



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

**Meeting Minutes
Economic Review**

February 2, 2012

John L. O'Brien, Hearing Room E

**Economic and Revenue Forecast
Council Members Present**

Ed Murray, Senate
Ed Orcutt, House of Representatives
Ross Hunter, House of Representatives
Brad Flaherty, Department of Revenue
Marty Brown, Office of Financial
Management

Staff

Steve Lerch, Interim Executive Director,
ERFC

Call to Order

The meeting was called to order by Representative Orcutt at 2:34 p.m. Representative Orcutt introduced and welcomed recently appointed Interim Executive Director, Steve Lerch, Ph.D.

Motion

Director Brown moved and Representative Hunter seconded to adopt minutes from the Economic Review Meeting. Minutes from the November 17, 2011 Economic Review Meeting were adopted at 2:34 p.m.

Other Business

Representative Orcutt introduced and welcomed recently appointed Interim Executive Director, Steve Lerch, Ph.D. Steve Lerch is a returning Interim Executive Director, previously serving in 2008.

Representative Orcutt updated the Council on the current status of the director recruitment stating that information is being gathered to make decisions regarding the search.

Presentation on Economic Forecast

Steve Lerch presented information on the economic forecast. Steve summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding foreclosure rates and business & occupation tax.

Motion

Representative Hunter moved to adopt the economic forecast, seconded by Director Brown. It was noted that there would be another month's worth of data available including an updated Global Insight forecast modified, as usual, by Blue Chip consensus GDP and NYMEX oil price futures. Council approved the motion at 3:06 pm.

Adjournment

Prior to adjournment, Representative Orcutt introduced and welcomed recently appointed Council Member Brad Flaherty, Director, Department of Revenue.

Meeting adjourned at 2:58 p.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Revenue Review

February 16, 2012

Legislative Building, Senate Rules Room

Economic and Revenue Forecast Council

Members Present

Ed Murray, Senate

Joseph Zarelli, Senate

Ed Orcutt, House of Representatives

Ross Hunter, House of Representatives

Brad Flaherty, Department of Revenue

Marty Brown, Office of Financial Management

Staff

Steve Lerch, Interim Executive Director, ERFC

Call to Order

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

Motion

Representative Hunter moved and Director Brown seconded to adopt minutes from the Economic Review Meeting. Minutes from the February 2, 2012 Economic Review Meeting were adopted at 10:03 a.m.

Presentation on Revenue Forecast

Steve Lerch presented information on the revenue forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Dr. Lerch responded to questions regarding the U.S. payroll tax and Washington's population growth.

Motion

Director Brown moved to adopt the baseline revenue forecast, seconded by Representative Hunter.

Motion passed unanimously at 10:27 a.m.

Adjournment

Meeting adjourned at 10:28 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Economic Review

May 31, 2012

John L. O'Brien, Hearing Room D

Economic and Revenue Forecast Council Members Present

Ed Orcutt, House of Representatives
Ross Hunter, House of Representatives
Brad Flaherty, Department of Revenue
Marty Brown, Office of Financial
Management

Staff

Steve Lerch, Interim Executive Director,
ERFC

Guest

James McIntire, State Treasurer

Call to Order

The meeting was called to order by Representative Orcutt at 2:30 p.m. Representative Orcutt introduced and welcomed Treasurer McIntire who is officially joining the Council in July.

Other Business

Representative Orcutt introduced a committee to draft bylaws for the Council. The Economic and Revenue Forecast Council does not currently have bylaws established.

Please let Representative Orcutt know if you are interested in creating bylaws for the Economic and Revenue Forecast Council.

Presentation of Economic Forecast

Steve Lerch presented information on the economic forecast. Steve summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding personal income, elasticity, and oil price data.

Motion

Representative Hunter moved to adopt the economic forecast, seconded by Director Brown. It was noted that there would be another month's worth of data available including an updated Global Insight forecast modified, as usual, by the Blue Chip consensus GDP. The forecast will also be updated with oil price futures from Brent Crude Oil Futures and will include additional collection experience. Council approved the motion at 2:56 pm.

Motion

Director Flaherty moved and Director Brown seconded to adopt minutes from the February 16, 2012 Revenue Review Meeting. Council approved the motion at 2:34 p.m.

Adjournment

Meeting adjourned at 2:58 p.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Revenue Review

June 20, 2012

John L. O'Brien, Hearing Room B

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives, Chair

Ed Murray, Senate

Ross Hunter, House of Representatives

Brad Flaherty, Department of Revenue

Marty Brown, Office of Financial Management

Staff

Steve Lerch, Interim Executive Director, ERFC

Guests

James McIntire, State Treasurer

Mark Schoesler, Senate

Call to Order

The meeting was called to order by Representative Orcutt at 10:00 a.m.

Motion

Representative Hunter moved and Director Brown seconded to adopt minutes from the Economic Review Meeting. Minutes from the May 31, 2012 Economic Review Meeting were adopted at 10:01 a.m.

