

Budget Outlook Adoption and Economic Review

June 10, 2025



Washington State
Economic and Revenue Forecast Council

This page left intentionally blank.



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

BUDGET OUTLOOK ADOPTION AND ECONOMIC REVIEW

June 10, 2025
11:00 a.m.

- Call to order
- Approval of meeting minutes from May 29, 2025
 - *Motion expected*
- Budget Outlook Adoption presentation
 - *Motion possible*
- Economic Review
 - *No motions required*
- Adjournment

This page left intentionally blank.



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
PO Box 40912 • Olympia, Washington 98504-0912 • (360) 534-1560

Meeting Minutes
Budget Outlook: Methodology
May 29, 2025
Zoom

Economic and Revenue Forecast Council

June Robinson, Senate, Chair
April Berg, House of Representatives
Nikki Torres, Senate
Chris Gildon, Senate
Timm Ormsby, House of Representatives
Ed Orcutt, House of Representatives
Yasmin Trudeau, Senate
Mike Pellicciotti, Treasurer
Drew Shirk, Department of Revenue
Katherine Chapman-See, Office of Financial Management

Staff

Dave Reich, Executive Director
Rachel Knutson, Office of Financial Management
Corban Nemeth, Senate Ways and Means
Andy Toulon, House Appropriations

Call to Order

Senator Robinson called the meeting to order at 11:01 a.m.

Approval of the Minutes

Representative Orcutt moved, seconded by Representative Ormsby, to adopt the meeting minutes from March 18, 2025. Motion passed at 11:03 a.m.

Budget Outlook: Methodology

The Budget Outlook Work Group members posed several issues to the council for guidance in the preparation of the outlook for the enacted 2025-27 biennial operating budget.

Issue #1: Reversion Assumptions

Motion

Rep Orcutt moved to adopt option 3 of the reversion assumption options (.5% in FY25, .5% in FY26, .5% in FY27, .5% in FY28, .5% in FY29). No second. Motion failed.

Motion

Representative Ormsby moved, seconded by Senator Trudeau, to have the budget outlook prepared using the conference budget reversion assumptions (1% in FY25, 1% in FY26, .75% in FY27, .75% in FY28, and .75% in FY29) adopted by legislative budget writers.

Motion

Representative Orcutt moved, seconded by Senator Gildon, to amend the motion by Representative Ormsby to assume 1% in FY25, 1% in FY26, .75% in FY27, .5% in FY28, and .5% in FY29. Motion to amend failed with 3 yes and 7 no votes.

Motion

Representative Ormsby's original motion, seconded by Senator Trudeau, to have the budget outlook prepared using the conference budget reversion assumptions (1% in FY25, 1% in FY26, .75% in FY27, .75% in FY28, and .75% in FY29) passed at 11:25 a.m.

Issue #2: 4.5% Additional Revenue Assumption**Motion**

Representative Orcutt moved, seconded by Representative Ormsby, to not consider the 4.5% assumption when preparing the outlook. Discussion ensued. No vote taken. New motion proposed by Representative Berg.

Motion

Representative Berg moved for a friendly amendment, seconded by Representative Orcutt, to have the workgroup prepare an outlook that does not use the 4.5% revenue growth assumption for out-years, as well as prepare an alternative outlook using the 4.5% assumption. The council also asked the workgroup team to seek the Assistant Attorney General's guidance on the statute governing the additional revenue assumptions. Motion passed at 11:35 a.m.

Issue #3: Health Care Authority Gain Share and Risk Corridor Prior Period Adjustment**Motion**

Representative Orcutt moved, seconded by Senator Torres, to have the budget outlook prepared to assume a FY25 prior period adjustment for the \$11.8m in CY22 gain share remittances that are no longer disputed by the MCOs but have not been received. Motion passed at 11:42 a.m.

Motion

Senator Gildon moved, seconded by Representative Orcutt, to not assume the \$1.7m still being disputed by MCOs. Motion passed at 11:43 a.m.

Motion

Representative Orcutt moved, to have the enacted budget outlook prepared by the workgroup exclude a FY26 prior period adjustment for the \$37.7m in CY23 gain share remittances based on the preliminary calculations provided by the Health Care Authority. Motion failed with no second.

Motion

Representative Ormsby moved, seconded by Representative Berg, to adopt the \$37.7m CY23 gain share assumption as the conference budget indicated. Motion passed at 11:46 a.m.

Issue #4: Behavioral Health- Administrative Services Organization Reserves**Motion**

Representative Ormsby moved, seconded by Director Chapman-See, to adopt the \$60m in adjustments related to the BH-ASO reserves assumed by budget writers for the conference outlook. Motion passed at 11:54 a.m.

Issue #5: Voluntary Disclosure**Motion**

Director Shirk moved, seconded by Director Chapman-See, to assume the \$50m in additional revenues related to the expanded voluntary disclosure program. Motion passed at 11:59 a.m.

Issue #6: The Evergreen State College Operating Costs

Motion

Representative Ormsby moved, seconded by Representative Orcutt, to not assume the \$6.2m in future policy level budget reductions related to TESC as was assumed in the budget preparation, instead using the \$2.7m reduction in funding support included in the enacted operating budget for fiscal years 2028-2029. Motion passed at 12:05 p.m.

Issue #7: Employment Security FY 2025 Supplemental Budget Veto

Motion

Representative Ormsby moved, seconded by Representative Orcutt, that the council does not assume the \$23.7m in reversions related to unallotted status for provisos. Motion passed at 12:09 p.m.

Adjournment

With no further business, the meeting adjourned at 12:15 p.m.

This page left intentionally blank.

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Introduction

The purpose of this document is to provide an overview of the methodology used to develop the four-year budget projections for the 2025-27 biennial operating budget pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636). This document summarizes the major components of the projection, the overall approach, as well as the assumptions used in the State Budget Outlook (Outlook) document.

The amounts reflected in the Outlook are the sum of the state General Fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunity Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). These funds are collectively referred to as the Near General Fund Outlook (NGF-O) funds.

During the 2021 legislative session, the Fair Start for Kids Account (FSKA) was added to the NGF-O definition in Chapter 199, Laws of 2021 (E2SSB 5237). The enacted budget contains no resources deposited into or expenditures from the Fair Start for Kids Account.

Resources

Pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636), the amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

Beginning Fund Balance

The Outlook uses the certified fund balance in accordance with generally accepted accounting principles for the most recently closed biennium as the starting point. The beginning fund balance for subsequent Fiscal Years (FY) is equal to the projected ending balance for the previous FY.

Revenue Forecast

Current revenues for the 2023-25, 2025-27, and 2027-29 biennia reflect the adopted March 2025 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). The provisions of Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636) call for the ensuing biennium revenue (in this instance, the 2027-29 biennium) to be based on the greater of:

- (1) the official revenue forecast for the ensuing biennium; or
- (2) an assumed revenue increase of 4.5 percent per year for that ensuing biennium.

The March 2025 forecast projected revenue growth of less than 4.5 percent per year in the 2027-29 biennium. At the May 29th, 2025 meeting of the Economic and Revenue Forecast Council, the Council moved to prepare an outlook with and without the impact of the 4.5 percent revenue growth adjustment for consideration at the June 10th, 2025 budget outlook adoption meeting. Should it be adopted by the Council, the adjustment for ensuing biennium revenues increases estimated resources in the Outlook by \$995 million.

For more information, please see the memo to the Council available at:

https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

Transfers to Budget Stabilization Account (BSA)

Pursuant to a constitutional amendment approved by the voters in 2007 (Article VII, section 12(1), of the Constitution), this reflects the transfer of one percent of general state revenues (GSR) for each FY to the BSA. The estimated transfer amounts are based on the calculation of estimated GSR as defined in Article

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

VIII, section 1, of the Constitution. The calculation of estimated GSR is based on the March 2025 revenue forecast adjusted for the estimated revenue impacts of legislation enacted during the 2025 legislative session (see enacted revenue legislation). The Outlook assumes BSA 1 percent transfers each biennium to include \$639 million in the 2023-25 biennium, \$709 million in the 2025-27 biennium, and \$765 million in the 2027-29 biennium.

Extraordinary Revenue Growth

Pursuant to a constitutional amendment approved by the voters in 2011 (Article VII, section 12 of the Constitution), this reflects the transfer of three-quarters of extraordinary revenue growth (ERG) into the BSA. ERG is defined in the state Constitution as growth in general state revenues for the fiscal biennium that exceeds the average biennial percentage growth of the prior five fiscal biennia by one-third. The state Constitution also provides that the transfer only occurs to the extent that it exceeds the normal transfer amount into the BSA and that no ERG transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year. The adopted March 2025 revenue forecast does not project ERG for the 2025-27 or 2027-29 biennia so no additional BSA transfer is assumed in this Outlook.

Prior Period Adjustments and ACFR Adjustments

The Outlook assumes NGF-O prior period adjustments of \$350 million in the 2023-25 biennium, \$79 million in the 2025-27 biennium and \$41 million in the 2027-29 biennium. The larger amount for the 2023-25 biennium reflects an adjustment for FY 2025, as directed at the May 29, 2025 ERFC meeting, to account for estimates of the state share of excess reserves paid back to the state by Behavioral Health Administrative Services Organizations and remittances paid back to the state by Medicaid Managed Care Organizations pursuant to gain share and risk corridor provisions of contracts with the Health Care Authority.

For more information, please see the memo to the Council available at:

https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

The Outlook also assumes NGF-O Annual Comprehensive Financial Report (ACFR) adjustments totaling savings of \$51 million in the 2023-25 biennium.

Prior Enacted Fund Transfers

This category reflects all enacted NGF-O fund transfers made through the 2023 and 2024 legislative session after accounting for vetoes. For more information, see the 2023 and 2024 session Legislative Budget Notes at:

<https://fiscal.wa.gov/statebudgets/LBNs>

Enacted Fund Transfers in the 2025 Legislative Session

The Outlook assumes transfers to and from NGF-O accounts that were enacted in the 2025 second supplemental operating budget and the 2025-27 biennial operating budget as follows:

Fund Transfers in the Operating Budget (\$ in 1,000s)	2023-25	2025-27	2027-29	6 Yr
Administrative Hearings Revolving Account (GF-S)	0	6,000	0	6,000
Apple Health and Homes (GF-S)	0	15,000	0	15,000

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Fund Transfers in the Operating Budget (\$ in 1,000s)	2023-25	2025-27	2027-29	6 Yr
Business & Professions Account (GF-S)	0	5,000	0	5,000
Business License Account (GF-S)	200	0	0	200
Certified Public Accountants' Account (GF-S)	0	1,060	0	1,060
Construction Registration Inspection Account (GF-S)	0	2,000	0	2,000
Death Investigations Account (GF-S)	-55	-4,100	0	-4,155
Dept of Retirement Systems Expense Account (GF-S)	0	6,052	0	6,052
Disaster Response Account (GF-S)	-47,000	-30,000	0	-77,000
Economic Development Strategic Reserve Account (GF-S)	0	17,142	0	17,142
Education Legacy Trust Account (Sh Game-S)	0	8,000	0	8,000
Electric Vehicle Incentive Account (GF-S)	67,697	0	0	67,697
Electrical License Account (GF-S)	0	6,000	0	6,000
Emergency Drought Response Account (GF-S)	-206	0	0	-206
Enterprise Services Account (GF-S)	0	35,000	0	35,000
Fair Account (GF-S)	0	3,500	0	3,500
Financial Services Regulation Account (GF-S)	0	10,380	7,000	17,380
Flood Control Assistance Account (GF-S)	0	300	300	600
Gambling Revolving Account (GF-S)	0	2,200	0	2,200
Higher Education Personnel Services Account (GF-S)	0	98	0	98
Home Security Fund Account (GF-S)	0	-70,095	0	-70,095
Industrial Insurance Premium Refund Account (GF-S)	4,121	0	0	4,121
Medical Student Loan Account (GF-S)	0	1,751	0	1,751
Military Department Active State Service Account (GF-S)	149	0	0	149
Military Department Capital Account (GF-S)	350	0	0	350
Military Department Rent and Lease Account (GF-S)	1,000	0	0	1,000
Model Toxics Control Capital Account (GF-S)	0	60,000	0	60,000
Model Toxics Control Operating Account (GF-S)	0	10,000	0	10,000
Municipal Revolving Account (GF-S)	0	5,000	0	5,000
OFM Central Services (GF-S)	0	2,000	0	2,000
Performance Audits of Government Account (GF-S)	0	2,536	0	2,536
Personnel Service Account (GF-S)	0	3,827	0	3,827
Pipeline Safety Account (GF-S)	0	1,000	0	1,000
Port District Equity Fund (GF-S)	1,000	0	0	1,000
Pressure Systems Safety Account (GF-S)	0	260	0	260
Professional Engineers' Account (GF-S)	0	440	0	440
Public Employees' and Retirees' Insurance Account (GF-S)	0	18,187	0	18,187
Public Service Revolving Account (GF-S)	250	9,334	0	9,584
Public Works Administration Account (GF-S)	0	1,800	0	1,800
Public Works Assistance Account (GF-S)	0	288,000	0	288,000
Real Estate Commission Account (GF-S)	0	3,500	0	3,500
School Employees' Insurance Account (GF-S)	0	2,551	0	2,551
Secretary of State's Revolving Acct (GF-S)	15,000	0	0	15,000

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Fund Transfers in the Operating Budget (\$ in 1,000s)	2023-25	2025-27	2027-29	6 Yr
State Drought Preparedness Account (GF-S)	0	4,000	0	4,000
State Financial Aid Account (GF-S)	0	945	0	945
State Seizure Account (GF-S)	0	500	0	500
State Treasurer's Service Account (GF-S)	0	110,000	0	110,000
Traumatic Brain Injury Account (GF-S)	0	1,111	0	1,111
WA St Library-Archives Bldg Account (GF-S)	0	18,000	0	18,000
Washington Auto Theft Prevention Authority (GF-S)	800	1,800	0	2,600
Washington Student Loan Account (GF-S)	0	88,967	0	88,967
Wildfire Resp, Forest Restoratn, & Comm Resilience (GF-S)	0	-20,000	0	-20,000
Total NGF-O Fund Transfers in the Operating Budget	43,306	629,046	7,300	679,652

