

November 4, 2019

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the November 2019 Outlook

The State Budget Outlook Work Group (work group) provides the following updates and poses the following issues for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the November 2019 Outlook.

Methodology for November 2019

Resource Updates

- The November 2019 Outlook will be updated for the November 2019 revenue forecast. However, the Budget Stabilization Account (BSA) transfers and extraordinary revenue growth (ERG) calculations based on the November 2019 forecast will not be available. The work group will use the BSA transfers and ERG calculation from the September 2019 forecast.
- Reversions for fiscal year 2019 will be updated to reflect actuals. Future year reversion assumptions will not be changed from the enacted Outlook.

Maintenance Level Updates

The November 2019 Outlook will begin with the 2019-21 enacted budget and include a preliminary estimate by the Office of Financial Management of projected FY 2020 supplemental budget maintenance level costs. These estimates are to reflect projected expenditures based on the estimated cost of providing services currently authorized in the enacted budget. The 2019-21 maintenance level projection will be the basis for the 2021-23 projection using the Outlook growth factors and adding any mandatory items that start in the 2021-23 biennium. This estimate of the Governor's projected maintenance level is not final.

Other Items

The work group requests further direction from the ERFC in preparing the November 2019 Outlook for the following items:

FY 2020 Fire Costs. Costs related to fire suppression/mobilization in 2019 will continue to be further refined but initial costs incurred to date are estimated to be approximately \$38 million. While this amount will be a policy level item, the ERFC included the supplemental budget costs related to the fire season in the prior November 2018 Outlook and some other prior Outlooks with a footnote related to their inclusion. The ERFC has not provided a rule on whether to regularly include additional incurred policy level supplemental fire costs in preparation of future November Outlooks.

- *Does the ERFC want to include policy level fire suppression/mobilization costs in the November 2019 Outlook?*
- *For all future November Outlooks, does the ERFC want to include an estimate for fire suppression/mobilization costs for the recently concluded fire season?*

State Measures. There are three State Measures on the statewide ballot. The fiscal impact statements (FIS) for two of these measures indicate that one would have an indeterminate impact on Near General Fund-Outlook (NGF-O) resources and/or expenditures. The election results are not required to be certified until December 5th, after the November Outlook is presented to the ERFC on November 20th. The Work Group is not planning on making any adjustments related to 2019 Initiatives as explained below.

NOTE: In preparation of prior November Outlooks, the ERFC has directed the Work Group to incorporate the quantifiable fiscal impact of initiatives on the November ballot that appear to be passing and requested these be identified as distinct items.

Following is a listing of the three State Measures on the November 2019 ballot:

- **Initiative 976- Concerns Motor Vehicle Taxes and Fees**

The FIS identifies significant revenue and expenditure changes, however these impacts are to state and local transportation accounts rather than NGF-O accounts covered by the Outlook. There are no direct impacts identified in the FIS to NGF-O accounts. As a result, the Work Group is not planning any adjustment related to Initiative 976.

- *Does the ERFC concur with the proposed approach for Initiative 976?*

- **Referendum Measure No. 88- Concerning Initiative 1000**

Initiative 1000 was enacted in the 2019 legislative session, and has not gone into effect because the voters submitted petitions to refer the measure to the November 2019 general election ballot. The FIS identifies some costs if the referendum is approved including \$582,000 for the 2019-21 biennium and ongoing to establish a new commission and estimated costs for data collection identified for the University of Washington (but no other entities). The enacted 2019-21 biennial operating budget did not include any funding for implementation of Initiative 1000. Funding decisions related to implementation of Initiative 1000, if approved under Referendum Measure No. 88, will be a policy level decision in the 2020 legislative session. As a result, the Work Group is not planning any adjustment related to Referendum No. 88.

- *Does the ERFC concur with the above proposed approach for Referendum 88?*
- *For all future November Outlooks, does the ERFC want to include a standing rule to incorporate the quantifiable fiscal impact of initiatives on the November ballot that appear to be passing, and to reflect each as distinct items?*

- **Senate Joint Resolution No. 8200- Constitutional Amendment Concerning Legislative Powers in Times of Emergency**

There is no requirement for a FIS for a constitutional amendment. The fiscal note on Senate Joint Resolution No. 8200 prepared during the 2019 legislative session identified only those costs related to the submission of this measure to a vote of the people and did not identify any general changes in revenue or expenditures by the state as a consequence of the substance of the measure. Given that there are no clearly identified fiscal impacts associated with passage of this measure, the Work Group is not planning any adjustment related to Senate Joint Resolution No. 8200.

- *Does the ERFC concur with the above proposed approach for Senate Joint Resolution No. 8200?*