecast Council

FROM: David Schumacher, Director, Office of Financial Management

SUBJECT: **ADOPTION OF AN ADDITIONAL RULE FOR NEW RESOURCES IN THE OUTLOOK**

I am proposing a new rule for when resources related to revenue redirection or transfer in the ensuing biennium may be reflected in the outlook. The existing rules established in November 2014 did not envision resource redirection as it exists in the Governor's proposed 2018 Supplemental Budget. The new rule recognizes the proposed creation of a new account and revenue stream not yet in existence, and its inclusion in the Outlook. The change is reflected in italics and underlining, below the existing rules.

"The Outlook may assume a resource related to a revenue redirection or transfer in the ensuing biennium, provided:

A. Enactment of separate legislation requiring the revenue redirection or transfer in the ensuing biennium, or

B. Absent separate legislation, the current biennium's budget provides legislative intent language to continue the current budget's revenue redirection or transfer in the ensuing biennium's budget. The revenue redirection or transfer in the ensuing biennium (1) may be assumed only to the extent there is a projected balance in the fund in the ensuing biennium; and (2) must be consistent with and not exceed the policy in the current budget. Fund balance determination in the ensuing biennium must reflect the continuation of the current budget's policy and the official revenue forecast as adjusted to reflect the current budget's policy, or

C. Enactment of separate legislation containing new or additional revenue in the ensuing biennium only to the extent there would be a projected balance in the fund in the ensuing biennium, and if combined with other proposed legislation to include a current biennium budget bill that provides legislative intent language to redirect or transfer such new or additional revenue in the ensuing biennium's budget."