

**EMBARGOED**

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Revenue Review Meeting

June 15, 2016



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **REVENUE REVIEW MEETING**

June 15, 2016  
10:00 a.m.

- Call to order
- Approval meeting minutes from June 1, 2016
- Economic & Revenue Forecast
- Adoption of the Official Forecast

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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**

June 1, 2016

John L. O'Brien, Hearing Room D

#### **Economic and Revenue Forecast Council Members**

##### *Present*

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

##### *Staff*

Steve Lerch, Executive Director,  
ERFC

#### **Call to Order**

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

#### **Motion**

Senator Hill made a motion to approve the meeting minutes from the February 17, 2016 meeting, seconded by Director Schumacher. Council approved the motion at 2:33 p.m.

#### **Motion**

Representative Ormsby made a motion to approve the meeting minutes from the May 18, 2016 meeting, seconded by Director Schumacher. Council approved the motion at 2:33 p.m.

#### **Motion**

Senator Hill made a motion to approve Steve Lerch's employment contract as proposed, seconded by Treasurer McIntire. With six affirmative votes, the Council approved the motion at 2:36 p.m.

#### **Presentation on the Economic Forecast**

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding commercial real estate activity, the exclusion of potential recessions through the forecast period of 2021, regional employment, and tax sources that have been strong in the past few months.

#### **Adjournment**

Meeting adjourned at 2:54 p.m.

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**Economic & Revenue Forecast Council  
State of Washington**



**Economic & Revenue Review: June 15, 2016**

**Executive Summary**

**United States**

- The final U.S. economic forecast is based on the June release of the Global Insight forecast. Global Insight is now assuming that the Federal Reserve will raise the Federal funds only once this year (rather than twice, as assumed in February and in the preliminary June forecast). The rate change is assumed to be an increase of 0.25%.
- The June Blue Chip forecast of real GDP growth was unavailable for our final economic forecast, so we continue to utilize the May Blue Chip forecast which assumed a 1.8% real GDP growth for 2016. This is down from the 2.1% rate assumed in the February forecast. For the remainder of the forecast period, real GDP is slightly lower than expected in February; by 2021 we expect GDP to be 0.8% lower than the February forecast.
- Our oil price forecast continues to rely on the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Tuesday, June 7, 2016 closing prices for Brent and WTI futures. Futures prices for both have increased since the February forecast. The price of U.S. benchmark West Texas Intermediate crude oil in 2016 is expected to average \$46 per barrel, up from \$35 in the February forecast. Oil prices are expected to gradually rise to \$57 per barrel by the end of 2021.
- After falling in April, two key indicators of consumer optimism moved in opposite directions in May. The University of Michigan index of consumer sentiment rose 5.7 points to 94.7, while the Conference Board index of consumer confidence decreased 2.1 points to 92.6. The Conference Board survey noted consumer concerns about current economic conditions, while the increase in the University of Michigan index was attributed to positive consumer views on jobs and income. The preliminary June reading for the University of Michigan index dropped slightly from 94.7 to 94.3.
- Home sales were strong this month and residential construction activity improved. April housing starts increased by 6.6% (SA) compared to March but were 1.7% below their April 2015 level. Housing units authorized by building permits in April increased by 3.6% (SA) over March; building permits were 5.3% below their April 2015 level. Existing home sales increased in April by 1.7% (SA) compared to March. New single-family home sales in April were very strong, increasing by 16.6% (SA) above their March level. The seasonally adjusted Case-Shiller national home price index for March was 0.1% above its February level and 5.1% above its year-ago level.

- Factors inside and outside the state account for the high level of risk to the forecast. A slowing global economy, the negative impact of a stronger dollar on exports, weaker manufacturing activity and volatile stock markets all remain major threats to the U.S. and Washington economies. Lower unemployment rates, rising wages and a stronger housing market suggest potential upside risks to the forecast.

## Washington

- We have four months of new Washington employment data since the February forecast was released. Total nonfarm payroll employment rose 20,200 (seasonally adjusted) in February, March, April, and May which was 2,800 more than the 17,400 expected in the February forecast. The construction sector more than accounted for the variance in job growth, adding 2,400 jobs in the four-month period; the February forecast expected reduction of 1,300 jobs. Manufacturing employment declined 2,400 of which 1,700 were in the aerospace sector. As is usually the case, the bulk of the job growth was in private, service-providing sectors which added 15,300 jobs in the last four months. Government payrolls also expanded by 5,000 jobs in February, March, April, and May.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in January 2016 by 5,900 jobs. As a result of the downward revision to history but stronger-than-expected growth, the net effect is 3,100 (0.1%) fewer jobs in May 2016 than expected in the February forecast.
- We have revised the aerospace employment forecast to reflect Boeing's stated intention to reduce its commercial airplane division employment by 4,000 by the middle of the year. We expect the vast majority of the job cuts will be in the Puget Sound region. This implies a steeper decline in the near term than assumed in February. In the second half of 2016 through 2019 we expect a gradual decline in aerospace employment similar to the assumption made in February. We project no change in aerospace employment in the final two years of the forecast.
- In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2015. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) and other wage data also through the fourth quarter. Our current estimate of Washington personal income in the fourth quarter of 2015 is \$372.0 billion which is \$2.9 billion (0.8%) lower than assumed in the February forecast. Of the \$2.9 billion variance, \$1.8 billion is due to lower than previously expected transfer payments as the BEA reduced its estimates of Medicaid benefits in the state. Most of the rest (\$0.8 billion) was due to lower than expected wages and salaries.
- Washington housing permits declined slightly to 37,600 units (SAAR) in the first quarter of 2016 from a revised 38,000 units in the fourth quarter of 2015. The February forecast projected 37,400 units in the first quarter. The number of single-family units averaged 22,300 in the first quarter of 2016, the highest rate since the fourth quarter of 2007 and 1,900 higher than the 20,400 expected in the forecast. However, the number of multi-family units averaged 15,300 in the first quarter which was 1,700 below the 17,000



- expected in the forecast. The estimates for all four quarters of 2015 have been adjusted to reflect the final annual estimate from the Census Bureau. The second quarter of 2016 got off to a very strong start with 49,300 units (SAAR) permitted in April of which 22,800 were single family and 26,500 were multi-family.
- Seattle home prices continue to rise rapidly and now exceed the 2007 peak. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 1.0% in March and are up 10.8% over the previous March. Seattle home prices are up 48.2% since the November 2011 trough and now exceed the May 2007 peak by 2.9%.
  - Seattle area consumer price inflation is well above the national average. Over the last year, from April 2015 to April 2016, consumer prices in the Seattle area rose 2.5% compared to 1.1% for the U.S. city average. Core prices, which exclude food and energy, were up 3.3% in Seattle compared to 2.1% for the nation. The higher Seattle inflation is largely due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 5.8% compared to 3.2% for the nation. However, even with shelter excluded, Seattle inflation was higher at +0.7% compared to -0.1% for the nation.
  - The Institute of Supply Management - Western Washington Index (ISM-WW) dipped into negative territory in May for the first time since October 2015. The index, which measures conditions in the manufacturing sector, declined to 49.2 in May from 50.8 in April (index values above 50 indicate positive growth while values below 50 indicate contraction). The production, orders, and deliveries components all declined in May, the employment component was unchanged, and the inventory component increased.
  - Washington car and truck sales increased in May after three consecutive monthly declines but remain below their recent peak. Seasonally adjusted new vehicle registrations rose 3.2% in May but are still 10.6% below the January peak. May 2016 registrations are 3.8% higher than in May 2015, however.
  - First quarter 2016 exports were down 15.6% from the first quarter of 2015. Transportation equipment exports (mostly Boeing planes) declined 17.4% over the year. Exports other than transportation equipment were 12.8% lower than a year ago. As of the first quarter of 2016, seasonally adjusted Washington exports were down 17.9% from the fourth quarter 2014 peak. The drop likely reflects the negative influence of a stronger dollar and weak economic growth abroad.
  - Washington employment is expected to grow 2.4% this year, up from 2.0% in the February forecast due mainly to the strong job growth in the first quarter. As in February, we expect growth to gradually decelerate as the recovery matures. We expect employment growth to average 1.3% per year in 2017 through 2021 which is slightly higher than the 1.2% rate assumed in February. Our preliminary June forecast for nominal personal income growth this year is 4.1%, down slightly from 4.2% in the February forecast. Our new forecast for nominal personal income growth in 2017 through 2021 averages 5.0% per year, up from 4.8% in the February forecast. The higher nominal personal income growth expected in 2017 through 2021 is due to higher inflation.

## Revenue

- Cumulative General Fund-State (GF-S) revenue collections from February 11 through June 10, 2016 were \$218 million (3.8%) higher than forecasted in February.
- Most of the extra revenue came from Revenue Act collections from the last two months, particularly sales tax collections. It is too soon to know whether the large increase in activity is temporary or will carry on into future months. The forecast assumes a modest increase in activity, driven mainly by an increase in forecasted residential construction.
- Cumulative real estate excise taxes (REET) came in \$70.3 million (33.2%) higher than forecasted. Over a third of the surplus collections occurred in February, due to a spike in sales of large commercial properties. Large commercial sales continued above forecasted levels. Residential sales have also been stronger than forecasted, driven by increases in price more than increases in the number of sales. While the forecasted volume of large commercial sales is expected to diminish, other sales are expected to increase, resulting in an increase in forecasted REET collections.
- Forecasted revenue for the current (2015-17) biennium was increased by \$294 million. Forecasted increases in retail sales and REET collections were partially offset by a decrease in actual and forecasted insurance premium taxes.
- Forecasted GF-S revenue for the 2015-17 biennium is now \$37.431 billion, an increase of 11.2% above that of the 2013-15 biennium.
- Forecasted revenue for the 2017-19 biennium was increased by \$126 million. As in the current biennium, most of the increase was from retail sales taxes and REET. Forecasted property tax receipts also increased due to forecasted inflation of greater than one percent in the second quarter of 2016, which increased the allowed 2017 levy and all future levies (the state levy is only allowed to increase by 1% per year or the rate of second quarter inflation, whichever is less). These increases were partially offset by a decrease in forecasted insurance premium taxes.
- Forecasted GF-S revenue for the 2017-19 biennium is now \$40.252 billion, 7.5% more than that of the 2015-17 biennium.
- Forecasted GF-S revenue for the 2019-21 biennium is \$43.575 billion, \$134 million more than projected in February. This is an 8.3% increase from forecasted 2017-19 biennial revenue.

