

**State of Washington  
Decision Package**

**Agency:** 104 Economic & Revenue Forecast Council

**Decision Package Code/Title:** ML Lease Rate Adjustments

**Budget Period:** 2015-17

**Budget Level:** M2 - Inflation and Other Rate Changes

**Recommendation Summary Text:**

The Economic and Revenue Forecast Council (ERFC), per statute, co-locates with the Department of Revenue (DOR). During 2016, DOR expects to move its headquarters to a building with higher lease costs. This decision package requests funding for this anticipated lease increase, amounting to an additional seventeen percent for rent in Fiscal Year 2016 and twenty-six percent in Fiscal Year 2017 based on DOR estimates.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	\$5,200	\$7,700	\$12,900
<b>Total Cost</b>	<b>\$5,200</b>	<b>\$7,700</b>	<b>\$12,900</b>

**Package Description:**

The agency is requesting a maintenance level rent adjustment of seventeen percent in Fiscal Year 2016 and twenty-six percent in Fiscal Year 2017. The lease increase is fully justified, as the Department of Revenue is moving its headquarters building to another location with higher lease costs and, per RCW 82.33, the staff of the Economic and Revenue Forecast Council are required to co-locate with the Department of Revenue in order to share confidential tax data.

The motivation for the move is to increase energy efficiency in compliance with the "Efficiency First Act", to more efficiently utilize space for employee teams, and to reduce inefficiencies of employee time and vehicle expenditures from employees driving between the locations for meetings. The relocation will coincide with the lease expiration scheduled for April 30, 2016. This project is included in OFM's 2013-19 Six Year Facilities Plan. This relocation will result in slightly higher lease rates for a ten year period.

The agency is requesting the additional funding for the lease agreement as a maintenance level item. Full funding of this package request will allow ERFC to continue subleasing office space from DOR and minimize disruption to the agency. ERFC is an independent body that prepares revenue and economic forecasts for the Governor and Legislature. We monitor changes in the economic outlook (Washington State and the United States) throughout the year to anticipate shifts in tax collections. This allows the legislative and executive branches to plan for the most likely revenue projections in preparation of the state budget. Co-locating with DOR is necessary to exchange data and also benefits ERFC by allowing savings through shared resources.

For additional information, please contact desirée Monroy at 360-534-1560.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

ERFC strives to meet its performance measure goals of producing an accurate forecast of state tax revenues. Strategies to meet this goal include intensive review of data, quarterly revisions, multiple levels of oversight, and providing staff with appropriate resources to promote quality work. Results rely on data availability, agency housing, and an information technology infrastructure to assure security of confidential taxpayer information. Because the exchange of information is so vital to the forecasts, per statute, the agency must be housed with DOR. Full funding of this package will allow the agency to work in close proximity with the Research Division of DOR and ultimately will help the agency to successfully meet its mission and goals for the state of Washington.

## **Performance Measure Detail**

### **Activity:**

### **Incremental Changes**

No measures submitted for package

### ***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Our strategic plan is reliant on housing for office staff. To continue our work providing economic and revenue forecasts and meet our strategic goals, it is necessary that we abide by current interagency lease agreement for agency housing. Having appropriate monies for leases costs will allow our office to operate a full capacity without compromising products or services. Because DOR collects over 90 percent of general fund monies, the agency's strategies look to data that is provided to our agency from the Department of Revenue.

### ***Does this decision package provide essential support to one of the Governor's priorities?***

ERFC supports the priority of improving the ability of state government to achieve results efficiently and effectively. The agency provides financial services by providing non-partisan and reliable economic and revenue forecasts to support government decision makers in regards to the operational, capital, and transportation budgets.

### ***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. Denial of this decision package would have a significant negative impact our core mission.

### ***What are the other important connections or impacts related to this proposal?***

In order for us to continue to provide services, the office must maintain a work environment. We believe that stakeholders would fully support this proposal.

***What alternatives were explored by the agency, and why was this alternative chosen?***

Because ERFC must, by statute, be co-located with DOR, there is no alternative to moving our office. Therefore, without this funding the agency will have to divert existing resources currently used to pay for data subscriptions, equipment, and staff. Resource redeployment options to maximize efficiency is challenging for a small agency. With only five FTE's, simply reducing staffing is not an option. Redistributing technology resources is not prudent as the agency relies heavily on having superior equipment and is on a refresh cycle determined by the Information Services Board.

In regards to the statutory requirement, any request for a legislative change would face uncertain prospects. Even without the co-location requirement, ERFC will be unlikely to have the option to remain as a tenant at its current location once DOR moves. Therefore, moving to a new location is inevitable, with the potential for higher lease costs and additional expenses for network and other services now obtained through DOR.

***What are the consequences of not funding this package?***

The lease obligation will require the agency to pay the new monthly rental rate for the term of the lease. If the additional funding is not provided, the agency will have to divert existing resources, potentially compromising agency activity.

***What is the relationship, if any, to the state's capital budget?***

N/A

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

Only non-funding may require changes to existing statutes.

***Expenditure and revenue calculations and assumptions***

DOR provided the following information that was utilized in our assumptions for this request:

STREET ADDRESS	CITY	BUILDING SQUARE FEET	LEASE START DATE	LEASE END DATE	FY15 TOTAL COSTS	SERVICES INCLUDED IN THE LEASE	PROJECTED COSTS FY16	PROJECTED COSTS FY17	FUNDED LEVEL FOR FY15	FY16 NEED	FY17 NEED
1025 Union Ave SW Ste. 500 Olympia, WA 98504	Olympia	58,845	Nov-10	Oct-15	\$1,111,584	Rent, Garbage	\$370,528	\$0	\$1,111,584	(\$741,056)	(\$1,111,584)
N/A	Tumwater	52,500	Nov-15	Oct-25	\$0	Rent	\$834,432	\$1,251,648	\$0	\$834,432	\$1,251,648

ERFC calculations are as follows:

	Annual costs	\$ per square foot	Difference
ERFC Lease (just rent)	\$29,448	\$18.89	
FY 16 (adjusted mid year move)	\$34,595	\$22.19	\$5,147
FY 17 (new bldg)	\$37,168	\$23.84	\$7,720

**Biennial request:        \$12,867**

**FY 16**

Requesting an additional \$5,200 for mid-year lease increase from \$18.89 per square foot to \$22.19.

**FY 16 Total: \$5,200**

**FY 17**

Requesting an additional \$7,700 for mid-year lease increase from fiscal year 2016 average of \$22.19 per square foot to \$23.84. The \$23.84 per square foot prices will be locked in for 10 years.

**FY 17 Total: \$7,700**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

The monthly rental rate increase will be effective for the term of the lease; therefore, the obligation is ongoing until 2025. It is fully anticipated that the new lease agreement will raise the amount DOR pays for required space, thus ERFC's rates will also be raised in accordance to interagency agreement.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E      Goods And Services	\$5,200	\$7,700	\$12,900

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A0 Administrative Efficiencies  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The agency used zero-based budgeting and prioritized spending that meets the agency mission. The result of this exercise highlighted that the agency, with its fiscal prudence and conservative spending practices, could absorb a small reduction in administrative costs. This decision package effectively reduces the agency’s overall budget \$30,000 (2 percent reduction) without significantly compromising the agency mission.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(15,000)	(15,000)	(30,000)
<b>Total Cost</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(30,000)</b>

**Package Description:**

The cuts are made in allocations for all discretionary purchases including printing, IT purchases, travel, supplies, funds for staff training, and monies set aside to improve the quality and breadth of our data inputs.