Notes

1. The impact of transfers included in separate legislation is reflected in the Revenue Legislation table below.
2. Positive numbers reflect a transfer from a non-NGF-O account to a NGF-O account.
3. Negative numbers reflect a transfer from a NGF-O account to a non-NGF-O account

Enacted Revenue Legislation in the 2025 Legislative Session

The Outlook assumes NGF-O revenue changes from the following bills that were newly enacted in the 2025 legislative session:

Revenue Package Legislation Enacted in the 2025 Session (\$ in 1,000s)

	2023-25	2025-27	2027-29	6 Yr
Chapter 420, Laws of 2025 (ESHB 2081) - Business and Occupation Tax	0	2,066,200	3,556,800	5,623,000
Chapter 420, Laws of 2025 (ESHB 2081) - Business and Occupation Tax Adjustment	0	-34,970	-47,200	-82,170
Chapter 423, Laws of 2025 (ESSB 5794) - Tax Preferences	0	148,450	236,720	385,170
Chapter 418, Laws of 2025 (2SSB 5802) - Accelerated Sales Tax Deferral Repayments	0	155,200	0	155,200
Chapter 418, Laws of 2025 (2SSB 5802) - Sales Tax to Multimodal Acct	0	0	-581,100	-581,100
Chapter 418, Laws of 2025 (2SSB 5802) - Sales Tax to Multimodal Acct Adjustment	0	0	-26,664	-26,664
Chapter 418, Laws of 2025 (2SSB 5802) - Transfers From GF-S to Transportation Accounts	0	0	-609,382	-609,382
Chapter 418, Laws of 2025 (2SSB 5802) - Transfers from Transportation Accounts to GF-S	0	453,896	0	453,896
Chapter 421, Laws of 2025 (ESSB 5813) - Tax Rates/Cap. Gains, Estate	0	321,600	313,900	635,500
Chapter 422, Laws of 2025 (ESSB 5814) - Excise Taxes	0	1,146,755	1,533,745	2,680,500
Total Revenue Package Legislation Enacted in the 2025 Session	0	4,257,131	4,376,819	8,633,950

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Other Revenue Legislation Enacted in the 2025 Session (\$ in 1,000s)

	2023-25	2025-27	2027-29	6 Yr
Chapter 370, Laws of 2025 (E2SHB 1163) - Firearm Purchase	0	0	8,728	8,728
Chapter 136, Laws of 2025 (HB 1355) - Tax Compacts/Capital Invest.	0	0	-37,000	-37,000
Chapter 399, Laws of 2025 (ESHB 1468) - Accounts	0	10,360	0	10,360
Chapter 361, Laws of 2025 (2SHB 1515) - Alcohol Service In Public	0	1,490	289	1,779
Chapter 159, Laws of 2025 (SHB 1791) - Local Real Estate Excise Tax	0	-28	-29	-57
Chapter 350, Laws of 2025 (ESHB 2015) - Public Safety Funding	0	1,500	6,000	7,500
Chapter 401, Laws of 2025 (SHB 2020) - Payment Card Processing/Tax	0	500	600	1,100
Chapter 366, Laws of 2025 (SHB 2047) - Employee Ownership Program	0	387	838	1,225
Chapter 406, Laws of 2025 (ESHB 2061) - Duty-Free Sales Enterprises	0	224	0	224
Chapter 419, Laws of 2025 (SHB 2077) - Zero-Emission Vehicle Prg.	0	54,500	0	54,500
Chapter 316, Laws of 2025 (E2SSB 5284) - Solid Waste Management	0	2,310	3,320	5,630
Chapter 29, Laws of 2025 (SSB 5316) - Unclaimed Property	0	4,558	6,166	10,724
Chapter 289, Laws of 2025 (SB 5682) - Employment Training Program	0	-66	-140	-206
Chapter 343, Laws of 2025 (2SSB 5786) - Liquor License Fees	0	17,726	17,726	35,452
Other Revenue Legislation Enacted in the 2025 Session Total	0	93,461	6,498	99,959

Revenue impacts for bills are generally estimated using the amounts from the final published fiscal notes on the underlying bills. The table above includes two adjustments to revenue estimates to account for the interaction of various revenue package bills as follows:

1. Revenues for Chapter 420, Laws of 2025 (ESHB 2081), related to the business and occupations (B&O) tax, are adjusted to account for:
 - a. Increased collections due to the repeal of certain B&O tax exemptions included in Chapter 423, Laws of 2025 (ESSB 5794), related to tax preferences, and;
 - b. Decreased collections due to the reclassification of various services to the retailing B&O classification included in Chapter 422, Laws of 2025 (ESSB 5814).
2. The 0.1 percent of the selling price or value of retail sales and use taxes diverted to the Multimodal Transportation Account under Chapter 418, Laws of 2025 (2SSB 5802) is increased to account for the reclassification of various services to the retailing B&O classification included in Chapter 422, Laws of 2025 (ESSB 5814).

In addition, the Governor vetoed subsections of Chapter 423, Laws of 2025 (ESSB 5794) that repealed the business and occupation tax deduction for interest that community banks receive on loans for residential property. The revenue impact of this veto is shown separately in the Outlook and is included below:

Governor Vetoes (\$ in 1,000s)

	2023-25	2025-27	2027-29	6 Yr
Chapter 423, Laws of 2025 (ESSB 5794) - Tax Preferences Partial Veto	0	-98,640	-150,400	-249,040
Governor Vetoes Total	0	-98,640	-150,400	-249,040

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Other Revenue Adjustments

An adjustment is made to FY 2025 to include a one-time amount of \$271 million that was previously disputed in settlements between the State and tobacco manufacturers. This amount is in excess of settlement revenues included in the March 2025 revenue forecast.

Budget Driven Revenue Adjustments

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor and lottery revenue to GFS in the March 2025 forecast and what is estimated to be available after adjusting for the 2025 legislative session spending levels. Adjustments are also made based on fee revenues received pursuant to an expansion of the Firearms Certificate Program at the Criminal Justice Training Commission and, upon the direction of the Council at the May 29, 2025 ERFC meeting, revenues from a Voluntary Disclosure Program established in the 2025-27 biennial budget at the Department of Revenue. For more information on the Voluntary Disclosure program, please see the memo to the Council available at: https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

Budget Driven Revenue (\$ in 1000's)	2023-25	2025-27	2027-29	6 Yr
Firearms Certificate Program	0	340	340	680
Liquor Control Board (Liquor)	13,950	-13,513	-6,579	-6,142
Liquor Control Board (Marijuana)	1	-109	-272	-380
Lottery	122	1,278	1,201	2,601
Marijuana Distribution Changes	0	17	43	60
Voluntary Disclosure Program	0	50,000	0	50,000
Total Budget Driven Revenue Adjustments	14,073	38,013	-5,267	46,819

Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget (the 2024 supplemental operating budget). Adjustments are then made for the FY 2025 second supplemental operating budget and the 2025-27 biennial operating budget Maintenance Level (ML) and Policy Level (PL) changes and adjustments for Governor's vetoes. For more information on the 2024 supplemental operating budget, please see:

<https://fiscal.wa.gov/statebudgets/LBNs>.

Estimating Costs for 2027-29 Fiscal Biennium

Estimated costs for the 2027-29 biennium are based on appropriations through the enacted 2025-27 biennial operating budget. Per statute, the estimated expenditures in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law in the subsequent fiscal biennium (i.e., the 2027-29 biennium). The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the FY cost/savings associated with a budget item.

The historical growth factors used to estimate increased costs in the subsequent fiscal biennium are updated each biennium through a joint effort by legislative and executive branch staff and are ultimately adopted by the ERFC. The growth factors to be used for Outlooks prepared during the 2025-27 biennium were adopted by the ERFC on September 13th, 2024.

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Additional information on the calculation of the historical growth factors adopted by the ERFC for the current Outlook can be found in the following document available on the ERFC website:

https://erfc.wa.gov/sites/default/files/2025-06/20240913_BO_Outlook_Growth_Factors_Update.pdf

The current adopted growth rates are shown below:

2024 Outlook Growth Rates Summary Table	
Default Growth Rate Category	Adopted 2024 Growth Factors
All Other	1.02%
Children, Youth, and Families ¹	1.02%
Corrections	1.49%
Debt Service	Use Bond Model
Department of Social and Health Services	3.09%
Higher Education	1.17%
K-12 Education	Use K-12 Model
Low Income Health Care & Community Behavioral Health	2.83%

There are some cases whereby simply applying the growth factor to the cost or savings of a budget item is not used to estimate costs in the subsequent fiscal biennium. These include the following situations:

- **K-12 Education.** K-12 Outlook calculations are derived from the K-12 model, which is updated quarterly based on the caseload forecast for growth and inflationary factors. The K-12 model is periodically updated for other factors such as levy equalization and student transportation.
- **Debt Service.** Debt service calculations are derived from the debt service model. The Outlook statute specifies that "estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature." Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2027-29 biennium bond bill and capital budget.
- **Custom adjustments.** Custom adjustments are used when the estimated annual costs in the subsequent fiscal biennium are expected to be significantly different from the second FY of the current biennium. This occurs primarily when a policy is being phased in during the second FY of a biennium or may be delayed until the subsequent fiscal biennium. In most cases, the growth factor is applied after a custom adjustment is made to reflect the phase in for the policy item. In a small number of cases, the custom adjustment already accounts for the types of growth captured by the growth factor and so the growth factor is not applied.
- **One-Time costs.** Certain items in the budget are one-time for the current biennium and therefore the related costs or savings are not carried forward into the subsequent biennium.
- **Compensation items.** Because the Outlook statute specifically excludes any additional future costs related to collective bargaining agreements (CBAs) not approved by the Legislature, or salaries and benefits, no growth factor is applied to compensation related items. However, a custom adjustment is applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

¹ Children, Youth, and Families was not presented as a separate growth factor to the council but was calculated with the All Other category and subsequently displayed as a separate category in Outlooks published during the 2025 session.

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Carry Forward Level Revisions

The 2025-27 biennial budget adjusts the most recently enacted spending level (2023-25) including the FY 2024 supplemental budget to the Carry Forward Level (CFL). The CFL is a relatively mechanical calculation based on the removal of any one-time items and adjusting for the bow wave impact of items assumed in existing appropriations (costs or savings). In many instances, this means simply biennializing to the second year enacted funding levels. The CFL adjustments total \$479 million in costs in the 2025-27 biennium and \$2.216 billion in savings in the 2027-29 biennium. The 2027-29 adjustments include application of the growth factor methodology adopted by the ERFC on September 13, 2024.

Maintenance Level Items

In this section, adjustments are made to reflect the NGF-O costs of continuing to comply with provisions of current law. These adjustments are referred to as maintenance level (ML). Pursuant to the provisions of Chapter 8, Laws of 2012, 1st sp.s. (SSB 6636), this excludes the costs of policy enhancements, including new CBAs not approved by the Legislature, other proposed compensation increases, and costs of any adverse court rulings within 90 days of each respective legislative session.

The following are the total statewide ML impacts, by biennial period:

- ❖ 2023-25 biennium: \$855 million increased costs.
- ❖ 2025-27 biennium: \$4.409 billion increased costs.
- ❖ 2027-29 biennium estimate: \$6.306 billion increased costs.

Kindergarten – Grade 12 (K-12) Education

The amounts depicted reflect the February 2025 caseload forecast and K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model, which updates the growth and inflationary factors with each forecast. The K-12 model is also periodically updated for other factors such as levy equalization and student transportation.

ML adjustments total \$145 million increased costs in the 2023-25 biennium, \$1.052 billion increased costs in the 2025-27 biennium, and an estimated \$2.084 billion increased costs in the 2027-29 biennium.

The larger increases are related primarily to K-12 salary and other inflation adjustments. The largest savings in this category is related to pension rate changes and local effort assistance adjustments.

Low-Income Health Care and Community Behavioral Health

The amounts depicted reflect the February 2025 caseload forecast and per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include utilization, caseload, and medical inflation. The average growth factor for this grouping is 2.83 percent per FY from FY 2027 levels.

ML adjustments total \$301 million increased costs in the 2023-25 biennium, \$744 million increased costs in the 2025-27 biennium, and an estimated \$750 million increased costs in the 2027-29 biennium.

The larger increases are related primarily to utilization changes, Medicaid managed care rate adjustments, and mandatory caseload adjustments. The largest savings in this category is related to aligning previously budgeted funding for behavioral health programs to actual Medicaid rates.

Social and Health Services

The amounts depicted reflect the February 2025 caseload forecast and updated per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

include caseload, utilization, and severity of client needs. The average growth factor for this grouping is 3.09 percent per FY from FY 2027 levels.

ML adjustments total \$530 million increased costs in the 2023-25 biennium, \$929 million increased costs in the 2025-27 biennium, and an estimated \$1.265 billion increased costs in the 2027-29 biennium.

The larger increases are related to mandatory caseload adjustments in Long-Term Care programs. The larger savings are due to pension rate changes and technical corrections.

Higher Education

Higher Education adjustments are generally related to the Initiative 732 cost of living adjustments, the Washington College Grant program, the College Bound Scholarship program, and maintenance, operations, and lease adjustments. The amounts depicted reflect the February 2025 caseload forecast. The average growth factor for this grouping is 1.17 percent per FY from FY 2027 levels.

ML adjustments total \$37 million increased costs in the 2023-25 biennium, \$199 million increased costs in the 2025-27 biennium, and an estimated \$303 million increased costs in the 2027-29 biennium.

The larger increases are related to an increase in the forecasted Washington College Grant program caseload and the College Bound Scholarship program. The largest savings in this category is related to correcting CFL errors for Initiative 732 cost of living adjustments.

Corrections

The amounts depicted reflect the February 2025 caseload forecast, as well as other mandatory maintenance level changes. The average growth factor for this grouping is 1.49 percent per FY from FY 2027 levels.

ML adjustments total \$308 million decreased costs in the 2023-25 biennium, \$41 million increased costs in the 2025-27 biennium, and an estimated \$20 million increased costs in the 2027-29 biennium.

