

EMBARGOED

*until November 20, 10:00 am PST when it will be published at
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Revenue Review Meeting

November 20, 2017



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

November 20, 2017
10:00 a.m.

- Call to order
- Approval meeting minutes from November 1, 2017
- Economic & Revenue Forecast
- Adoption of the Official Forecast
- Budget Outlook

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Economic Review

November 1, 2017

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council Members

Present

John Braun, Senate (via phone)
Terry Nealey, House of Representatives (via phone)
Timm Ormsby, House of Representatives (via phone)
Duane Davidson, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director,
ERFC
Andy Toulon, House
Pam Davidson, OFM
Michael Bezanson, Senate

Call to Order

Director Schumacher called the meeting to order at 10:00 a.m.

Motion

Director Smith made a motion to approve the meeting minutes from the September 20, 2017 meeting, seconded by Treasurer Davidson. Council approved the motion at 10:00 a.m.

Motion

Treasurer Davidson made a motion to approve the meeting minutes from the September 6, 2017 meeting, seconded by Director Smith. Council approved the motion at 10:01 a.m.

Preparation for the November Budget Outlook

The State Budget Outlook Work Group provided information on the methodology for the November 2017 Budget Outlook and received the following guidance from the council:

Costs related to fire mobilization in 2017. The Council does want to include estimated fire mobilization costs as a subset to the maintenance level in the November 2017 Outlook.

Trueblood fines from delays in providing forensic mental health services. The Council does want to include an adjustment for Trueblood fine costs through the end of fiscal year 2018 in the November 2017 outlook.

Presentation on the Economic Forecast

Dr. Lerch presented information on the preliminary economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding aerospace employment and personal income revisions.

Adjournment

Meeting adjourned at 10:35 a.m.

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



Economic & Revenue Review: November 20, 2017

Executive Summary

United States

- The final U.S. economic forecast is based on the November IHS Markit (formerly Global Insight) and Blue Chip consensus forecasts. Our final economic forecast incorporates the impacts of Hurricane Irma, which were not included in the September forecast. Our final economic forecast continues to assume the Federal Reserve will increase interest rates by 0.25% in December.
- As of their October forecast, IHS Markit no longer incorporates lower personal and corporate federal tax rates or additional infrastructure spending. In previous forecasts, lower taxes and additional infrastructure spending had been assumed to take place starting in 2018.
- The November Blue Chip forecast of real GDP growth was largely unchanged from October. Real GDP growth for 2017 remained at 2.2%; 2018 growth was increased from 2.4% to 2.5%, and 2019, 2020 and 2021 growth remained unchanged at 2.1%, 2.1% and 2.0%.
- 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 November 10, 2017 closing prices for Brent and WTI futures. Futures prices are slightly higher throughout the forecast period compared to the September forecast. The price paid by refiners in 2017 is expected to average \$50 per barrel, up from an average of \$49 in the September forecast. Oil prices are expected to rise to \$57 per barrel in 2018 (\$50 per barrel in the September forecast) before gradually declining to \$52 per barrel by 2021.
- The U.S. economy gained 261,000 net new jobs in October as the businesses closed due to Hurricanes Harvey and Irma reopened and employees were able to report to work. Employment data for August and September were revised up by a total of 90,000 jobs. Sectors with notable employment gains in October included accommodation and food services (+90,000), manufacturing (+24,000), employment services (+24,000), health care (+22,000), arts, entertainment and recreation (+16,000) and professional and technical services (+14,000). Industries with net employment declines in October included general merchandise stores (-8,000), insurance carriers and related (-7,000), telecommunications (-5,000) and miscellaneous store retailers (-5,000).
- Two key measures of consumer confidence both increased this month. The University of Michigan index of consumer sentiment rose by 5.6 points in October to 100.7, its highest level since January 2004. The Conference Board index of consumer confidence increased by 5.3 points in October to 125.9, its highest level since December 2000.

- U.S. housing data were again generally weak this month. Housing units authorized by building permits in September were 4.5% (SA) below their August level and 4.3% below their year-ago level. September housing starts decreased by 4.7% (SA) compared to August but were 6.1% above their September 2016 level. Existing home sales in September rose 0.7% (SA) compared to August but were 1.5% below their year-ago level. New single-family home sales increased from a revised 561,000 (SAAR) in August to 667,000 in September, a gain of 18.9% and 17.0% above their year-ago level. The seasonally adjusted Case-Shiller national home price index for August was 0.5% above its July level and 6.1% above its year-ago level.
- Major threats to the U.S. and Washington economies remain, including a slowing U.S. economy, international trade and fiscal policy concerns, and slow growth in labor productivity.

Washington

- We have two months of new Washington employment data since the September forecast was released. Total nonfarm payroll employment rose 18,100 (seasonally adjusted) in September and October, which was 4,300 more than the 13,800 expected in the September forecast. Manufacturing added 300 jobs in the two-month period in spite of the loss of 1,500 aerospace jobs. Construction employment increased 2,200 in September and October and government employment expanded by 1,700 jobs. As usual, the bulk of the net new jobs occurred in private, service-providing sectors, which added 14,000 jobs.
- 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 raised the estimated level of total employment in August 2017 by 7,200 jobs (0.2%). The upward revision to history combined with the higher than expected growth since August results in 15,500 (0.3%) more jobs in October 2017 than expected in the September forecast.
- Washington's unemployment rate inched down to 4.5% in October from 4.6% in September. October's 4.5% unemployment rate was the lowest in the series that extends back to 1976. A year ago, in September 2016, the Washington unemployment rate stood at 5.3%.
- In September, the Bureau of Economic Analysis released estimates for state personal income through the second quarter of 2017. We have incorporated the new BEA estimates as well as additional Washington QCEW and other wage data. The September release also incorporated the impact of the annual revision of the national income and product accounts (NIPA). Our current estimate of Washington personal income in the second quarter of 2017 is \$416.9 billion, which is \$6.8 billion (1.6%) higher than assumed in the September forecast. The new estimate of wage and salary income is \$0.7 billion lower than expected but nonwage income is \$7.5 billion higher. The much higher nonwage estimate is the result of the historical NIPA revisions, which raised the estimate for property income (dividends, interest, and rent) by \$8.4 billion in 2016.
- Washington housing construction held steady in the third quarter of 2017. The number of housing units authorized by building permits averaged 43,900

units (SAAR) in the third quarter of 2017, which was the same rate as in the second quarter and very close to the September forecast. Third quarter permits were made up of 24,000 single-family units and 19,900 multi-family units. The September forecast had assumed 43,600 units (SAAR) in the third quarter, consisting of 23,600 single-family units and 19,900 multi-family units.

- Seattle area home prices continue to rise very rapidly. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 0.6% in August compared to a 0.5% increase in the Composite-20 index. Over the year, Seattle home prices are up 13.3%, more than double the 6.0% increase in the Composite-20 index. Seattle home prices are now up 72% since the December 2011 trough and exceed the May 2007 peak by 20%.
- Seattle area consumer price inflation remains above the national average. Over the last year, from October 2016 to October 2017, consumer prices in the Seattle area rose 3.0% compared to 2.0% for the U.S. city average. Core prices, which exclude food and energy, were up 3.0% in Seattle compared to 1.8% for the nation. The higher Seattle inflation is due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 6.7% compared to 3.2% for the nation. Excluding shelter, Seattle inflation was below the national average at 1.0% compared to 1.4%.
- The Institute of Supply Management – Western Washington Index (ISM-WW) declined but remained positive in October. The index, which measures conditions in the manufacturing sector, decreased from 58.2 in August and 57.5 in September to just 51.8 in October (index values above 50 indicate growth while values below 50 indicate contraction). Only the orders component was above 50 in October. The production and deliveries components were neutral at 50 while the employment and inventory components indicated contraction.
- Washington car and truck sales increased for a fourth consecutive month in October following a slump in the first half of the year. Seasonally adjusted new vehicle registrations increased 3.5% in July, 8.6% in August, 3.5% in September, and 2.5% in October to 327,100 units (SAAR). Car and truck sales are up 4.6% over the year but down 2.3% since the post-recession peak in January 2016.
- Third quarter 2017 Washington exports were down 5.2% from the third quarter of 2016. The decline was mostly due to a 9.4% reduction in transportation equipment exports (mostly Boeing planes). Exports of agricultural products fell 11.4% over the year but agricultural exports were unusually strong in the third quarter last year. Exports of all other commodities (mostly manufacturing) increased 7.1% over the year.
- Washington employment is expected to grow 3.0% this year, up from 2.9% in the September forecast. As in September, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.6% per year in 2018 through 2021, which is the same rate assumed in September. Our forecast for nominal personal income growth this year is 5.5%, down from 5.8% in the September forecast. While the growth rate is lower, the level of personal income in 2017 is 1.9% higher than in the September forecast because of the annual revision to the NIPAs. Our new

forecast for nominal personal income growth in 2018 through 2021 averages 5.1% per year which is the same rate as expected in the September forecast.

Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from September 11, 2017 through November 10, 2017 were \$119 million (3.9%) higher than forecasted in September.
- Cumulative real estate excise taxes (REET) came in \$26 million (16.1%) higher than forecasted. Large commercial sales continue to occur above forecasted levels. Residential sales have also been stronger than forecasted. These factors have once again resulted in an increase in forecasted REET receipts.
- Cumulative transfers of unclaimed property into the GF-S were \$27 million higher than forecasted. Much of the surplus represented earlier-than-expected submissions of property to the state from businesses ahead of the annual November 1st deadline, which will reduce expected transfers in November. Some of the extra transfers, however, were due to an amnesty program that allowed businesses to turn over property from prior years by October 31st without penalty.
- Revenue Act taxes (retail sales and use, business and occupation, public utility and non-cigarette tobacco products taxes), which make up the bulk of GF-S revenue, came in \$63 million (2.4%) higher than forecasted.
- The new state economic forecast resulted in a small change to projected revenue that was positive on net. These increases total \$304 million for the current biennium and \$186 million for the 2019-21 biennium.
- A large part of the increase in forecasted revenue came from property taxes. Under legislation passed in the 2017 special sessions, property taxes for the next four years will increase at the rate of change of the total value of taxed property, rather than at a proscribed rate of change for the entire levy. The preliminary valuation of property for the 2018 calendar year levy is \$19 billion (1.6%) higher than forecasted in September. With the new state levy rates, this increase in valuation would increase the total calendar year 2018 levy by \$52 million. On a biennial basis, combined with other small changes, this translates into increases of \$95 million for the current biennium and \$134 million for the 2019-21 biennium.
- Forecasted revenue for the 2017-19 biennium is now \$43.566 billion, 13.7% more than that of the 2015-17 biennium. Forecasted GF-S revenue for the 2019-21 biennium is now \$47.582 billion, 9.2% higher than forecasted 2017-19 biennial revenue.
- The final tally of total GF-S revenue for the 2015-17 biennium, which ended on June 30, 2017, is \$38.317 billion, an increase of 13.8% over that of the 2013-15 biennium and \$6 million higher than estimated in September.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

November 20, 2017
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The economic forecast for the U.S. is very similar to the September forecast
- The economic forecast for WA has higher personal income than in September
- Risks to the baseline include weak labor productivity growth as well as concerns about international trade and fiscal policy
- The revenue collection variance since the September forecast is \$119 million
- GF-S revenue for the 2017-19 biennium has been increased by \$304 million, and revenue for the 2019-21 biennium has been increased by \$186 million.

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New data since preliminary November economic forecast

November Blue Chip

- 2018 real GDP growth increased from 2.4% to 2.5%; 2019 - 2021 real GDP growth unchanged

U.S. employment data

- Employment up by 261,000 net new jobs in October; unemployment rate decreased from 4.2% to 4.1%

Washington employment data

- Employment up by 14,400 net new jobs in October; unemployment rate decreased from 4.6% to 4.5%

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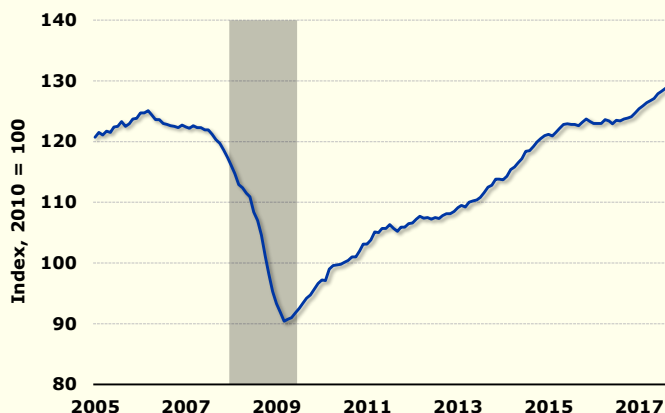
Source: Blue Chip Economic Indicators, U.S. Bureau of Labor Statistics, Employment Security Dept., ERFC

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U.S. Leading Economic Index (LEI) dipped slightly in September, continues to trend up

The LEI is an index of economic indicators that tend to indicate the direction of economic growth



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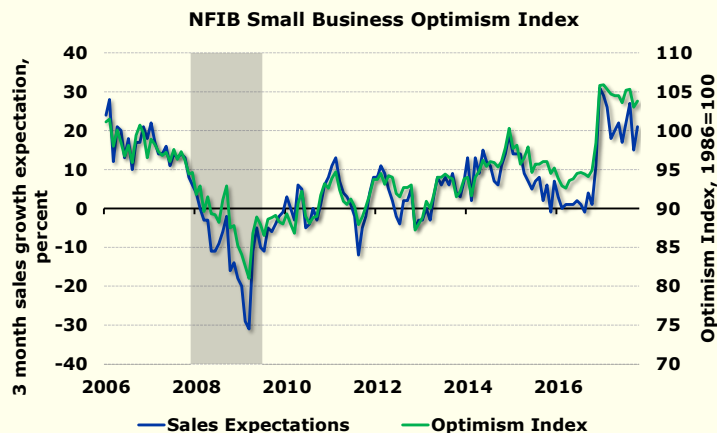
Source: Conference Board, data through September 2017

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Small business optimism and sales expectations jumped in December, remain at high levels



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Source: National Federation of Independent Business; data through October 2017

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



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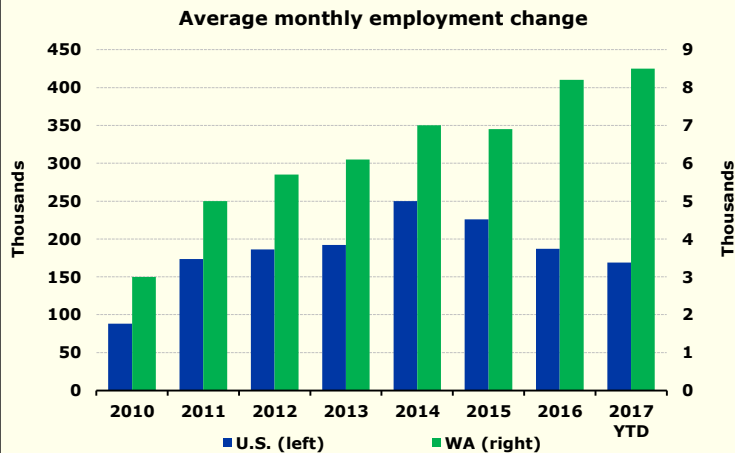
Source: U.S. Bureau of Labor Statistics, data through Oct. 2017

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Job creation has slowed nationally but remains strong in WA



Oct. U.S. job gains:
261,000

Oct. WA job gains: 14,400

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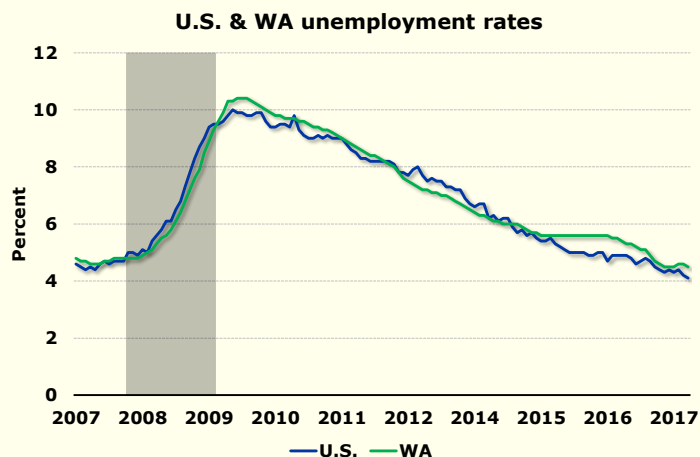
Source: Bureau of Labor Statistics, ERFC; data through Oct. 2017

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U.S. and WA unemployment rates are below pre-recession levels



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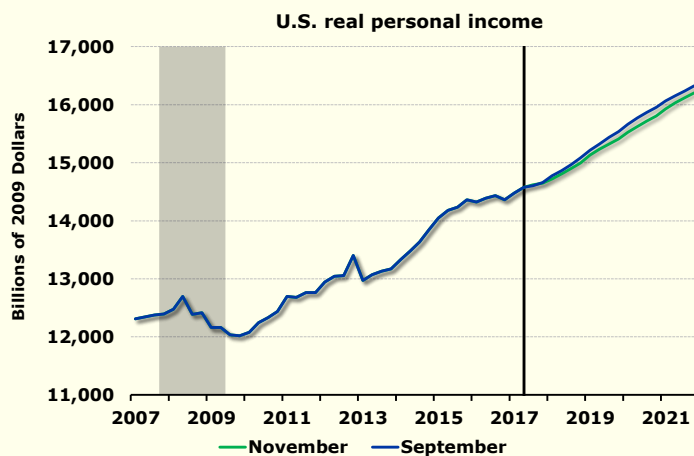
Source: U.S. Bureau of Labor Statistics, data through Oct. 2017