Our largest costs are wages and benefits, lease payments and payments for shared government administrative services. Those costs are non-discretionary. These areas identified are the only discretionary areas from which we could cut funds without significantly impacting our economic and revenue forecasts.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. Overall, the agency is diligent in keeping expenses to a minimum and is continuously seeking ways to keep overhead costs down and this is reflected in the fiscal year 2014 ending fund balance. Our organization believes that we can sustain this reduction without compromising the agency mission, vision, and values.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability and transparency.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have a mild impact on agency staff and morale and a marginal impact on forecast quality.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects the most easily implemented cuts with the least amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

2% reduction of all objects and sub-objects.

**FY 16 Total (\$15000)**

**FY 17**

2% reduction of all objects and sub-objects.

**FY 17 Total (\$15000)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E-NZ All discretionary items	(15,000)	(15,000)	(30,000)
<b>Total Objects</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(30,000)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A1 Software Licenses and Maintenance  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This reduction targets our subscription to the Haver Help Wanted Online Index software and data. The Help Wanted Index is an economic indicator that assists us in development of our employment forecasts and leading economic indicator. The agency previously subscribed and purchased the historical data to create this series when the Seattle Help Wanted Index was no longer available. Because there are other inputs to the employment forecast and leading economic indicator that will continue to be available, the loss of the Haver data will lead to a fairly small increase in forecast uncertainty.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(5,400)	(5,400)	(10,800)
<b>Total Cost</b>	<b>(5,400)</b>	<b>(5,400)</b>	<b>(10,800)</b>

**Package Description:**

The agency would no longer subscriber to Haver Analytics for the Help Wanted Online (HWOL) data. HWOL is advertised job demand for the U.S. as well as for census divisions, states, MSAs and broad occupational categories are available from the Conference Board. These monthly data are released at the beginning of each month, making them among the earliest published monthly indicators of economic activity. HWOL data measure the number of new, first-time online jobs and jobs reposted from the previous month, gathered from about 1200 major internet job sites and smaller job sites that serve niche markets and smaller geographic areas. HWOL covers total advertisements, new advertisements, supply/demand rates, total advertisement rates and new advertisement rates on a seasonally adjusted basis beginning in 2005.

The loss of this information is unfortunate, but will not impede the forecast process significantly. It will however compromise our ability to utilize this monthly data in the economic forecast.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. There are three key tools in producing accurate and reliable forecasts: quality professional staff, excellent IT equipment, and data subscriptions. The loss of the HWOL will be a loss to the increased accuracy of the economic forecasts which are the basis for our revenue forecast.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

*Does this decision package provide essential support to one of the Governor's priorities?*

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

*Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?*

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

*What are the other important connections or impacts related to this proposal?*

While this targeted reduction is simpler to implement, it will have an impact on the economic forecast which is used as a basis of the revenue forecast. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

*What alternatives were explored by the agency, and why was this alternative chosen?*

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects the second most easily implemented cut with the least amount of disruption to the organization and the state as a whole.

*What are the consequences of not funding this package?*

We would be able to continue functioning at our current level, without disruption. We will need to utilize more staff time in attempting to collect this information from other sources.

*What is the relationship, if any, to the state's capital budget?*

None

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None

*Expenditure and revenue calculations and assumptions*

**FY 16**

The renewal for the software license and data is \$5,400 annually.

**FY 16 Total (\$5400)**

**FY 17**

The renewal for the software license and data is \$5,400 annually.

**FY 17 Total (\$5400)**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

It is possible that these will be ongoing costs reductions.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
EY Software Licenses and Maintenance	(5,400)	(5,400)	(10,800)
<b>Total Objects</b>	<b>(5,400)</b>	<b>(5,400)</b>	<b>(10,800)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A2 Out-of-State Travel and expenses  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This reduction eliminates the agency’s total out-of-state travel budget for air transportation, subsistence, and lodging for all agency staff. The agency will freeze all out-of-state travel for all staff for the biennium in order to reduce the agency budget by \$2,000.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(2,000)	(2,000)	(4,000)
<b>Total Cost</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(4,000)</b>

**Package Description:**

This package will eliminate all out-of-state air transportation, subsistence, and lodging for all agency staff.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

A freeze on out-of-state travel is reasonable to consider in the face of the budget realities that are facing the state. Unfortunately this will hamper the agencies participation in the Pacific Northwest regional economic conference (PNREC) as well as access to conferences and trainings outside of the state border.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have an impact on the economic forecast which is used as the basis of the revenue forecast. Because of the level of knowledge and skill that employees have already attained, to provide adequate training opportunities that are worthwhile the agency must look to conferences for opportunities for professional development. Many of these conferences are held in metropolitan areas on the east coast. The agency's ability to provide funding for regular training opportunities and the travel required has been limited in previous biennia.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to effects on mission and stakeholder services. This particular decision package reflects the second most simple of cuts to implement with the least amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

Conferences and other professional development provide a mechanism for keeping staff up to date with current developments in data reporting, economic analysis and forecasting techniques. They also provide a forum for problem-solving and discussion of practical analytic issues faced by peers in government and the private sector. This type of on-going education would assist the agency in meeting its goal of producing accurate economic and revenue forecasts, but unfortunately must be curtailed in the light of necessary budget cuts.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

The agency typically allots \$2000 each fiscal year to out-of-state air transportation, subsistence, and lodging.

**FY 16 Total (\$2000)**

**FY 17**

The agency typically allots \$2000 each fiscal year to out-of-state air transportation, subsistence, and lodging.

**FY 17 Total (\$2000)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
GG Out-of-State Air Transportation	(1,000)	(1,000)	(2,000)
GF Out-of-State Subsistence & Lodging	(1,000)	(1,000)	(2,000)
<b>Total Objects</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(4,000)</b>

State of Washington  
Decision Package

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A3 Other Grants/Benefits/ Client Services  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This decision package effectively eliminates recognition awards as allowed under RCW 41.60.150.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(1,600)	(1,600)	(3,200)
<b>Total Cost</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(3,200)</b>

**Package Description:**

This decision package reduces agency funding towards awarding either individually or as a group for accomplishments including outstanding achievements, safety performance, longevity, and outstanding public service.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. Overall, the agency is diligent in keeping expenses to a minimum and is continuously seeking ways to keep overhead costs down and this is reflected in the fiscal year 2014 ending fund balance. Our organization believes that we can sustain this reduction without compromising the agency mission, vision, and values.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have a mild impact on agency staff and morale.

The agency has successfully used small awards to recognize activities that required time and effort over and above forecast-related tasks. For example, \$100 in gift cards of small denomination were used to show appreciation to agency staff who successfully cross-trained in nine different areas within a three-month period.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects the most easily implemented cuts with the least amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Eliminate NZ, Other Grants/Benefits/ Client Services, allotments.

**FY 16 Total: (\$1,600)**

**FY 17**

Eliminate NZ, Other Grants/Benefits/ Client Services, allotments.