# Revenue Review

Presented to  
The Economic & Revenue Forecast Council

Steve Lerch  
Executive Director

June 15, 2016  
Olympia, Washington



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## Summary

- Since the February forecast, economic data have generally been a bit weaker than expected, while revenue collections have been stronger than expected
- The forecast now assumes the Federal Reserve will only increase interest rates once this year instead of twice as assumed in February
- Risks to the baseline include slowing economic growth in the U.S. and globally, impact of a stronger dollar on exports, and weaker manufacturing activity
- The GF-S revenue forecast has been increased by \$294 million for the 2015-17 biennium and increased by \$126 million for the 2017-19 biennium

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June 15, 2016

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## New information since June preliminary economic forecast

### **U.S. GDP growth data and forecast**

- 1<sup>st</sup> quarter 2016 increased from 0.5% to 0.8% (annual rate)

### **U.S. Employment data**

- 38,000 net new jobs in May; March and April revised down by combined 59,000 jobs
- Unemployment rate decreased from 5.0% in April to 4.7% in May
- Labor force participation rate fell from 62.8% in April to 62.6% in May

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## Janet Yellen: U.S. economy – many uncertainties but expects expansion to continue

From a June 6<sup>th</sup> speech

- Recent jobs market data: temporary slump or sign of slowing economy?
- Consumer spending: will domestic demand continue to be strong enough to sustain U.S. economic growth?
- Global pressures: while some overseas financial stresses have eased, concerns remain about China, U.K. vote on EU membership
- Weak productivity: labor productivity growth has been weak – will it rebound as business investment and R&D spending recover or are we in an extended period of slow productivity growth?
- Positives: despite recent weak data, jobs market has been improving; strong housing sector; rising household incomes

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June 15, 2016

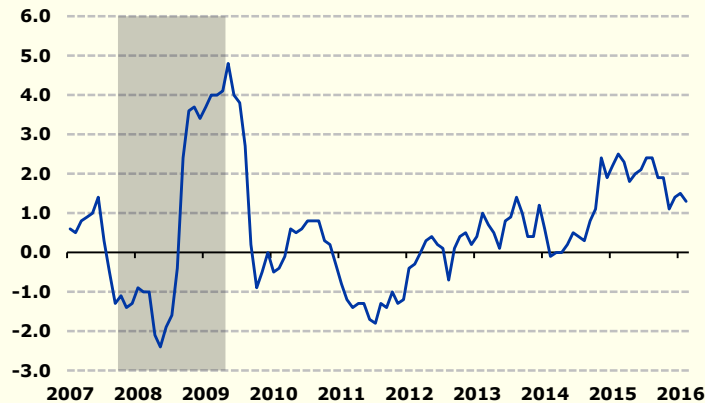
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## Average U.S. wage growth is positive but remains weak

Year-over-year Growth in U.S. Real Hourly Wages



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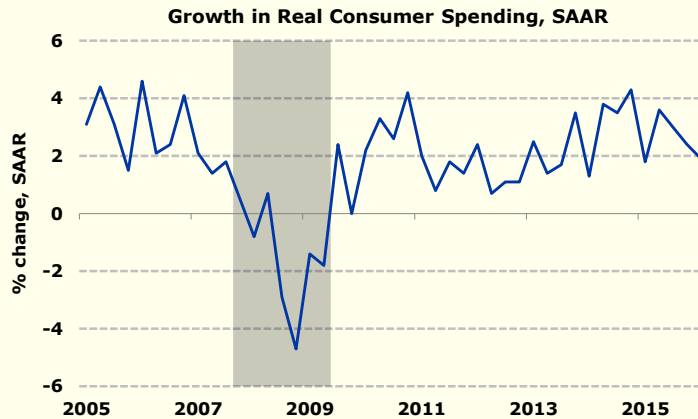
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Source: U.S. Bureau of Labor Statistics, data through Apr. 2016

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## Real consumer expenditure growth: volatile but trending up since 2011



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Source: U.S. Bureau of Economic Analysis, data through 2016 Q1

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## Global GDP growth has slowed



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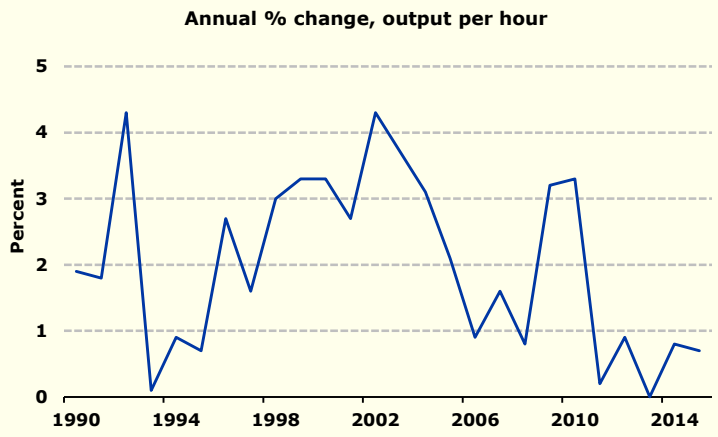
Source: International Monetary Fund, Apr. 2016; historical data through 2015

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## Labor productivity growth has slowed



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June 15, 2016

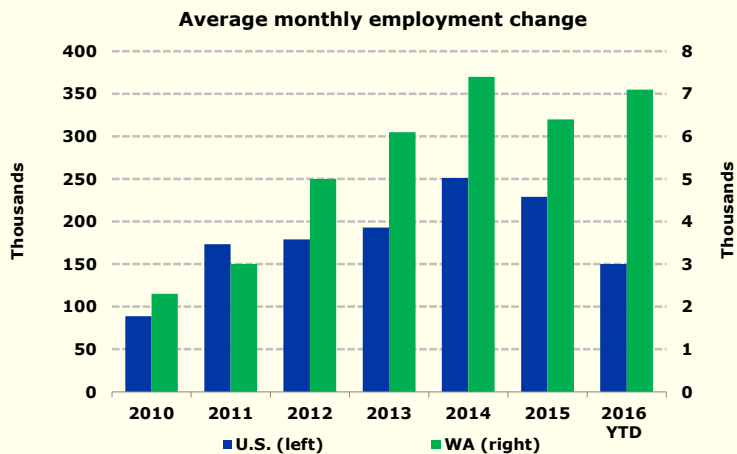
Source: U.S. Bureau of Labor Statistics, annual data through 2015

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## Jobs: so far in 2016, WA stronger than last year, U.S. much weaker



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Source: Bureau of Labor Statistics, ERFC; WA data through Apr. 2016, U.S. data through May 2016

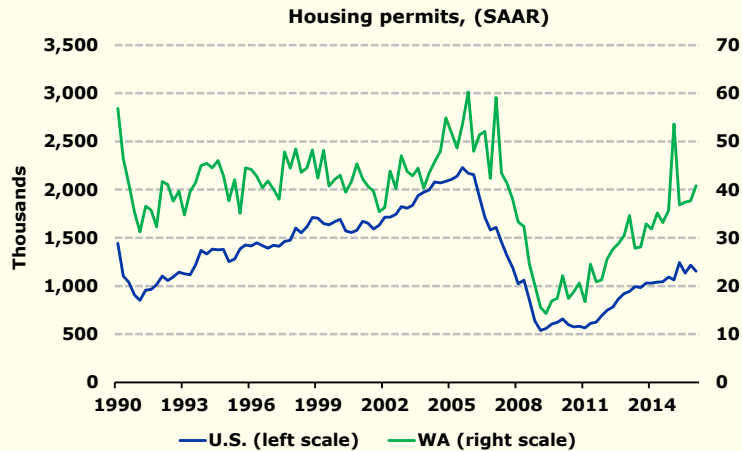
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## Both U.S. and WA housing permits trending up since 2011



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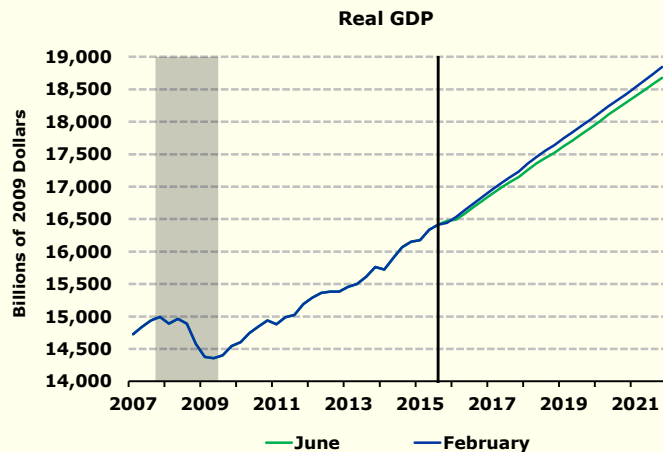
Source: U.S. Census Bureau, data through 2016 Q1

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## GDP is slightly lower than in the February forecast



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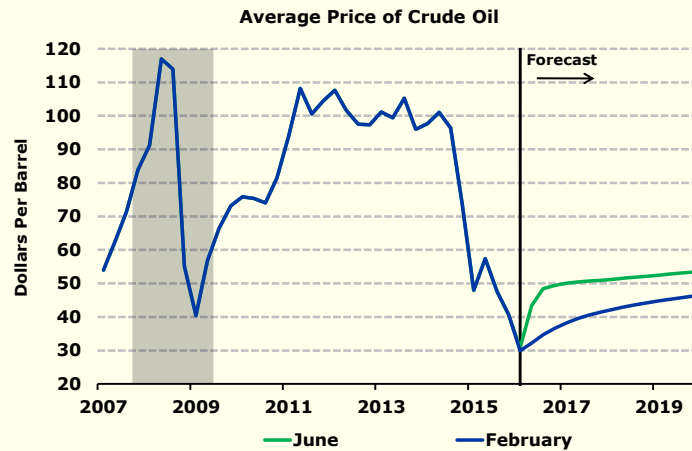
Source: Global Insight, ERF6 June 2016 forecast; historical data through 2016Q1