The larger increases are related to food service provider costs and forecasted increases in male prison caseloads and community supervision and violator caseloads. The larger savings are due to a fund swap utilizing Coronavirus State Fiscal Relief Funds and pension rate changes.

Children, Youth, and Families

The amounts depicted reflect the February 2025 caseload forecast for the Department of Children, Youth, and Families, as well as other mandatory maintenance level changes. The average growth factor for this group was calculated concurrently with the All Other category (as noted in the footnote on page 6) and is 1.02 percent from FY 2027 levels.

ML adjustments total \$131 million increased cost in the 2023-25 biennium, \$1.104 billion increased costs in the 2025-27 biennium, and an estimated \$1.316 billion increased costs in the 2027-29 biennium.

The larger increases are related to forecasted adjustments to the Working Connections Child Care program, child care subsidy rates, and a statutory expansion of the Working Connections Child Care program eligibility to 75 percent of the State's median income that, prior to legislative action in the 2025 session, was to be effective July 1, 2025. The largest savings in this category is from a forecast adjustment in the Tiered Reimbursement subsidized child care program.

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

All Other

This area includes all other agencies not reflected in the preceding Outlook groups, such as general government agencies, smaller human service agencies, natural resource agencies, legislative agencies, and judicial agencies. The average growth factor for this grouping is 1.02 percent per FY from FY 2027 levels.

ML adjustments total \$23 million increased costs in the 2023-25 biennium, \$129 million increased costs in the 2025-27 biennium, and an estimated \$135 million increased costs in the 2027-29 biennium.

The larger increases are related to increases in the February 2025 forecast for the Working Families Tax Credit program and fire suppression costs at the Department of Natural Resources. The larger savings are related to pension rate changes.

Debt Service

The amounts depicted reflect the cost of the debt on all capital budget bonds that were authorized through the 2025 session using the bond model to calculate estimated costs for the 2027-29 biennium. Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2027-29 biennium bond bill and capital budget.

ML adjustments total \$5 million in savings for the 2023-25 biennium, \$210 million increased costs for the 2025-27 biennium, and an estimated \$433 million increased costs for the 2027-29 biennium.

Policy Level Items

In this section, adjustments are made to reflect the policy level (PL) expenditures included in the enacted budget as well as appropriations made in other legislation. Growth in the ensuing biennium is calculated using the same growth factors and methodologies as outlined above.

The total statewide PL impacts, by biennial period:

- ❖ 2023-25 biennium: \$57 million in savings.
- ❖ 2025-27 biennium: \$1.024 billion increased costs.
- ❖ 2027-29 biennium estimate: \$464 million increased costs.

K-12 Education

PL adjustments total \$6 million increased costs in the 2023-25 biennium, \$682 million increased costs in the 2025-27 biennium, and an estimated \$770 million increased costs in the 2027-29 biennium.

The larger increases are related to increased health benefits rates, special education funding pursuant to Chapter 368, Laws of 2025 (E2SSB 5263), an increase for materials, supplies, and operating costs pursuant to Chapter 334, Laws of 2025 (ESSB 5192), and an increase in the local effort assistance threshold. The larger savings are due to grant program reductions and funding enrollment for the Transition to Kindergarten (TTK) program at the 2024-25 school year enrollment levels, pursuant to Chapter 342, Laws of 2025 (ESB 5769).

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Low-Income Health Care and Community Behavioral Health

PL adjustments total \$31 million increased costs in the 2023-25 biennium, \$18 million in savings in the 2025-27 biennium, and an estimated \$142 million in savings in the 2027-29 biennium.

The larger increases are related to an increase in costs for the Community Behavioral Health Support services for individuals in long-term care settings and a GF-S backfill for reductions in Dedicated Cannabis Account funding. The larger savings are due to aligning funding for long-term civil commitment beds to actual experience and a reduction to physical health and behavioral health managed care rates.

Social and Health Services

PL adjustments total \$121 in savings in the 2023-25 biennium, \$3 million increased costs in the 2025-27 biennium, and an estimated \$36 million in savings in the 2027-29 biennium.

The larger increases are related to an increased rate for consumer-directed employer contracted individual providers and funding for the Adult Family Home collective bargaining agreement. The larger savings are due to the removal of funding for a behavioral health residential treatment facility in Vancouver, delaying the Aged, Blind, and Disabled (ABD) recoveries elimination by three years to October 2028, and the assumption that the federal government will continue to delay reductions to Disproportionate Share Hospital grants.

Higher Education

There are no PL adjustments for Outlook funds in the 2023-25 biennium. PL adjustments total \$133 million in savings for the 2025-27 biennium and an estimated \$239 million in savings for the 2027-29 biennium.

The larger increases are related to adjustments based on income eligibility for the Washington College Grant program and support for the University of Washington Center for Behavioral Health and Learning. The larger savings are related to eliminating bridge grants for Washington College Grant recipients and reductions in state funding for higher education institutions.

Pursuant to direction provided by the Council at the May 29, 2025 ERFC meeting, phased-in policy level savings assumed in the conference budget for FY 2028 and FY 2029 at The Evergreen State College are removed. For more information, see the memo at:

https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

Corrections

PL adjustments total \$5 million increased costs in the 2023-25 biennium, \$5 million in savings for the 2025-27 biennium, and an estimated \$23 million in savings for the 2027-29 biennium.

The larger increases are related to funding for body scanners at the Washington Corrections Center for Women and the Washington Corrections Center and additional funding for custody staff. The larger savings are related to the closure of the Mission Creek Corrections Center for Women and several reentry centers.

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Children, Youth, and Families

PL adjustments total \$30 million in savings in the 2023-25 biennium, \$276 million in savings for the 2025-27 biennium, and an estimated \$455 million in savings for the 2027-29 biennium.

The largest increase is related to Working Connections Child Care (WCCC) program enhancements contained in the Service Employees International Union (SEIU) 925 2025-27 collective bargaining agreement. The larger savings are related to delaying the implementation of income eligibility expansion for the WCCC program to FY 2030 and delaying the implementation of the Early Childhood Education and Assistance program entitlement to the 2030-2031 school year.

All Other

PL adjustments total \$23 million in savings in the 2023-25 biennium, \$236 million increased costs in the 2025-27 biennium, and an estimated \$301 million in savings in the 2027-29 biennium.

The larger increases are related to one-time housing and homeless service funding, ongoing funding for the Community Reinvestment Account, and one-time funding into the Supplemental Criminal Justice Account created in Chapter 350, Laws of 2025 (ESHB 2015). The largest savings item is a reduction in funding for Foundational Public Health services.

Employee Compensation and Health Benefits:

The PL budget adjustment for employee compensation is \$29 million increased costs in the 2023-25 biennium, \$967 million increased costs in the 2025-27 biennium, and an estimated \$941 million increased costs in the 2027-29 biennium. There is no growth factor applied to these items although custom adjustments are applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

Pensions

There are no PL adjustments in the 2023-25 biennium. PL adjustments total \$491 million in savings in the 2025-27 biennium and \$530 million in savings in the 2027-29 biennium. There is no growth factor applied to these items although custom adjustments are applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

These savings are related to pension rate adjustments pursuant to Chapter 381, Laws of 2025 (ESSB 5357).

Governor Vetoes & Lapses

The Outlook separately reflects the NGF-O impacts of budget items vetoed by the Governor as well as funding lapses from legislation that were not enacted into law. The NGF-O impacts from the Governor's budget vetoes and funding lapses total \$47 million increased costs in the 2023-25 biennium, \$14 million in savings in the 2025-27 biennium, and an estimated \$8 million in savings in the 2027-29 biennium.

Pursuant to direction from the Council at the May 29, 2025 ERFC meeting, GF-S funding at the Employment Security Department that was directed to be placed in to unallotted status by the Governor's budget veto message is not assumed as an additional reversion. For more information, see the memo to the ERFC at:

https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

DRAFT Overview of the Methodology for the State Budget Outlook (June 10, 2025)

Reversions

Reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Per direction by the ERFC at the May 29, 2025 meeting, reversion assumptions for the 2025-27 biennial operating budget are as follows:

- ❖ 1.0 percent of GF-S appropriations for FY 2025 and FY 2026, and;
- ❖ 0.75 percent of GF-S appropriations for FY 2027, FY 2028, and FY 2029.

Consistent with prior Outlooks and direction from the ERFC, additional reversions are assumed in relation to estimated adjustments in K-3 allocations as a result of actual and forecasted K-3 class sizes being less than what is funded.

Reversion Assumptions (\$ in 1,000s)	2023-25	2025-27	2027-29	6 Yr
Actual Reversions (FY 2024) and Standard 0.5% Assumption	-582,002	-363,382	-376,034	-1,321,418
Additional Reversions Assumption	-179,857	-271,594	-188,017	-639,468
K-3 Reversion Assumption	0	-129,136	-131,867	63,646
Total Reversion Assumptions	-761,859	-764,112	-695,918	-2,221,889

Additional information regarding reversion assumptions is available in the May 29th memo to the ERFC which can be found at:

https://erfc.wa.gov/sites/default/files/2025-05/20250529_Budget_Outlook_Methodology.pdf

Total Reserves

Pursuant to the direction of the ERFC, the summary document for the Outlook shows reserves in the NGF-O Accounts, the Washington Rescue Plan Transition Account (WRPTA) created in Chapter 334, Laws of 2021 (ESSB 5092), and the Budget Stabilization Account. To calculate percentage of reserves to revenues and other resources, ending balances are divided by the sum of forecasted revenues and total resource changes. Beginning fund balances are not included in the percentage calculation.

DRAFT Outlook for the Enacted 2025-27 Omnibus Operating Budget - Chapter 424, Laws of 2025, Partial Veto (ESSB 5167)

With 4.5% Revenue Growth Assumption

Funds Subject to Outlook

(Dollars in Millions)

	2023-25			2025-27			2027-29		
	FY 2024	FY 2025	2023-25	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
NGF-O Beginning Balance	5,287	4,884	5,287	1,934	590	1,934	80	235	80
Forecasted Revenues	32,672	33,773	66,445	34,724	36,228	70,952	37,858	39,561	77,419
Mar 2025 Revenue Forecast (NGF-O)	32,672	33,773	66,445	34,724	36,228	70,952	37,567	38,858	76,425
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	0	0	0	291	703	995
Other Resource Changes	1,176	1,008	2,184	1,978	2,310	4,288	1,716	1,795	3,511
Budget Driven Revenue	0	14	14	44	-6	38	-3	-2	-5
GF-S Transfer to BSA (1%)	-314	-325	-639	-344	-365	-709	-376	-389	-765
Prior Period Adjustments	157	193	350	58	20	79	20	20	41
ACFR Adjustments	51	0	51	0	0	0	0	0	0
Revenue Legislation	0	0	0	24	70	93	8	-2	6
Enacted Fund Transfers	1,282	811	2,093	0	0	0	0	0	0
Proposed WRPTA Transfer	0	0	0	0	0	0	0	0	0
Other Proposed Transfers	0	43	43	614	15	629	4	4	7
Governor Vetoes	0	0	0	-28	-71	-99	-74	-77	-150
Other Revenue Adjustments	0	271	271	0	0	0	0	0	0
Revenue Package	0	0	0	1,611	2,646	4,257	2,136	2,240	4,377
Total Revenues and Resources	39,135	39,665	73,916	38,636	39,127	77,174	39,654	41,592	81,011
Enacted Appropriations	34,670	37,275	71,945	34,670	37,275	71,945	37,680	38,096	75,776
Carryforward Level Adjustments	0	0	0	1,560	-1,081	479	-1,099	-1,117	-2,216
Maintenance Level Total	0	855	855	1,782	2,628	4,409	2,991	3,315	6,306
K-12 Education	0	145	145	385	667	1,052	924	1,159	2,084
Low Income Health Care & Comm Behavioral Health	0	301	301	384	359	744	369	380	750
Social & Health Services	0	530	530	341	588	929	625	640	1,265
Higher Education	0	37	37	86	113	199	138	165	303
Corrections	0	-308	-308	28	13	41	10	10	20
All Other	0	23	23	58	71	129	63	72	135
Debt Service	0	-5	-5	45	165	210	207	227	433
Children, Youth, and Families	0	131	131	454	650	1,104	655	662	1,316
Policy Level Total	0	-57	-57	459	566	1,024	190	274	464
K-12 Education	0	6	6	242	440	682	410	360	770
Low Income Health Care & Comm Behavioral Health	0	31	31	17	-35	-18	-61	-80	-142
Social & Health Services	0	-121	-121	10	-7	3	-34	-2	-36
Higher Education	0	0	0	-40	-93	-133	-119	-120	-239
Corrections	0	5	5	0	-5	-5	-11	-12	-23
All Other	0	-23	-23	196	40	236	-150	-152	-301
Debt Service	0	0	0	8	65	73	177	310	487
Children, Youth, and Families	0	-30	-30	-119	-156	-276	-227	-229	-455
Compensation & Benefits	0	29	29	405	562	967	475	466	941
Pensions	0	0	0	-251	-241	-491	-266	-263	-530
Governor Vetoes and Lapsed Items	0	47	47	-9	-6	-14	-4	-4	-8
Reversions	-420	-342	-762	-424	-340	-764	-344	-352	-696
Revised Appropriations	34,251	37,731	71,982	38,047	39,047	77,094	39,419	40,216	79,635
NGF-O Projected Ending Balance	4,884	1,934	1,934	590	80	80	235	1,375	1,375
Budget Stabilization Account									
Beginning Balance	652	970	652	1,252	1,639	1,252	2,061	2,499	2,061
GF-S Transfer to BSA (1%)	314	325	639	344	365	709	376	389	765
Appropriations from BSA	-21	-78	-99	0	0	0	0	0	0
Actual Reversions	1	0	1	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0
Interest Earnings	24	35	59	43	56	99	63	76	139
BSA Ending Balance	970	1,252	1,252	1,639	2,061	2,061	2,499	2,964	2,964
Washington Rescue Plan Transition Account									
Beginning Balance	2,100	798	2,100	0	0	0	0	0	0
Transfer Balance from WRPTA to GF-S	-1,302	-798	-2,100	0	0	0	0	0	0
WRPTA Ending Balance	798	0	0	0	0	0	0		
Total Reserves	6,653	3,186	3,186	2,229	2,141	2,141	2,735	4,340	4,340
% of Reserves to Revenues and Other Resources	19.7%	9.2%		6.1%	5.6%		6.9%	10.5%	
NGF-O	14.4%	5.6%		1.6%	0.2%		0.6%	3.3%	
Budget Stabilization Account	2.9%	3.6%		4.5%	5.3%		6.3%	7.2%	
Washington Rescue Plan Transition Account	2.4%	0.0%		0.0%	0.0%		0.0%	0.0%	

Note: (1) Includes FY 2025 supplemental and FY 2025-27 adjustments.