**FY 17 Total: (\$1,600)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
NZ Other Grants/Benefits/ Client Services	(1,600)	(1,600)	(3,200)
<b>Total Objects</b>	<b>(1,600)</b>	<b>(1,600)</b>	<b>(3,200)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A5 Professional Development  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This decision package effectively eliminates funding of professional development for all staff. It will hinder the agency’s ability to provide educational opportunities for its professional staff to keep abreast of new data analysis and forecasting techniques as well as more basic activities such as First Aid training.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(9,000)	(3,800)	(12,800)
<b>Total Cost</b>	<b>(9,000)</b>	<b>(3,800)</b>	<b>(12,800)</b>

**Package Description:**

This package eliminates the agency’s professional development budget for all staff, effectively withdrawing investment in human resources. The agency recognizes that its future depends on attracting and retaining committed, capable and knowledgeable employees. This will hamper our ability to stay abreast of emerging economic trends and forecast techniques. It will also hinder the agency’s ability to provide even the basic of training opportunities for its professional staff, including First Aid training; the Agency is mandated to have at least one staff member who is current in First Aid, CPR, and AED under WAC 246-800-15005.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

This will have a negative effect on the agency’s performance outcomes. Because of the level of knowledge and skill that employees have already attained, to provide adequate training opportunities that are worthwhile the agency must look to conferences for opportunities for professional development. Conferences and other professional development provide a mechanism for keeping staff up to date with current developments in data reporting, economic analysis and forecasting techniques. They also provide a forum for problem-solving and discussion of practical analytic issues faced by peers in government and the private sector. The agency’s ability to provide funding for regular training opportunities and the travel required has been limited in previous biennia and with this package is completely eliminated. Management must create and maintain a climate which encourages individual development. Employee education, training, and participation in professional associations promote individual development, bolster employee morale, and further the agency’s mission. This will be diminished if this budget reduction is sustained.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability and transparency.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would have a minor impact our core mission. The economic and revenue forecasts are the basis of the state budget. A developed staff increases the accuracy of the forecast.

***What are the other important connections or impacts related to this proposal?***

Conferences provide a forum for problem-solving and discussion of practical analytic issues faced by peers in government and the private sector. Without participation from our group, other agencies and organizations will also lose a valuable resource.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects a somewhat difficult cut but with the least amount of disruption to the organization and the state as a whole.

An option the agency considered is to withdraw from the Small Agency Human Resources (HR) Services rather than eliminate our professional development funding. However, Small Agency HR staff have strongly recommended that we retain their services as insurance in the event we have an HR issue requiring investigations or other assistance.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption, however also without increased efficiencies, updates to process and adoption of evolving industry standards. Our primary concerns with this reduction are the ability to improve forecast quality and efficiency and retention of professional staff. Employee education, training, and participation in professional associations promote individual development, bolster employee morale, and further the agency's mission.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Eliminate EG, Professional development and training

**FY 16 Total: (\$9,000)**

**FY 17**

Eliminate EG, Professional development and training

**FY 17 Total: (\$3,800)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
EG Employee Professional Development & Training	(9,000)	(3,800)	(12,800)
<b>Total Objects</b>	<b>(9,000)</b>	<b>(3,800)</b>	<b>(12,800)</b>

State of Washington  
Decision Package

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A6 In-State Travel and expenses  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This reduction significantly reduces the agency’s total in-state travel budget for air transportation, personal vehicle mile reimbursements, motor pool services, other travel expenses, subsistence, and lodging for all agency staff. The agency will freeze all travel for all staff for the biennium in order to reduce the agency budget.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(3,850)	(3,850)	(7,700)
<b>Total Cost</b>	<b>(3,850)</b>	<b>(3,850)</b>	<b>(7,700)</b>

**Package Description:**

This package will eliminate all air transportation, personal vehicle mile reimbursements, motor pool services, other travel expenses subsistence, and lodging for all agency staff. The majority of in-state travel expenses are related to economic presentations made by the staff of the Forecast Council to business and professional groups, colleges, and government agencies. Therefore, elimination of in-state travel expenses will limit staff presentations to groups in the Olympia area and will affect an array of stakeholders.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

A freeze on travel is reasonable to consider in the face of the budget realities that are facing the state. Unfortunately this will hamper the agencies participation in economic conferences as well as reduce our outreach to business leagues, non-profits, municipalities, county commissions, and private entities. Since the Great Recession, organizations are more interested in economic trends and request presenters from our agency.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Yes, this affects our strategies to produce forecasts in a collaborative environment, our strategy for data collection to support sound judgment, as well as our strategy to provide 1<sup>st</sup> class service delivery standards that demonstrate to our customers the professionalism and respect citizens deserve from state government and to promote state financial stability and transparency.

***Does this decision package provide essential support to one of the Governor's priorities?***

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

Our agency provides economic presentations to state agencies and other non-profit and private entities such as, but not limited to: The Association of Washington Business, Financial Education Public-Private Partnership, Institute of Internal Auditors, American Society of Women Accountants, Pacific Northwest Regional Economic Conference, Tacoma Commercial Real Estate Roundtable, National Institute of Government Procurement, Washington Public Ports Association, Premera Health Systems, Bonneville Power Administration, local banks and credit unions, and many more.

More importantly this compromises the informal data and consumer and business sentiment that our economists gather while attending these meetings. This is an excellent and cost effective way to exchange information with organizations that may not ordinarily partner with the state.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to effects on mission and stakeholder services. This particular decision package reflects the most simple of cuts to implement with the least amount of disruption to the organization and the forecast.

***What are the consequences of not funding this package?***

Participating in meetings and presenting to organizations provides a mechanism for keeping staff up to date with current developments in data reporting, economic analysis and forecasting techniques. They also provide a forum for problem-solving and discussion of practical analytic issues faced by peers in government and the private sector. This type of on-going collaboration assists the agency in meeting its goal of producing accurate economic and revenue forecasts, but unfortunately must be curtailed in the light of necessary budget cuts.

An impact will be felt by not only private entities, but also many state agencies that appreciate our attendance or presentations at their meetings and events outside the Olympia area. This could affect the following: Department of Commerce/Business Roundtable meetings, Workforce Training Board, Board for Judicial Administration, Council of Presidents, Agency Deputy Directors, Commission for Elected Officials, and many more.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

The agency typically allots small amounts each fiscal year to air transportation, personal vehicle mile reimbursements, motor pool services, other travel expenses subsistence, and lodging.

**FY 16 Total (\$3,850)**

**FY 17**

The agency typically allots small amounts each fiscal year to air transportation, personal vehicle mile reimbursements, motor pool services, other travel expenses subsistence, and lodging.

