



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Budget Outlook

January 15, 2015

John A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senator, Chair
Jim Hargrove, Senator
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives
Carol Nelson, Department of Revenue
David Schumacher, Office of Financial Management
James McIntire, Treasurer

Staff

Steve Lerch, Executive Director,
ERFC

Budget Outlook representatives:

Jim Crawford
Melissa Palmer
Richard Ramsey

Call to Order

The meeting was called to order by Senator Hill at 10:05 a.m.

Motion

Representative Hunter made a motion to approve the meeting minutes from the November 19, 2014, seconded by Senator Hill. Council approved the motion at 10:05 a.m.

Motion

Treasurer McIntire moved, seconded by Representative Hunter that the corrected November budget outlook be adopted as amended by the Budget Outlook Work Group. Council unanimously approved the motion at 10:10 a.m.

Presentation on Budget Outlook

Richard Ramsey, Melissa Palmer, and Jim Crawford requested guidance from the council as they prepare the outlook on the Governor's proposed budget.

Current Law, New Law Outlooks: The Council recommended that the work group continue to prepare Outlooks on the Governor's "book 1" and "book 2" budgets.

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. The work group proposes, and the Council agreed to prepare the New Law Outlook based on the corrected version of the Governor's budget.

Initiative-1351: After some discussion, the Council agreed with the recommendation to include a footnote in the Outlook describing the exclusion of Initiative-1351 expenditures in the Outlook.

Adjournment

Meeting adjourned at 10:22 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Budget Outlook

January 28, 2015

John A. Cherberg Building, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Jim Hargrove, Senator
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives
Vikki Smith, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

Jim Crawford
Melissa Palmer
Richard Ramsey

Call to Order

The meeting was called to order by Director Schumacher at 10:06 am.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the January 2015 outlook for the Governor's proposed 2015 Current Law (Book 1) and New Law (Book 2) budgets. Director Schumacher clarified that Book 1 is a statutory requirement while Book 2 is the proposal that the Governor and the Office of Financial Management refer to when discussing the Governor's budget. The Budget Outlook Work Group confirmed that both options balance over 4 years.

Motion

Senator Hargrove made a motion to adopt the budget outlook as presented, seconded by Representative Hunter. The motion passed unanimously at 10:21 a.m.

Motion

Representative Hunter made a motion to approve the meeting minutes from January 15, 2015, seconded by Senator Hargrove. Council approved the motion at 10:21 am.

Adjournment

Meeting adjourned at 10:22 am.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes
Economic & Revenue Review
February 20, 2015
John A. Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair
Jim Hargrove, Senate
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives
James McIntire, State Treasurer
Vikki Smith, Acting Director, Department of Revenue
David Schumacher, Director, Office of Financial Management

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Representative Hunter at 10:02 a.m.

Motion

Treasurer McIntire, made a motion to approve the meeting minutes from the November 6, 2014, seconded by Representative Nealey. Council approved the motion at 10:02 a.m.

Presentation on the Economic & Revenue Forecast

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding employment, the economic recovery, and exports.

Motion

Representative Hunter moved, seconded by Treasurer McIntire that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:29 a.m.

Adjournment

Meeting adjourned at 10:29 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Special Meeting

May 15, 2015

John A. Cherberg, Hearing Room 1

Economic and Revenue Forecast Council

Members Present

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

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Senator Hill at 2:31 p.m.

Motion

Director Smith made a motion to approve the meeting minutes from February 20, 2015, seconded by Treasurer McIntire. Council approved the motion at 2:31 p.m.

Motion

Director Smith made a motion to approve the meeting minutes from May 14, 2015, seconded by Treasurer McIntire. Council approved the motion at 2:32 p.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding the risks, employment, real estate excise taxes, and fiscal impacts of Senate Substitute Bill 5052 which regulates sales of medical cannabis.

Motion

Senator Hargrove moved, seconded by Senator Hill, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 3:05 p.m.