(2) Other Revenue Adjustments consists of Tobacco Settlement Agreement moneys distributed to the State.

DRAFT Outlook for the Enacted 2025-27 Omnibus Operating Budget - Chapter 424, Laws of 2025, Partial Veto (ESSB 5167)

Without 4.5% Revenue Growth Assumption

Funds Subject to Outlook

(Dollars in Millions)

	2023-25			2025-27			2027-29		
	FY 2024	FY 2025	2023-25	FY 2026	FY 2027	2025-27	FY 2028	FY 2029	2027-29
NGF-O Beginning Balance	5,287	4,884	5,287	1,934	590	1,934	80	-56	80
Forecasted Revenues	32,672	33,773	66,445	34,724	36,228	70,952	37,567	38,858	76,425
Mar 2025 Revenue Forecast (NGF-O)	32,672	33,773	66,445	34,724	36,228	70,952	37,567	38,858	76,425
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	0	0	0	291	703	995
Remove the 4.5% Additional Revenues Assumption	0	0	0	0	0	0	-291	-703	-995
Other Resource Changes	1,176	1,008	2,184	1,978	2,310	4,288	1,716	1,795	3,511
Budget Driven Revenue	0	14	14	44	-6	38	-3	-2	-5
GF-S Transfer to BSA (1%)	-314	-325	-639	-344	-365	-709	-376	-389	-765
Prior Period Adjustments	157	193	350	58	20	79	20	20	41
ACFR Adjustments	51	0	51	0	0	0	0	0	0
Revenue Legislation	0	0	0	24	70	93	8	-2	6
Enacted Fund Transfers	1,282	811	2,093	0	0	0	0	0	0
Proposed WRPTA Transfer	0	0	0	0	0	0	0	0	0
Other Proposed Transfers	0	43	43	614	15	629	4	4	7
Governor Vetoes	0	0	0	-28	-71	-99	-74	-77	-150
Other Revenue Adjustments	0	271	271	0	0	0	0	0	0
Revenue Package	0	0	0	1,611	2,646	4,257	2,136	2,240	4,377
Total Revenues and Resources	39,135	39,665	73,916	38,636	39,127	77,174	39,363	40,597	80,016
Enacted Appropriations	34,670	37,275	71,945	34,670	37,275	71,945	37,680	38,096	75,776
Carryforward Level Adjustments	0	0	0	1,560	-1,081	479	-1,099	-1,117	-2,216
Maintenance Level Total	0	855	855	1,782	2,628	4,409	2,991	3,315	6,306
K-12 Education	0	145	145	385	667	1,052	924	1,159	2,084
Low Income Health Care & Comm Behavioral Health	0	301	301	384	359	744	369	380	750
Social & Health Services	0	530	530	341	588	929	625	640	1,265
Higher Education	0	37	37	86	113	199	138	165	303
Corrections	0	-308	-308	28	13	41	10	10	20
All Other	0	23	23	58	71	129	63	72	135
Debt Service	0	-5	-5	45	165	210	207	227	433
Children, Youth, and Families	0	131	131	454	650	1,104	655	662	1,316
Policy Level Total	0	-57	-57	459	566	1,024	190	274	464
K-12 Education	0	6	6	242	440	682	410	360	770
Low Income Health Care & Comm Behavioral Health	0	31	31	17	-35	-18	-61	-80	-142
Social & Health Services	0	-121	-121	10	-7	3	-34	-2	-36
Higher Education	0	0	0	-40	-93	-133	-119	-120	-239
Corrections	0	5	5	0	-5	-5	-11	-12	-23
All Other	0	-23	-23	196	40	236	-150	-152	-301
Debt Service	0	0	0	8	65	73	177	310	487
Children, Youth, and Families	0	-30	-30	-119	-156	-276	-227	-229	-455
Compensation & Benefits	0	29	29	405	562	967	475	466	941
Pensions	0	0	0	-251	-241	-491	-266	-263	-530
Governor Vetoes and Lapsed Items	0	47	47	-9	-6	-14	-4	-4	-8
Reversions	-420	-342	-762	-424	-340	-764	-344	-352	-696
Revised Appropriations	34,251	37,731	71,982	38,047	39,047	77,094	39,419	40,216	79,635
NGF-O Projected Ending Balance	4,884	1,934	1,934	590	80	80	-56	381	381
Budget Stabilization Account									
Beginning Balance	652	970	652	1,252	1,639	1,252	2,061	2,499	2,061
GF-S Transfer to BSA (1%)	314	325	639	344	365	709	376	389	765
Appropriations from BSA	-21	-78	-99	0	0	0	0	0	0
Actual Reversions	1	0	1	0	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0
Interest Earnings	24	35	59	43	56	99	63	76	139
BSA Ending Balance	970	1,252	1,252	1,639	2,061	2,061	2,499	2,964	2,964
Washington Rescue Plan Transition Account									
Beginning Balance	2,100	798	2,100	0	0	0	0	0	0
Transfer Balance from WRPTA to GF-S	-1,302	-798	-2,100	0	0	0	0	0	0
WRPTA Ending Balance	798	0	0	0	0	0	0		
Total Reserves	6,653	3,186	3,186	2,229	2,141	2,141	2,443	3,345	3,345
% of Reserves to Revenues and Other Resources	19.7%	9.2%		6.1%	5.6%		6.2%	8.2%	
NGF-O	14.4%	5.6%		1.6%	0.2%		-0.1%	0.9%	
Budget Stabilization Account	2.9%	3.6%		4.5%	5.3%		6.4%	7.3%	
Washington Rescue Plan Transition Account	2.4%	0.0%		0.0%	0.0%		0.0%	0.0%	

Note: (1) Includes FY 2025 supplemental and FY 2025-27 adjustments.

(2) Ensuing Biennium Revenue. Per chapter 43.88.055 RCW, forecasted revenue for the ensuing biennium for purposes of an Outlook meeting the legislative four-year balanced budget requirement, prior to adjustment for enacted legislation, are the greater of: "(i) the official general fund and related funds revenue forecast for the ensuing biennium, or (ii) the official general fund and related funds forecast for the second fiscal year of the current fiscal biennium, increased by 4.5 percent for each fiscal year of the ensuing biennium". Despite the fact that forecasted revenue growth is less than 4.5% per year in the 2027-29 biennium, the ERFC has chosen not to assume the 4.5% annual increase for this Outlook. The removal of the adjustment has been displayed separately to clearly show the impact.

(3) Other Revenue Adjustments consists of Tobacco Settlement Agreement moneys distributed to the State.

This page left intentionally blank.

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



Economic Review: June 10, 2025

Executive Summary

United States

- This forecast is based on a modified version of S&P Global Market Intelligence's May 2025 control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to be consistent with the Blue Chip "Consensus" GDP forecast for 2025 and 2026. We expect real GDP to increase 1.2% in 2025 and 1.3% in 2026, compared with the 2.2% and 2.0% growth rates assumed in the March forecast. Our forecast for real GDP growth in 2027-29 is based on the most recent long-term forecast from Blue Chip which was released in March 2025. We expect growth rates of 2.0%, 2.0%, and 1.9% in 2027 through 2029 up from 1.9%, 1.9% and 1.8% in the previous forecast.
- Our oil price forecast reflects the futures markets for the Brent (North Sea) oil price and West Texas Intermediate (WTI) benchmarks. This forecast was based on the Tuesday, May 20, 2025 closing prices for Brent and WTI futures. Oil prices are lower in the near-term compared with the March forecast. The latest futures prices indicate that the refiner acquisition price of crude oil will average \$62 per barrel in the second quarter of 2025, down \$5 compared to the March forecast. Oil prices are expected to increase slightly throughout the forecast period after reaching a trough of \$60 in the first quarter of 2026. By the fourth quarter of 2029 the refiner acquisition price of crude is expected to average \$63 per barrel, unchanged from the March forecast.
- National employment in May increased by 139,000 net jobs but employment levels for March and April were revised down due to additional data and updated seasonal factors by a combined 95,000 jobs. Sectors with the largest job gains in May included healthcare (+62,200), social assistance (+16,100), and leisure and hospitality (+48,000). Sectors with declining employment in May included federal employment (-22,000), employment services (-16,700) and professional and business services (-18,000).
- Two key measures of consumer confidence either didn't change, or increased after months of decreases. The University of Michigan (UM) consumer sentiment survey was unchanged at 52.2 in May after decreasing by 4.8 points in April. The Conference Board index of consumer confidence increased by 12.3 points in May to 98.0. Survey results indicated increased optimism about future employment prospects, income, and business conditions.
- Initial claims for unemployment insurance increased by 8,000 to 247,000 (SA) in the week ending May 31st. The four-week moving average of initial claims was 235,000, up 4,500 from the prior week.
- Consumer prices increased 0.2% (SA) in April following a 0.1% decrease in March. Compared to April 2024, prices are up 2.3%. Core prices, which exclude food and energy, rose by 2.8% compared to April 2024.

- Industrial production was unchanged in April following a 0.3% decrease in March. Industrial production was up 1.5% compared with its April 2024 level. New orders for core capital goods (i.e., durables excluding aircraft and military), which is a proxy for business investment, decreased by 1.3% (SA) in April following a 0.3% increase in March according to U.S. Census Bureau data. New orders for core capital goods were 1.3% above their April 2024 level.
- Residential construction activity was mixed in April compared with March, and new and existing home sales were also mixed. April housing starts increased by 1.6% (SA) compared to March but were 1.7% below their April 2024 level. Housing units authorized by building permits in April were 4.7% (SA) below their March level and 3.2% below their year-ago level. New home sales in April increased by 10.9% (SA) compared to March and were 3.3% above their year-ago level. Existing home sales in April decreased by 0.5% (SA) compared to March and were down 2.0% compared to April 2024. The seasonally adjusted Case-Shiller national home price index for March was 0.3% below its February level and 3.4% above its year-ago level.
- The major risks to the U.S. and Washington economies continue to be the impacts of trade policy and federal government reforms, high interest rates and geopolitical conflict.

Washington

- Washington job growth has been weaker than expected in the three months since the March forecast, and historical revisions have significantly lowered the level of employment. Total seasonally adjusted nonfarm payroll employment experienced no growth in February, March, and April which was 4,200 less than expected in the forecast. The construction sector increased by 1,200 jobs while manufacturing employment declined by 500 in the three-month period. Social assistance had the largest increase in the private service sector, gaining 4,700 jobs in February, March, and April. The largest decline was in food and drinking places with a loss of 7,000 jobs. Government employment declined by 900, led by a 4,400 job loss in state and local government education partially offset by a 3,000 increase in non-education related state and local government employment. Large downward revisions to historical data, combined with weaker than expected job growth, have resulted in the level of employment being 12,600 lower than expected in the March forecast.
- Washington's aerospace employment increased 17,100 jobs since reaching a trough of 66,700 in August 2021, bringing the level to 83,900 in September 2024. Since reaching the peak, aerospace employment has declined as Boeing incorporated layoffs. The forecast calls for aerospace employment to reach a trough in the second quarter of 2025 at 77,600 jobs. Going forward, we expect aerospace employment to increase through the forecast period and reach 85,500 jobs by the fourth quarter of 2029.
- We expect a 0.6% increase in Washington employment this year, down from 1.0% in the March forecast. We expect slow growth during the remainder of the forecast as the U.S economy slows. We expect Washington employment

growth to average 0.7% per year in 2025 through 2029, down slightly from the 0.8% average rate in the previous forecast.

- Washington's unemployment rate has held steady the past three months. The unemployment rate remained at 4.4% in April, but is down from 4.6% a year ago. The labor force participation rate continues to trend down. In April, the labor force participation rate declined to 62.7% in April from 62.9% the month before and is down from the recent peak of 64.2% in May 2023.
- The preliminary June forecasts expects the Washington unemployment rate to increase from 4.6% this year to 5.0% in 2026 and 2027. The forecast then calls for the unemployment rate to trend down and reach 4.5% in 2029. The previous forecast assumed a rate of 4.5% this year, peaking at 4.7% in 2026 and 2027, before trending down to 4.4% in 2029.
- In March, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the fourth quarter of 2024. Washington personal income increased from \$669.8 billion (SAAR) in the third quarter of 2024 to \$676.9 billion in the fourth quarter. The 4.3% increase (SAAR) in Washington personal income was the 17th lowest among the states and District of Columbia and trailed the 4.6% rate of increase for the U.S. as a whole. Washington net earnings growth of 4.7% (SAAR) trailed the 5.1% national average growth rate. Property income (dividends, interest, and rent) grew 2.9% (SAAR) for both Washington and the nation. Transfer receipts grew 5.0% (SAA) in both Washington and the nation.
- Our forecast for nominal personal income growth this year is 5.3%, up from 4.7% in the March forecast. The forecast for nominal personal income growth in 2025 through 2029 averages 5.3% per year, down slightly from the 5.4% average rate in the previous forecast.
- Seattle-area home prices declined for the second consecutive month in March. Home prices fell 0.6% in March after a 0.03% decline the month before. In comparison, the composite-20 index fell 0.1% in March after a 0.4% increase in February. Seattle home prices in March remain up 4.2% over the year, while composite-20 index was up 4.1%.
- Seattle-area consumer price inflation cooled in April. From April 2024 to April 2025, the Seattle CPI rose 1.7% compared to the 2.3% increase in the U.S. City average index. Seattle inflation has come down substantially since reaching a peak of 10.1% in June 2022 and is now at the lowest level since 2021. Shelter costs in both Washington and the U.S. continue to outpace topline inflation, increasing 3.4% and 4.0% respectively in April. Core inflation (excluding food and energy), is now below the Federal Reserve target rate (core PCE price index = 2%) in Seattle, although it remains elevated for the U.S. Seattle core CPI rose 1.7% in April compared to 2.8% for the U.S. City average.
- Washington exports grew 4.4% from the first quarter of 2024 to the first quarter of 2025. The increase was fueled by a 51.2% increase in transportation equipment exports. Agricultural exports declined 15.8% over the year. Excluding transportation equipment and agricultural products,

Washington exports declined 12.4% year-over-year in the first quarter of 2025, the largest decline since 2019.