**FY 17 Total (\$3,850)**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

It is possible that these will be ongoing costs reductions. However, the agency cannot completely eliminate in-state travel permanently.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
GB - In-State Air Transportation	(600)	(600)	(1,200)
GA - In-State Subsistence & Lodging	(1,000)	(1,000)	(2,000)
GD - Other Travel Expenses	(300)	(300)	(600)
GC - Private Automobile Mileage	(1,450)	(1,450)	(2,900)
GN - Motor Pool Services	(500)	(500)	(2,000)
<b>Total Objects</b>	<b>(3,850)</b>	<b>(3,850)</b>	<b>(7,700)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A7 Non-capitalized Assets  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This reduction targets our non-capitalized assets. These are minor assets that fall under the capitalization limit in the areas of leasehold improvements, intangibles, and other capital assets. For our agency this means a reduction in purchases of computers and peripheral devices and other small and attractive items necessary to the operation of our business. This also includes a reduction to the amounts expended for purchased software or licenses of commercially available software, specifically upgrading the econometric software that they economists use to forecast the state’s economic and revenue activity.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(10,000)	(10,000)	(20,000)
<b>Total Cost</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(20,000)</b>

**Package Description:**

This package eliminates the agency’s ability to invest in noncapitalized assets and software. Specifically it will eliminate the agency’s ability to purchase computers and peripheral devices. It will also prevent the agency from upgrading and purchasing new software such as Eviews (econometric modeling software), Adobe Acrobat/Dreamweaver, Microsoft Suite, and more.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. There are three key tools in producing accurate and reliable forecasts: quality professional staff, excellent IT equipment, and data subscriptions. The inability to keep our computers and software current will be a loss to the increased accuracy of the economic forecasts which are the basis for our revenue forecast. As computers age, it will take more staff time to complete the same tasks hindering our ability to find further efficiencies moving forward.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have an impact on the economic forecast which is used as a basis of the revenue forecast. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects an easily implemented cut with a lessened amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption. However, as the computers age, the failure rate increases. The inability to replace a computer for a staff member would compromise the organizations ability to meet our primary mission.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

The agency allocates \$5,000 a year to noncapitalized assets and noncapitalized software each.

**FY 16 Total ( \$10,000)**

**FY 17**

The agency allocates \$5,000 a year to noncapitalized assets and noncapitalized software each.

**FY 17 Total ( \$10,000)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

This package will need to be one-time. The agency must adhere to a refresh cycle which reduces failure rates and must stay up-to-date with software releases, particularly EvIEWS which is tied to the national data subscription the agency maintains with IHS, Global Insight, Inc. IT is one of our most necessary business expenses. The agency cannot sustain more than one biennium without this funding.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
JA Noncapitalized Assets	(5,000)	(5,000)	(10,000)
JB Noncapitalized Software	(5,000)	(5,000)	(10,000)
<b>Total Objects</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(20,000)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A8 Digital Newspaper Subscription  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This decision package effectively eliminates funding for subscription purchases of the Wall Street Journal, the New York Times, and the Seattle Times.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(650)	(650)	(1,300)
<b>Total Cost</b>	<b>(650)</b>	<b>(650)</b>	<b>(1,300)</b>

**Package Description:**

This package eliminates the agency’s funding for digital newspaper subscription purchases. The agency currently subscribes to the Wall Street Journal, the New York Times, and the Seattle Times.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

This will have a negative effect on the agency’s performance outcomes. Economic forecasting requires an awareness of current events that will affect future expenditures of both businesses and consumers. The Seattle Times assists our economists in being aware of changes happening in our largest metropolitan area, while subscriptions to the New York Times and the Wall Street Journal provide key information on U.S. and world economy as well as in-depth analysis to inform decisions and judgment.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No. This reduction would hinder data collection and analysis which support sound forecasting.

*Does this decision package provide essential support to one of the Governor's priorities?*

Yes, a balanced budget to promote government financial stability and transparency.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would have a minor impact our core mission. The economic and revenue forecasts are the basis of the state budget. A developed staff increases the accuracy of the forecast.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have an impact on the economic forecast which is used as a basis of the revenue forecast. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects a somewhat difficult cut but with the least amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Reduce funding in subscription allotments.

**FY 16 Total: (\$650)**

**FY 17**

Reduce funding in subscription allotments.

**FY 17 Total: (\$650)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
EJ Subscriptions	(650)	(650)	(1,300)
<b>Total Objects</b>	<b>(650)</b>	<b>(650)</b>	<b>(1,300)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** A9 Data Subscriptions  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

### Recommendation Summary Text:

This decision package effectively eliminates funding for subscription purchases for data purchases. Specifically this would cut funding for Rail Time Indicators, Moody's Analytics, Dodge- McGraw Hill Construction and World Institute for Strategic Economic Research (WISER).

### Fiscal Detail

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(3,160)	(5,160)	(8,320)
<b>Total Cost</b>	<b>(3,160)</b>	<b>(5,160)</b>	<b>(8,320)</b>

### Package Description:

This package eliminates the agency's funding for online data subscriptions. The agency currently subscribes to Rail Time Indicators, Moody's Analytics, Dodge- McGraw Hill Construction, and World Institute for Strategic Economic Research (WISER). The Economic and Revenue Forecast Council (ERFC) relies on data subscriptions for data that are not publically available or easily accessible. This ultimately saves us a tremendous amount of staff time for the collection of many of these data series. The last recession made it clear that the state must stay on top of trends on construction, container traffic, import and export data, as well as having access to analysis conducted by other economists to assist in the economic and revenue forecasts.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

### Narrative Justification and Impact Statement

#### *What specific performance outcomes does the agency expect?*

This will have a negative effect on the agency's performance outcomes. The following outlines the information that we gather from these subscriptions:

Rail Time Indicators – This is a monthly report from the Association of American Railroads that combines rail traffic data with more than 15 key economic indicators (such as consumer confidence, housing starts, and industrial production) in a non-technical snapshot of the U.S. economy. This provides a convenient, clear look at key trends that can reveal where the economy and rail traffic may be going.

Moody's Analytics (economy.com) provides essential expertise on the economic and consumer credit and financial data, research, analysis and forecasting at the global, macro, and subnational/regional levels. It assists the economists in observing trends that impact the economy and projected revenues. The staff utilize comprehensive and timely analysis to understand many components that drive the economy. From residential real estate and topical issues to metropolitan areas and daily commentary on economic indicators, this information is extremely helpful in comparing with our other national data firm IHS Global Insight, Inc to compare forecasts and analysis.

McGraw Hill Construction – The last recession made it clear how important the construction industry is on state revenues. ERFC did not have adequate access to solid non-residential and commercial historical data and forecasts prior to the housing market crash. Since that time we have been utilizing monthly data from McGraw Hill to have a forward looking view at the construction industry. Their Dodge Market Research and Intelligence services are all built on the detailed proprietary Dodge database. The key construction outlook provides the forecast for U.S.

construction starts and includes detailed analysis of the industry's economic environment and market trends.

World Institute for Strategic Economic Research (WISER) – The research data analysis tools for market and competitive intelligence provides monthly trade flows for over 6,000 products worldwide. Primary source data from the largest trading countries supplemented with UN data for all countries. They utilize state of the art analytics on market penetration, risk analyses, winners and losers and trade indices. Washington is the most trade-dependent state and our economic forecast relies on having access to solid trade data.

## **Performance Measure Detail**

### **Activity:**

### **Incremental Changes**

No measures submitted for package

### ***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

No. This reduction would hinder are strategy of data collection and supporting sound judgment.

### ***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability and transparency.

### ***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would have a significant impact on our core mission. The economic and revenue forecasts are the basis of the state budget.

### ***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have an impact on the economic forecast which is used as a basis of the revenue forecast. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

### ***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects a very difficult cut but with the least amount of disruption to the organization and the state as a whole.

### ***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level.

### ***What is the relationship, if any, to the state's capital budget?***

None

### ***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

### ***Expenditure and revenue calculations and assumptions***

#### **FY 16**

Reduce funding in subscription allotments.

**FY 16 Total: (\$3,160)**

**FY 17**

Reduce funding in subscription allotments.