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## Oil prices have increased since the February forecast



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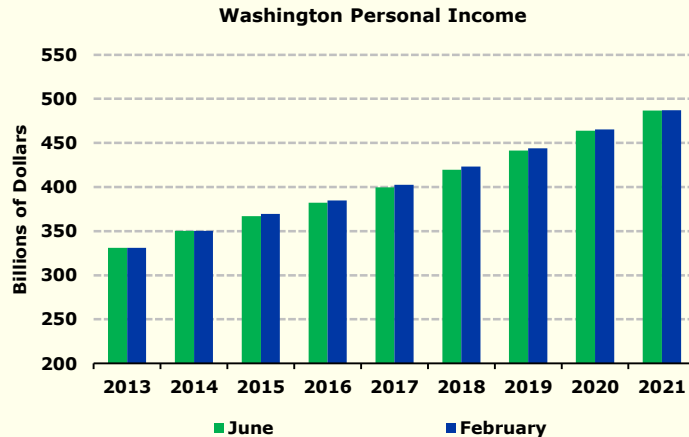
Source: DOE, ERFC June 2016 forecast; historical data through 2016Q1

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## Washington personal income is slightly lower compared to the February forecast



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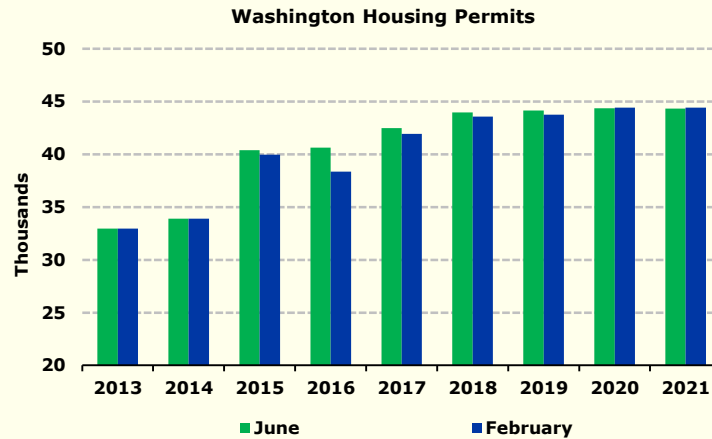
Source: ERFC June 2016 forecast; historical data through 2015

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## Washington housing permits forecast is slightly higher through 2019 compared to February



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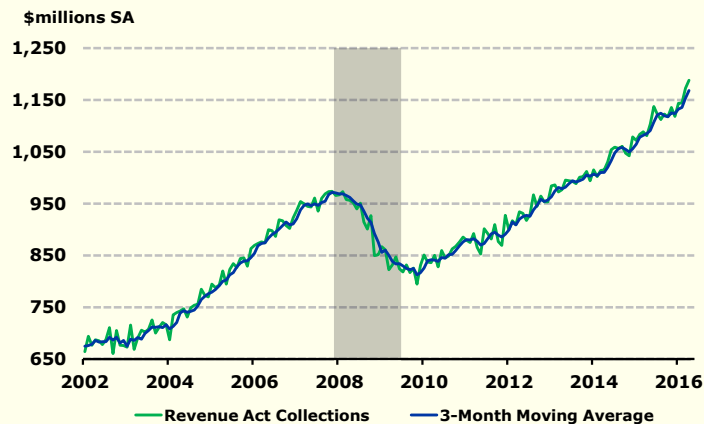
Source: ERFC June 2016 forecast; historical data through 2015

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## Revenue Act collections have been strong over the last two months



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\* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act  
Source: DOR and ERFC; monthly data through estimated April 2016 activity

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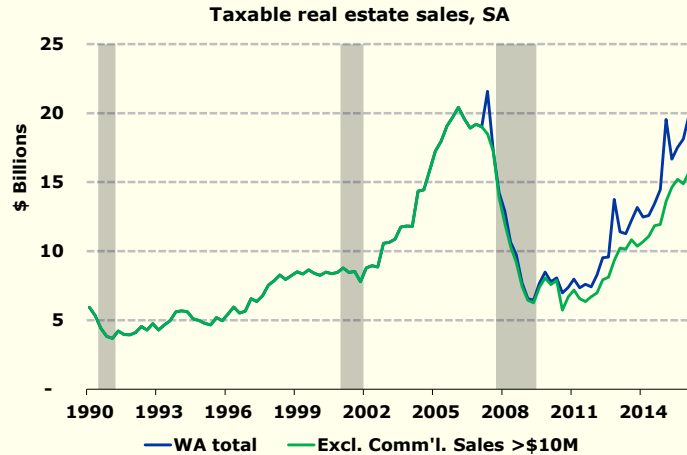
## Large commercial property sales have had major impact on REET collections

While large commercial property sales have caused spikes in taxable activity, underlying residential and smaller commercial sales have shown strong growth.

Large commercial property sales are expected to decrease from the elevated levels of the past few years.

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Source: ERFC, data through 2016 Q1

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## Cannabis excise tax and license fee estimates

Total change from February forecast:

•2015-17  
+\$7.2 M

•2017-19  
+\$2.1M

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**\$Millions**

**June Forecast**

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
GF-S share of excise tax and license fees	\$15	\$136	\$224
Non-GF	\$52	\$304	\$469
<b>Total</b>	<b>\$67</b>	<b>\$440</b>	<b>\$694</b>

\* Detail may not add to total due to rounding  
Source: ERFC, LCB, BOTEC Analysis

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## Factors affecting revenue forecast

- Strong sales of large commercial properties, rising home prices increase REET collections
- Slightly higher forecast for housing permits increases construction receipts
- Higher inflation results in stronger retail sales, B&O, property tax growth
- Higher oil, gas prices increase receipts from refineries, gas stations
- Slightly lower U.S., WA personal income forecast reduces consumer spending

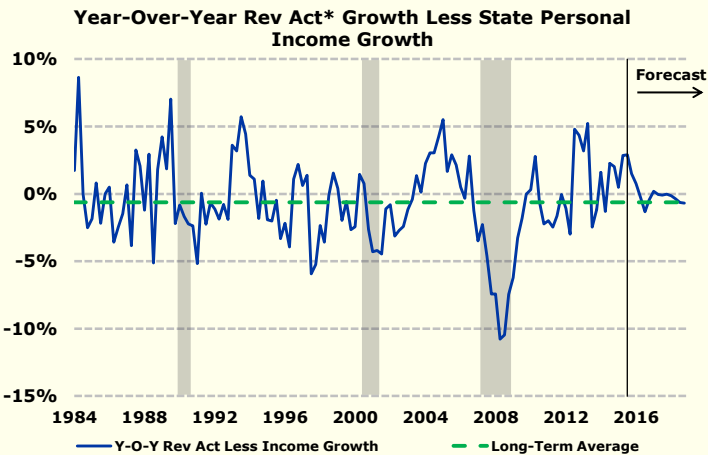
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## Rev Act growth relative to income is projected to slow



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\*Adjusted for large one-time payments and refunds and payments under the amnesty program  
Source: ERFC; Quarterly revenue data through Q1 2016, June 2016 income estimates

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## Forecast changes: General Fund State, 2015-2017 Biennium

**February Forecast:**  
**\$37,137 million**

\$Millions	June Forecast				Total Change*
	Collection Experience	Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	\$217	(\$3)	\$113	\$35,565	\$328
All other agencies	\$1	(\$2)	(\$33)	\$1,866	(\$34)
<b>Total GF-S</b>	<b>\$218</b>	<b>(\$5)</b>	<b>\$80</b>	<b>\$37,431</b>	<b>\$294</b>

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\* Detail may not add to total due to rounding

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## 2015-17 Biennium alternative forecasts – cash basis

\$Millions	2015-17 Biennium	Difference From the baseline
<b>June 2016 Baseline (55%)</b>	<b>\$37,431</b>	
<b><u>June 2016 Alternative Forecasts</u></b>		
<b>Optimistic (15%)</b>	<b>\$38,703</b>	<b>\$1,273</b>
<b>Pessimistic (30%)</b>	<b>\$36,202</b>	<b>(\$1,229)</b>
<b>Probability Weighted Average</b>	<b>\$37,253</b>	<b>(\$178)</b>
<b>GCEA*</b>	<b>\$37,328</b>	<b>(\$103)</b>

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\*Based on the Governor's Council of Economic Advisors' economic assumptions

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## Forecast changes: General Fund State, 2017-2019 Biennium

**February Forecast:**  
\$40,125 million

\$Millions	June Forecast			Total Change*
	Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	(\$8)	\$188	\$38,162	\$181
All other agencies	(\$1)	(\$53)	\$2,090	(\$54)
<b>Total GF-S</b>	<b>(\$9)</b>	<b>\$135</b>	<b>\$40,252</b>	<b>\$126</b>

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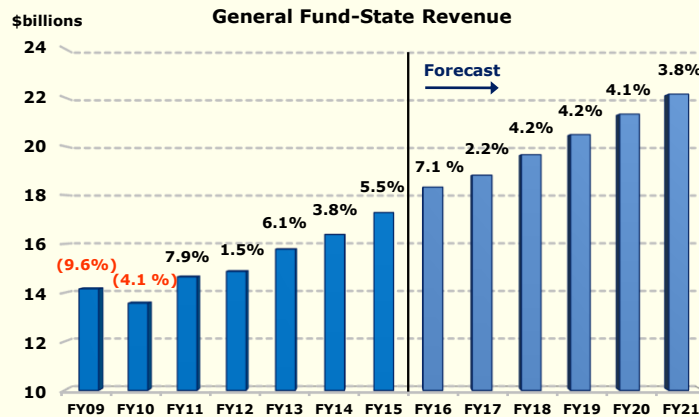
\* Detail may not add to total due to rounding