Update on Executive Recruitment

Representative Orcutt provided an update on the executive director recruitment administered by Karras Consulting, Inc.

Update on Revenue Model Review

Steve Lerch provided information to the Council regarding the process for the Revenue Model Review due in September 2012.

Presentation on Revenue Forecast

Dr. Lerch presented information on the revenue forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Dr. Lerch responded to questions regarding auto sales and economic changes to the forecast.

Motion

Representative Hunter moved to adopt the baseline revenue forecast, seconded by Director Brown.

Motion passed unanimously at 10:35 a.m.

Adjournment

Meeting adjourned at 10:36 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Economic Review

September 6, 2012

J.A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives
Dino Rossi, Senate
Ross Hunter, House of Representatives
Brad Flaherty, Department of Revenue
Marty Brown, Office of Financial Management

Staff

Steve Lerch, Interim Executive Director,
ERFC

Call to Order

The meeting was called to order by Representative Orcutt at 2:33 p.m.

Motion

Representative Hunter moved and Director Brown seconded to adopt minutes from the June 20, 2012 Revenue Review Meeting. Council approved the motion at 2:34 p.m.

Other Business

Representative Orcutt introduced and welcomed recently appointed Council member Senator Dino Rossi. Senator Rossi previously served on the Economic and Revenue Forecast Council.

Executive Session

Personnel discussion regarding hiring a permanent Executive Director and Chief Economist to supervise the forecast.

Motion

Representative Hunter moved, seconded by Director Brown that Steve Lerch be employed as the Supervisor of the Forecast as defined in RCW 82.33.10. With five affirmative votes, and no dissension, as required by RCW 82.33.10, the Council approved the motion at 2:48 p.m.

Representative Hunter reported on the executive director hiring committee's progress. Interviews were conducted on August 29th. The candidates interviewed were uniformly strong. Dr. Lerch was the strongest of those candidates. The Council followed up on references, looked at feedback from presentations made and Dr. Lerch was clearly the strongest candidate.

Director Brown agreed and added that Karras Consulting did a great job bringing candidates in, including candidates from around the world. The hiring committee felt that Dr. Lerch was the strongest of all the candidates combined. The other candidates had strengths in computer modeling and strong background in economics, but Dr. Lerch has worked with ERFC as interim and has proven he is capable for the job.

Representative Hunter delegated, with Council support, negotiation and finalization of an employment contract to the ERFC chair.

Presentation on Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. It was clarified that federal government employment does not include the military. Discussion ensued regarding interest rate changes, housing affordability, oil prices, and data releases.

Motion

Representative Hunter moved to adopt the economic forecast, seconded by Director Brown. It was noted that there would be another month's worth of data available including an updated Global Insight forecast modified, as usual, by Blue Chip consensus GDP. The forecast will also be updated with oil price futures from Brent Crude Oil Futures and will include additional collection experience. Council approved the motion at 3:16 pm.

Presentation on Budget Outlook

Dr. Lerch presented information on the budget outlook work group. Representative Hunter clarified that the budget outlook will be done by the combined efforts of the House of Representatives and Senate non-partisan staff and the Office of Financial Management. The Budget Outlook Work Group will provide an expenditure forecast assumptions based on consensus.

Representative Orcutt reviewed the time frame and it is anticipated that the Council will likely have a meeting in May to approve the budget outlook based on the operating budget passed by the legislature.

Adjournment

Meeting adjourned at 3:23 p.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Revenue Review

September 19, 2012

John A. Cherberg, Hearing Room 2

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives, Chair
Dino Rossi, Senate
Ed Murray, Senate
Brad Flaherty, Department of Revenue
Stan Marshburn, Office of Financial Management
Treasurer Jim McIntire

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

The meeting was called to order by Representative Orcutt at 2:31 pm.

Other Business

Representative Orcutt welcomed new member Stan Marshburn, Director, Office of Financial Management.

Presentation on Revenue Forecast

Dr. Lerch presented information on the revenue forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Dr. Lerch responded to questions regarding real per capita general fund-state revenue growth, B&O taxes, real estate excise taxes, liquor sales, one-time factors, Washington's peak employment, and assumptions around the federal fiscal cliff.

Motion

Senator Murray moved to adopt the baseline revenue forecast, seconded by Director Marshburn.

Motion passed unanimously at 2:55 p.m.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from the September 6, 2012 meeting, seconded by Director Flaherty. Council approved the motion at 2:56 pm.

Presentation on Revenue Model Review

Dr. Lerch reported that ERFC staff has reviewed the existing model, data, and methodologies with the Economic and Revenue Forecast Work Group and the Governor's Council of Economic Advisors. Discussion ensued between members and Dr. Lerch regarding the review of the revenue model. Recommendations put forth by Dr. Lerch include testing alternate econometric modeling techniques, examining the potential to use fewer equations, and last, testing and documenting the impact of using different or additional explanatory variables and economic indicators.

Adjournment

Meeting adjourned at 2:58 pm.