**FY 17 Total: (\$5,160)**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

It is possible that these will be ongoing costs reductions.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
EJ Subscriptions	(3,160)	(5,160)	(8,320)
<b>Total Objects</b>	<b>(3,160)</b>	<b>(5,160)</b>	<b>(8,320)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** B0 Supplies and Materials  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The agency, with its fiscal prudence and conservative spending practices, will subsist on a significantly reduced supply and materials budget. This package reduces our funding for the most basic of office supplies including but not limited to pens, paper, toner, tape, and other common office materials.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(1,000)	(1,000)	(2,000)
<b>Total Cost</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(2,000)</b>

**Package Description:**

The office place has evolved and moved away from pens and paper and has more emphasis placed on computers and the web. The Economic and Revenue Forecast Council (ERFC) over the past ten years has invested in electronic delivery methods for our products and services. This transition has helped save the agency monies that were once expended on tangible supplies and materials. Our current supply spend is small, and this package reduces it to approximately \$200 per fiscal year for the very basics and replacement of small items as needed.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. Overall, the agency is diligent in keeping expenses to a minimum and is continuously seeking ways to keep overhead costs down and this is reflected in the fiscal year 2014 ending fund balance. Our organization believes that we can sustain this reduction without compromising the agency mission, vision, and values.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability and transparency.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have a mild impact on agency. It will also likely transfer some expenses to the agency staff if they require specific items that the agency can no longer afford to purchase for their use.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. This decision package reflects the most easily implemented cuts with the least amount of disruption to the organization and the state as a whole.

***What are the consequences of not funding this package?***

We would, in theory, be able to continue functioning at our current level, without disruption.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Reduce allotments to Supplies and Materials.

**FY 16 Total (\$1000)**

**FY 17**

Reduce allotments to Supplies and Materials.

**FY 17 Total (\$1000)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
EA Supplies and Materials	(1,000)	(1,000)	(2,000)
<b>Total Objects</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(2,000)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** B1 Internship Program  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This reduction targets our internship program offered annually to Washington college students. The Economic and Revenue Forecast Council (ERFC) would cease hiring a summer intern to complete the Washington State Economic Climate Study. This change would force us to evaluate if we can continue producing the Economic Climate Study as directed under RCW 82.33A.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(8,500)	(8,500)	(17,000)
<b>Total Cost</b>	<b>(8,500)</b>	<b>(8,500)</b>	<b>(17,000)</b>

**Package Description:**

ERFC would no longer hire a summer intern to complete the data collection and analysis of over thirty benchmarks that compares Washington State’s performance to the other states as well as the nation. These metrics cover innovation drivers, business performance, economic growth and competitiveness, and quality of life. This is invaluable data to policymakers as well as businesses and residents considering relocating to the state; the data are also frequently used as part of high school and college research projects.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. There are three key tools in producing accurate and reliable forecasts: quality professional staff, excellent IT equipment, and data subscriptions. The loss of the internship would force the agency to evaluate if we can continue producing the Economic Climate Study in its current level of detail or at all.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

No.

***Does this decision package provide essential support to one of the Governor's priorities?***

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simple to implement, it will have an impact on the distribution of workload to existing staff and may require a legislative change to RCW82.33A. Considering that the agency has not added any full time employees since inception, it is unlikely that the workload associated with this annual publication, at least in its current form, can be absorbed by existing staff. As a result, it may be necessary to consider legislative changes as this is a statutorily required report. However, this report however is not a strategy that supports our primary agency mission of promoting financial stability by producing accurate forecasts. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues. This decision package reflects a difficult reduction that could have impacts on many state agencies, businesses, and private citizens in Washington.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. Unfortunately the agency has exhausted all easily implemented options and is making in reductions in areas that will affect stakeholders.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption. We will need to utilize more staff time in attempting to collect and compile this information. It is very possible that the agency will not have the means to continue updating this annual publication or will need to reduce the amount of metrics that are included compromising the usefulness of the document.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Eliminate the funding for our part-time intern. This is a reduction in salaries and benefits.

**FY 16 Total (\$8,500)**

**FY 17**

Eliminate the funding for our part-time intern. This is a reduction in salaries and benefits.

**FY 17 Total (\$8,500)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

It is possible that these will be ongoing costs reductions.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
AC Salaries	(8,000)	(8,000)	(16,000)
EY Benefits	(500)	(500)	(1,000)
<b>Total Objects</b>	<b>(8,500)</b>	<b>(8,500)</b>	<b>(17,000)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** B2 IHS Global Insight, Inc.  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The Economic & Revenue Forecast Council (ERFC) is a tiny agency that plays a small but crucial role in the State's nationally recognized excellent fiscal management process. ERFC has been asked to make a 15 percent reduction in funding as outlined by guidance provided by the Office of Financial Management. Even though the dollar value reduced is proportionally the same as for large agencies, it impacts us disproportionately. We do not have any overlap or backup in staff responsibilities. This specific reduction package eliminates monies budgeted for our basic data and national economic forecast purchase from IHS Global Insight, Inc.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(0)	(50,000)	(50,000)
<b>Total Cost</b>	<b>(0)</b>	<b>(50,000)</b>	<b>(50,000)</b>

**Package Description:**

The agency would no longer subscriber to IHS Global Insight, Inc data and national economic models. The Global Insight U.S. data and forecast are mission critical. Consequently, the impact of this cut would seriously jeopardize our ability to deliver on our core mission.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The Economic and Revenue Forecast Council is a small agency with very few areas in which to find efficiencies after sustaining several cuts over successive biennia. There are three key tools in producing accurate and reliable forecasts: quality professional staff, excellent IT equipment, and data subscriptions. The loss of the Global Insight will be a loss to the increased accuracy of the economic forecasts which are the basis for our revenue forecast.

The starting point for our Washington State economic and revenue forecasts are the Global Insight forecast and econometric model for the national economy. If we are unable to purchase that, our ability to deliver on our core deliverable would be severely jeopardized.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

*Is this decision package essential to implement a strategy identified in the agency's strategic plan?*

No. This package will totally hinder the agency's ability to keep up with the strategies identified in the agency's strategic plan.

***Does this decision package provide essential support to one of the Governor's priorities?***

This package reduces agency funding to assist the Governor's staff in creating a balanced budget.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

While this targeted reduction is simpler to implement, it will have an enormous impact on the economic forecast which is used as a basis of the revenue forecast. Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. It is the last of the discretionary funding available to manage the 15% reduction goal.

***What are the consequences of not funding this package?***

There are significant concerns for the agency and the state as a whole if this funding is reduced. The services and data provided by Global Insight, Inc, effectively allow us to produce quality forecasts with a minimal amount of staff. There is no funding to hire enough staff to produce a similar U.S. forecast internally. The agency will need to submit a supplemental budget request to the Legislature to re-fund this input.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

The contract is renegotiated in the second fiscal year of the biennium.

**FY 16 Total (\$0)**

**FY 17**

The renewal for the two-year contract, with inflation increases, is anticipated to be \$50,000.