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## General Fund-State\* forecast by fiscal year



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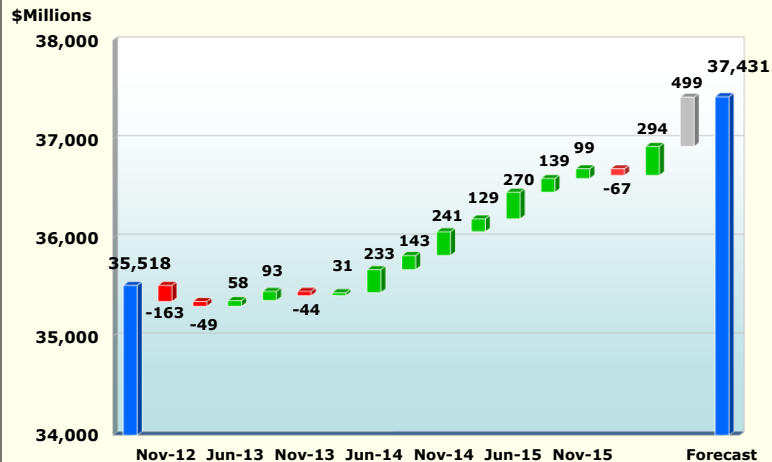
\*General Fund-State & Related Funds for FY 09, General Fund-State new definition for FY 10-17  
Source: ERFC forecast, June 2016

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## GF-S forecast revisions to the 2015-17 biennium



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Source: ERFC September 2012 – June 2016 forecasts  
Gray area indicates total noneconomic change

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## Conclusion

- The economic forecast expects slower growth in U.S. GDP and WA personal income and slightly higher WA employment and residential construction than in February
- We continue to expect the WA economy to outperform the U.S. by a small margin
- GF-S revenues are expected to grow 11.2% between the 2013-15 and 2015-17 biennia and 7.5% between the 2015-17 and 2017-19 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

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## Questions

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**Changes to the General Fund-State Cash Forecast-by Agency**

Comparison of the June 2016 to the February 2016 Forecast  
 2015-17 Biennium  
 Millions of Dollars

	<u>February 2016 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2016 Forecast</u>	<u>Total Change#</u>
Department of Revenue	\$35,237.6	\$216.7	(\$2.5)	\$113.2	\$35,565.0	\$327.5
All other Agencies	\$1,899.7	\$1.2	(\$2.1)	(\$33.1)	\$1,865.8	(\$33.9)
<b>Total General Fund-State</b>	<b>\$37,137.3</b>	<b>\$217.9</b>	<b>(\$4.6)</b>	<b>\$80.2</b>	<b>\$37,430.8</b>	<b>\$293.5</b>

\*Forecast for GF-S for the 2015-17 biennium adopted February 17, 2016

\*\*Legislative and budget-driven revenue changes from the 2016 regular and special legislative sessions plus \$3.3 million AG settlement

#Details may not add due to rounding

**Total Changes to General Fund-State, Education Legacy Trust Account and Washington Opportunity Pathways Account Forecasts**

Comparison of the June 2016 to the February 2016 Forecast  
 2015-17 Biennium  
 Cash Forecast; Millions of Dollars

	February 2016 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2016 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$37,137.3	(\$4.6)	\$298.1	\$37,430.8	\$293.5
Education Legacy Trust Account	\$437.4	\$0.0	\$12.7	\$450.1	\$12.7
WA Opportunity Pathways Account	\$262.7	\$0.1	\$2.0	\$264.8	\$2.0
<b>Total</b>	<b>\$37,837.4</b>	<b>(\$4.5)</b>	<b>\$312.7</b>	<b>\$38,145.7</b>	<b>\$308.3</b>

\*Forecast for GF-S for the 2015-17 biennium adopted February 17, 2016

\*\*Legislative and budget-driven revenue changes from the 2016 regular and special legislative sessions

<sup>#</sup>Details may not add due to rounding

**Total Changes to General Fund-State, Education Legacy Trust Account and Washington Opportunity Pathways Account Forecasts**

Comparison of the June 2016 to the February 2016 Forecast  
 2017-19 Biennium  
 Cash Forecast; Millions of Dollars

	February 2016 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2016 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$40,125.3	(\$9.0)	\$135.4	\$40,251.6	\$126.4
Education Legacy Trust Account	\$513.5	\$0.0	(\$0.8)	\$512.8	(\$0.8)
WA Opportunity Pathways Account	\$253.0	\$0.0	\$1.0	\$254.0	\$1.0
<b>Total</b>	<b>\$40,891.8</b>	<b>(\$9.0)</b>	<b>\$135.6</b>	<b>\$41,018.4</b>	<b>\$126.6</b>

\*Forecast for GF-S for the 2017-19 biennium adopted February 17, 2016

\*\*Legislative revenue changes from the 2016 regular and special legislative sessions

<sup>#</sup>Details may not add due to rounding

### Track Record for the 2015-17 General Fund-State Cash Forecast

September 2012 through June 2016

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>September 2012 #</b>	\$34,102	\$1,416				\$35,518
<b>Changes to Forecast</b>						
November 2012	(196)	33	(163)	0	(163)	35,355
March 2013	(92)	44	(49)	0	(49)	35,306
June 2013	56	2	58	(7) #1	51	35,357
September 2013	95	(2)	93	249 #2	342	35,699
November 2013	(47)	3	(44)	(41) #3	(85)	35,615
February 2014	5	26	31	51 #4	82	35,697
June 2014	194	40	233	5 #5	238	35,935
September 2014	168	(25)	143	0	143	36,078
November 2014	239	3	241	0	241	36,319
February 2015	108	22	129	0	129	36,449
June 2015	201	70	270	39 #6	309	36,758
September 2015	80	60	139	193 #7	333	37,091
November 2015	107	(8)	99	15 #8	113	37,204
February 2016	(101)	33	(67)	0	(67)	37,137
June 2016	330	(32)	298	(5) #9	294	37,431
<b>Total change***:</b>						
From September 2012	1,146	267	1,413	499	1,912	
Percent change	3.4	18.9	4.0	1.4	5.4	

### Track Record for the 2017-19 General Fund-State Cash Forecast

February 2014 through June 2016

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2014 ##</b>	\$36,887	\$1,823				\$38,710
<b>Changes to Forecast</b>						
June 2014	265	50	315	(1) #5	313	39,023
September 2014	227	(63)	164	0	164	39,188
November 2014	388	26	415	0	415	39,602
February 2015	126	28	154	0	154	39,757
June 2015	257	64	321	122 #6	443	40,200
September 2015	4	47	52	286 #7	338	40,538
November 2015	35	(5)	30	0	30	40,567
February 2016	(449)	7	(442)	0	(442)	40,125
June 2016	188	(53)	135	(9) #10	126	40,252
<b>Total change***:</b>						
From February 2014	1,043	101	1,144	398	1,542	
Percent change	2.8	5.5	3.0	1.0	4.0	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

# First official forecast for the 2015-17 biennium.

## First official forecast for the 2017-19 biennium.

#1 Transfer of GF-S funds to Child and Family Reinvestment Account

#2 Legislative and budget-driven revenue changes from 2013 second special session

#3 Re-classification of prior period adjustments as non-revenue resources, tobacco settlement arbitration payment to state.

#4 Cannabis excise taxes and fees plus retail sales and B&O taxes on cannabis production and sales resulting from Initiative 502

#5 Sum of legislative and budget-driven revenue changes from the 2014 regular legislative session

#6 Legislative revenue changes from 2015 regular legislative session

#7 Legislative and budget driven revenue changes from 2015 special legislative sessions

#8 Sum of large expected audit payments

#9 Legislative and budget-driven revenue changes from the 2016 regular and first special legislative sessions plus \$3.3 million AG settlement

#10 Legislative revenue changes from the 2016 regular and first special legislative sessions

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**Analysis for the Major Sources Based on Taxable Activity**

Revenue Act Sources

June 2016 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
<b>I. Retail Sales</b>			
2000	8.0	8.2	1.0
2001	2.8	4.0	0.7
2002	(1.4)	1.6	(0.9)
2003	2.1	3.3	0.6
2004	4.6	4.7	1.0
2005	7.9	5.3	1.5
2006	10.1	8.0	1.3
2007	7.9	7.9	1.0
2008	2.7	8.1	0.3
2009	(10.4)	(0.1)	91.7
2010	(5.4)	(1.4)	3.9
2011	1.8	4.9	0.4
2012	4.1	6.2	0.7
2013	6.7	4.6	1.5
2014	5.8	3.0	1.9
2015	8.1	5.7	1.4
2016	7.1	4.3	1.6
2017	3.4	4.2	0.8
2018	4.6	4.8	1.0
2019	4.4	5.1	0.9
2020	4.3	5.2	0.8
2021	4.0	5.0	0.8
Average 2000-2015:	3.0	4.3	0.7
<b>II. Business &amp; Occupation</b>			
2000	5.6	8.2	0.7
2001	3.0	4.0	0.7
2002	(3.5)	1.6	(2.3)
2003	(1.6)	3.3	(0.5)
2004	6.8	4.7	1.4
2005	9.7	5.3	1.8
2006	11.2	8.0	1.4
2007	8.3	7.9	1.0
2008	6.9	8.1	0.8
2009	(8.8)	(0.1)	77.8
2010	(2.9)	(1.4)	2.1
2011	4.6	4.9	0.9
2012	8.0	6.2	1.3
2013	6.5	4.6	1.4
2014	5.4	3.0	1.8
2015	5.4	5.7	0.9
2016	2.4	4.3	0.5
2017	5.2	4.2	1.2
2018	5.4	4.8	1.1
2019	5.2	5.1	1.0
2020	4.9	5.2	0.9
2021	4.4	5.0	0.9
Average 1998-2015:	3.8	4.3	0.9

\* Based on constant base taxable data.

