

Office of Economic & Revenue Forecasts

March 9, 2023

2023 WORK PROGRAM



Forecast Office - Background

Purpose:

Per the authorizing legislation, “The Office shall staff the Forecast Council, perform economic and revenue forecasts, conduct special studies at the request of the Forecast Council, and provide ad hoc analytical support on economic and revenue estimation for legislative and executive staff consistent with the work program. Such analyses shall be nonpartisan, and confidential to the extent allowed by law.”

Staffing:

Director - Ben Noble, Ph.D.

Senior Economist – Jan Duras, Ph.D.

Regional Economist / Policy Analyst - Sean Thompson, B.S.

Forecasting Responsibilities

Revenue sources within OERF's purview:

- Retail Sales Tax
- Business & Occupations Tax
- Payroll Expense Tax
- Real Estate Excise Tax
- Private Utility Taxes
- Admission Tax
- Business License Fees
- Assessed Value of real and personal property (as input to Property Tax forecast)
- Value of new construction (as input to Property Tax forecast)

2022 Accomplishments

Office Start-Up

- Historic economic and revenue data and relevant analytic software transferred from CBO to the Forecast Office.
- Worked with Central Staff and CBO to establish new working relationships and protocols, consistent with the goal of a truly independent revenue forecasting function.
- Established website and maintain it as a public-accessible repository of forecast materials, consistent with goal of improved transparency.
- Worked with Seattle Channel to facilitate broadcast and recording of Forecast Council Meetings, again consistent with transparency goal.
- Hired Sean Thompson as a regional forecast analyst to complete the Forecast Office team.

Revenue Forecasting and Monitoring

- Developed and delivered April, August and November economic and revenue forecasts.
- Continued refinement of forecasting models.
- Opened dialogue with other regional forecast entities, including King County, WWU Center for Econ. and Business Research, and PSRC.
- Expanded data inputs to improve accuracy of forecast models, and initiated work to establish a data-sharing agreement with ESD.
- Established a format and structure for quarterly revenue monitoring reports. Completed four such reports, including 2021 year-end results.

Policy Analysis

- Completed a thorough assessment of forecast accuracy.
- Provided technical support and revenue estimates for the analysis of potential new and/or modified revenue sources.
- Developed preliminary revenue estimates for possible new revenue sources in support of the Revenue Stabilization Work Group.

Key Components of the Forecast Office’s 2023 Work Program

1. Forecasts

- Development of each forecast is a two-step process. The regional economic forecast is developed first and is used as an input to the forecasts of specific revenues.
- Proposed Schedule – consistent with enabling legislation

Economic Forecast	Revenue Forecast
Last week of March / First week of April	April 10 th
Last week of July / First week of August	August 10 th
Second week of October	Third week of October

2. Regular Reports

- Quarterly revenue updates, including 2022 year-end report
- Summaries of IHS/Markit monthly forecast updates
- Monthly updates on sales tax receipts
 - The Department of Revenue distributes sales tax revenues on a monthly basis, with a lag of ~7 weeks.
 - These reports provide a timely “pulse” on local economic activity.



Key Components of OERF Work Program (Cont.)

3. Enhance Forecasting Methods and Models

- Finalize data-sharing agreement with Washington State Employment Security Department.
- Refine forecasting models. Priority areas include:
 - JumpStart Payroll Tax – this will be heavily dependent on securing data-sharing agreement with ESD;
 - REET – increasing interest rates have had a dramatic impact of real estate sales, and our current models do not fully capture those effects.
 - New construction – as a crucial component of property tax forecasts; and
 - Overall Assessed Value – another key element of property tax forecasts.

4. Policy Analysis and Research

- Partner with Department of Finance to brief Bond Rating agencies on outlook for City revenues to facilitate annual bond sale.
- Provide revenue estimates and technical support to the Revenue Stabilization Work Group.
- Supporting analysis of state-level legislative proposals as part of ongoing meetings with FAS's tax policy and compliance team.
- Forecast Office Director to continue advisory role on Memorial Stadium Redevelopment Steering Committee.
- And Office has some remaining capacity for additional research tasks, as issues emerge throughout the year. Alternatively, this time will be invested in further refinements to forecasting models.