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U.S. personal income is slightly lower than in the September forecast



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Source: IHS-Markit, ERFC November 2017 forecast; historical data through 2017Q2

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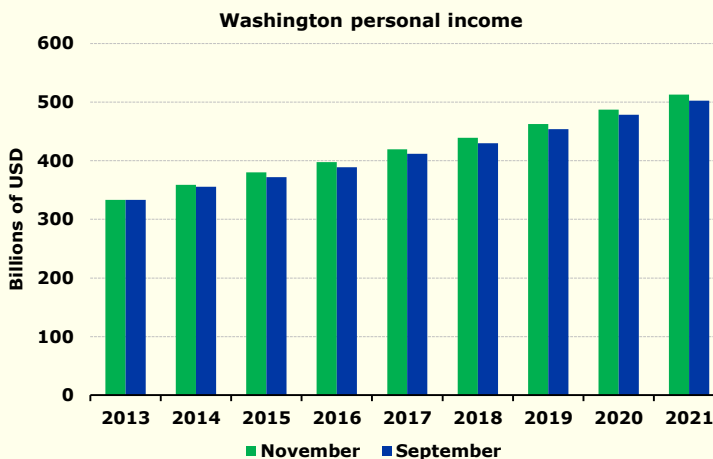
Washington personal income is higher than in September

Since the September forecast, 2014 through 2017Q1 state personal income data have been revised.

The higher level of personal income is due to a historical data revision.

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Source: ERFC November 2017 forecast; historical data through 2016

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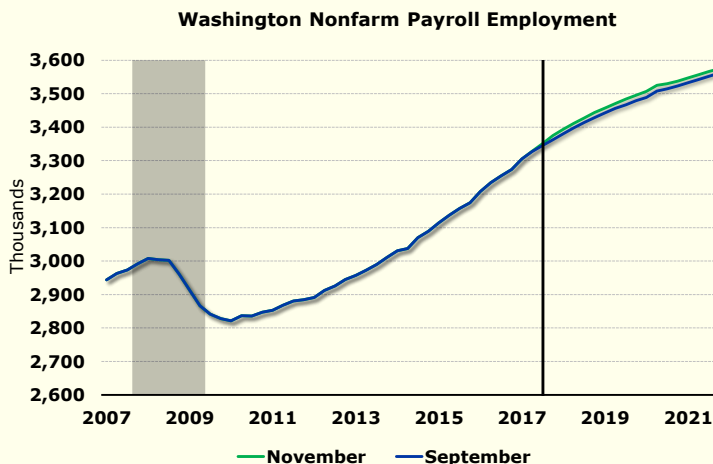


Washington employment forecast is very similar to September

By 2021, WA employment is 0.4% higher than in September

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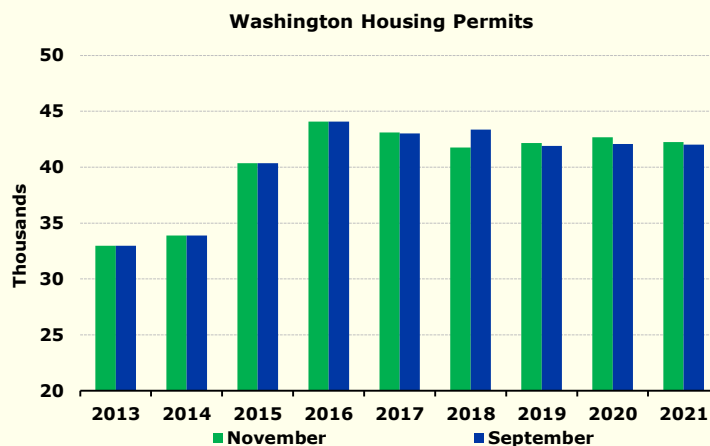


Source: ERFC November 2017 forecast; historical data through Q32017

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Washington housing permits forecast is very similar to September



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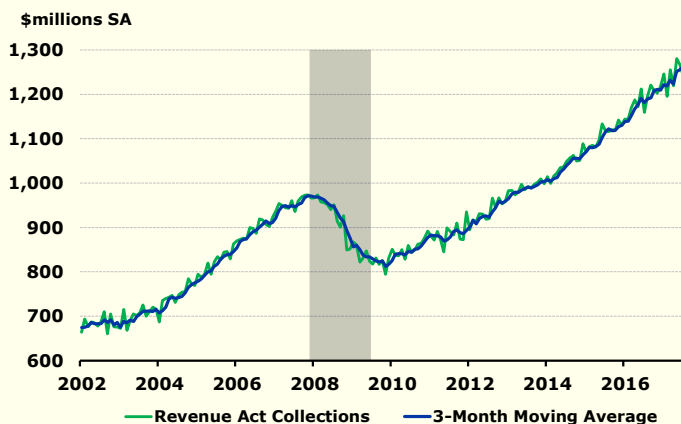
Source: ERFC November 2017 forecast; historical data through 2016

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Year-over-year Revenue Act collections growth: 6.3% in Q1, 5.5% in Q2, 6.4% in Q3



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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 September 2017 activity

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Large commercial property sales still strong

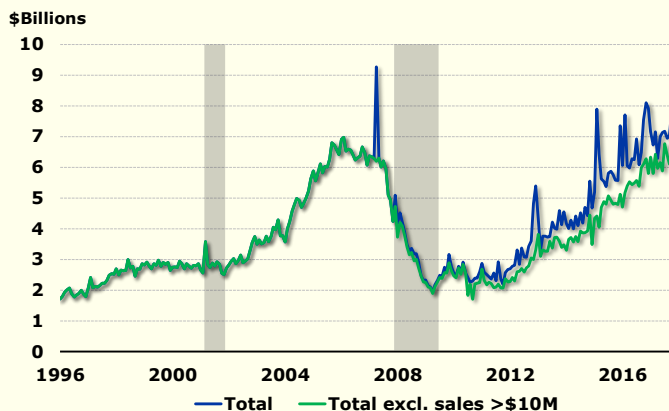
Large commercial sales (>\$10 million) totaled \$1.8 billion in the 1st quarter of 2017, \$2.9 billion in the 2nd quarter and \$2.0 billion in the 3rd quarter.

October large commercial sales totaled \$1.3 billion

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Seasonally Adjusted Taxable Real Estate Excise Activity

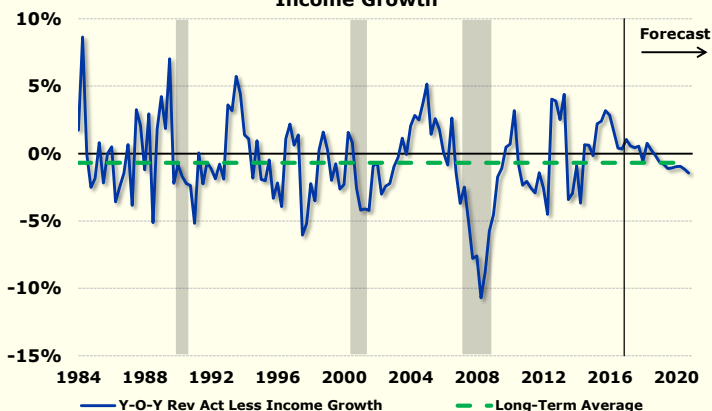


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Rev Act growth relative to income is projected to return to near its average level

Year-Over-Year Rev Act* Growth Less State Personal Income Growth



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Final Total: General Fund State, 2015-2017 Biennium

\$Millions

	<u>September 2017 Estimate</u>	<u>November 2017 Final Total</u>	<u>Change*</u>
Dept. of Revenue	\$36,383.1	\$36,383.1	\$0.0
All other agencies	\$1,928.2	\$1,934.3	\$6.1
Total GF-S	\$38,311.3	\$38,317.4	\$6.1

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* Detail may not add to total due to rounding

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Forecast changes: General Fund State, 2017-2019 Biennium

**September
Forecast:**

**\$43,262
million**

\$Millions	November Forecast				
	<u>Collection Experience</u>	<u>Non- economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$118	\$0	\$179	\$41,368	\$297
All other agencies	\$1	\$0	\$6	\$2,198	\$7
Total GF-S	\$119	\$0	\$185	\$43,566	\$304

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* Detail may not add to total due to rounding

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Property tax changes – EHB 2242

- For calendar years 2018 – 2021:
 - State levy=\$2.70 per \$1,000 of assessed value
 - 101% revenue growth limit does not apply to the state levy
- Impact on revenue growth:
 - Previously, growth = 1% on existing property + new construction; typically about 2% total
 - Change in assessed values had little impact on growth due to 101% limit
 - Now, growth rate = growth in assessed value on existing property + new construction