\*\* Percent changes in taxable activity divided by percent change in personal income.

<sup>1</sup> Income adjusted to exclude special dividend payment in fy 05.

## Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources  
June 2016 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
III. Use			
2000	14.4	8.2	1.8
2001	8.4	4.0	2.1
2002	(5.8)	1.6	(3.7)
2003	(1.4)	3.3	(0.4)
2004	5.6	4.7	1.2
2005	14.0	5.3	2.6
2006	2.3	8.0	0.3
2007	9.0	7.9	1.1
2008	2.1	8.1	0.3
2009	(13.0)	(0.1)	115.4
2010	(5.9)	(1.4)	4.2
2011	11.4	4.9	2.3
2012	1.9	6.2	0.3
2013	7.4	4.6	1.6
2014	9.7	3.0	3.2
2015	8.9	5.7	1.6
2016	2.6	4.3	0.6
2017	2.0	4.2	0.5
2018	4.8	4.8	1.0
2019	4.6	5.1	0.9
2020	4.0	5.2	0.8
2021	3.8	5.0	0.8
Average 1998-2015:	3.4	4.3	0.8

## Total Revenue Act Receipts

June 2016 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity##
	Tax Receipts <sup>#</sup>	Personal Income <sup>1</sup>	
Revenue Act			
2000	7.4	8.2	0.9
2001	3.9	4.0	1.0
2002	(1.7)	1.6	(1.1)
2003	1.0	3.3	0.3
2004	4.8	4.7	1.0
2005	7.6	5.3	1.4
2006	10.6	8.0	1.3
2007	8.3	7.9	1.0
2008	4.2	8.1	0.5
2009	(9.5)	(0.1)	84.2
2010	(5.3)	(1.4)	3.8
2011	8.1	4.9	1.7
2012	1.3	6.2	0.2
2013	5.9	4.6	1.3
2014	4.6	3.0	1.5
2015	5.6	5.7	1.0
2016	8.0	4.3	1.8
2017	3.2	4.2	0.8
2018	4.8	4.8	1.0
2019	4.7	5.1	0.9
2020	4.6	5.2	0.9
2021	4.3	5.0	0.9
Average 1998-2015:	3.5	4.3	0.8

\* Based on constant base taxable data.

\*\* Percent changes in taxable activity divided by percent change in personal income.

# Post-ESSB 5073 definition of Revenue Act

## Percent changes in tax receipts divided by percent change in personal income.

<sup>1</sup> Income adjusted to exclude special dividend payment in fy 05.



**General Fund-State, Education Legacy Trust Account and Opportunity Pathways Account**

History and Forecast by Fiscal Year (Cash basis)

June 2016 - Millions of Dollars

	General Fund-State (GF-S) (current definition)		Education Legacy Trust Fund* (ELTA)		Total GF-S plus ELTA		WA Opportunity Pathways Account (OPA)		Total GF-S plus ELTA and OPA	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1997	\$9,449	5.8%			\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$10,057	6.4%			\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$10,414	3.6%			\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$11,068	6.3%			\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$11,560	4.4%			\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$11,632	0.6%			\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$11,721	0.8%			\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$12,358	5.4%			\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$13,036	5.5%			\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115		\$14,432	10.7%			\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%			\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%			\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%			\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%			\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%	\$99		\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%	\$118	19.1%	\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%	\$126	5.9%	\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$16,580	4.4%	\$114	-9.4%	\$16,694	4.3%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$17,491	5.5%	\$120	5.7%	\$17,611	5.5%
Forecast:										
FY 2016	\$18,514	7.1%	\$213	2.7%	\$18,727	7.1%	\$138	14.7%	\$18,865	7.1%
FY 2017	\$18,917	2.2%	\$237	11.5%	\$19,154	2.3%	\$127	-8.0%	\$19,281	2.2%
FY 2018	\$19,712	4.2%	\$243	2.2%	\$19,955	4.2%	\$128	1.0%	\$20,083	4.2%
FY 2019	\$20,540	4.2%	\$270	11.4%	\$20,810	4.3%	\$126	-1.7%	\$20,936	4.2%
FY 2020	\$21,377	4.1%	\$175	-35.4%	\$21,552	3.6%	\$126	0.0%	\$21,678	3.5%
FY 2021	\$22,198	3.8%	\$178	2.1%	\$22,376	3.8%	\$126	0.0%	\$22,502	3.8%
<b>Biennial Totals</b>										
<b>05-07 Biennium</b>	<b>\$29,785</b>	<b>17.3%</b>	<b>\$381</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>
<b>07-09 Biennium</b>	<b>\$29,817</b>	<b>0.1%</b>	<b>\$437</b>	<b>14.8%</b>	<b>\$30,254</b>	<b>0.3%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,254</b>	<b>0.3%</b>
<b>09-11 Biennium</b>	<b>\$28,218</b>	<b>-5.4%</b>	<b>\$269</b>	<b>-38.5%</b>	<b>\$28,487</b>	<b>-5.8%</b>	<b>\$99</b>	<b>NA</b>	<b>\$28,586</b>	<b>-5.5%</b>
<b>11-13 Biennium</b>	<b>\$30,657</b>	<b>8.6%</b>	<b>\$215</b>	<b>-19.9%</b>	<b>\$30,872</b>	<b>8.4%</b>	<b>\$244</b>	<b>145.2%</b>	<b>\$31,116</b>	<b>8.8%</b>
<b>13-15 Biennium</b>	<b>\$33,666</b>	<b>9.8%</b>	<b>\$405</b>	<b>88.0%</b>	<b>\$34,071</b>	<b>10.4%</b>	<b>\$234</b>	<b>-4.1%</b>	<b>\$34,305</b>	<b>10.2%</b>
<b>15-17 Biennium</b>	<b>\$37,431</b>	<b>11.2%</b>	<b>\$450</b>	<b>11.2%</b>	<b>\$37,881</b>	<b>11.2%</b>	<b>\$265</b>	<b>13.2%</b>	<b>\$38,146</b>	<b>11.2%</b>
<b>17-19 Biennium</b>	<b>\$40,252</b>	<b>7.5%</b>	<b>\$513</b>	<b>13.9%</b>	<b>\$40,764</b>	<b>7.6%</b>	<b>\$254</b>	<b>-4.1%</b>	<b>\$41,018</b>	<b>7.5%</b>
<b>19-21 Biennium</b>	<b>\$43,575</b>	<b>8.3%</b>	<b>\$353</b>	<b>-31.2%</b>	<b>\$43,928</b>	<b>7.8%</b>	<b>\$252</b>	<b>-0.8%</b>	<b>\$44,180</b>	<b>7.7%</b>

\*Education legacy trust fund excluding FY 14 and FY 15 lottery fund transfers. Includes pension stabilization fund interest in FY 08 and FY 09.

**General Fund-State Cash Estimates - Other Agencies**

Comparison of the June 2016 and February 2016 forecasts  
2015-17 Biennium  
(Amounts in Millions)

Source/Agency	February 2016 Baseline	Non-Economic Changes	Economic Changes	June 2016 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.0	\$0.0	(\$0.6)	\$36.3	(\$0.6)
Insurance Commissioner Insurance Premiums	\$1,097.7	\$0.0	(\$43.5)	\$1,054.2	(\$43.5)
Liquor Control Board Taxes, Licenses, and Fees	\$346.1	(\$2.3)	\$9.8	\$353.6	\$7.5
Lottery Commission Lottery Revenue	\$32.0	\$0.0	(\$3.1)	\$28.9	(\$3.1)
State Treasurer Interest Earnings	\$12.7	\$0.0	\$0.1	\$12.8	\$0.1
Office of Financial Management Other Agencies	\$214.4	\$0.2	\$6.7	\$221.3	\$6.9
Administrative Office of the Courts Fines and Forfeitures	\$159.7	\$0.0	(\$1.1)	\$158.6	(\$1.1)
<b>Total General Fund-State</b>	<b>\$1,899.7</b>	<b>(\$2.1)</b>	<b>(\$31.8)</b>	<b>\$1,865.8</b>	<b>(\$33.9)</b>

**General Fund-State GAAP Estimates - Other Agencies**

Comparison of the June 2016 and February 2016 forecasts  
2015-17 Biennium  
(Amounts in Millions)

Source/Agency	February 2016 Baseline	Non-Economic Changes	Economic Changes	June 2016 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.0	\$0.0	(\$0.6)	\$36.3	(\$0.6)
Insurance Commissioner Insurance Premiums	\$1,097.7	\$0.0	(\$43.5)	\$1,054.2	(\$43.5)
Liquor Control Board Taxes, Licenses, and Fees	\$346.1	(\$2.3)	\$9.8	\$353.6	\$7.5
Lottery Commission Lottery Revenue	\$42.0	\$0.0	\$0.3	\$42.3	\$0.3
State Treasurer Interest Earnings	\$12.6	\$0.0	\$0.3	\$12.9	\$0.3
Office of Financial Management Other Agencies	\$214.4	\$0.2	\$6.7	\$221.3	\$6.9
Administrative Office of the Courts Fines and Forfeitures	\$159.7	\$0.0	(\$1.1)	\$158.6	(\$1.1)
<b>Total General Fund-State</b>	<b>\$1,909.6</b>	<b>(\$2.1)</b>	<b>(\$28.2)</b>	<b>\$1,879.3</b>	<b>(\$30.3)</b>

\* Detail may not total due to rounding.