**FY 17 Total (\$50,000)**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

The agency will need to submit a supplemental budget request to the Legislature to re-fund this input. It is mission critical.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
EY Software Licenses and Maintenance	(0)	(50,000)	(50,000)
<b>Total Objects</b>	<b>(0)</b>	<b>(50,000)</b>	<b>(50,000)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** B3 Salary Reductions  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This package reduces all staff salaries and benefits by 5 percent. We do not have any overlap or backup in staff responsibilities. ERFC does not have discretionary funds to withstand a 15 percent cut without eliminating critical program inputs and potentially reducing staffing. Sustaining a total 15 percent cut will eliminate our agency because we will not have the rudimentary necessities to fulfill our core mission. Even though the dollar value reduced is proportionally the same as for large agencies, it impacts us disproportionately because of our small size.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	(35,787)	(43,921)	(79,708)
<b>Total Cost</b>	<b>(35,787)</b>	<b>(43,921)</b>	<b>(79,708)</b>

**Package Description:**

Our largest costs are wages and benefits, lease payments and payments for shared government administrative services. This package reduces all staff salaries and benefits by 5 percent. The total FTEs in this agency have remained constant for the last 28 years since its inception. The work load, however, has gone up considerably. We do not have any overlap or backup in staff responsibilities. A reduction-in-force cannot be considered.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

We are concerned about staff morale, which can be adversely affected by not having access to data and a work environment where they are consistently asked to do more with fewer resources while taking home less pay. Agency staff, like other state employees, has in recent years been furloughed and had their pay affected by legislatively mandated pay reductions. There is a slight concern of ongoing moral hazard when pay is affected by the very forecast we produce. Also, there is a high degree of likeliness that retention will be an issue as this reduction will only be within this one agency and will affect pension rates disproportionately. The loss of one FTE is the equivalent of 20% of our staff and will have a huge impact on remaining staff and administration.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

No. This package will totally hinder the agency's ability to keep up with the strategies identified in the agency's strategic plan.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, a balanced budget to promote government financial stability and transparency.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would have a major impact our core mission. The economic and revenue forecasts are the basis of the state budget.

***What are the other important connections or impacts related to this proposal?***

With a reduction in salary, the agency will need to reduce workload for employees. The only way to focus on our core mission will be to eliminate and reduce peripheral work that we complete for other agencies and a variety of committees. This reduction package will affect the following: Pension Funding Council, Transportation Funding Work Group, Balance Sheet Work Group, Employment Security Department, Lottery Commission, Liquor Control Board, Joint Legislative Audit Review, Department of Commerce, House and Senate Committees, Workforce Training Board, Board for Judicial Administration, Council of Presidents, Governor's Distinguished Managers, Agency Deputy Directors and CFO's, Commission on Salaries for Elected Officials, and many more.

***What alternatives were explored by the agency, and why was this alternative chosen?***

These cuts necessitate the agency to impact employees pay with temporary salary reductions. Furloughs are extremely difficult to implement in the small agency because they require normally exempt staff to become overtime eligible. In order for our agency to produce deliverables it often requires staff to work more than 80 hours in a pay period. The agency could become liable for overtime compensation, jeopardizing our financial solvency.

The agency also reviewed the possibility of eliminating one position rather than reducing salaries across the board. Unfortunately that would require possible automation the costs would exceed the benefit plus reduce an important factor in forecasting: economic theory and professional judgment. Any similar reduction in personnel would likely require legislative changes that would alter how many times per annum the forecast is completed and strip the Economic Climate Study, the Lottery Forecasting, and Near General Fund forecasting including Timber Tax Distribution Account, Public Works Assistance Account, Education Legacy Trust Account, City/County assistance fund, and Performance Audits of Government Account.

***What are the consequences of not funding this package?***

We would be able to continue functioning at our current level, without disruption, however also without increased efficiencies, updates to process and adoption of evolving industry standards. Our primary concerns with this reduction are the ability to improve forecast quality and efficiency and retention of professional staff.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Reduce salaries and benefits by \$35,787.

**FY 16 Total: (\$35,787)**

**FY 17**

Reduce Salaries and benefits by \$43,921.

**FY 17 Total: (\$43,921)**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

It is possible that these will be ongoing costs reductions.

<b><u>Object Detail</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
AC State Exempt Salaries	(27,198)	(33,380)	(60,578)
B Benefits	(8,589)	(10,541)	(19,130)
<b>Total Objects</b>	<b>(35,787)</b>	<b>(43,921)</b>	<b>(79,708)</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** N0 IHS Global Insight, Inc  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

The Economic and Revenue Forecast Council negotiates a two-year contract for national data with IHS, Global Insight, Inc. The agency needs this data to properly prepare economic forecasts which are the basis for the revenue forecast. The agency requires this funding to carry out its single activity.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	0	50,000	50,000
<b>Total Cost</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>

**Package Description:**

This package restores funding for IHS, Global Insight, Inc U.S. data and forecasts. The agency is a long standing customer so it is able to get a reduced price for the information. The agency requests that this funding be restored to fiscal year 2017 when we will again update our contract for national data. The agency is unable to properly forecast the U.S. economic activity without this data. If not funded, the end result is the agency would not produce an accurate Washington economic forecast for adoption by the Economic and Revenue Forecast Council.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

The national data that the agency purchases from Global Insight:

- is the basis of assumptions.
- assists with the preparation of forecasts.
- makes the economic and revenue forecasts as accurate as possible.

Without this data purchase the agency would need to increase staff by several highly paid FTEs to complete these functions. It has always been found more cost effective to use this data service.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Econometric models and data banks owned by IHS, Global Insight, Inc, are essential inputs into the Washington state economic forecast. ERFC relies upon the IHS model and data structure of these proprietary IHS services and access to IHS affiliated companies in preparing forecasting data that is critical to the state's revenue forecasting and budgeting process. The breadth of information obtained through IHS allows ERFC access to data related to geopolitical concerns, international markets, and other issues that may impact the U.S. and Washington economies. ERFC has used these services for over twenty years including related software currently installed at ERFC.

***Does this decision package provide essential support to one of the Governor's priorities?***

Our agency contributes to the Governor's goals of efficient, effective and accountable government.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would not significantly impact our core mission.

***What are the other important connections or impacts related to this proposal?***

The most important benefit to our clients and services is consistency. This is the data provider that the agency has used since inception (although names have changed). A reliable economic forecast is essential for an accurate revenue forecast. Without additional funding, the agency will not be able to continue with its customer service standards or meet its strategic goals.

The accuracy and timeliness of the General Fund State affects nearly all state agencies and programs.

***What alternatives were explored by the agency, and why was this alternative chosen?***

It is our understanding that Global Insight has a team of up to ten highly paid professionals that work on the macroeconomic model. Our agency's budget could not absorb those costs. They agency might be able to absorb the costs of purchasing the data quarterly or annually, but at a much higher cost and it would not save the state in the long term. A change in providers could be considered, however there would be increased costs to establish a new Washington state economic model and we would not benefit from a longstanding partnership as we do with Global Insight. Other providers are priced similar to that of Global Insight so the state would not see a cost savings by changing providers and could compromise the credibility and accuracy of the forecast model.

***What are the consequences of not funding this package?***

. The services and data provided by Global Insight, Inc, effectively allow us to produce quality forecasts with a minimal amount of staff. There is no funding to hire enough staff to produce a similar U.S. forecast internally.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

The contract is renegotiated in the second fiscal year of the biennium.

**FY 16 Total \$0**

**FY 17**

The renewal for the two-year contract, with inflation increases, is anticipated to be \$50,000.