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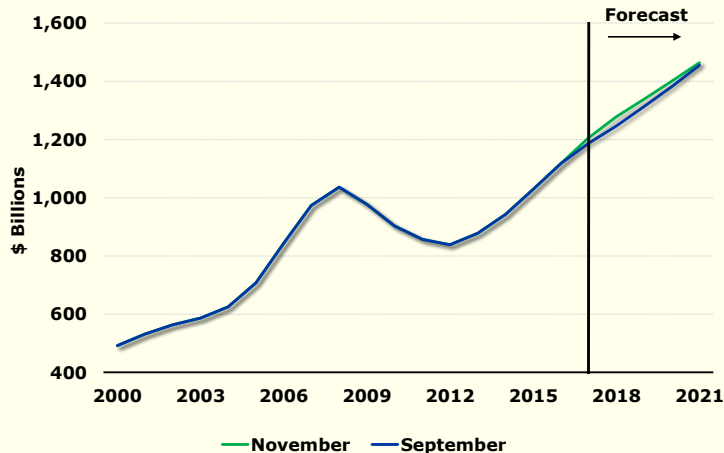
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Assessed value on existing properties increased between September, November forecasts

Since the Sept. forecast, most counties have reported actual assessed value data

Change in assessed value for 2018 property taxes = \$19.1 billion; results in an additional \$51.5 million in CY 2018



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Source: ERFC November 2017 forecast

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State property tax estimates

\$Millions

Property Tax Forecast

	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>
September	\$4,133	\$5,939	\$7,054
November	\$4,133	\$6,034	\$7,188
Difference	\$0	\$95	\$134

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* Detail may not add to total due to rounding
Source: ERFC November 2017 forecast

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Cannabis excise tax and license fee estimates

General Fund
change since
September
forecast:

•2017-19
+\$4.4 M

•2019-21
+\$2.5 M

\$Millions

November Forecast

	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>
GF-S share of excise tax and license fees	\$148	\$250	\$270
Non-GF	\$321	\$491	\$522
Total	\$469	\$741	\$792

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* Detail may not add to total due to rounding
Source: ERFC November 2017 forecast

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2017-19 Biennium alternative forecasts – cash basis

\$Millions	2017-19 Biennium	Difference From the baseline [#]
November 2017 Baseline (60%)	\$43,566	
<u>November 2017 Alternative Forecasts</u>		
Optimistic (15%)	\$45,003	\$1,438
Pessimistic (25%)	\$41,930	(\$1,636)
Probability Weighted Average	\$43,373	(\$193)
GCEA*	\$43,231	(\$335)

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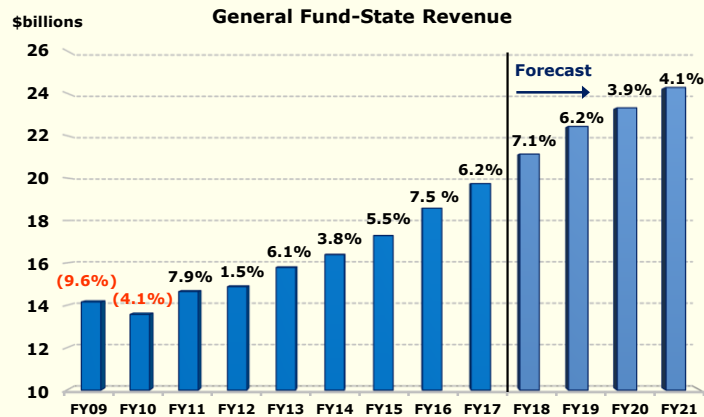
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*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

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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 current definition for FY 10-21
Source: ERFC forecast, November 2017

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Conclusion

- U.S. economic forecast is similar to September; WA personal income is slightly higher
- As has been the case for some time, Washington's economy is continuing to outperform the nation
- GF-S revenues grew 13.8% between the 2013-15 and 2015-17 biennia and are now expected to grow 13.7% 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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Economic & Revenue Forecast Council
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Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the November 2017 to the September 2017 Forecast

2017-19 Biennium

Millions of Dollars

	September 2017 <u>Forecast*</u>	Collection <u>Experience</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2017 <u>Forecast</u>	Total <u>Change</u> [#]
Department of Revenue	\$41,070.8	\$117.9	\$0.0	\$179.4	\$41,368.1	\$297.3
All other Agencies	\$2,190.9	\$1.2	\$0.0	\$5.6	\$2,197.8	\$6.8
Total General Fund-State	\$43,261.7	\$119.1	\$0.0	\$185.0	\$43,565.8	\$304.1

*Forecast for GF-S for the 2017-19 biennium adopted September 20, 2017

[#]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 November 2017 Preliminary Revenue Estimate to the September 2017 Forecast
2015-17 Biennium
Cash Forecast; Millions of Dollars

	September 2017 <u>Preliminary Estimate*</u>	November 2017 <u>Final Revenue</u>	Total <u>Change[#]</u>
General Fund-State	\$38,311.3	\$38,317.4	\$6.1
Education Legacy Trust Account	\$467.2	\$467.2	(\$0.0)
WA Opportunity Pathways Account	\$263.5	\$265.7	\$2.3
Total	\$39,041.9	\$39,050.3	\$8.4

*Estimate for the 2015-17 biennium adopted September 20, 2017

[#]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 November 2017 to the September 2017 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	September 2017 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2017 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$43,261.7	\$0.0	\$304.1	\$43,565.8	\$304.1
Education Legacy Trust Account	\$522.9	\$0.0	\$16.2	\$539.1	\$16.2
WA Opportunity Pathways Account	\$259.1	\$0.0	(\$1.8)	\$257.3	(\$1.8)
Total	\$44,043.8	\$0.0	\$318.5	\$44,362.3	\$318.5

*Forecast for the 2017-19 biennium adopted September 20, 2017

[#]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 November 2017 to the September 2017 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	September 2017 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2017 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$47,396.4	\$0.0	\$185.8	\$47,582.2	\$185.8
Education Legacy Trust Account	\$567.0	\$0.0	\$10.1	\$577.1	\$10.1
WA Opportunity Pathways Account	\$257.4	\$0.0	\$0.1	\$257.5	\$0.1
Total	\$48,220.8	\$0.0	\$195.9	\$48,416.7	\$195.9

*Forecast for the 2019-21 biennium adopted September 20, 2017

[#]Details may not add due to rounding

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

September 2012 through November 2017

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>
September 2012[#]	\$34,102	\$1,416				\$35,518
Changes to Forecast						
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
September 2016	327	8	334	0	334	37,765
November 2016	205	9	215	0	215	37,980
March 2017	210	38	247	0	247	38,227
June 2017	70	12	81	0 ^{#11}	81	38,308
September 2017	7	(4)	3	0	3	38,311
November 2017	0	6	6	0	6	38,317
Total change***:						
From September 2012	1,964	336	2,300	499	2,799	
Percent change	5.8	23.7	6.5	1.4	7.9	

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

February 2014 through November 2017

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>
February 2014^{##}	\$36,887	\$1,823				\$38,710
Changes to Forecast						
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	187	(53)	134	(8) ^{#10}	126	40,252
September 2016	135	(10)	125	0	125	40,377
November 2016	131	6	137	0	137	40,514
March 2017	281	22	303	0	303	40,817
June 2017	84	3	87	(1) ^{#11}	87	40,903
September 2017	269	11	279	2079 ^{#12}	2,359	43,262
November 2017	297	7	304	0	304	43,566
Total change***:						
From February 2014	2,239	139	2,378	2,478	4,856	
Percent change	6.1	7.6	6.1	6.4	12.5	

* 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

^{#11} Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

^{#12} Sum of legislative and budget driven revenue changes from 2017 special legislative sessions since the June 2017 forecast

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2017 Baseline Forecast

Source/Fiscal Year		Percentage Change		Personal Income
		Tax Base Adjusted*	Personal Income ¹	Elasticity**
I. Retail Sales				
	2000	8.0	8.3	1.0
	2001	2.8	3.9	0.7
	2002	(1.4)	1.4	(1.0)
	2003	2.1	3.1	0.7
	2004	4.6	4.8	1.0
	2005	7.9	5.7	1.4
	2006	10.1	8.3	1.2
	2007	7.9	8.2	1.0
	2008	2.7	8.4	0.3
	2009	(10.4)	(0.9)	11.0
	2010	(5.4)	(2.5)	2.1
	2011	1.8	4.7	0.4
	2012	4.1	6.9	0.6
	2013	6.7	5.6	1.2
	2014	5.8	4.1	1.4
	2015	8.1	7.7	1.0
	2016	8.4	4.9	1.7
	2017	6.3	5.1	1.2
	2018	4.4	4.9	0.9
	2019	3.9	5.1	0.8
	2020	3.8	5.3	0.7
	2021	3.7	5.3	0.7
Average 2000-2017:		3.5	4.6	0.8
II. Business & Occupation				
	2000	5.6	8.3	0.7
	2001	3.0	3.9	0.8
	2002	(3.5)	1.4	(2.5)
	2003	(1.6)	3.1	(0.5)
	2004	6.8	4.8	1.4
	2005	9.7	5.7	1.7
	2006	11.2	8.3	1.3
	2007	8.3	8.2	1.0
	2008	6.9	8.4	0.8
	2009	(8.8)	(0.9)	9.3
	2010	(2.9)	(2.5)	1.1
	2011	4.4	4.7	0.9
	2012	8.0	6.9	1.2
	2013	6.8	5.6	1.2
	2014	5.4	4.1	1.3
	2015	5.4	7.7	0.7
	2016	2.9	4.9	0.6
	2017	3.6	5.1	0.7
	2018	5.7	4.9	1.2
	2019	5.1	5.1	1.0
	2020	4.5	5.3	0.8
	2021	4.5	5.3	0.8
Average 2000-2017:		3.7	4.6	0.8

* Based on constant base taxable data.