- Washington car and truck sales increased to their highest level since 2017 in April. The seasonally adjusted number of new vehicle registrations increased 5.8% in April to 315,800 (SAAR). Passenger car registrations increased 4.3% while light truck registrations increased 18.2%. The number of total registrations is up 15.2% over the year in April.
- Washington housing construction was again weak in the final month of the first quarter of 2025 with 29,800 (SAAR) units permitted. A total of 32,500 units (SAAR) were permitted in first quarter, down from 38,600 units (SAAR) in the fourth quarter. Permits in the first quarter consisted of 18,000 (SAAR) single-family units and 14,500 (SAAR) multi-family units. March multi-family permits totaled 11,300 (SAAR), up from 9,800 in February. This was the weakest two-month period for multi-family construction since 2014.
- The preliminary June forecast calls for housing permits to decrease to 34,600 units this year from 37,800 units in 2024. We expect housing permits to grow through 2029 reaching 40,900 units. The previous forecast called for total housing permits of 37,000 units this year, reaching 42,100 units in 2029.

This page left intentionally blank.

Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Dave Reich
Executive Director

June 10, 2025



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Overview

- The preliminary U.S. economic forecast for output is weaker, and near-term inflation is higher than in March
- Generally, the U.S. and Washington economies have been transitioning to slower growth (GDP, employment) with recent policy uncertainty compounding that trend
- There is a significant amount of uncertainty in the forecast due to trade and federal/fiscal policy
- GF-S revenue collections since the March forecast are \$34.9 million (0.8%) below expectations

Economic Review
June 10, 2025

Slide 1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Economic forecast risks

Upside

- Tariffs are avoided or lower or just more certain
- Stronger consumer spending and employment markets, or faster interest rate cuts
- Quicker resolution of Russia – Ukraine, Middle East conflicts leads to more certainty

Downside

- Trade policy (higher U.S. tariffs and retaliation)
- Larger federal employment/spending reductions
- Inflation due to tariffs stays higher longer and elevated interest rates slow the economy
- Russia – Ukraine, Middle East conflicts intensify, leading to higher prices for energy

Economic Review
June 10, 2025

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Tariffs are a significant economic driver, and uncertainty is making it harder

Includes 10% tariffs on most countries, 25% tariffs on Canada and Mexico, 25% steel and aluminum tariffs and a 30% tariff on Chinese goods and others:

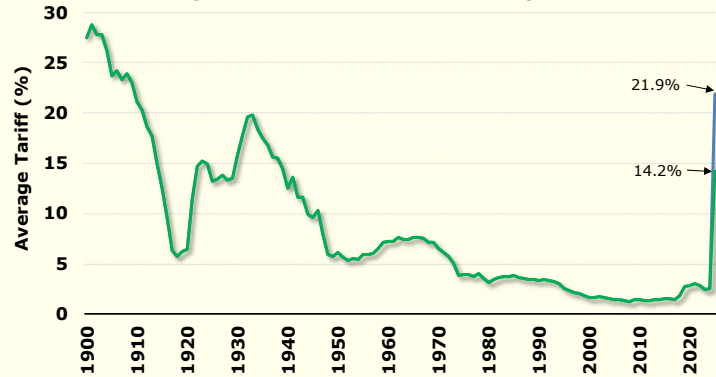
~21.9%
(Yale budget lab, 5/23/25)

~14.2%
(EY, 5/29/25)

Economic Review
June 10, 2025

Slide 3

**U.S. Average Tariff Rate
(1900-2024, 2025 estimated)**



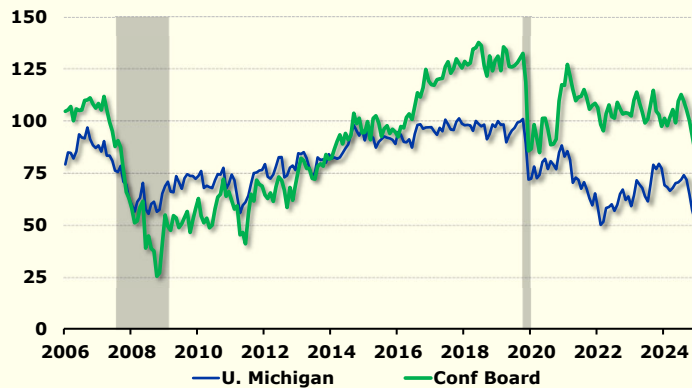
Source: Yale budget lab and EY

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Consumer sentiment improved near the end of 2024, but has moved with tariff news in 2025

Index
Mich: 1966Q1 = 100, SA
Conf Board: 1985 = 100, SA



Economic Review
June 10, 2025

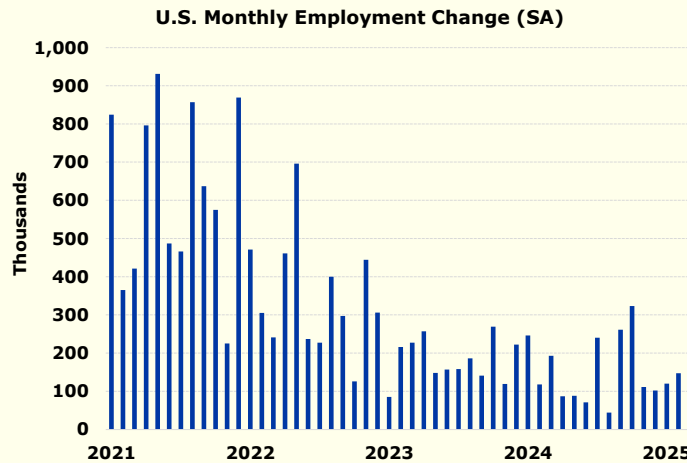
Slide 4

Sources: Data through May 2025 (CB), May 2025 (UM)

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. employment growth slowing but holding up; allows Federal Reserve to hold rates until greater clarity



Economic Review
June 10, 2025

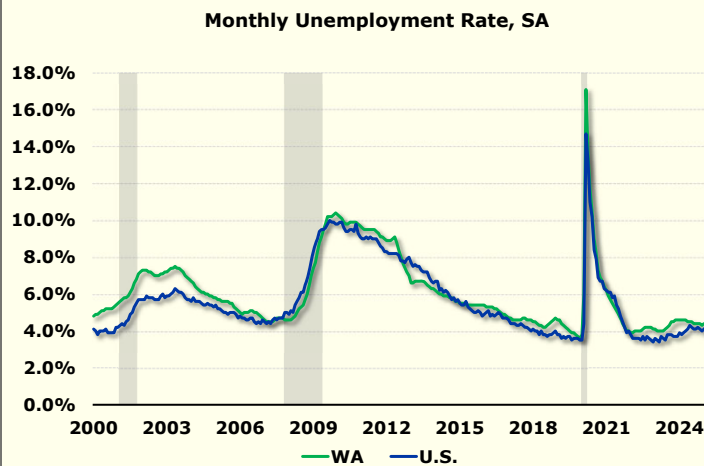
Slide 5

Source: U.S. Bureau of Labor Statistics; data through May 2025

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Unemployment rates have increased but remain near historically low levels



Economic Review
June 10, 2025

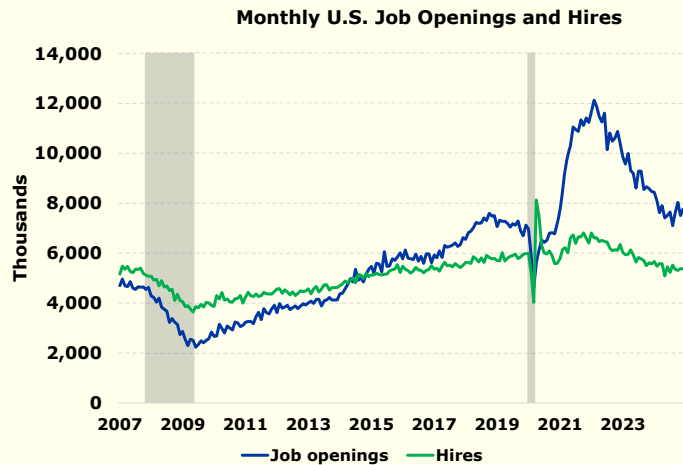
Slide 6

Source: U.S. Bureau of Labor Statistics, data through May 2025 (U.S.), April 2025 (WA)

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Job openings have fallen to pre-pandemic levels and have stabilized so far in 2025



Economic Review
June 10, 2025

Source: U.S. Bureau of Labor Statistics, data through April 2025

Slide 7

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

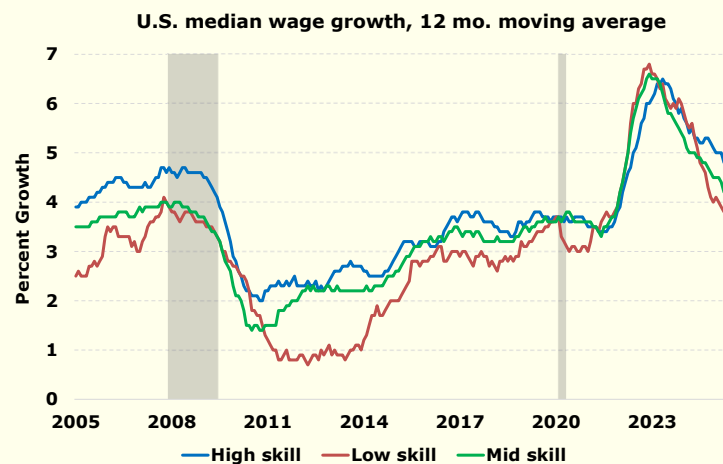


Wage growth has continued to slow as the job market becomes more balanced

High-skill:
Managers,
Professionals,
Technicians

Middle-skill:
Office &
Administration,
Operators,
Production, Sales

Low-skill: Food
Preparation &
Serving,
Cleaning,
individual Care
Services,
Protective
Services



Economic Review
June 10, 2025

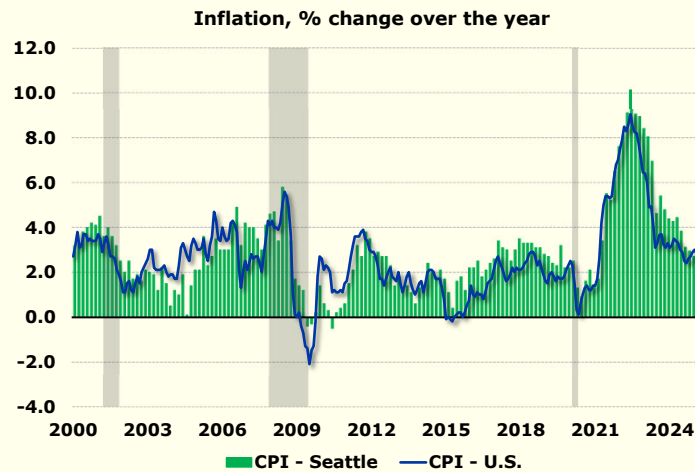
Source: Federal Reserve Bank of Atlanta, data through April 2025

Slide 8

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Inflation has slowed significantly but tariffs will increase prices in the near-term



Economic Review
June 10, 2025

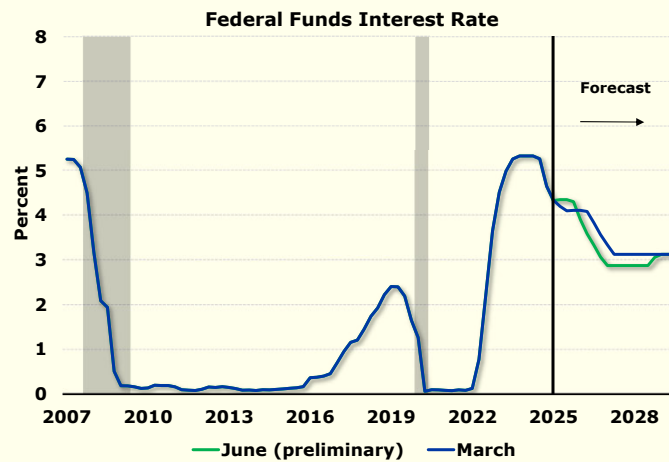
Source: U.S. Bureau of Labor Statistics, data through April 2025 (U.S.) and April 2025 (WA)

Slide 9

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



The Federal Reserve largely on hold until economic changes become clearer



The Federal Reserve reduced interest rates by one percentage point in 2024 and the current rate range is 4.25%-4.5%.