STATE OF WASHINGTON

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

Meeting Minutes

Economic Review

November 1, 2012

J.L. O'Brien, Hearing Room E

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives, Chair
Ross Hunter, House of Representatives
Treasurer Jim McIntire
Brad Flaherty, Department of Revenue
Stan Marshburn, Office of Financial Management

Staff

Steve Lerch, Executive Director, ERFC
Budget Outlook representatives:
Dave Johnson
Candace Espeseth
Bryon Moore

Call to Order

The meeting was called to order by Representative Orcutt at 2:35 p.m.

Presentation on Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding auto sales and if the recent increase is because of increased consumer confidence or replacement demand. It was clarified that the November economic forecast is marginally worse than the September economic forecast due to slightly lower Gross Domestic Product (GDP) and revised personal income for Washington.

Motion

Representative Hunter moved and Representative Orcutt seconded to adopt minutes from the September 19, 2012 Revenue Review Meeting. Council approved the motion at 2:54 p.m.

Presentation on Budget Outlook

Dave Johnson presented information on the budget outlook and overview of proposed methodology and assumptions. Mr. Johnson outlined timing concerns regarding the incorporation of the Caseload Forecast Council's November 14th forecast release. Given this timing conflict, the November 2012 outlook will use the preliminary caseload forecast. Although the Caseload Forecast Council will not have seen or approved the preliminary forecast, it is anticipated that it will be similar to the final forecast and will provide a reasonable basis for budget outlook calculations. Mr. Johnson outlined a series of assumptions that the Budget Outlook Work Group has included in the methodology. In addition, he presented a series of questions from the Budget Outlook Work Group to the Council regarding the format of the budget outlook and potential additional information that could be included with the budget outlook.

Discussion ensued regarding these questions, with Council taking the following actions:

Motion

After some discussion by the Council, Representative Hunter moved, seconded by Director Marshburn, that the Budget Outlook Work Group will produce one budget outlook, consistent with the requirements of SSB 6636. This will utilize the greater of: a) the official general fund and related funds revenue forecast for the ensuing biennium (2015-17) or b) the official general fund and related funds forecast for the second fiscal year of the current fiscal biennium (2013-

15), increased by 4.5 percent for each fiscal year of the ensuing biennium. Council approved the motion at 3:29 pm.

Motion

Director Marshburn moved, seconded by Representative Hunter, that the work group will not include potential policy items on the official outlook form when published. Representative Hunter and Treasurer McIntire provided comments about maintaining the bipartisan and executive/legislative hybrid quality of the Council. Council approved the motion at 3:45 p.m.

Motion

Representative Hunter moved, seconded by Representative Orcutt, to include the budget stabilization account balance on the budget outlook document that will be produced by the Budget Outlook Work Group. Council approved the motion at 3:47 p.m.

Other Business

The Council agreed that there were not any changes being requested to the assumptions outlined in the methodology document.

Further, the Council agreed that the format presented by the Budget Outlook Work Group met the needs of the Council and does not require any changes.

The Council agreed that Treasurer McIntire can join the November 14, 2012 Revenue Review Meeting via telephone and will be counted as a member of the quorum as he will be available to hear the discussion, ask questions, and vote on the adoption of a revenue forecast.

Adjournment

Meeting adjourned at 3:51 p.m.



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**Meeting Minutes
Economic Review**

November 14, 2012

John L. O'Brien, Hearing Room A

Economic and Revenue Forecast Council

Members Present

Ed Orcutt, House of Representatives, Chair
Dino Rossi, Senate
Ross Hunter, House of Representatives
Brad Flaherty, Department of Revenue
Stan Marshburn, Office of Financial Management
Treasurer Jim McIntire (via phone)

Staff

Steve Lerch, Executive Director,
ERFC
Bryon Moore, Senate Ways and
Means Committee
Dave Johnson, House Ways and
Means Committee
Candace Espeseth, Office of
Financial Management

Call to Order

The meeting was called to order by Representative Orcutt at 1:00 pm.

Motion

Representative Hunter made a motion to approve the meeting minutes from the November 1, 2012 meeting, seconded by Representative Orcutt. Council approved the motion at 1:01 pm.

Presentation on Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding export data and whether software is included. Dr. Lerch discussed the availability of export data on services.

Motion

Director Marshburn moved to adopt the baseline revenue forecast, seconded by Representative Orcutt. Motion passed unanimously at 1:20 p.m.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group present the November 2012 outlook for the enacted 2012 supplemental according to SSB 6636.

Motion

Director Marshburn moved to adopt the budget outlook as presented, seconded by Representative Hunter. Motion passed with one dissent from Representative Orcutt at 1:31 p.m.

Other Business

Representative Orcutt thanks members of the Council for their service. Representative Hunter is announced as the 2013-2014 Chair of the Economic and Revenue Forecast Council. As the Chair rotates between caucuses and chambers, the next chair will be a Senate Republican.

Adjournment

Meeting adjourned at 1:33 pm.