Adjournment

Meeting adjourned at 3:05 p.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Budget Outlook

July 17, 2015

John A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senator, Chair (via phone)

Jim Hargrove, Senator (via phone)

Ross Hunter, House of Representatives (via phone)

Terry Nealey, House of Representatives (via phone)

Vikki Smith, Department of Revenue (via phone)

David Schumacher, Office of Financial Management

James McIntire, Treasurer (via phone)

Staff

Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

Richard Ramsey

Charlie Gavigan

Pam Davidson

Call to Order

The meeting was called to order by Director Schumacher at 11:02 a.m.

Presentation on Budget Outlook

Richard Ramsey, Charlie Gavigan, and Pam Davidson requested guidance from the council as they prepare the outlook on the 2015 enacted budget.

Life Sciences Discovery Fund

Section 805 of the budget directs the State Treasurer to transfer \$11 million from the Life Sciences Discovery Fund to the state general fund in fiscal year 2016. Section 963 amends RCW 43.350.070, authorizes the transfer and prohibits the use of Life Sciences Discovery Fund for new awards after July 1, 2015. The Governor vetoed Section 963 but did not veto the actual transfer in Section 805. According to the Office of Financial Management, the intent was not to disallow the transfer; rather the intent of the veto was to remove the prohibition on new awards. Should the Outlook on the enacted budget assume the transfer from the Life Sciences Discovery Fund will occur?

ERFC Response: Yes, the outlook should assume the transfer from the Life Sciences Discovery Fund will occur.

Health Benefits

The Legislative Budget Outlooks include funding for state government and higher education employees' health benefits. A growth rate of 4.2% per year was assumed for the 2015-17 biennium which resulted in savings from the PEBB carry-forward level in fiscal year 2016 and an increase in fiscal year 2017; no growth from fiscal year 2017 is assumed for fiscal year 2018 and fiscal year 2019. Similarly, the outlooks prepared on the Governor's Current Law and New Law budgets in January 2015 also reflect no growth in the ensuing biennium for employee health benefits. This approach differs from guidance provided by the ERFC. At its January 23, 2014 meeting, the ERFC adopted guidance for future outlooks "to utilize the PEBB modeling funding rate for the budget outlook." Over the last several years, the Health Care Authority's cost projections and balances for state employee health benefits have been variable and several times the enacted budgets have reduced the state cost by using projected PEBB surpluses.

Should the Outlook on the enacted budget assume: (1) the PEBB funding rate for the ensuing biennium; (2) growth of 4.2% per year; or (3) no growth as assumed by the Legislative budget?

ERFC Response: the Council agreed to assume no growth in the official outlook. The Council , requested that the amounts based on the PEBB projections be provided at the Outlook adoption meeting on July 21. The Council also agreed to reconsider this issue for the next Budget Outlook based on updated health benefits costs.

Public Safety Enhancement Account

Section 950 of the budget amends RCW 41.26.802, deleting the requirement that the State Treasurer transfer, subject to appropriation, \$20 million of the state general fund to the Local Public Safety Enhancement Account by September 30, 2015. Subsection (3) of this section states the Legislature's intent to fund a similar transfer and appropriation of at least \$50 million by September 30, 2017 from sources other than the state general fund, which may include transfers from the law enforcement officers' and firefighters' plan 2 retirement fund. The Governor vetoed only subsection (3) of this section. Outlooks for the Governor's budget and all legislative budgets identify the \$50 million transfer, subject to appropriation, as a requirement of current law in the 2017-19 biennium. ***Should the Outlook on the enacted budget reflect the Legislature's intent before the veto or the requirement of current law, RCW 41.26.802, after the veto?***

ERFC Response: The Council directed the Work Group to reflect current law rather than legislative intent.