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

¹ Income adjusted to exclude special dividend payment in fy 05.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2017 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
2000	14.4	8.3	1.7
2001	8.4	3.9	2.2
2002	(5.8)	1.4	(4.1)
2003	(1.4)	3.1	(0.4)
2004	5.6	4.8	1.2
2005	14.0	5.7	2.5
2006	2.3	8.3	0.3
2007	9.0	8.2	1.1
2008	2.1	8.4	0.2
2009	(13.0)	(0.9)	13.8
2010	(5.9)	(2.5)	2.3
2011	11.4	4.7	2.4
2012	1.9	6.9	0.3
2013	7.4	5.6	1.3
2014	9.7	4.1	2.4
2015	8.9	7.7	1.2
2016	2.0	4.9	0.4
2017	4.6	5.1	0.9
2018	2.0	4.9	0.4
2019	2.1	5.1	0.4
2020	3.8	5.3	0.7
2021	3.9	5.3	0.7
Average 2000-2017:	3.4	4.6	0.7

Total Revenue Act Receipts

November 2017 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Receipts [#]	Personal Income ¹	
Revenue Act 2000	7.4	8.3	0.9
2001	3.9	3.9	1.0
2002	(1.7)	1.4	(1.2)
2003	1.0	3.1	0.3
2004	4.8	4.8	1.0
2005	7.6	5.7	1.3
2006	10.6	8.3	1.3
2007	8.3	8.2	1.0
2008	4.2	8.4	0.5
2009	(9.5)	(0.9)	10.1
2010	(5.3)	(2.5)	2.1
2011	8.1	4.7	1.7
2012	1.3	6.9	0.2
2013	5.9	5.6	1.1
2014	4.6	4.1	1.1
2015	5.6	7.7	0.7
2016	8.5	4.9	1.7
2017	6.3	5.1	1.2
2018	5.1	4.9	1.1
2019	4.9	5.1	1.0
2020	4.6	5.3	0.9
2021	4.2	5.3	0.8
Average 2000-2017:	3.7	4.6	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.

¹ 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)

November 2017 - 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%
FY 2016	\$18,579	7.5%	\$215	3.6%	\$18,793	7.4%	\$139	15.7%	\$18,933	7.5%
FY 2017	\$19,739	6.2%	\$252	17.5%	\$19,991	6.4%	\$127	-9.0%	\$20,118	6.3%
Forecast:										
FY 2018	\$21,131	7.1%	\$259	2.6%	\$21,390	7.0%	\$130	2.6%	\$21,520	7.0%
FY 2019	\$22,435	6.2%	\$280	8.1%	\$22,715	6.2%	\$127	-1.9%	\$22,843	6.1%
FY 2020	\$23,310	3.9%	\$285	1.8%	\$23,596	3.9%	\$128	0.7%	\$23,724	3.9%
FY 2021	\$24,272	4.1%	\$292	2.4%	\$24,564	4.1%	\$129	0.7%	\$24,693	4.1%
Biennial Totals										
05-07 Biennium	\$29,785	17.3%	\$381	NA	\$30,166	18.8%	\$0	NA	\$30,166	18.8%
07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%	\$99	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%	\$244	145.2%	\$31,116	8.8%
13-15 Biennium	\$33,666	9.8%	\$405	88.0%	\$34,071	10.4%	\$234	-4.1%	\$34,305	10.2%
15-17 Biennium	\$38,317	13.8%	\$467	15.4%	\$38,785	13.8%	\$266	13.6%	\$39,050	13.8%
17-19 Biennium	\$43,566	13.7%	\$539	15.4%	\$44,105	13.7%	\$257	-3.2%	\$44,362	13.6%
19-21 Biennium	\$47,582	9.2%	\$577	7.0%	\$48,159	9.2%	\$257	0.1%	\$48,417	9.1%

*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 November 2017 and September 2017 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,087.0	\$0.0	\$0.0	\$1,087.0	\$0.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$366.2	\$0.0	\$0.0	\$366.2	\$0.0
Lottery Commission Lottery Revenue	\$31.9	\$0.0	(\$0.0)	\$31.9	(\$0.0)
State Treasurer Interest Earnings	\$22.0	\$0.0	\$0.0	\$22.0	\$0.0
Office of Financial Management Other Agencies	\$265.7	\$0.0	\$6.1	\$271.8	\$6.1
Administrative Office of the Courts Fines and Forfeitures	\$155.3	\$0.0	\$0.0	\$155.3	\$0.0
Total General Fund-State	\$1,928.2	\$0.0	\$6.1	\$1,934.3	\$6.1

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2017 and September 2017 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,087.0	\$0.0	\$0.0	\$1,087.0	\$0.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$366.2	\$0.0	\$0.0	\$366.2	\$0.0
Lottery Commission Lottery Revenue	\$48.7	\$0.0	\$0.0	\$48.7	\$0.0
State Treasurer Interest Earnings	\$21.8	\$0.0	\$0.0	\$21.8	\$0.0
Office of Financial Management Other Agencies	\$265.7	\$0.0	\$6.1	\$271.8	\$6.1
Administrative Office of the Courts Fines and Forfeitures	\$155.3	\$0.0	\$0.0	\$155.3	\$0.0
Total General Fund-State	\$1,944.7	\$0.0	\$6.1	\$1,950.9	\$6.1

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the November 2017 and September 2017 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,169.9	\$0.0	(\$3.1)	\$1,166.9	(\$3.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$496.1	\$0.0	\$2.5	\$498.6	\$2.5
Lottery Commission Lottery Revenue	\$34.8	\$0.0	\$6.8	\$41.6	\$6.8
State Treasurer Interest Earnings	\$25.4	\$0.0	\$0.1	\$25.5	\$0.1
Office of Financial Management Other Agencies	\$325.9	\$0.0	\$1.6	\$327.5	\$1.6
Administrative Office of the Courts Fines and Forfeitures	\$138.8	\$0.0	(\$1.1)	\$137.6	(\$1.1)
Total General Fund-State	\$2,190.9	\$0.0	\$6.8	\$2,197.8	\$6.8

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2017 and September 2017 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,169.9	\$0.0	(\$3.1)	\$1,166.9	(\$3.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$496.1	\$0.0	\$2.5	\$498.6	\$2.5
Lottery Commission Lottery Revenue	\$34.2	\$0.0	\$7.0	\$41.2	\$7.0
State Treasurer Interest Earnings	\$24.9	\$0.0	\$0.0	\$24.9	\$0.0
Office of Financial Management Other Agencies	\$325.9	\$0.0	\$1.6	\$327.5	\$1.6
Administrative Office of the Courts Fines and Forfeitures	\$138.8	\$0.0	(\$1.1)	\$137.6	(\$1.1)
Total General Fund-State	\$2,189.8	\$0.0	\$6.9	\$2,196.7	\$6.9

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the November 2017 and September 2017 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,278.6	\$0.0	(\$5.2)	\$1,273.4	(\$5.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$537.1	\$0.0	\$1.2	\$538.3	\$1.2
Lottery Commission Lottery Revenue	\$43.1	\$0.0	\$5.3	\$48.4	\$5.3
State Treasurer Interest Earnings	\$48.7	\$0.0	(\$0.1)	\$48.7	(\$0.1)
Office of Financial Management Other Agencies	\$163.9	\$0.0	(\$0.2)	\$163.7	(\$0.2)
Administrative Office of the Courts Fines and Forfeitures	\$140.7	\$0.0	(\$3.6)	\$137.1	(\$3.6)
Total General Fund-State	\$2,212.0	\$0.0	(\$2.5)	\$2,209.6	(\$2.5)

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2017 and September 2017 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	September 2017 Baseline	Non-Economic Changes	Economic Changes	November 2017 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,278.6	\$0.0	(\$5.2)	\$1,273.4	(\$5.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$537.1	\$0.0	\$1.2	\$538.3	\$1.2
Lottery Commission Lottery Revenue	\$43.5	\$0.0	\$4.8	\$48.3	\$4.8
State Treasurer Interest Earnings	\$49.5	\$0.0	\$0.0	\$49.5	\$0.0
Office of Financial Management Other Agencies	\$163.9	\$0.0	(\$0.2)	\$163.7	(\$0.2)
Administrative Office of the Courts Fines and Forfeitures	\$140.7	\$0.0	(\$3.6)	\$137.1	(\$3.6)
Total General Fund-State	\$2,213.3	\$0.0	(\$3.0)	\$2,210.3	(\$3.0)

* Detail may not total due to rounding.

