

January 25, 2023

To: Economic and Revenue Forecast Council

From: State Budget Outlook Work Group

Subject: Preparation of the Governor's 2023-25 Biennial Operating Budget Outlook

The State Budget Outlook Work Group (work group) poses the following issue for the Economic and Revenue Forecast Council (ERFC) to provide guidance in the preparation of the Outlook for the proposed Governor's 2023-25 Biennial Operating Budget.

- 1. Office Space Use Reduction, Captured in Reversions.** Section 915 of the Governor's proposed 2023-25 biennial operating budget (HB 1140/SB 5187) directs state agencies to reevaluate the amount of physical office space required as they continue to implement hybrid work environments and adopt expanded telework opportunities.

Institutions of higher education and separately elected officials with leases expiring in fiscal years 2024 and 2025 are required to work toward reducing leased office space by a minimum of 20 percent upon lease renewal or when requesting office relocation. Agencies, institutions of higher education, and separately elected officials with leases expiring in fiscal years 2026 and 2027 must work to reduce their office space portfolio by a minimum of 30 percent upon lease renewal or when requesting office relocation.

The Governor's budget proposal anticipates \$19.8 million in general fund savings from this office space reduction:

- \$5,260,000 in the 2023-25 biennium; and
- \$14,557,000 in the 2025-27 biennium

For the purposes of the Budget Outlook, reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Reversions are estimated at approximately 0.5% of general fund appropriations. Additional adjustments for reversions are made in accordance with direction from the ERFC.

As released in December 2022, the Governor's budget proposal assumes that \$19.8 million in general fund savings from the office space use reductions would be captured in the Governor's budget outlook as an additional reversion amount.

Question 1: Does the ERFC want the Governor's Budget Outlook being prepared by the work group to assume the \$19.8 million savings from Office Space Use Reductions in the reversions section of the Outlook?