**FY 17 Total \$50,000**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

The agency will need to submit a supplemental budget request to the Legislature to re-fund this input. It is mission critical.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
EY Software Licenses and Maintenance	0	50,000	50,000
<b>Total Objects</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** N1 Restore Salary Reductions  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

This package restores funding for salaries and benefits for all ERFC staff. Because ERFC does not have discretionary funds to withstand a 15 percent cut without eliminating critical program inputs and potentially reducing staffing, the agency reduced staff salaries by 5 percent. This package requests restoration of those reductions. This will assist ERFC in retaining skilled and knowledgeable staff, producing high quality forecasts, and continue to highlight the transparency of the revenue forecasting process and provide information on the state’s economy to state, local, and private organizations.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	35,787	43,921	79,708
<b>Total Cost</b>	<b>35,787</b>	<b>43,921</b>	<b>79,708</b>

**Package Description:**

This package restores funding for salaries and benefits for all ERFC staff. Because ERFC does not have discretionary funds to withstand a 15 percent cut without eliminating critical program inputs and potentially reducing staffing, the agency reduced staff salaries by 5 percent. This package requests restoration of those reductions on the basis that ERFC staff will be unfairly targeted compared to their colleagues in other agencies. Further, without legislative protections in place, as was done for the 3% Temporary Salary Reduction (TSR), ERFC staff will be penalized in their pensions and not compensated with TSR leave. Ultimately the reductions in salaries will negatively affect ERFC’s ability to maintain skilled and knowledgeable staff, resulting in lower quality forecasts. Lower salaries will also increase the difficulty in finding and hiring qualified replacement staff.

For additional information or questions, please contact Desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

This package will help offset a negative impact on staff morale, reduce staff turnover, and eliminate the difficulty in hiring qualified replacements. Given the small (5 FTE) staff size and considerable learning curve associated with the forecast process, staff turnover would have a direct and negative impact on economic and revenue forecast quality and timeliness. These impacts will be compounded if this package is not part of a statewide salary reduction and simply unfair to impose on a small professional staff with no ability to compensate them with leave in lieu of pay nor an ability to offset a negative impact to pension rates. Without these reductions, the agency staff can continue to focus on increasing the accuracy of the forecast.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Yes. The total FTEs in this agency have remained constant for the last 28 years since its inception. The workload, however, has gone up considerably. We do not have any overlap or backup in staff responsibilities. One of our primary strategies is to retain knowledgeable staff to ensure quality and timely distribution of economic and revenue data, responsiveness to stakeholder and customer inquiries, and to continually review and re-estimate economic models to increase accuracy of the forecasts.

***Does this decision package provide essential support to one of the Governor's priorities?***

Our agency contributes to efficient, effective and accountable government. ERF's mission and credibility promote state financial stability and is highly regarded by bond rating agencies, other state and local governments, and by the executive and legislative branches of Washington state government.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. This decision package would have a significant negative impact our core mission.

***What are the other important connections or impacts related to this proposal?***

By funding this decision package, the agency can continue our work promoting efficient, effective and accountable government. With a reduction in salary, staff will be less likely to willingly take on presentations for outside groups that require additional work not related to the agency's core mission and often occur outside typical work hours. As a result, the positive impact of such presentations in highlighting the transparency of the revenue forecasting process and providing information on the state's economy will be lost. With appropriate staffing and workload distribution, we can continue to assist local, state, and private organizations by providing real-time economic data, assisting with forecasts, and partnering with groups like the Joint Legislative Audit Review Committee, Washington State Department of Transportation, the State Actuary, Office of Financial Management and many more provide detailed analysis, assistance on forecasts, and peer review of reports and papers. The following is a sample of partnerships that would be affected if we have a reduction in staff or lose key personnel:

- The Evergreen State College – MPA program
- Central Washington University – Economic Outlook Conference
- Seattle University – MPA program
- Art Institute of Seattle – students and staff lecture
- Association of Washington Business
- Financial Education Public-Private Partnership
- Nisqually chapter – Institute of Internal Auditors
- Whatcom chapter – American Society of Women Accountants
- Pacific Northwest Regional Economic Conference
- Tacoma Commercial Real Estate Roundtable
- Seattle Commercial Real Estate Roundtable
- Washington State chapter – National Institute of Government Procurement
- Seattle Hospitality Financial and Technology Professionals
- West Sound chapter – International Association of Assessing Officers
- Washington Public Ports Association
- Washington State Association of Realtors
- Seattle Economics Council
- Pacific Northwest Intergovernmental Audit Forum
- Northwest Energy Efficiency Council
- International Center for Pension Management
- Washington Forest Protection Association
- Heritage Bank Pricing Committee
- Premera Senior Management
- Rainier Club
- Pension Funding Council workgroup
- Transportation Revenue Forecast Workgroup

- Joint Legislative Audit Review Committee
- State Actuary
- Office of Financial Management
- Liquor Control Board
- Lottery Commission
- Department of Commerce
- Governor's Distinguished Mangers
- Agency Deputy Directors
- Commission on Salaries for Elected Officials
- Department of Social and Health Services
- Department of Labor and Industries

***What alternatives were explored by the agency, and why was this alternative chosen?***

Because ERFC does not have discretionary funds to withstand a 15 percent cut without eliminating critical program inputs and potentially reducing staffing, the agency reduced staff salaries by 5.75 percent in the budget proposal. Other options for reducing wages and benefits include furloughs and layoffs. Furloughs are extremely difficult to implement in a small agency because they require normally exempt staff to become overtime eligible. In order for our agency to produce forecast deliverables in a timely fashion, it often requires staff to work more than 80 hours in a pay period. The agency could become liable for overtime compensation, jeopardizing our financial solvency.

The agency also reviewed the possibility of eliminating one position rather than reducing salaries across the board. Because the staffing level for the agency has remained constant since its inception while agency responsibilities have increased, a reduction in personnel would likely require legislative changes that would reduce some non-core activities such as the Economic Climate Study, the State Lottery forecast, presentations to private sector groups, and participation in pension funding and transportation workgroups.

***What are the consequences of not funding this package?***

This package will help offset a negative impact on staff morale, reduce staff turnover, and eliminate the difficulty in hiring qualified replacements. Given the small (5 FTE) staff size and considerable learning curve associated with the forecast process, staff turnover would have a direct and negative impact on economic and revenue forecast quality and timeliness. These impacts will be compounded if this package is not part of a statewide salary reduction and simply unfair to impose on a small professional staff with no ability to compensate them with leave in lieu of pay nor an ability to offset a negative impact to pension rates. Without these reductions, the agency staff can continue to focus on increasing the accuracy of the forecast.

In addition, as listed above there will be many more organizations affected by staff transition or a reduction in force.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Restore reduction to salaries and benefits by \$35,787.

**FY 16 Total: \$35,787**

**FY 17**

Restore reduction to salaries and benefits by \$43,921.

**FY 17 Total: \$43,921**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

These will be ongoing costs.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
AC State Exempt Salaries	27,198	33,380	60,578
B Benefits	8,589	10,541	19,130
<b>Total Objects</b>	<b>35,787</b>	<b>43,921</b>	<b>79,708</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** N2 Restore Data Subscriptions  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

### Recommendation Summary Text:

This decision package requests restoration in funding for subscription and data purchases. Specifically this would restore funding for Rail Time Indicators, Moody's Analytics, Dodge- McGraw Hill Construction and World Institute for Strategic Economic Research (WISER).

### Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	3,160	5,160	8,320
<b>Total Cost</b>	<b>3,160</b>	<b>5,160</b>	<b>8,320</b>

### Package Description:

This package restores the agency's funding for online data subscriptions. The agency currently subscribes to Rail Time Indicators, Moody's Analytics, Dodge- McGraw Hill Construction, and World Institute for Strategic Economic Research (WISER). The Economic and Revenue Forecast Council (ERFC) relies on data subscriptions for data that are not publically available or easily accessible. This ultimately saves us a tremendous amount of staff time for the collection of many of these data series. The last recession made it clear that the state must stay on top of trends on construction, container traffic, import and export data, as well as having access to analysis conducted by other economists to assist in the economic and revenue forecasts.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

### Narrative Justification and Impact Statement

#### *What specific performance outcomes does the agency expect?*

This will have a positive effect on the agency's performance outcomes. The following outlines the information that we gather from these subscriptions:

**Rail Time Indicators** – This is a monthly report from the Association of American Railroads that combines rail traffic data with more than 15 key economic indicators (such as consumer confidence, housing starts, and industrial production) in a non-technical snapshot of the U.S. economy. This provides a convenient, clear look at key trends that can reveal where the economy and rail traffic may be going.

**Moody's Analytics (economy.com)** provides essential expertise on the economic and consumer credit and financial data, research, analysis and forecasting at the global, macro, and subnational/regional levels. It assists the economists in observing trends that impact the economy and projected revenues. The staff utilizes comprehensive and timely analysis to understand many components that drive the economy. From residential real estate and topical issues to metropolitan areas and daily commentary on economic indicators, this information is extremely helpful in comparing with our other national data firm IHS Global Insight, Inc to compare forecasts and analysis.

**McGraw Hill Construction** – The last recession made it clear how important the construction industry is on state revenues. ERFC did not have adequate access to solid non-residential and commercial historical data and forecasts prior to the housing market crash. Since that time we have been utilizing monthly data from McGraw Hill to have a forward looking view at the construction industry. Their Dodge Market Research and Intelligence services are all built on the detailed proprietary Dodge database. The key construction outlook provides the forecast for U.S.

construction starts and includes detailed analysis of the industry's economic environment and market trends.

World Institute for Strategic Economic Research (WISER) – The research data analysis tools for market and competitive intelligence provides monthly trade flows for over 6,000 products worldwide. Primary source data from the largest trading countries supplemented with UN data for all countries. They utilize state of the art analytics on market penetration, risk analyses, winners and losers and trade indices. Washington is the most trade-dependent state and our economic forecast relies on having access to solid trade data.

## **Performance Measure Detail**

### **Activity:**

### **Incremental Changes**

No measures submitted for package

### ***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Yes. This package supports two of our primary strategies. The first strategy employed includes data collection and supporting sound judgment, while the second is to enhance and review the forecast process and inputs.

### ***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, this package promotes government financial stability and transparency.

### ***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. The economic and revenue forecasts are the basis of the state budget. Using reliable data sources assists in the accuracy of forecasts.

### ***What are the other important connections or impacts related to this proposal?***

Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues.

### ***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. The only alternative is to eliminate these data subscriptions.

### ***What are the consequences of not funding this package?***

Diminished accuracy of the economic and revenue forecasts utilized by the Governor and the Legislature in producing a balanced budget.

### ***What is the relationship, if any, to the state's capital budget?***

None

### ***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

### ***Expenditure and revenue calculations and assumptions***

#### **FY 16**

Restore funding in subscription allotments.

**FY 16 Total: \$3,160**

**FY 17**

Restore funding in subscription allotments.

**FY 17 Total: \$5,160**

*Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

Data subscriptions have been a priority for the agency. This would be ongoing.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
EJ Subscriptions	3,160	5,160	8,320
<b>Total Objects</b>	<b>3,160</b>	<b>5,160</b>	<b>8,320</b>

**Agency:** 104 Economic & Revenue Forecast Council  
**Decision Package Code/Title:** N3 Funds for Contingency  
**Budget Period:** 2015-17  
**Budget Level:** PL - Performance Level

**Recommendation Summary Text:**

Following the spirit and intent of the budget instructions for the 2015-17 Biennium, this agency eliminated all discretionary funding. As a result, there is no reserve available to address unexpected events such as failure of a server or problems with our website, potentially placing our ability to meet forecast deadlines at risk. This puts the agency mission at risk of significant disruption. The elimination of discretionary funding also impairs our ability to provide information to the public by removing funding for in-state travel and supplies. This decision package calls for a partial restoration of discretionary funding to help address these issues.

**Fiscal Detail**

<b>Operating Expenditures</b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>Total</u></b>
001-1 General Fund - Basic Account-State	10,000	10,000	20,000
<b>Total Cost</b>	<b>10,000</b>	<b>10,000</b>	<b>20,000</b>

**Package Description:**

This package partially restores funding for contingency mitigation and a subset of basic business needs. Without this funding, the agency will be unable to replace equipment that fails, make presentations to taxpayer and government groups outside of Olympia, or purchase basic supplies. This funding is necessary to avoid the risk of significant workload disruption as well as continue to provide important information about our state’s economy and budget process to professional, industry, and government groups.

For additional information or questions, please contact desiree Monroy at (360) 534-1560.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

Having a contingency fund available to address hardware and software failure will help guard against losses of key agency assets and avoid disruptions and delays in producing economic and revenue forecasts.

**Performance Measure Detail**

**Activity:**

**Incremental Changes**

No measures submitted for package

***Is this decision package essential to implement a strategy identified in the agency's strategic plan?***

Yes. This package supports our primary strategies and allows us to run the basic operations of a business outside of items provided by central services.

***Does this decision package provide essential support to one of the Governor's priorities?***

Yes, this package promotes government financial stability.

***Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?***

Our agency contributes to efficient, effective and accountable government. The economic and revenue forecasts are the basis of the state budget.

***What are the other important connections or impacts related to this proposal?***

Our revenue forecast assists the Governor and Legislature in producing a balanced budget by accurately forecasting tax revenues. This funding will also allow us some discretion in making presentations at and attending meetings hosted by other organizations outside of the Olympia area.

***What alternatives were explored by the agency, and why was this alternative chosen?***

The 15% budget reduction exercise will wipe out all our discretionary funding. All items are included in various reduction packages in order by easiest to implement to the most difficult due to impacts on mission and stakeholder services. The agency heavily weighed adding this request as we do understand the financial decisions the state budget writers must make to fulfill all obligations. However, we cannot promote financial stability without our most basic needs, and for those unexpected business expenses, that arise.

***What are the consequences of not funding this package?***

Without this funding, we may be in danger of not having enough funding to complete the agency mission in a timely fashion. Having a contingency fund available to address hardware and software failure will help guard against losses of key agency assets and avoid disruptions and delays in producing economic and revenue forecasts.

***What is the relationship, if any, to the state's capital budget?***

None

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

***Expenditure and revenue calculations and assumptions***

**FY 16**

Restore funding in hardware, supplies, and in-state travel.

**FY 16 Total: \$10,000**

**FY 17**

Restore funding in hardware, supplies, and in-state travel.

**FY 17 Total: \$10,000**

***Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

This would be ongoing.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
JA Noncapitalized Assets	5,000	5,000	10,000
JA Noncapitalized Software	1,500	1,500	3,000
EA Supplies and Materials	500	500	1,000
ER Other Purchased Services	2,000	2,000	4,000
GD Other Travel Expenses	500	500	1,000
GC Private Automobile Mileage	500	500	1,000
<b>Total Objects</b>	<b>10,000</b>	<b>10,000</b>	<b>20,000</b>