Lottery Transfers by Fund

(cash basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account	Gambling Revolving Account
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	171.6	17.1	0.0	11.7	0.0	0.0	0.3	3.3	139.1	0.0	0.0	0.0
2017	159.7	14.8	0.0	12.2	0.0	0.0	0.3	4.8	126.6	0.0	0.0	1.0
2015-17 Biennium	331.2	31.9	0.0	23.8	0.0	0.0	0.7	8.0	265.7	0.0	0.0	1.0
2018	166.8	20.0	0.0	12.6	0.0	0.0	0.3	3.9	129.9	0.0	0.0	0.0
2019	166.4	21.5	0.0	13.1	0.0	0.0	0.3	4.0	127.5	0.0	0.0	0.0
2017-19 Biennium	333.3	41.6	0.0	25.8	0.0	0.0	0.7	7.9	257.3	0.0	0.0	0.0
2020	170.1	23.8	0.0	13.7	0.0	0.0	0.4	4.0	128.3	0.0	0.0	0.0
2021	172.3	24.6	0.0	14.2	0.0	0.0	0.4	4.0	129.2	0.0	0.0	0.0
2019-21 Biennium	342.5	48.4	0.0	27.9	0.0	0.0	0.7	8.0	257.5	0.0	0.0	0.0

* 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)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account	Gambling Revolving Account
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	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0	0.0
2017	161.9	16.8	0.0	12.2	0.0	0.0	0.3	4.9	126.8	0.0	0.0	1.0
2015-17 Biennium	337.4	48.7	0.0	23.8	0.0	0.0	0.7	7.7	255.5	0.0	0.0	1.0
2018	164.1	19.8	0.0	12.6	0.0	0.0	0.3	4.0	127.3	0.0	0.0	0.0
2019	167.5	21.4	0.0	13.1	0.0	0.0	0.3	4.0	128.7	0.0	0.0	0.0
2017-19 Biennium	331.6	41.2	0.0	25.8	0.0	0.0	0.7	8.0	255.9	0.0	0.0	0.0
2020	170.4	23.6	0.0	13.7	0.0	0.0	0.4	4.0	128.7	0.0	0.0	0.0
2021	172.5	24.6	0.0	14.2	0.0	0.0	0.4	4.0	129.3	0.0	0.0	0.0
2019-21 Biennium	342.9	48.3	0.0	27.9	0.0	0.0	0.7	8.0	258.0	0.0	0.0	0.0

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

Source: Lottery Commission, ERFC

November 2017Alternative Forecasts
Millions of Dollars

Cash Basis

2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the November 2017 Baseline</u>
November 2017 Baseline (60%)	\$43,566	
November 2017 Alternative Forecasts		
Optimistic (15%)	\$45,003	\$1,438
Pessimistic (25%)	\$41,930	(\$1,636)
Probability Weighted Average	\$43,373	(\$193)
GCEA*	\$43,231	(\$335)

2019-21 Biennium

	<u>2019-21 Biennium</u>	<u>Difference From the November 2017 Baseline</u>
November 2017 Baseline (60%)	\$47,582	
November 2017 Alternative Forecasts		
Optimistic (15%)	\$51,168	\$3,586
Pessimistic (25%)	\$43,742	(\$3,840)
Probability Weighted Average	\$47,160	(\$422)
GCEA*	\$46,917	(\$665)

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

U.S. Forecast Comparison

	2017Q3	2017Q4	2018Q1	2018Q2
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Real GDP (Billions of 2009 Dollars)

November Forecast	17,157	17,265	17,369	17,474
Percent Change	3.0%	2.5%	2.4%	2.4%
September Forecast	17,139	17,243	17,343	17,446
Percent Change	2.6%	2.5%	2.3%	2.4%

Real Consumption (Billions of 2009 Dollars)

November Forecast	11,922	12,002	12,073	12,148
Percent Change	2.4%	2.7%	2.4%	2.5%
September Forecast	11,919	11,992	12,067	12,141
Percent Change	2.2%	2.5%	2.5%	2.5%

PCE Price Index (2009=100)

November Forecast	112.7	113.4	114.0	114.4
Percent Change	1.5%	2.4%	2.1%	1.5%
September Forecast	112.8	113.3	113.7	114.2
Percent Change	1.9%	1.9%	1.4%	1.6%

Real Personal Income (Billions of 2009 Dollars)

November Forecast	14,622	14,646	14,721	14,806
Percent Change	1.3%	0.7%	2.1%	2.3%
September Forecast	14,604	14,657	14,774	14,864
Percent Change	0.8%	1.5%	3.2%	2.5%

Nonfarm Payroll Employment (Millions)

November Forecast	146.7	147.2	147.6	148.0
Percent Change	1.3%	1.4%	1.1%	1.2%
September Forecast	146.8	147.2	147.6	148.1
Percent Change	1.6%	1.2%	1.1%	1.2%

Unemployment Rate (Percent of Labor Force)

November Forecast	4.3	4.2	4.0	4.0
September Forecast	4.3	4.3	4.3	4.3

30 Year Fixed Mortgage Rate (Percent, average)

November Forecast	3.9	4.1	4.2	4.4
September Forecast	3.9	4.1	4.6	4.9

3 Month T-Bill Rate (Percent, average)

November Forecast	1.0	1.1	1.3	1.3
September Forecast	1.1	1.2	1.4	1.5

2015	2016	2017	2018	2019	2020	2021
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16,472	16,716	17,089	17,518	17,886	18,262	18,627
2.9%	1.5%	2.2%	2.5%	2.1%	2.1%	2.0%
16,472	16,716	17,079	17,493	17,860	18,217	18,582
2.9%	1.5%	2.2%	2.4%	2.1%	2.0%	2.0%

11,264	11,572	11,884	12,182	12,450	12,699	12,953
3.6%	2.7%	2.7%	2.5%	2.2%	2.0%	2.0%
11,264	11,572	11,881	12,173	12,453	12,727	12,994
3.6%	2.7%	2.7%	2.5%	2.3%	2.2%	2.1%

109.5	110.8	112.6	114.7	116.7	119.0	121.4
0.3%	1.2%	1.7%	1.8%	1.8%	2.0%	2.0%
109.5	110.8	112.6	114.4	116.3	118.5	120.9
0.3%	1.2%	1.7%	1.5%	1.7%	1.9%	2.0%

14,206	14,377	14,581	14,856	15,273	15,666	16,069
4.6%	1.2%	1.4%	1.9%	2.8%	2.6%	2.6%
14,206	14,377	14,579	14,921	15,376	15,814	16,194
4.6%	1.2%	1.4%	2.3%	3.0%	2.8%	2.4%

141.8	144.3	146.4	148.2	149.5	150.6	151.3
2.1%	1.8%	1.5%	1.2%	0.9%	0.7%	0.5%
141.8	144.3	146.5	148.3	149.7	150.9	151.8
2.1%	1.8%	1.5%	1.2%	1.0%	0.8%	0.6%