**General Fund-State Cash Estimates - Other Agencies**

Comparison of the June 2016 and February 2016 forecasts  
2017-19 Biennium  
(Amounts in Millions)

Source/Agency	February 2016 Baseline	Non-Economic Changes	Economic Changes	June 2016 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	(\$0.1)	\$37.0	(\$0.1)
Insurance Commissioner Insurance Premiums	\$1,184.1	\$0.0	(\$29.3)	\$1,154.8	(\$29.3)
Liquor Control Board Taxes, Licenses, and Fees	\$462.2	\$0.0	\$0.8	\$463.0	\$0.8
Lottery Commission Lottery Revenue	\$36.3	\$0.0	(\$2.3)	\$34.1	(\$2.3)
State Treasurer Interest Earnings	\$54.2	\$0.0	(\$23.5)	\$30.8	(\$23.5)
Office of Financial Management Other Agencies	\$203.9	(\$1.2)	\$6.3	\$209.0	\$5.1
Administrative Office of the Courts Fines and Forfeitures	\$166.2	\$0.0	(\$5.0)	\$161.2	(\$5.0)
<b>Total General Fund-State</b>	<b>\$2,144.1</b>	<b>(\$1.2)</b>	<b>(\$53.0)</b>	<b>\$2,089.9</b>	<b>(\$54.1)</b>

**General Fund-State GAAP Estimates - Other Agencies**

Comparison of the June 2016 and February 2016 forecasts  
2017-19 Biennium  
(Amounts in Millions)

Source/Agency	February 2016 Baseline	Non-Economic Changes	Economic Changes	June 2016 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	(\$0.1)	\$37.0	(\$0.1)
Insurance Commissioner Insurance Premiums	\$1,184.1	\$0.0	(\$29.3)	\$1,154.8	(\$29.3)
Liquor Control Board Taxes, Licenses, and Fees	\$462.2	\$0.0	\$0.8	\$463.0	\$0.8
Lottery Commission Lottery Revenue	\$37.3	\$0.0	(\$0.7)	\$36.7	(\$0.7)
State Treasurer Interest Earnings	\$56.3	\$0.0	(\$24.1)	\$32.3	(\$24.1)
Office of Financial Management Other Agencies	\$203.9	(\$1.2)	\$6.3	\$209.0	\$5.1
Administrative Office of the Courts Fines and Forfeitures	\$166.2	\$0.0	(\$5.0)	\$161.2	(\$5.0)
<b>Total General Fund-State</b>	<b>\$2,147.2</b>	<b>(\$1.2)</b>	<b>(\$52.0)</b>	<b>\$2,094.0</b>	<b>(\$53.1)</b>

\* Detail may not total due to rounding.

**Lottery transfers by fund**  
(cash basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>	<b>Veteran's VIP Account</b>	<b>Education Legacy Trust Account</b>	<b>Gambling Revolving Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0	0.0	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0	0.0	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	0.0	0.0
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5	125.5	0.0	0.0	0.0
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9	244.0	0.2	0.0	0.0
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1	0.0
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7	120.2	0.0	6.1	0.0
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4	233.9	0.0	16.1	0.0
2016	171.7	17.8	0.0	11.7	0.0	0.0	0.4	3.9	137.9	0.0	0.0	0.0
2017	154.8	11.1	0.0	12.2	0.0	0.0	0.3	3.8	126.9	0.0	0.0	0.5
2015-17 Biennium	326.5	28.9	0.0	23.8	0.0	0.0	0.7	7.7	264.8	0.0	0.0	0.5
2018	160.1	14.7	0.0	12.6	0.0	0.0	0.3	3.8	128.1	0.0	0.0	0.5
2019	163.0	19.3	0.0	13.1	0.0	0.0	0.3	3.8	125.9	0.0	0.0	0.5
2017-19 Biennium	323.1	34.1	0.0	25.8	0.0	0.0	0.7	7.6	254.0	0.0	0.0	1.0
2020	165.6	21.4	0.0	13.7	0.0	0.0	0.3	3.8	125.9	0.0	0.0	0.5
2021	167.5	22.7	0.0	14.2	0.0	0.0	0.3	3.8	125.9	0.0	0.0	0.5
2019-21 Biennium	333.1	44.1	0.0	27.9	0.0	0.0	0.7	7.6	251.9	0.0	0.0	1.0

\* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

Source: Lottery Commission, ERFC

**Lottery transfers by fund**  
(gaap basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>	<b>Veteran's VIP Account</b>	<b>Education Legacy Trust Account</b>	<b>Gambling Revolving Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	172.5	28.6	0.0	11.7	0.0	0.0	0.3	3.0	128.4	0.0	0.0	0.5
2017	157.0	13.8	0.0	12.2	0.0	0.0	0.3	3.8	126.4	0.0	0.0	0.5
2015-17 Biennium	329.5	42.3	0.0	23.8	0.0	0.0	0.7	6.8	254.8	0.0	0.0	1.0
2018	160.4	17.3	0.0	12.6	0.0	0.0	0.3	3.8	125.8	0.0	0.0	0.5
2019	163.0	19.3	0.0	13.1	0.0	0.0	0.3	3.8	125.9	0.0	0.0	0.5
2017-19 Biennium	323.4	36.7	0.0	25.8	0.0	0.0	0.7	7.6	251.7	0.0	0.0	1.0
2020	165.6	21.4	0.0	13.7	0.0	0.0	0.3	3.8	125.9	0.0	0.0	0.5
2021	167.8	22.7	0.0	14.2	0.0	0.0	0.3	3.8	126.2	0.0	0.0	0.5
2019-21 Biennium	333.4	44.1	0.0	27.9	0.0	0.0	0.7	7.6	252.1	0.0	0.0	1.0

\* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

Source: Lottery Commission, ERFC

## U.S. Forecast Comparison

2016Q1 2016Q2 2016Q3 2016Q4

### Real GDP (Billions of 2009 Dollars)

June Forecast	16,505	16,588	16,681	16,782
Percent Change	0.8%	2.0%	2.3%	2.4%
February Forecast	16,532	16,638	16,744	16,849
Percent Change	2.2%	2.6%	2.6%	2.5%

### Real Consumption (Billions of 2009 Dollars)

June Forecast	11,384	11,459	11,532	11,605
Percent Change	1.9%	2.6%	2.6%	2.5%
February Forecast	11,395	11,472	11,549	11,625
Percent Change	2.6%	2.7%	2.7%	2.7%

### Implicit Price Deflator, PCE (2009=1.00)

June Forecast	1.099	1.105	1.110	1.117
Percent Change	0.3%	2.3%	1.6%	2.5%
February Forecast	1.098	1.100	1.103	1.108
Percent Change	0.0%	0.7%	1.2%	2.0%

### Real Personal Income (Billions of 2009 Dollars)

June Forecast	14,324	14,375	14,442	14,500
Percent Change	3.4%	1.4%	1.9%	1.6%
February Forecast	14,345	14,404	14,487	14,563
Percent Change	3.7%	1.6%	2.3%	2.1%

### Nonfarm Payroll Employment (Millions)

June Forecast	143.5	144.0	144.3	145.0
Percent Change	1.9%	1.2%	1.1%	1.9%
February Forecast	143.5	144.1	144.5	144.9
Percent Change	1.8%	1.7%	1.2%	1.1%

### Unemployment Rate (Percent of Labor Force)

June Forecast	4.9	4.8	4.7	4.7
February Forecast	4.8	4.8	4.8	4.8

### 30 Year Fixed Mortgage Rate (Percent, average)

June Forecast	3.7	3.6	3.7	4.0
February Forecast	3.9	4.0	4.1	4.2

### 3 Month T-Bill Rate (Percent, average)

June Forecast	0.3	0.3	0.4	0.5
February Forecast	0.3	0.5	0.6	0.7

2015 2016 2017 2018 2019 2020 2021

16,349	16,639	17,022	17,397	17,762	18,153	18,534
2.4%	1.8%	2.3%	2.2%	2.1%	2.2%	2.1%
16,342	16,691	17,093	17,503	17,889	18,282	18,684
2.4%	2.1%	2.4%	2.4%	2.2%	2.2%	2.2%

11,213	11,495	11,779	12,050	12,315	12,586	12,862
3.1%	2.5%	2.5%	2.3%	2.2%	2.2%	2.2%
11,211	11,510	11,803	12,086	12,364	12,649	12,927
3.1%	2.7%	2.5%	2.4%	2.3%	2.3%	2.2%

1.094	1.108	1.128	1.149	1.171	1.194	1.217
0.3%	1.2%	1.9%	1.9%	1.9%	1.9%	1.9%
1.094	1.102	1.120	1.141	1.161	1.181	1.202
0.3%	0.7%	1.6%	1.8%	1.8%	1.7%	1.7%

14,026	14,411	14,754	15,139	15,546	15,959	16,361
4.1%	2.7%	2.4%	2.6%	2.7%	2.7%	2.5%
14,034	14,450	14,834	15,243	15,655	16,054	16,448
4.2%	3.0%	2.7%	2.8%	2.7%	2.5%	2.5%

141.8	144.2	146.1	147.1	148.2	149.3	150.3
2.1%	1.7%	1.3%	0.7%	0.7%	0.8%	0.7%
141.8	144.3	145.8	147.0	148.2	149.3	150.3
2.1%	1.7%	1.0%	0.9%	0.8%	0.8%	0.6%