Economic Review
June 10, 2025

Source: ERFC preliminary June 2025 forecast; historical data through 2025 Q1

Slide 10

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Most Washington economic indicators have normalized post-pandemic

2025

WA employment is up 0.8%(YTD) through April

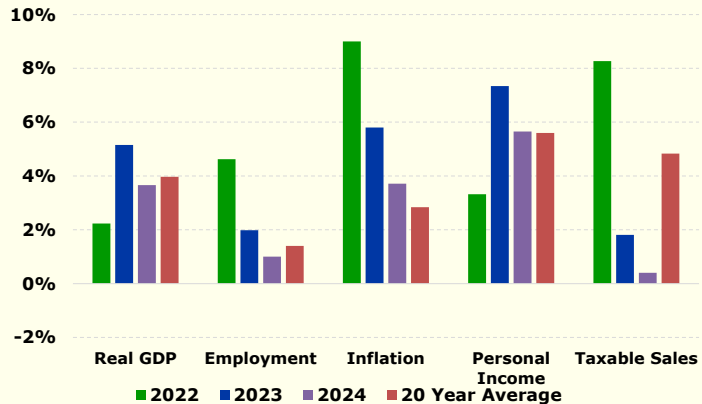
Seattle CPI up 1.7% (yoy) in April

WA taxable sales growth has picked up likely tied to tariff policy

Economic Review
June 10, 2025

Slide 11

Washington State Economic Indicators
2022-2024 Actual Growth & 20 Year Average



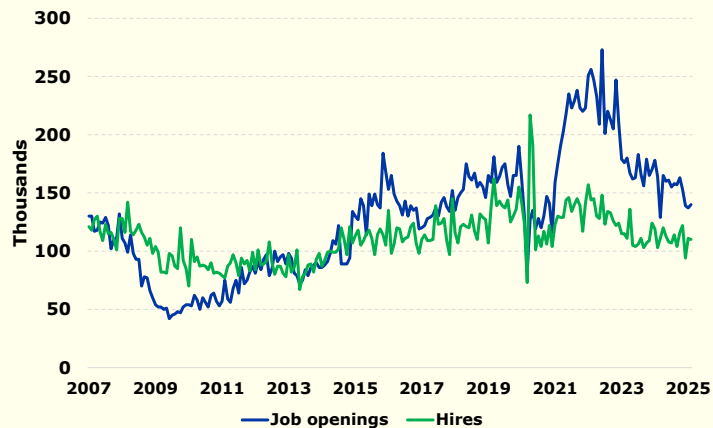
Source: BEA, ERFC, U.S. Bureau of Labor Statistics, WA Employment Security, WA DOR

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Washington job openings down from 2022 peak, consistent with national picture

WA Job Openings and Hires, SA



Economic Review
June 10, 2025

Slide 12

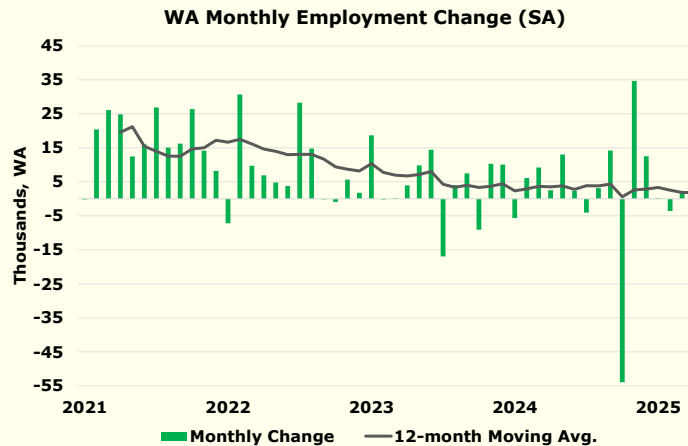
Source: U.S. Bureau of Labor Statistics, data through March 2025

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment growth slowed in 2024 and so far in 2025

The Boeing strike showed up in the October and November 2024 data.



Economic Review
June 10, 2025

Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through April 2025

Slide 13

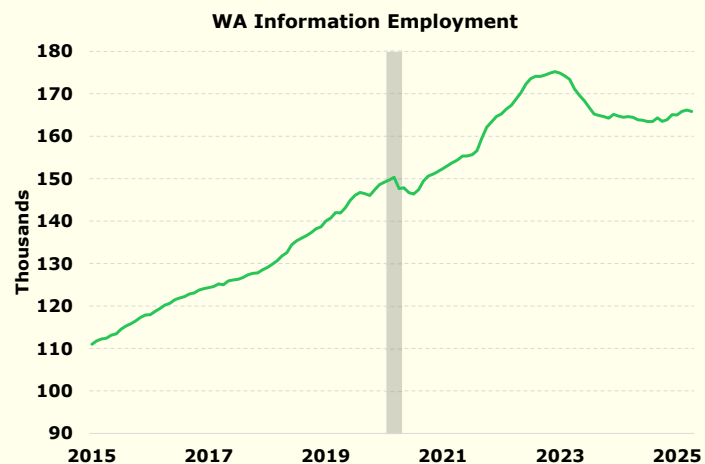
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA information employment is down over 9,000 jobs compared with peak in 2022

Microsoft announced layoffs in 2023; other tech firms also slowed or reduced hiring.

Microsoft recently announced another 2,300 layoffs in Puget Sound area



Economic Review
June 10, 2025

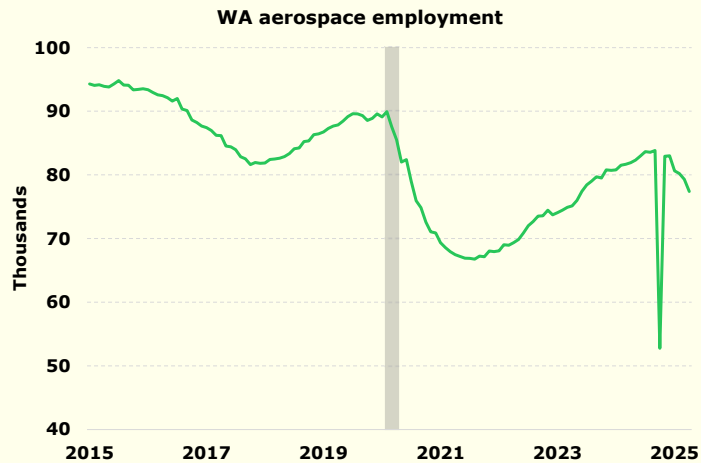
Source: ERFC, U.S. Bureau of Labor Statistics, Employment Security Dept., data through April 2025

Slide 14

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA aerospace employment was recovering until the Boeing strike in October 2024



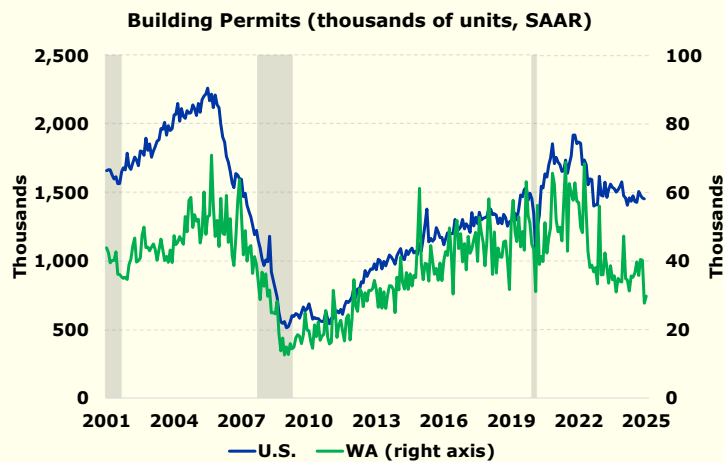
Economic Review
June 10, 2025

Slide 15

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA residential construction permits continue to slump



Economic Review
June 10, 2025

Slide 16

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



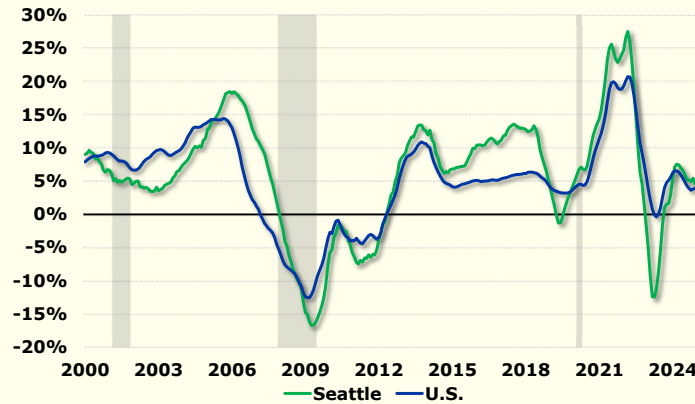
Home prices are still rising but at a slower pace than in 2024

Seattle home prices increased 6.1% in 2024

Economic Review
June 10, 2025

Slide 17

Case-Shiller Home Price Index, Year over Year % Change, SA



Source: Case-Shiller, data through March 2025

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Washington goods exports were up 4.4% in the first quarter of 2025 on transportation equipment exports

2025:1Q Export Growth (yoy):

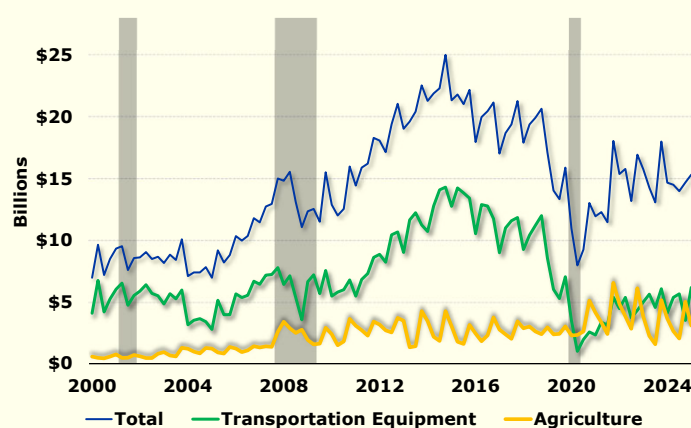
Trans: +51.2%
Ag: -15.8%
Other: -12.4%

April goods exports from Washington were up 7.0%.

Economic Review
June 10, 2025

Slide 18

WA Merchandise Exports, quarterly

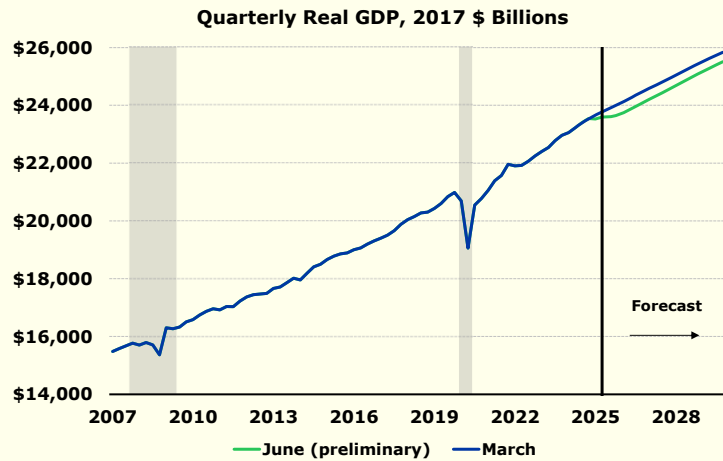


Source: Census (April 2025), WISERTrade; data through 2025 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. GDP growth forecast is lower for 2025-2026 than in March



Economic Review
June 10, 2025

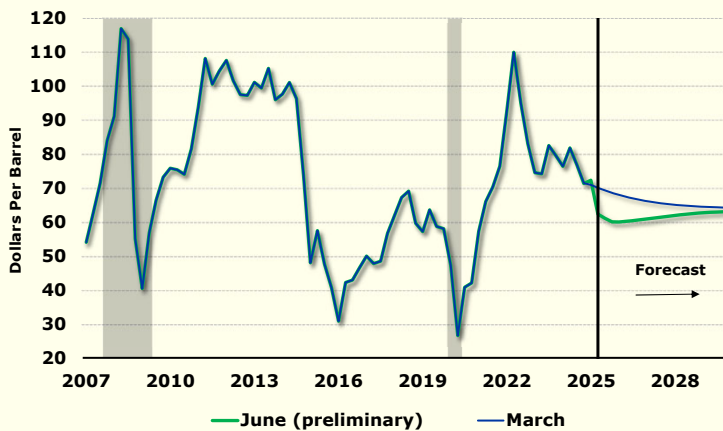
Source: IHS Markit, ERFRC preliminary June 2025 forecast; historical data through 2025 Q1

Slide 19

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Oil prices are lower than in the March forecast



Oil prices in the first quarter of 2025 were lower than expected in the March forecast

Economic Review
June 10, 2025

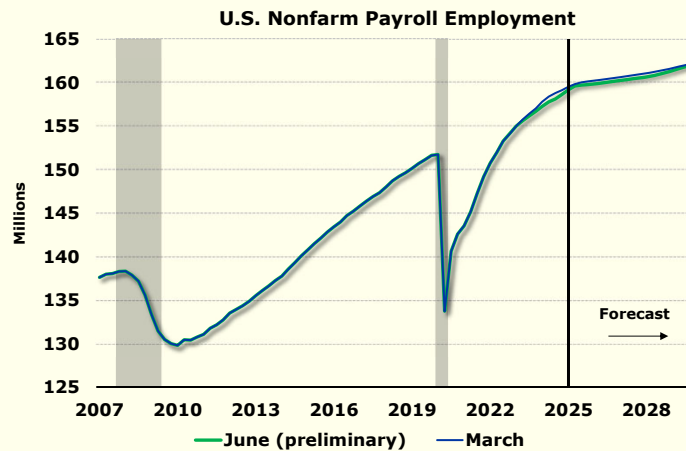
Source: Energy Information Administration, IHS Markit, ERFRC; data through 2025 Q1
Note: Vertical black line indicates last actual

Slide 20

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. nonfarm employment is likely to grow slowly over the next few years



Economic Review
June 10, 2025

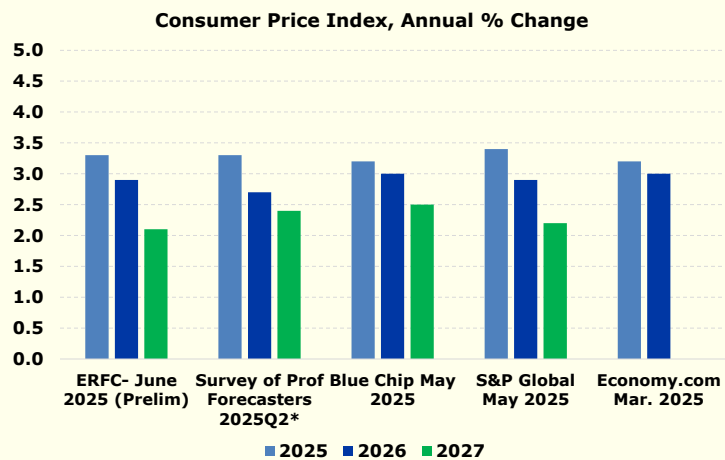
Source: IHS Markit, ERFEC preliminary June 2025 forecast; data through 2025 Q1

Slide 21

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Inflation is likely to pick up over the next the few years as tariffs lead to price increases



The Consumer Price Index increased by 3.0% in 2024

Survey of Professional Forecasters reflects change in price level in 4th quarter compared to 4th quarter of prior year; all others reflect average change over the year compared to prior year.