Opportunity Scholarship

Section 613 (8) of the budget appropriates \$41 million for the Opportunity Scholarship program and includes the provision: "The legislature will evaluate subsequent appropriations to the opportunity scholarship program based on the extent that additional private contributions are made, program spending patterns, and fund balance." In this approach the Legislature is adopting a pay-as-you-go approach that is contingent upon the actual contribution subject to the state match. RCW 28B.145.040 (4) provides: "(4) The source of funds for the program shall be a combination of private grants and contributions and state matching funds. A state match may be earned under this section for private contributions made on or after June 6, 2011. A state match, up to a maximum of fifty million dollars annually, shall be provided beginning the later of January 1, 2014, or January 1st next following the end of the fiscal year in which collections of state retail sales and use tax, state business and occupation tax, and state public utility tax exceed, by ten percent the amounts collected from these tax resources in the fiscal year that ended June 30, 2008, as determined by the department of revenue." The Legislative budget Outlooks assume no funding for the Opportunity Scholarship program in the 2017-19 biennium. This approach differs from Outlooks prepared on the Governor's Current Law and New Law budgets in January 2015, which assumed obligations of \$50 million per year in the 2017-19 biennium. ***How should the Outlook on the enacted budget account for state matching funding for the Opportunity Scholarship program?***

ERFC Response: The Council agreed that the Outlook should not assume an appropriation in the 2017-19 biennium.

Health Care Authority, Savings Through Waiver Request

Section 1213 of the budget assumed state general fund savings of \$109.9 million in fiscal year 2015. The Governor vetoed the appropriation creating these savings. The Office of Financial Management has directed the Health Care Authority to place \$90.4 million in unallocated status, effectively increasing the GF-S reversions for fiscal year 2015. The Outlook will reflect \$109.9 million in higher GF-S appropriations in fiscal year 2015. ***Should the Outlook on the enacted budget increase the assumption of reversions for fiscal year 2015 from \$70 million to \$160.4 million?***

ERFC Response: The Council agreed to consider this a one-time reversion to avoid affecting the long-term average used to calculate reversions in the Outlook.

Adjournment

Meeting adjourned at 11:32 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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Meeting Minutes Budget Outlook

July 21, 2015

John A. Cherberg Building, Conference Rooms A, B, & C

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate (via phone)
Ross Hunter, House of Representatives (via phone)
Terry Nealey, House of Representatives (via phone)
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

Richard Ramsey
Dave Johnson
Pam Davidson

Call to Order

The meeting was called to order by Director Schumacher at 4:04 pm.

Motion

Representative Hunter made a motion to approve the meeting minutes from July 17, 2015, seconded by Director Smith. Council approved the motion at 4:07 pm.

Motion

Senator Hill made a motion to extend the employment contract with the supervisor of the forecast, Stephen Lerch, seconded by Representative Hunter. The contract period is updated to July 1, 2015 through July 31, 2018 and will include a 3% cost of living increase, plus an additional 2% step increase. The motion passed unanimously at 4:07 pm.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the enacted budget outlook for ESSB 6052.

Motion

Senator Hill made a motion to adopt the budget outlook as presented, seconded by Director Smith. The motion passed unanimously at 4:10 pm

Adjournment

Meeting adjourned at 4:10 pm.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Economic Review

September 2, 2015

John A Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair (Via phone)
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives (via phone)
James McIntire, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director, ERFC
Richard Ramsey, Senate

Call to Order

The meeting was called to order by Director Schumacher at 2:32 pm.

Motion

Representative Hunter made a motion to approve the meeting minutes from the July 21, 2015 meeting, seconded by Treasurer McIntire. Council approved the motion at 2:32 p.m.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from the May 15, 2015 meeting, seconded by Representative Hunter. Council approved the motion at 2:33 p.m.

Discussion on Open Government Trainings Act

Discussion ensued regarding Council member preferences on completing the requirements of training under the Open Government Trainings Act. Council members will complete online training and the agency will keep note of compliance.

Discussion on Enacted Engrossed House Bill 2267

Under Chapter 29 L15 E3, the Economic and Revenue Forecast Council, in consultation with the Expenditure Limit Committee, must prepare draft legislation for introduction in the 2016 legislative session that synchronizes the requirements of the expenditure limit, the four-year balanced budget requirement, and the budget Outlook process. Richard Ramsey, representative from the Budget Outlook Work Group provided background information on EHB 2267. Representative Hunter

provided background information and voiced support in order to improve the budget process.

Presentation on the Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding the probability of a recession. Treasurer McIntire cautioned that global deflation or recession is concerning and requested to see this reflected in the pessimistic forecast.

Other Business

Director Schumacher noted that this is the last ERFC meeting for Representative Hunter and thanked him for his service to the Council.

Adjournment

Meeting adjourned at 2:58 pm.



SS
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

September 14, 2015

John A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senator, Chair (via phone)

Jim Hargrove, Senator (via phone)

Terry Nealey, House of Representatives (via phone)

Vikki Smith, Department of Revenue

David Schumacher, Office of Financial Management

James McIntire, Treasurer

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

The meeting was called to order by Director Schumacher at 3:02 p.m.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from September 2, 2015, seconded by Director Smith. Council approved the motion at 3:02 p.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding the duration economic expansions, the pessimistic forecast, and recent collection experience.

Motion

Treasurer McIntire moved, seconded by Vikki Smith, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 3:26 p.m.

Adjournment

Meeting adjourned at 3:26 p.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Economic Review & Budget Outlook

November 4, 2015

John A Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Hans Dunshee, House of Representatives
Terry Nealey, House of Representatives (via phone)
James McIntire, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director, ERFC
Michael Bezanson, Senate
Melissa Palmer, House
Pam Davidson, OFM
Noah Purcell, ATG, Expenditure Limit Committee

Call to Order

The meeting was called to order by Director Schumacher at 2:34 pm.

Other Business

Welcome new member Representative Hans Dunshee.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from the September 14, 2015 meeting, seconded by Director Smith. Council approved the motion at 2:35 p.m.

Discussion on Enacted Engrossed House Bill 2267

Under Chapter 29 L15 E3, the Economic and Revenue Forecast Council, in consultation with the Expenditure Limit Committee, must prepare draft legislation for introduction in the 2016 legislative session that synchronizes the requirements of the expenditure limit, the four-year balanced budget requirement, and the Budget Outlook process. Michael Bezanson, representative from the Budget Outlook Work Group provided background information on EHB 2267 including a side-by-side comparison of the expenditure limit and the four-year balanced budget and state budget outlook. Discussion ensued regarding the importance for transparency with the four-year outlook and its benefits with credit rating agencies. Treasurer McIntire indicated he would organize a meeting to bring ideas back to the Council.

Discussion on the methodology of the November 2015 Budget Outlook

The budget outlook workgroup provided criteria for use of resources in preparation of the November 2015 outlook. Discussion ensued around costs related to fire mobilization in 2015 and Supreme Court sanctions related to *McCleary*. The Council

agreed that information should be included in the outlook as a footnote so that the information is readily available for legislative policy discussions.

Presentation on the Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding personal income growth.

Adjournment

Meeting adjourned at 3:13 pm.



SS
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 18, 2015

John A. Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senator, Chair (via phone)
Jim Hargrove, Senator
Terry Nealey, House of Representatives
Hans Dunshee, House of Representatives
Vikki Smith, Department of Revenue
David Schumacher, Office of Financial Management
James McIntire, Treasurer

Staff

Steve Lerch, Executive
Director, ERFC

Call to Order

The meeting was called to order by Director Schumacher at 10:06 a.m.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from November 4, 2015, seconded by Director Schumacher. Council approved the motion at 10:06 a.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding export data, the cannabis forecast, and long-term personal income growth.

Motion

Representative Nealey moved, seconded by Senator Hill, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:37 a.m.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the November 2015 Outlook. Discussion ensued regarding updates to the outlook and recent updates to the caseload forecast.

Adjournment

Meeting adjourned at 10:51 a.m.