5.3	4.8	4.6	4.5	4.5	4.6	4.7
5.3	4.8	4.8	4.7	4.8	4.8	4.9

3.9	3.8	4.2	4.9	5.7	5.7	5.6
3.9	4.1	4.4	5.0	5.6	5.6	5.6

0.1	0.4	1.1	2.1	2.8	2.8	2.8
0.1	0.5	1.4	2.3	2.8	2.8	2.8

### Washington Forecast Comparison

	2016Q1	2016Q2	2016Q3	2016Q4
<b>Real Personal Income (Billions of 2009 Dollars)</b>				
June Forecast	343.0	344.6	345.7	346.6
Percent Change	5.3%	1.8%	1.4%	0.9%
February Forecast	347.4	348.4	350.2	351.1
Percent Change	7.2%	1.1%	2.1%	1.0%
<b>Personal Income (Billions of Dollars)</b>				
June Forecast	377.1	380.9	383.7	387.0
Percent Change	5.6%	4.1%	2.9%	3.4%
February Forecast	381.4	383.1	386.2	389.1
Percent Change	7.2%	1.8%	3.3%	3.1%
<b>Nonfarm Payroll Employment (Thousands)</b>				
June Forecast	3199	3215	3223	3239
Percent Change	3.6%	2.0%	1.0%	2.0%
February Forecast	3205	3218	3227	3238
Percent Change	2.7%	1.6%	1.2%	1.3%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast	5.8	5.8	5.7	5.6
February Forecast	5.4	5.4	5.3	5.3
<b>Manufacturing Employment (Thousands)</b>				
June Forecast	288.0	286.8	282.9	284.1
Percent Change	-0.5%	-1.7%	-5.4%	1.8%
February Forecast	288.2	287.5	286.5	287.1
Percent Change	0.6%	-0.9%	-1.4%	0.8%
<b>Construction Employment (Thousands)</b>				
June Forecast	181.7	182.5	183.4	184.4
Percent Change	16.9%	1.9%	1.9%	2.2%
February Forecast	177.0	176.5	176.8	177.6
Percent Change	8.4%	-1.2%	0.8%	1.8%
<b>Housing Permits (Thousands)</b>				
June Forecast	37.6	42.6	41.0	41.2
Percent Change	-8.0%	65.8%	-14.3%	1.5%
February Forecast	37.4	38.0	38.3	39.6
Percent Change	8.7%	6.8%	3.2%	14.5%

	2015	2016	2017	2018	2019	2020	2021
<b>Real Personal Income (Billions of 2009 Dollars)</b>							
June Forecast	335.4	345.0	354.1	365.2	376.8	388.7	400.2
Percent Change	4.4%	2.9%	2.6%	3.1%	3.2%	3.1%	3.0%
February Forecast	337.7	349.2	359.4	370.8	382.3	393.8	405.4
Percent Change	5.2%	3.4%	2.9%	3.2%	3.1%	3.0%	2.9%
<b>Personal Income (Billions of Dollars)</b>							
June Forecast	367.0	382.2	399.5	419.7	441.5	464.0	486.9
Percent Change	4.8%	4.1%	4.5%	5.0%	5.2%	5.1%	4.9%
February Forecast	369.6	385.0	402.7	423.1	444.0	465.3	487.2
Percent Change	5.5%	4.2%	4.6%	5.1%	5.0%	4.8%	4.7%
<b>Nonfarm Payroll Employment (Thousands)</b>							
June Forecast	3145	3219	3269	3311	3352	3391	3426
Percent Change	2.8%	2.4%	1.6%	1.3%	1.2%	1.2%	1.0%
February Forecast	3158	3222	3262	3301	3340	3380	3415
Percent Change	2.8%	2.0%	1.2%	1.2%	1.2%	1.2%	1.1%
<b>Unemployment Rate (Percent of Labor Force)</b>							
June Forecast	5.7	5.7	5.4	5.2	5.1	5.1	5.1
February Forecast	5.5	5.3	5.2	5.1	5.1	5.1	5.1
<b>Manufacturing Employment (Thousands)</b>							
June Forecast	290.3	285.5	284.7	284.5	285.7	287.9	290.7
Percent Change	0.6%	-1.7%	-0.3%	-0.1%	0.4%	0.8%	1.0%
February Forecast	289.1	287.3	287.7	288.9	290.5	292.1	295.0
Percent Change	0.3%	-0.6%	0.1%	0.4%	0.5%	0.6%	1.0%
<b>Construction Employment (Thousands)</b>							
June Forecast	173.2	183.0	188.0	195.0	200.7	204.8	207.4
Percent Change	8.5%	5.6%	2.7%	3.8%	2.9%	2.1%	1.2%
February Forecast	172.5	177.0	181.6	189.4	195.2	200.4	203.5
Percent Change	8.3%	2.6%	2.6%	4.3%	3.1%	2.6%	1.6%
<b>Housing Permits (Thousands)</b>							
June Forecast	40.4	40.6	42.5	44.0	44.1	44.4	44.3
Percent Change	19.1%	0.6%	4.6%	3.5%	0.4%	0.5%	-0.1%
February Forecast	40.0	38.3	41.9	43.6	43.7	44.4	44.4
Percent Change	17.9%	-4.1%	9.4%	3.9%	0.4%	1.5%	0.0%

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**June 2016**  
Alternative Forecasts  
Millions of Dollars

Cash Basis

### 2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the June 2016 Baseline</u>
June 2016 Baseline (55%)	\$37,431	
June 2016 Alternative Forecasts		
Optimistic (15%)	\$38,703	\$1,273
Pessimistic (30%)	\$36,202	(\$1,229)
Probability Weighted Average	\$37,253	(\$178)
GCEA*	\$37,328	(\$103)

### 2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the June 2016 Baseline</u>
June 2016 Baseline (55%)	\$40,252	
June 2016 Alternative Forecasts		
Optimistic (15%)	\$43,733	\$3,481
Pessimistic (30%)	\$36,879	(\$3,372)
Probability Weighted Average	\$39,762	(\$490)
GCEA*	\$39,655	(\$596)

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\* Based on the Governor's Council of Economic Advisors Assumptions.



**Governor's Council of Economic Advisor's Forecast**

**Calendar Years**

	2016	2017	2018	2019	2020	2021
<b>U.S.</b>						
<b>Real GDP</b>						
<i>Growth</i>						
ERFC	1.8	2.3	2.2	2.1	2.2	2.1
GCEA Average	1.8	2.1	2.0	2.0	2.0	2.0
<b>Real Consumption</b>						
<i>Growth</i>						
ERFC	2.5	2.5	2.3	2.2	2.2	2.2
GCEA Average	2.4	2.2	2.1	2.1	2.1	2.2
<b>Implicit Price Deflator, PCE</b>						
<i>Growth</i>						
ERFC	1.2	1.9	1.9	1.9	1.9	1.9
GCEA Average	1.1	1.6	1.8	1.9	1.9	2.0
<b>Mortgage Rate</b>						
<i>Percent</i>						
ERFC	3.8	4.2	4.9	5.7	5.7	5.6
GCEA Average	3.9	4.1	4.3	4.4	4.6	4.8
<b>Oil Price (Brent)</b>						
<i>Dollars per barrel</i>						
ERFC	46.4	53.9	55.4	57.0	58.7	60.4
GCEA Average	44.3	49.6	52.1	53.9	55.8	57.0

**Washington State**

**Real Personal Income**

<i>Growth</i>						
ERFC	2.9	2.6	3.1	3.2	3.1	3.0
GCEA Average	2.9	2.7	2.8	2.8	2.7	2.7

**Wage and Salary Employment**

<i>Growth</i>						
ERFC	2.4	1.6	1.3	1.2	1.2	1.0
GCEA Average	2.3	1.5	1.2	1.1	1.1	1.1

**Manufacturing Employment**

<i>Growth</i>						
ERFC	-1.7	-0.3	-0.1	0.4	0.8	1.0
GCEA Average	-1.2	-0.5	-0.2	0.1	0.1	0.1

**Construction Employment**

<i>Growth</i>						
ERFC	5.6	2.7	3.8	2.9	2.1	1.2
GCEA Average	5.1	1.8	1.3	1.4	1.4	1.5

**Housing Permits**

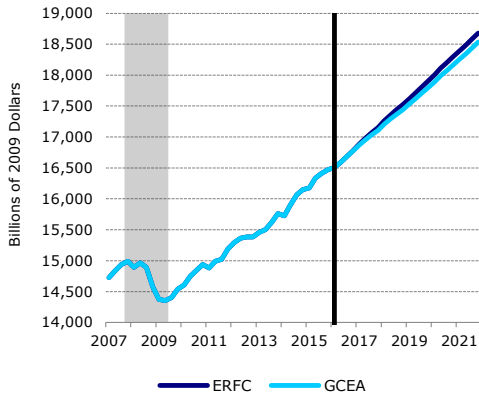
<i>Thousands of authorized units</i>						
ERFC	40.6	42.5	44.0	44.1	44.4	44.3
GCEA Average	39.6	41.3	41.2	42.1	42.4	42.6

**Washington Average Annual Wage**

<i>Growth</i>						
ERFC	2.3	2.9	3.2	3.1	3.2	3.4
GCEA Average	2.1	2.9	3.2	3.2	3.2	3.2

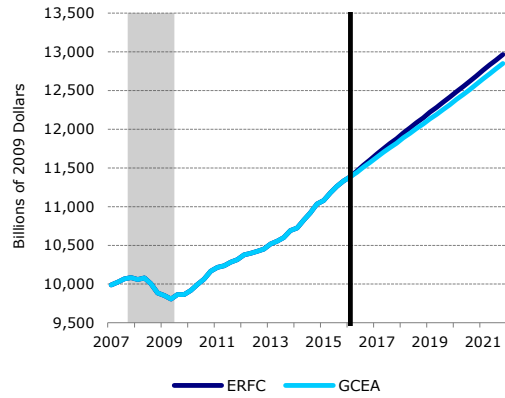
# U.S. Forecast Comparison

### Real GDP



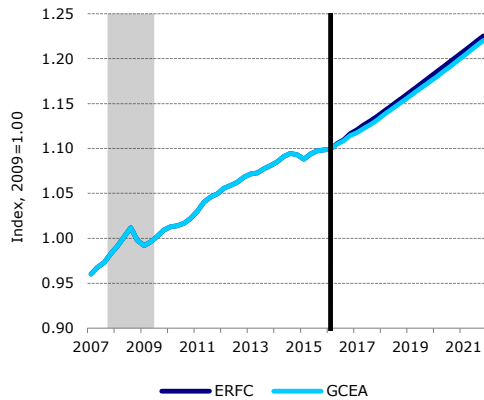
Source: BEA, ERFC, GCEA; data through 2016 Q1

### Real Consumption



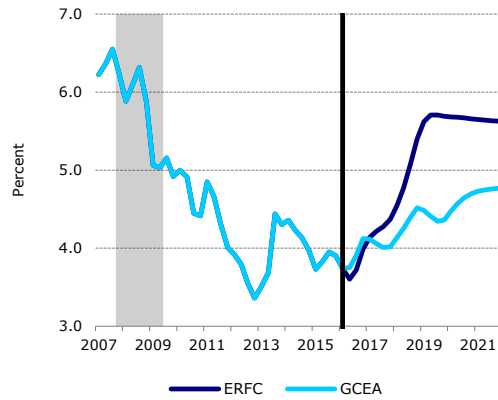
Source: BEA, ERFC, GCEA; data through 2016 Q1