Economic Review
June 10, 2025

Slide 22

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

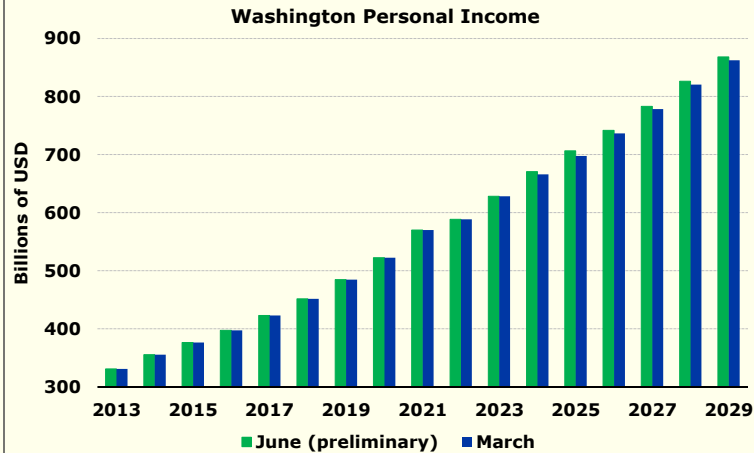


WA personal income levels revised higher, but growth is reduced from March

In March, BEA released 2024:4Q personal income and WA was up 4.3% (SAAR)

Economic Review
June 10, 2025

Slide 23



Source: ERFC preliminary June 2025 forecast; historical data through 2024 4Q

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment forecast is lower over the forecast period

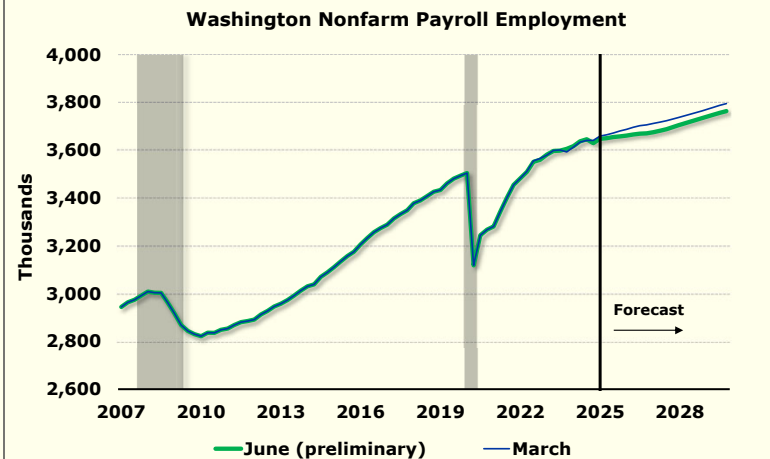
Average annual employment growth, 2025 to 2029:

U.S. = 0.3%

WA = 0.7%

Economic Review
June 10, 2025

Slide 24

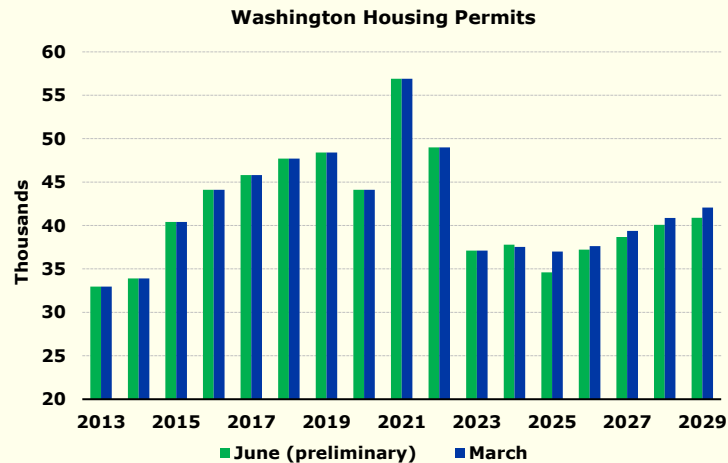


Source: ERFC preliminary June 2025 forecast; historical data through 2025 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA housing permit forecast revised down from March



Economic Review
June 10, 2025

Slide 25

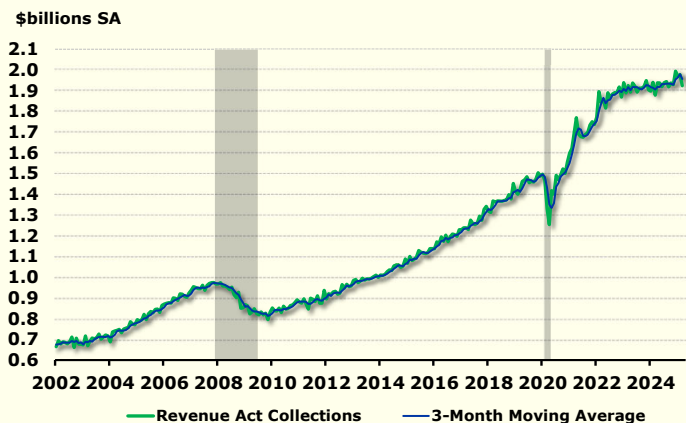
Source: ERFC preliminary June 2025 forecast; historical data through 2024

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue Act collections growth; March activity was up 2.4% (SA) compared with March 2024

Revenue Act includes:
Sales tax
B&O tax
Use tax
Pub util tax
Penalties
Tobacco



Economic Review
June 10, 2025

Slide 26

* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred 2020 payments, current definition of Revenue Act
Source: DOR and ERFC; monthly data through March 2025 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Taxable real estate activity increased in 2024 and so far in 2025

Transactions of \$10 million or more were about \$700M in April 2025



Economic Review
June 10, 2025

Source: ERFC; Monthly data through April 2025 estimated activity

Slide 27

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue collections since the March forecast

**Collections Variance Since March Forecast
(March 11, 2025 – May 10, 2025)
dollars in thousands**

	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct.</u>
Dept. of Revenue	\$4,397,982	\$4,362,282	(\$35,700)	-0.8%
Other revenue	8,874	9,638	764	+8.6%
Total GF-S	\$4,406,856	\$4,371,920	(\$34,936)	-0.8%

Economic Review
June 10, 2025

Slide 28

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- The U.S. economic forecast calls for lower GDP growth, higher inflation and higher unemployment
- The WA forecast calls for slower employment and personal income growth, and fewer building permits
- Forecast risks are elevated due primarily to uncertainty, trade policy and federal spending/employment
- The next monthly revenue collection report will be available on June 13th and the revenue forecast will be presented on June 24th

Economic Review
June 10, 2025

Slide 29

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions



Economic Review
June 10, 2025

Slide 30

Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912

www.erfc.wa.gov
360-534-1560

This page left intentionally blank.

Table 1
U.S. Economic Forecast Comparison
Preliminary June 2025

	2025Q2	2025Q3	2025Q4	2026Q1	2025	2026	2027	2028	2029
Real GDP, Percent Change, Annual Rate									
ERFC (Prelim June)	1.1	0.2	0.6	1.6	1.2	1.3	2.0	2.0	1.9
S&P Global	1.0	0.9	1.4	2.0	1.3	1.7	1.6	1.7	1.8
Economy.com	0.4	1.3	1.6	1.4	1.3	1.5			
Blue Chip Average*	1.1	0.2	0.7	1.5	1.2	1.3	2.0	2.0	1.9
Blue Chip Top 10*	3.0	1.7	2.2	2.4	1.7	2.0	2.4	2.3	2.1
Blue Chip Bottom 10*	-1.0	-1.8	-1.1	0.5	0.6	0.5	1.7	1.8	1.8
Real Consumption, Percent Change, Annual Rate									
ERFC (Prelim June)	0.7	0.0	0.6	1.7	2.0	1.3	2.1	2.1	2.0
S&P Global	1.4	0.7	1.2	1.5	2.3	1.4	1.9	2.4	2.4
Economy.com	0.9	0.5	1.3	1.1	2.1	1.0			
Blue Chip Average*	1.1	0.2	0.7	1.4	2.0	1.3	2.1	2.1	2.0
Blue Chip Top 10*	2.2	1.4	1.7	2.6	2.5	2.0	2.4	2.3	2.2
Blue Chip Bottom 10*	-0.4	-1.3	-0.9	0.4	1.3	0.5	1.8	1.8	1.9
Federal Funds Rate									
ERFC (Prelim June)	4.4	4.4	4.3	3.9	4.3	3.5	2.9	2.9	3.1
S&P Global	4.4	4.4	4.3	3.9	4.3	3.5	2.9	2.9	3.1
Economy.com	4.3	4.1	3.8	3.5	4.1	3.2			
Three Month T-Bill Rate									
ERFC (Prelim June)	4.2	4.2	4.1	3.7	4.2	3.2	2.6	2.7	2.8
S&P Global	4.2	4.2	4.1	3.7	4.2	3.2	2.6	2.6	2.8
Blue Chip Average*	4.2	4.1	3.8	3.7	4.1	3.4	3.3	3.1	3.1
Blue Chip Top 10*	4.3	4.4	4.3	4.1	4.3	3.9	3.8	3.5	3.4
Blue Chip Bottom 10*	4.1	3.8	3.4	3.2	3.9	2.8	2.8	2.8	2.7
10-Yr. T-Note Yield									
ERFC (Prelim June)	4.1	4.1	4.1	4.0	4.2	4.0	3.9	4.0	4.0
S&P Global	4.1	4.1	4.1	4.0	4.2	4.0	3.9	3.9	4.0
Economy.com	4.2	4.1	4.1	4.1	4.2	4.2			
Blue Chip Average*	4.3	4.2	4.1	4.1	4.2	4.0	4.0	3.9	3.8
Blue Chip Top 10*	4.4	4.5	4.5	4.5	4.4	4.4	4.5	4.4	4.2
Blue Chip Bottom 10*	4.1	3.9	3.8	3.7	4.0	3.6	3.5	3.5	3.5
Consumer Price Index, Percent Change, Year-over-Year									
ERFC (Prelim June)	3.4	3.6	3.5	3.4	3.3	2.9	2.1	2.0	2.0
S&P Global	3.4	3.7	3.6	3.4	3.4	2.9	2.2	2.0	1.9
Economy.com	3.0	3.5	3.5	3.4	3.2	3.0			
Blue Chip Average*	2.9	3.5	3.6	3.4	3.2	3.0	2.5	2.3	2.2
Blue Chip Top 10*	3.3	4.3	4.7	4.8	3.7	3.7	2.9	2.4	2.4
Blue Chip Bottom 10*	2.5	2.9	2.6	2.2	2.8	2.4	2.1	2.1	2.0
Payroll Employment, Millions									
ERFC (Prelim June)	159.6	159.7	159.8	159.9	159.6	160.0	160.4	160.9	161.7
Percent Change, Annual Rate	1.1	0.3	0.2	0.2	1.0	0.3	0.3	0.3	0.5
S&P Global	159.6	159.7	159.6	159.7	159.5	159.9	160.2	160.8	161.8
Percent Change, Annual Rate	1.0	0.3	-0.2	0.2	1.0	0.2	0.2	0.3	0.6
Economy.com	159.5	159.5	159.5	159.5	159.4	159.5			
Percent Change, Annual Rate	0.8	0.1	0.0	-0.1	0.9	0.0			
Unemployment Rate, Percent									
ERFC (Prelim June)	4.3	4.5	4.6	4.8	4.4	4.9	5.0	4.8	4.4
S&P Global	4.3	4.5	4.7	4.8	4.4	4.9	5.0	4.8	4.5
Economy.com	4.2	4.2	4.4	4.6	4.2	4.8			
Blue Chip Average*	4.3	4.5	4.7	4.7	4.4	4.7	4.2	4.1	4.0
Blue Chip Top 10*	4.4	4.7	5.1	5.2	4.6	5.3	4.4	4.2	4.2
Blue Chip Bottom 10*	4.2	4.3	4.4	4.4	4.3	4.2	3.9	3.9	3.9
Real Disposable Personal Income, Percent Change, Annual Rate									
ERFC (Prelim June)	-1.1	4.5	1.2	3.2	1.5	2.6	3.3	2.9	2.6
S&P Global	-1.2	4.6	1.5	3.5	1.6	2.8	3.2	2.9	2.7
Blue Chip Average*	1.2	0.5	0.8	2.2	1.4	1.7	2.2	2.1	2.1
Blue Chip Top 10*	2.8	3.5	2.1	3.8	2.1	2.7	2.7	2.4	2.3
Blue Chip Bottom 10*	-0.9	-2.5	-0.9	0.6	0.6	0.6	1.7	1.9	1.9
West Texas Intermediate									
ERFC (Prelim June)	62.8	61.5	60.3	60.3	64.1	60.6	61.4	62.2	62.6
S&P Global	62.4	59.7	56.8	58.4	62.7	60.8	65.1	68.7	72.1
Economy.com	63.8	64.9	65.0	65.3	66.3	64.9			