5.3	4.9	4.4	4.0	4.1	4.2	4.2
5.3	4.9	4.4	4.3	4.3	4.3	4.3

3.9	3.6	4.0	4.4	4.9	5.1	5.1
3.9	3.6	4.1	5.0	5.8	6.0	6.0

0.1	0.3	0.9	1.5	2.1	2.6	2.9
0.1	0.3	0.9	1.6	2.5	2.9	2.8

Washington Forecast Comparison

	2017Q3	2017Q4	2018Q1	2018Q2
Real Personal Income (Billions of 2009 Dollars)				
November Forecast	373.9	375.6	378.4	381.3
Percent Change	2.8%	1.8%	3.0%	3.1%
September Forecast	366.2	367.8	371.2	374.1
Percent Change	1.0%	1.7%	3.9%	3.1%
Personal Income (Billions of Dollars)				
November Forecast	421.3	425.8	431.2	436.1
Percent Change	4.3%	4.3%	5.2%	4.6%
September Forecast	413.0	416.7	422.1	427.1
Percent Change	2.9%	3.7%	5.3%	4.8%
Nonfarm Payroll Employment (Thousands)				
November Forecast	3351	3376	3394	3411
Percent Change	2.8%	2.9%	2.2%	2.0%
September Forecast	3345	3363	3381	3398
Percent Change	2.2%	2.1%	2.1%	2.1%
Unemployment Rate (Percent of Labor Force)				
November Forecast	4.6	4.5	4.3	4.3
September Forecast	4.5	4.4	4.4	4.4
Manufacturing Employment (Thousands)				
November Forecast	285.0	285.0	286.0	289.3
Percent Change	0.3%	0.0%	1.5%	4.6%
September Forecast	284.0	283.6	284.4	286.1
Percent Change	-0.8%	-0.6%	1.2%	2.4%
Construction Employment (Thousands)				
November Forecast	201.7	204.8	206.4	206.1
Percent Change	0.2%	6.3%	3.1%	-0.4%
September Forecast	201.4	204.0	206.0	206.3
Percent Change	0.9%	5.3%	4.1%	0.5%
Housing Permits (Thousands)				
November Forecast	43.9	43.9	42.2	41.9
Percent Change	-0.2%	0.1%	-14.4%	-2.8%
September Forecast	43.6	43.9	44.3	43.7
Percent Change	-2.9%	2.9%	4.2%	-5.7%

	2015	2016	2017	2018	2019	2020	2021
November Forecast	347.0	359.0	372.4	382.9	396.5	409.2	422.1
Percent Change	5.5%	3.5%	3.7%	2.8%	3.6%	3.2%	3.1%
September Forecast	339.9	351.1	365.4	375.9	390.0	403.5	415.5
Percent Change	4.3%	3.3%	4.1%	2.9%	3.7%	3.5%	3.0%
November Forecast	380.0	397.8	419.5	439.0	462.6	487.0	512.6
Percent Change	5.8%	4.7%	5.5%	4.7%	5.4%	5.3%	5.3%
September Forecast	372.1	389.0	411.6	430.0	453.8	478.4	502.2
Percent Change	4.6%	4.5%	5.8%	4.5%	5.5%	5.4%	5.0%
November Forecast	3146	3242	3340	3419	3477	3525	3561
Percent Change	2.9%	3.1%	3.0%	2.4%	1.7%	1.4%	1.0%
September Forecast	3146	3242	3335	3405	3461	3509	3547
Percent Change	2.9%	3.1%	2.9%	2.1%	1.6%	1.4%	1.1%
November Forecast	5.6	5.4	4.6	4.2	4.2	4.2	4.2
September Forecast	5.6	5.4	4.6	4.4	4.4	4.3	4.3
November Forecast	291.8	289.9	285.1	289.5	293.5	296.7	301.1
Percent Change	1.1%	-0.7%	-1.6%	1.5%	1.4%	1.1%	1.5%
September Forecast	291.8	289.9	284.5	286.3	290.7	294.9	298.5
Percent Change	1.1%	-0.7%	-1.8%	0.6%	1.5%	1.4%	1.2%
November Forecast	173.3	186.5	201.5	206.1	207.2	208.7	209.3
Percent Change	8.5%	7.6%	8.0%	2.3%	0.5%	0.8%	0.3%
September Forecast	173.3	186.5	201.0	206.5	208.3	209.4	209.6
Percent Change	8.5%	7.6%	7.8%	2.7%	0.9%	0.5%	0.1%
November Forecast	40.4	44.1	43.1	41.8	42.2	42.7	42.3
Percent Change	19.1%	9.2%	-2.2%	-3.1%	1.0%	1.2%	-1.0%
September Forecast	40.4	44.1	43.0	43.4	41.9	42.1	42.0
Percent Change	19.1%	9.2%	-2.4%	0.8%	-3.4%	0.5%	-0.2%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2017	2018	2019	2020	2021
<u>U.S.</u>					
Real GDP					
<i>Growth</i>					
ERFC	2.2	2.5	2.1	2.1	2.0
GCEA Average	2.2	2.2	2.0	1.9	1.9
Real Consumption					
<i>Growth</i>					
ERFC	2.7	2.5	2.2	2.0	2.0
GCEA Average	2.6	2.2	2.0	2.0	2.0
PCE Price Index, %Ch					
<i>Growth</i>					
ERFC	1.7	1.8	1.8	2.0	2.0
GCEA Average	1.7	1.9	2.0	2.0	2.0
Mortgage Rate					
<i>Percent</i>					
ERFC	4.0	4.4	4.9	5.1	5.1
GCEA Average	4.1	4.7	5.1	5.4	5.7
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	54.8	62.5	59.9	58.4	57.8
GCEA Average	53.2	55.8	55.5	55.6	56.1

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	3.7	2.8	3.6	3.2	3.1
GCEA Average	3.6	2.9	3.0	2.7	2.8

Wage and Salary Employment

<i>Growth</i>					
ERFC	3.0	2.4	1.7	1.4	1.0
GCEA Average	2.7	1.9	1.3	1.2	1.1

Manufacturing Employment

<i>Growth</i>					
ERFC	-1.6	1.5	1.4	1.1	1.5
GCEA Average	-1.8	-0.3	0.1	0.2	0.7

Construction Employment

<i>Growth</i>					
ERFC	8.0	2.3	0.5	0.8	0.3
GCEA Average	5.8	1.6	1.0	0.9	-0.1

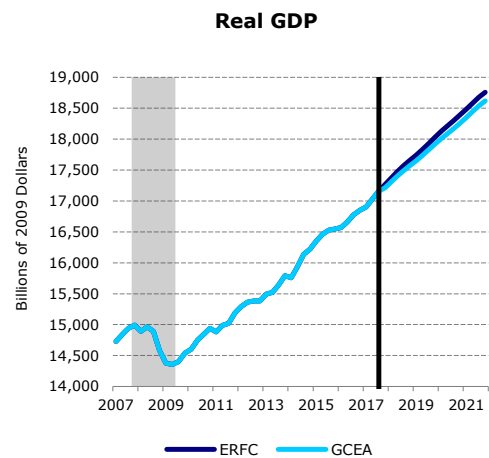
Housing Permits

<i>Thousands of authorized units</i>					
ERFC	43.1	41.8	42.2	42.7	42.3
GCEA Average	43.1	43.1	43.0	43.8	43.6

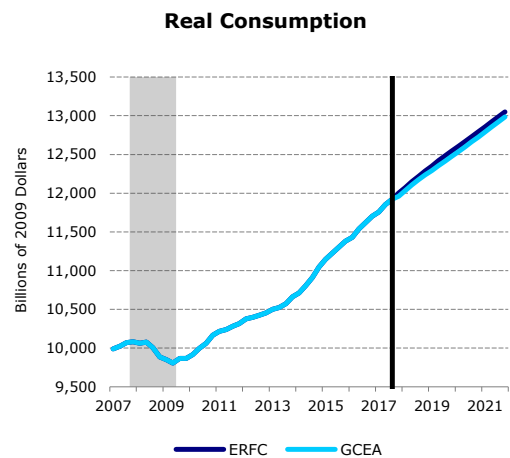
Washington Average Annual Wage

<i>Growth</i>					
ERFC	4.8	2.6	3.4	3.4	3.7
GCEA Average	3.7	2.9	3.3	3.4	3.4

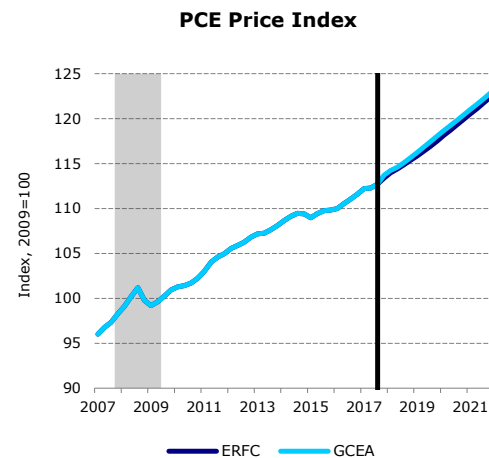
U.S. Forecast Comparison



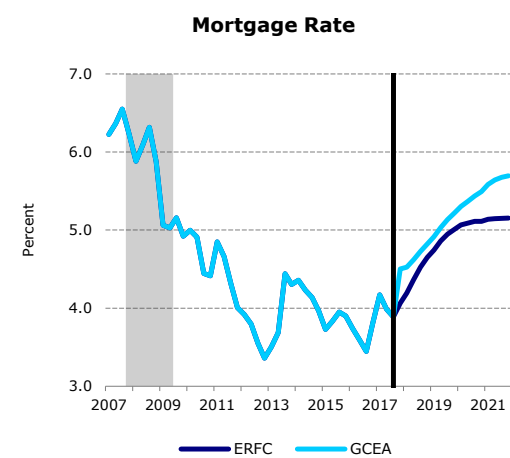
Source: BEA, ERFC, GCEA; data through 2017 Q3



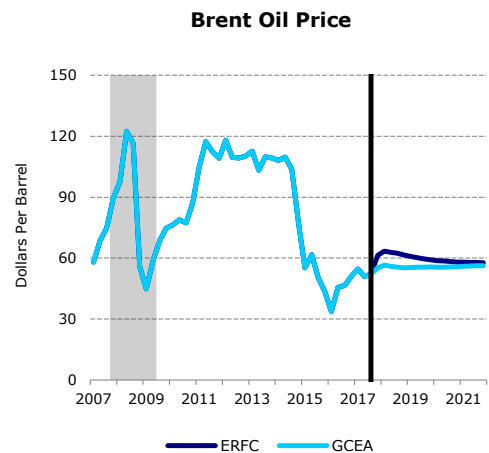
Source: BEA, ERFC, GCEA; data through 2017 Q3



Source: BEA, ERFC, GCEA; data through 2017 Q3



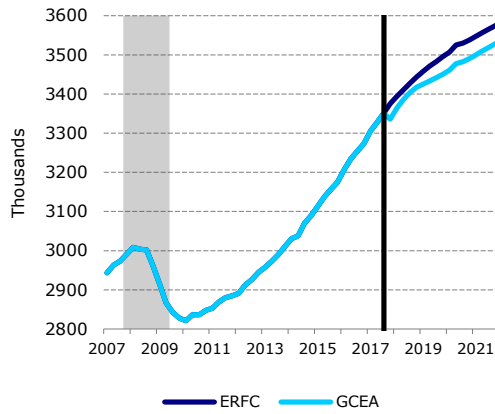
Source: Freddie Mac, ERFC, GCEA; data through 2017 Q3



Source: EIA, ERFC, GCEA; data through 2017 Q3

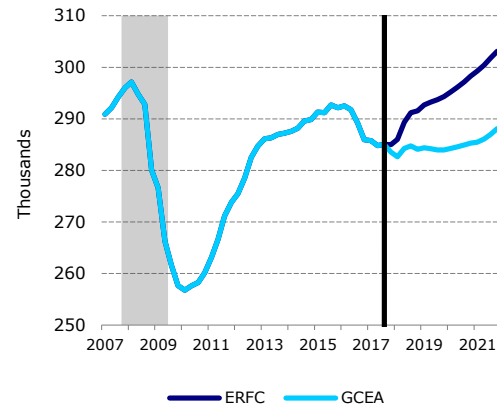
Washington Forecast Comparison

Nonfarm Payroll Employment



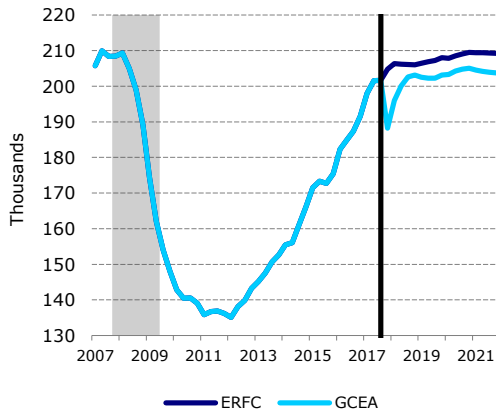
Source: ESD, ERFC, GCEA; data through 2017 Q3

Manufacturing Employment



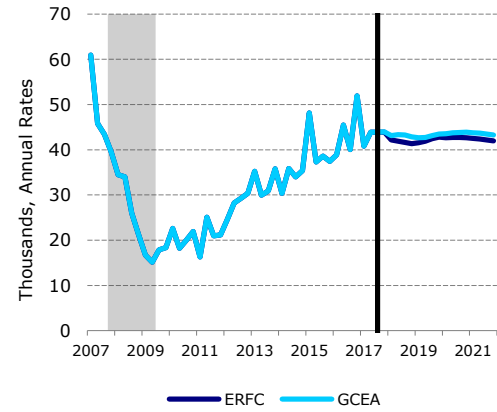
Source: ESD, ERFC, GCEA; data through 2017 Q3

Construction Employment



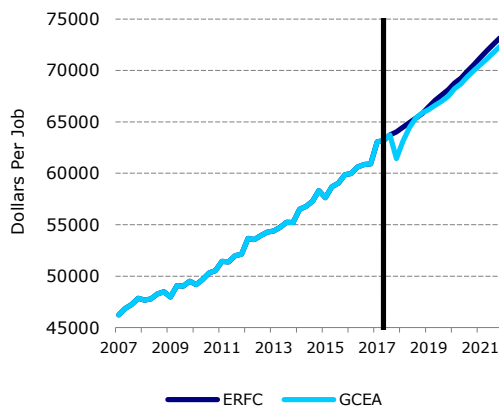
Source: ESD, ERFC, GCEA; data through 2017 Q3

Housing Units Authorized



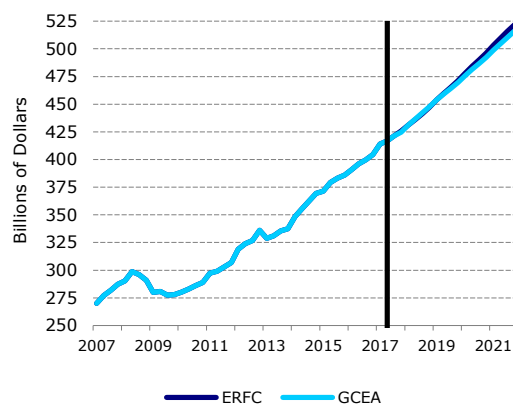
Source: Census, ERFC, GCEA; data through 2017 Q3

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2017 Q2

Personal Income



Source: BEA, ERFC, GCEA; data through 2017 Q2

2015-17 with Enacted Supplementals and 2017-19 Budget Balance Sheet

General Fund-State (GFS), Education Legacy Trust Account (ELTA), Washington Opportunity Pathways Account (OPA)
and Budget Stabilization Account (BSA)
Dollars in Millions

	2015-17			2017-19		
	GFS	ELTA and OPA	TOTAL	GFS	ELTA and OPA	TOTAL
RESOURCES						
Beginning Fund Balance	990.9	20.3	1,011.2	737.1	47.5	784.6
September 2017 Revenue Forecast	38,311.3	730.7	39,041.9	43,261.7	782.1	44,043.8
November 2017 Revenue Forecast change	6.1	2.3	8.4	304.1	14.4	318.5
Current Revenue Totals	38,317.4	732.9	39,050.3	43,565.8	796.5	44,362.3
Transfer to Budget Stabilization Account (1% of GSR)	(383.2)		(383.2)	(431.9)		(431.9)
Transfer to Budget Stabilization Account (EORG)	(925.2)		(925.2)	(1,095.9)		(1,095.9)
Transfer from BSA (EORG)				1,078.0		1,078.0
CAFR Adjustment-	(8.3)	(10.0)	(18.3)	-	-	-
Enacted Fund Transfers	167.7		167.7	74.1	254.0	328.1
Actual/Assumed Prior Period Adjustments-	87.6		87.6	40.8		40.8
Total Resources (including beginning fund balance)	38,246.9	743.2	38,990.2	43,968.1	1,098.0	45,066.1
EXPENDITURES						
Enacted Budgets						
2015-17 Biennium	37,788.8	699.1	38,487.8			
2017-19 Biennium	-	-	-	42,659.6	1,048.8	43,708.4
Actual/Assumed Reversions-	(278.9)	(3.4)	(282.3)	(216.9)	-	(216.9)
Total Expenditures	37,509.9	695.7	38,205.6	42,442.8	1,048.8	43,491.5
RESERVES						
Projected Ending Balance (GFS + ELTA + OPA)	737.1	47.5	784.6	1,525.3	49.3	1,574.6
Budget Stabilization Account						
Budget Stabilization Account Beginning Balance	513.1		513.1	1,638.3		1,638.3
Plus Transfers from General Fund, Interest Earnings and Adjust	1,315.8		1,315.8	1,566.1		1,566.1
Less 2016 Appropriations and Reversions From BSA: Fires	(152.5)		(152.5)	-		-
Less 2017 Supplemental Appropriations and reversions	(38.1)		(38.1)	-		-
Less 17-19 Appropriations				(944.2)		(944.2)
Less Transfers out to GFS (EORG)	-		-	(1,078.0)		(1,078.0)
Projected Budget Stabilization Account Ending Balance	1,638.3		1,638.3	1,182.3		1,182.3
Total Reserves (Near General Fund plus Budget Stabilization)	2,375.4	47.5	2,422.9	2,707.6	49.3	2,756.9

Acronyms

GSR- General State Revenues
EORG- Extraordinary General State Revenues
CAFR- Comprehensive Annual Financial Report