### Implicit Price Deflator, PCE



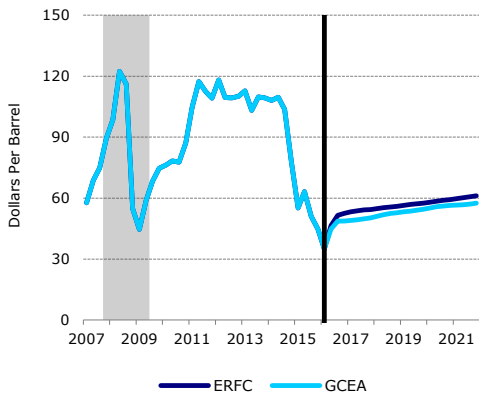
Source: BEA, ERFC, GCEA; data through 2016 Q1

### Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2016 Q1

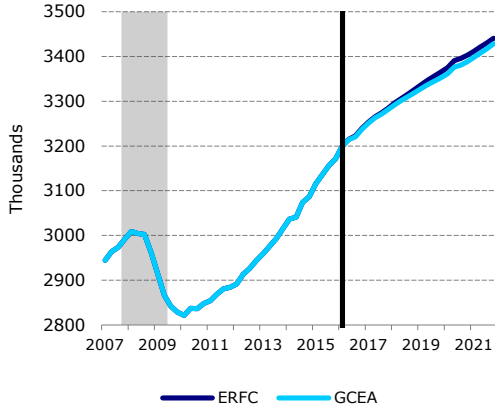
### Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2016 Q1

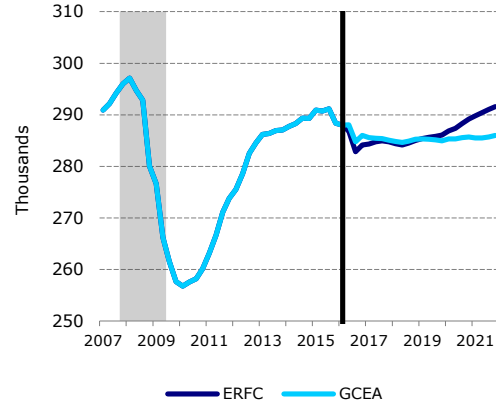
# Washington Forecast Comparison

### Nonfarm Payroll Employment



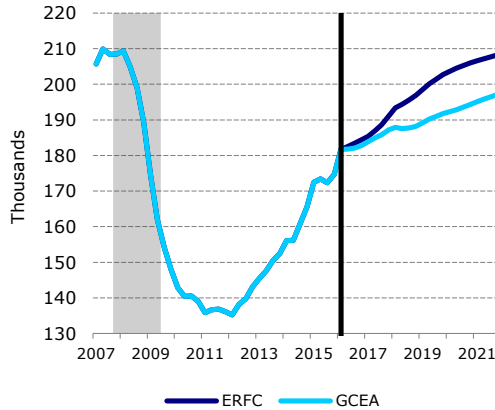
Source: ESD, ERFC, GCEA; data through 2016 Q1

### Manufacturing Employment



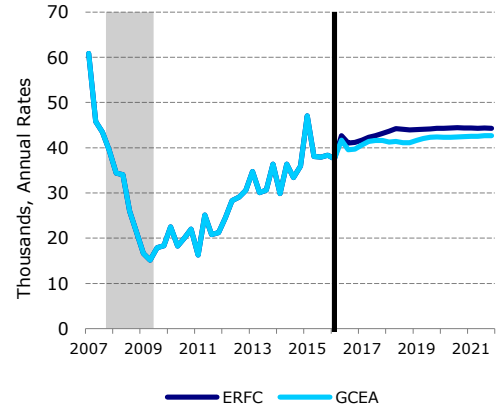
Source: ESD, ERFC, GCEA; data through 2016 Q1

### Construction Employment



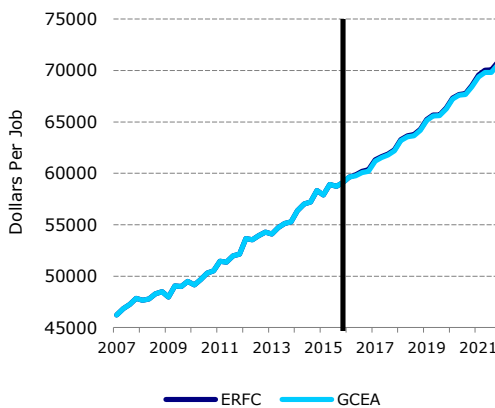
Source: ESD, ERFC, GCEA; data through 2016 Q1

### Housing Units Authorized



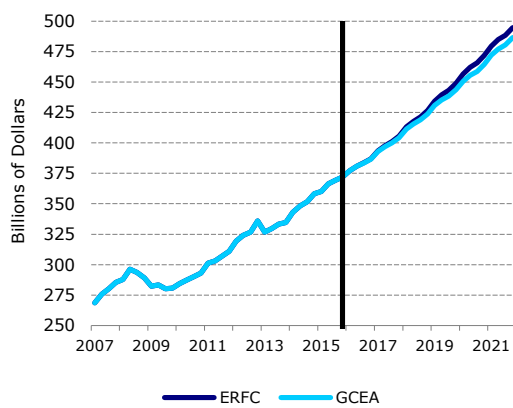
Source: Census, ERFC, GCEA; data through 2016 Q1

### Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2015 Q4

### Personal Income



Source: BEA, ERFC, GCEA; data through 2015 Q4

**Revenue Legislation Affecting General Fund-State Revenues  
Passed in the 2016 Regular and First Special Legislative Session**  
(Revenues in millions \$)

ID	Description	GF-S Revenue									Revenue Source
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	BI 2015-17	BI 2017-19	BI 2019-21	
E3SHB 1713	Mental health, chem dependency	-	(1.900)	(2.294)	(2.294)	(1.200)	-	(1.900)	(4.588)	(1.200)	B&O Tax
SHB 2539	Real estate tax/inheritance	-	(0.033)	(0.037)	(0.038)	(0.038)	(0.039)	(0.033)	(0.075)	(0.077)	Real Estate Excise Tax
ESHB 2540	Annual tax surveys & reports	-	(0.602)	(0.330)	(0.330)	(0.330)	(0.330)	(0.602)	(0.660)	(0.660)	B&O Tax and Retail Sales Tax
SSB 5864	Annexed areas/sales & use tax	-	-	-	(2.725)	(2.725)	(2.725)	-	(2.725)	(5.450)	Retail Sales Tax
ESSB 6328	Vapor products	-	0.078	0.104	0.104	0.104	0.104	0.078	0.209	0.209	OTP; Licenses fees, penalties
HB 2376	Supplemental Budget	(2.852)	(2.548)	-	-	-	-	(5.400)	-	-	Various
<b>Total GF-S Revenue Impact</b>		<b>(2.852)</b>	<b>(5.005)</b>	<b>(2.557)</b>	<b>(5.283)</b>	<b>(4.189)</b>	<b>(2.990)</b>	<b>(7.857)</b>	<b>(7.839)</b>	<b>(7.178)</b>	

Source: Department of Revenue, 2016

**2015-17 Enacted Budget Balance Sheet**  
**General Fund-State (GFS), Education Legacy Trust Account (ELTA),**  
**Opportunity Pathways Account (OPA) and Budget Stabilization Account**  
Dollars in Millions

	2015-17		
	GFS	ELTA and OPA	TOTAL
<b>RESOURCES</b>			
<b>Beginning Fund Balance</b>	990.9	20.3	1,011.2
February 2016 Revenue Forecast	37,137.3	700.2	37,837.4
June 2016 Change	298.1	14.7	312.7
<b>Current Revenue Totals</b>	<b>37,435.3</b>	<b>714.8</b>	<b>38,150.168</b>
Transfer to Budget Stabilization Account (BSA)	(372.3)		(372.3)
Extraordinary Revenue Growth transfer to BSA	(63.5)		(63.5)
Extraordinary Revenue Transfer back from BSA	63.5		63.5
Previously Enacted Fund Transfers	178.0	-	178.0
Prior Period Adjustments	40.8		40.8
<b>2016 Legislative Session</b>			
Fund transfers	29.4	-	29.4
AG Lawsuit Settlements-Consumer protection	3.3		3.3
Legislation	(2.5)		(2.5)
Budget driven revenue	40.7	0.1	40.8
Impact of Governor's Vetoes and Lapses	(46.1)		(46.1)
<b>Total Resources (including beginning fund balance)</b>	<b>38,297.6</b>	<b>735.2</b>	<b>39,032.8</b>
<b>EXPENDITURES</b>			
Enacted 2015-17 Budget	37,507.3	711.9	38,219.2
2016 Supplemental Budget	203.7	(12.8)	190.9
Governor Vetoes	43.5	-	43.5
Assumed Reversions	(207.2)	-	(207.2)
<b>Total Expenditures</b>	<b>37,547.2</b>	<b>699.1</b>	<b>38,246.310</b>
<b>RESERVES</b>			
<b>Projected Ending GFS, ELTA &amp; OPA Balances</b>	<b>750.4</b>	<b>36.1</b>	<b>786.5</b>
<b>Budget Stabilization Account</b>			
Budget Stabilization Account Beginning Balance	513.1		513.1
Transfer from General Fund and Interest Earnings	440.7		440.7
Appropriation for fires	(189.5)		(189.5)
Transfer to General Fund (Extraordinary Revenue)	(63.5)		(63.5)
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>700.7</b>		<b>700.7</b>
<b>Total Reserves (Including Budget Stabilization)</b>	<b>1,451.1</b>	<b>36.1</b>	<b>1,487.2</b>