* Forecasts beyond 2026 are from the March 2025 Blue Chip Economic Indicators

Table 2

U.S. Forecast Comparison

	2025Q2	2025Q3	2025Q4	2026Q1
Real GDP (Billions of 2017 Dollars)				
June Forecast, Preliminary	23,592	23,602	23,638	23,732
Percent Change	1.1%	0.2%	0.6%	1.6%
March Forecast	23,771	23,879	23,986	24,108
Percent Change	1.9%	1.8%	1.8%	2.1%
Real Consumption (Billions of 2017 Dollars)				
June Forecast, Preliminary	16,375	16,374	16,399	16,470
Percent Change	0.7%	0.0%	0.6%	1.7%
March Forecast	16,445	16,520	16,600	16,685
Percent Change	1.9%	1.8%	2.0%	2.1%
PCE Price Index (2017=100)				
June Forecast, Preliminary	127.5	128.2	129.0	129.9
Percent Change	6.4%	2.2%	2.4%	2.8%
March Forecast	126.3	127.3	128.2	129.2
Percent Change	3.1%	3.1%	2.9%	3.3%
Real Personal Income (Billions of 2017 Dollars)				
June Forecast, Preliminary	20,163	20,179	20,232	20,382
Percent Change	-1.2%	0.3%	1.1%	3.0%
March Forecast	20,361	20,518	20,659	20,819
Percent Change	1.9%	3.1%	2.8%	3.1%
Nonfarm Payroll Employment (Millions)				
June Forecast, Preliminary	159.6	159.7	159.8	159.9
Percent Change	1.1%	0.3%	0.2%	0.2%
March Forecast	159.5	159.8	160.0	160.1
Percent Change	1.0%	0.9%	0.5%	0.3%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	4.3	4.5	4.6	4.8
March Forecast	4.2	4.2	4.3	4.3
Oil Price, Refiner's Acquisition				
June Forecast, Preliminary	62.3	61.1	60.0	60.0
March Forecast	67.1	65.9	64.9	64.2
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Preliminary	6.6	6.5	6.4	6.3
March Forecast	6.7	6.6	6.5	6.4
3 Month T-Bill Rate (Percent, average)				
June Forecast, Preliminary	4.2	4.2	4.1	3.7
March Forecast	4.0	3.9	3.9	3.8

2024	2025	2026	2027	2028	2029
23,305	23,590	23,901	24,379	24,866	25,339
2.8%	1.2%	1.3%	2.0%	2.0%	1.9%
23,302	23,824	24,290	24,751	25,221	25,675
2.8%	2.2%	2.0%	1.9%	1.9%	1.8%
16,053	16,373	16,584	16,932	17,288	17,633
2.8%	2.0%	1.3%	2.1%	2.1%	2.0%
16,054	16,483	16,811	17,147	17,473	17,805
2.8%	2.7%	2.0%	2.0%	1.9%	1.9%
123.5	127.6	131.0	133.5	135.8	138.2
2.5%	3.3%	2.6%	1.9%	1.8%	1.7%
123.5	126.8	130.4	133.1	135.6	138.4
2.5%	2.6%	2.9%	2.1%	1.9%	2.0%
19,966	20,199	20,596	21,258	21,929	22,563
2.8%	1.2%	2.0%	3.2%	3.2%	2.9%
19,994	20,451	21,004	21,663	22,315	22,882
2.9%	2.3%	2.7%	3.1%	3.0%	2.5%
158.0	159.6	160.0	160.4	160.9	161.7
1.3%	1.0%	0.3%	0.3%	0.3%	0.5%
158.0	159.6	160.2	160.4	160.7	161.3
1.3%	1.0%	0.4%	0.1%	0.2%	0.4%
4.0	4.4	4.9	5.0	4.8	4.4
4.0	4.2	4.4	4.5	4.4	4.3
76.6	63.9	60.3	61.3	62.3	62.9
76.7	67.3	63.7	62.9	62.7	62.6
6.7	6.6	6.1	5.9	5.8	5.8
6.7	6.7	6.2	5.8	5.7	5.6
5.0	4.2	3.2	2.6	2.7	2.8
5.0	4.0	3.6	2.9	2.8	2.8

Table 3

Washington Forecast Comparison

	2025Q2	2025Q3	2025Q4	2026Q1	2024	2025	2026	2027	2028	2029
Real Personal Income (Billions of 2017 Dollars)										
June Forecast, Preliminary	552.1	553.0	555.0	559.5	543.0	553.6	566.4	586.7	608.3	628.3
Percent Change	-1.5%	0.7%	1.4%	3.3%	4.0%	1.9%	2.3%	3.6%	3.7%	3.3%
March Forecast	548.3	551.5	554.8	558.4	539.3	550.2	564.7	584.6	605.0	623.2
Percent Change	1.5%	2.3%	2.4%	2.6%	3.4%	2.0%	2.6%	3.5%	3.5%	3.0%
Personal Income (Billions of Dollars)										
June Forecast, Preliminary	704.2	709.2	716.0	726.8	670.7	706.3	741.7	783.0	826.2	868.1
Percent Change	4.8%	2.9%	3.9%	6.2%	6.6%	5.3%	5.0%	5.6%	5.5%	5.1%
March Forecast	692.4	701.8	711.1	721.4	666.0	697.5	736.4	778.4	820.5	862.4
Percent Change	4.6%	5.5%	5.4%	6.0%	6.0%	4.7%	5.6%	5.7%	5.4%	5.1%
Disposable Personal Income (Billions of Dollars)										
June Forecast, Preliminary	617.8	630.0	636.2	646.1	589.9	623.6	659.7	696.4	732.7	767.9
Percent Change	4.9%	8.2%	4.0%	6.4%	6.6%	5.7%	5.8%	5.6%	5.2%	4.8%
March Forecast	607.7	623.6	631.7	640.9	584.9	616.0	654.1	690.8	726.3	762.2
Percent Change	4.7%	10.9%	5.3%	6.0%	5.9%	5.3%	6.2%	5.6%	5.1%	4.9%
Nonfarm Payroll Employment (Thousands)										
June Forecast, Preliminary	3650.1	3654.9	3657.9	3661.0	3632	3653	3666	3685	3719	3752
Percent Change	0.2%	0.5%	0.3%	0.3%	1.0%	0.6%	0.4%	0.5%	0.9%	0.9%
March Forecast	3664.4	3671.9	3680.6	3687.2	3632	3669	3698	3721	3750	3783
Percent Change	0.6%	0.8%	1.0%	0.7%	1.1%	1.0%	0.8%	0.6%	0.8%	0.9%
Unemployment Rate (Percent of Labor Force)										
June Forecast, Preliminary	4.5	4.7	4.8	4.9	4.5	4.6	5.0	5.0	4.7	4.5
March Forecast	4.4	4.5	4.6	4.6	4.5	4.5	4.7	4.7	4.6	4.4
Manufacturing Employment (Thousands)										
June Forecast, Preliminary	272.0	272.9	273.9	274.4	274.0	272.8	274.8	275.2	276.7	277.4
Percent Change	-0.8%	1.4%	1.4%	0.7%	0.0%	-0.4%	0.7%	0.1%	0.6%	0.3%
March Forecast	274.2	275.0	275.4	275.4	275.1	274.6	275.6	276.3	276.8	277.0
Percent Change	0.6%	1.1%	0.6%	-0.1%	0.5%	-0.2%	0.4%	0.2%	0.2%	0.1%
Construction Employment (Thousands)										
June Forecast, Preliminary	223.1	224.2	225.3	226.2	224.1	223.6	227.6	231.7	236.0	240.1
Percent Change	2.4%	1.9%	2.1%	1.6%	-2.6%	-0.2%	1.8%	1.8%	1.8%	1.8%
March Forecast	230.5	231.6	232.8	234.0	228.7	231.1	235.8	240.7	246.0	251.8
Percent Change	2.2%	1.9%	2.1%	2.1%	-1.4%	1.1%	2.1%	2.1%	2.2%	2.4%
Housing Permits (Thousands)										
June Forecast, Preliminary	34.5	35.4	36.0	36.5	37.8	34.6	37.2	38.7	40.1	40.9
Percent Change	26.6%	10.0%	7.3%	5.9%	1.8%	-8.4%	7.5%	3.9%	3.6%	2.0%
March Forecast	35.4	36.0	36.6	37.0	37.5	37.0	37.6	39.4	40.9	42.1
Percent Change	-38.5%	7.6%	6.8%	4.1%	1.2%	-1.5%	1.7%	4.7%	3.8%	2.9%

U.S. Forecast Comparison					Fiscal Years	
	2024	2025	2026	2027	2028	2029
Real GDP						
Billions of 2017 dollars						
June Preliminary Forecast	23,005	23,515	23,702	24,140	24,619	25,107
Growth	3.1%	2.2%	0.8%	1.8%	2.0%	2.0%
March Forecast	23,005	23,591	24,051	24,523	24,984	25,454
Growth	3.1%	2.5%	1.9%	2.0%	1.9%	1.9%
Difference in level	0	-76	-349	-383	-365	-346
Difference in growth forecast	0.0%	-0.3%	-1.2%	-0.1%	0.1%	0.1%
Real Consumption						
Billions of 2017 dollars						
June Preliminary Forecast	15,813	16,277	16,446	16,750	17,112	17,460
Growth	2.6%	2.9%	1.0%	1.9%	2.2%	2.0%
March Forecast	15,813	16,301	16,644	16,979	17,310	17,640
Growth	2.6%	3.1%	2.1%	2.0%	1.9%	1.9%
Difference in level	0	-24	-198	-229	-198	-180
Difference in growth forecast	0.0%	-0.2%	-1.1%	-0.2%	0.2%	0.1%
PCE Price Index						
2017 = 100						
June Preliminary Forecast	122.1	125.3	129.4	132.3	134.6	137.0
Growth	2.9%	2.7%	3.3%	2.2%	1.8%	1.7%
March Forecast	122.1	124.9	128.7	131.9	134.3	137.0
Growth	2.9%	2.4%	3.0%	2.5%	1.9%	2.0%
Difference in level	0.0	0.4	0.8	0.4	0.3	0.0
Difference in growth forecast	0.0%	0.3%	0.3%	-0.3%	-0.1%	-0.3%
Unemployment Rate						
Percent of Labor Force						
June Preliminary Forecast	3.8%	4.2%	4.7%	4.9%	4.9%	4.6%
March Forecast	3.8%	4.1%	4.3%	4.5%	4.5%	4.4%
Difference in forecast	0.0%	0.0%	0.4%	0.4%	0.4%	0.2%
30 Year Fixed Mortgage Rate						
Annual Average						
June Preliminary Forecast	7.0%	6.6%	6.3%	6.0%	5.8%	5.8%
March Forecast	7.0%	6.7%	6.5%	6.0%	5.7%	5.6%
Difference in forecast	0.0%	-0.1%	-0.1%	0.0%	0.1%	0.2%
3 Month T-Bill Rate						
Annual Average						
June Preliminary Forecast	5.3%	4.5%	3.8%	2.8%	2.6%	2.8%
March Forecast	5.3%	4.4%	3.8%	3.2%	2.9%	2.8%
Difference in forecast	0.0%	0.0%	0.0%	-0.4%	-0.2%	-0.1%

Washington Forecast Comparison					Fiscal Years	
	2024	2025	2026	2027	2028	2029
Real Personal Income						
Billions of 2017 dollars						
June Preliminary Forecast	532.0	549.9	558.0	576.1	597.5	618.5
Growth	3.5%	3.4%	1.5%	3.3%	3.7%	3.5%
March Forecast	530.7	544.3	556.7	574.2	595.1	614.2
Growth	3.4%	2.6%	2.3%	3.1%	3.6%	3.2%
Difference in level	1.3	5.6	1.2	1.9	2.4	4.3
<i>Difference in growth forecast</i>	<i>0.1%</i>	<i>0.8%</i>	<i>-0.8%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.3%</i>
Nominal Personal Income						
Billions of dollars						
June Preliminary Forecast	649.5	689.2	722.3	762.1	804.5	847.2
Growth	6.4%	6.1%	4.8%	5.5%	5.6%	5.3%
March Forecast	647.8	680.1	716.5	757.3	799.3	841.5
Growth	6.3%	5.0%	5.3%	5.7%	5.5%	5.3%
Difference in level	1.6	9.1	5.9	4.8	5.2	5.7
<i>Difference in growth forecast</i>	<i>0.1%</i>	<i>1.1%</i>	<i>-0.5%</i>	<i>-0.2%</i>	<i>0.0%</i>	<i>0.0%</i>
Nonfarm Payroll Employment						
Thousands						
June Preliminary Forecast	3,614.4	3,643.3	3,659.9	3,673.8	3,701.2	3,735.3
Growth	1.2%	0.8%	0.5%	0.4%	0.7%	0.9%
March Forecast	3,610.1	3,651.3	3,683.9	3,709.4	3,734.4	3,765.9
Growth	1.0%	1.1%	0.9%	0.7%	0.7%	0.8%
Difference in level	4.3	-7.9	-24.0	-35.6	-33.2	-30.6
<i>Difference in growth forecast</i>	<i>0.2%</i>	<i>-0.3%</i>	<i>-0.4%</i>	<i>-0.3%</i>	<i>0.1%</i>	<i>0.1%</i>
Housing Permits						
Units Authorized, Thousands						
June Preliminary Forecast	35.8	36.0	36.2	38.0	39.4	40.6
Growth	-11.5%	0.6%	0.6%	5.0%	3.5%	3.2%
March Forecast	35.6	37.9	36.8	38.5	40.1	41.5
Growth	-11.8%	6.4%	-3.0%	4.7%	4.3%	3.4%
Difference in level	0.1	-1.9	-0.6	-0.5	-0.8	-0.9
<i>Difference in growth forecast</i>	<i>0.3%</i>	<i>-5.7%</i>	<i>3.7%</i>	<i>0.3%</i>	<i>-0.7%</i>	<i>-0.2%</i>

Year-Over-Year Employment Growth by Industry (April 2024 to April 2025) Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	22.0	0.6%	1.1%
Management of Companies and Enterprises	4.4	4.5%	0.5%
State and Local Gov Non-Education	9.2	3.4%	0.9%
Information Excluding Software	2.7	3.3%	-1.1%
Education and Health Services	13.5	2.5%	3.5%
Transportation, Warehousing and Utilities	3.2	2.1%	0.0%
State and Local Gov Education	2.8	1.1%	1.1%
Other Services	0.1	0.0%	1.3%
Leisure and Hospitality	-0.6	-0.2%	1.4%
Manufacturing Excluding Aerospace	-0.4	-0.2%	-0.5%
Financial Activities	-1.6	-1.0%	1.0%
Wholesale Trade	-1.4	-1.0%	0.7%
Construction	-2.9	-1.3%	1.7%
Software Publishers	-1.3	-1.6%	1.9%
Aerospace Product and Parts Manufacturing	-4.5	-5.5%	-2.2%
Mining and Logging	-0.3	-5.6%	-0.6%
Information	1.4	0.9%	-0.5%
Manufacturing	-5.0	-1.8%	-0.6%
Professional and Business Services	3.6	0.7%	-0.2%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics