

**EMBARGOED**

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Revenue Review Meeting

February 15, 2018



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **REVENUE REVIEW MEETING**

February 15, 2018  
10:00 a.m.

- Call to order
- Approval meeting minutes from January 23, 2018
- Economic & Revenue Forecast
- Adoption of the Official Forecast

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

**Meeting Minutes**  
**Budget Outlook Methodology & Adoption**

January 23, 2018  
John A. Cherberg, Hearing Room 3

**Economic and Revenue Forecast Council**

Christine Rolfes, Senate, Chair  
John Braun, Senate  
Terry Nealey, House of Representatives  
Timm Ormsby, House of Representatives  
Duane Davidson, Treasurer  
Vikki Smith, Department of Revenue  
David Schumacher, Office of Financial Management

*Staff*

Steve Lerch, Executive Director  
*Budget Outlook Work Group*  
*representatives:*  
Amanda Cecil, Senate  
Andy Toulon, House  
Pam Davidson, OFM

**Call to Order**

Senator Rolfes called the meeting to order at 10:04 a.m.

**Approval of the Minutes**

Director Schumacher moved, seconded by Director Smith, to adopt the meeting minutes from November 20, 2017. Motion passed unanimously at 10:04 a.m.

**Presentation on Resource Criteria**

Andy Toulon, Amanda Cecil, and Pam Davidson reviewed criteria adopted in November 2014 and the Work Group's determination that the Governor's proposed carbon bill does not fit within previously adopted criteria. Discussion ensued regarding the criteria, the intent of the legislation, and identifying the need for a future agenda item on comprehensive outlook guidelines.

**Motion**

Senator Braun, seconded by Representative Ormsby, moved that the resource criteria should not be changed at this time but that the budget outlook being considered at this meeting should include the \$1.5 billion revenue transfer from a carbon tax in the ensuing biennium as proposed by the Governor. With five affirmative votes and dissenting votes from Representative Nealey and Treasurer Davidson, the motion passes at 10:20 a.m.

**Presentation on Budget Outlook**

Amanda Cecil, Andy Toulon, and Pam Davidson provided an overview of the methodology for the state budget outlook.

**Motion to Adopt the Budget Outlook**

Director Schumacher moved, seconded by Director Smith to adopt the outlook on the Governor's proposed budget including carbon tax transfers in the ensuing biennium. Motion passed at 10:27 a.m. with five affirmative votes and dissenting votes from Representative Nealey and Treasurer Davidson. The Budget Outlook is adopted.

**Adjournment**

Meeting adjourned at 10:27 a.m.

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



**Economic & Revenue Review: February 15, 2018**

**Executive Summary**

**United States**

- The final U.S. economic forecast is based on the February IHS Markit (formerly Global Insight) and January Blue Chip consensus forecasts. The economic forecast incorporates the impacts of the federal Tax Cut and Jobs Act, which were not included in the November forecast. The economic forecast assumes the Federal Reserve will increase interest rates four times in 2018.
- The January Blue Chip forecast of real GDP growth is slightly higher in 2018 and 2019 compared to November. Real GDP growth for 2018 was increased from 2.5% to 2.7% and 2019 growth was increased from 2.1% to 2.4%. Growth for 2020 and 2021 remained unchanged at 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 February 2, 2018 closing prices for Brent and WTI futures. The latest futures prices are higher than the prices used in the November forecast but decline more rapidly. The refiner acquisition price of crude oil in the second quarter of 2018 is now expected to average \$64 per barrel compared to \$58 in the November forecast. As in November, the price is expected to decline to \$52 per barrel by the end of 2021.
- The U.S. economy gained 200,000 net new jobs in January. Employment data for November and December were revised down by 24,000 jobs. Sectors with notable employment gains in January included construction (+36,000), accommodation and food services (+33,000), health care (+21,000), manufacturing (+15,000), retail trade (+15,000) and transportation and warehousing (+11,000). Industries with net employment declines in January included state government (-11,000), accounting and bookkeeping services (-10,000), performing arts and spectator sports (-4,000), telecommunication (-3,000), and commercial banking (-3,000).
- Two key measures of consumer confidence remain at levels suggesting consumer sentiment remains strong. The University of Michigan index of consumer sentiment was largely unchanged, falling by 0.2 points in January to 95.7. The Conference Board index of consumer confidence increased by 2.3 points in January to 125.4. Compared to December, survey respondents were more optimistic about business and job prospects in the coming months but their assessment of current conditions decreased slightly.
- Although U.S. housing starts and sales weakened this month, 2017 as a whole saw more residential construction and sales than 2016. Housing units authorized by building permits in December were 0.1% (SA) below their November level but total 2017 building permits increased by 4.7% compared

to 2016. December housing starts decreased by 8.2% (SA) compared to November but total 2017 starts were 2.4% above their 2016 level. Existing home sales in December slipped 3.6% (SA) compared to November but total 2017 sales increased by 1.1% compared to 2016. After very strong November sales, new single-family home sales decreased by 9.2% in December. However, 608,000 new homes were sold in 2017, which is 8.3% above 2016 sales. The seasonally adjusted Case-Shiller national home price index for November was 0.7% above its September level and 6.2% above its year-ago level.

- Major threats to the U.S. and Washington economies remain, including international trade and fiscal policy concerns, stock market volatility and slow growth in labor productivity.

## Washington

- We have three months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 16,800 (seasonally adjusted) in November, December, and January, which was 2,800 less than the 19,600 expected in the November forecast. Private, service-providing sectors accounted for most of the job growth by adding 15,200 net new jobs. The manufacturing sector added 800 jobs and construction added 1,700 jobs. Government employment increased by 2,000 in November, December, and January.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in October 2017 by 10,300 jobs (0.3%). The downward revision to history combined with the lower than expected growth since October results in 13,100 (0.4%) fewer jobs in January 2018 than expected in the November forecast.
- Washington's unemployment rate inched up to 4.5% in December from 4.4% in November. November's 4.4% rate was the lowest in the series that extends back to 1976. A year earlier, in December 2016, the Washington unemployment rate stood at 5.1%.
- In December, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the third quarter of 2017. According to these estimates, Washington personal income rose to \$418.3 billion (SAAR) in the third quarter of 2017 from \$414.1.0 billion in the second quarter. The reported 4.1% growth rate (SAAR) in Washington personal income was the highest among the states and District of Columbia and exceeded the 2.7% growth rate for the U.S. by a large margin. Over the year, Washington personal income grew 4.6%, which was also highest among the states and DC and easily surpassed the 2.6% rate for the U.S. as a whole.
- Washington housing construction in the fourth quarter was stronger than expected in the November forecast because of very strong multi-family activity. Of the 7,800 variance in total units (SAAR), 7,500 was due to stronger-than-expected multi-family construction and only 300 to stronger-than-expected single-family construction. In October, November, and December, 51,700 units (SAAR) were permitted of which 24,500 were single family and 27,200 were multi-family. The November forecast assumed an



average rate of 43,900 units for the fourth quarter as a whole (SAAR) consisting of 24,200 single-family units and 19,700 multi-family units.

- According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 0.9% in November compared to 0.7% in the Composite-20 index. Over the last three months, the local rate has slightly trailed the large-city average suggesting that Seattle home price appreciation may finally be cooling. However, the over-the-year growth was 12.7% in Seattle, which was still nearly double the 6.4% increase in the Composite-20 index. Seattle home prices are now up 76% since the December 2011 trough and now exceed the May 2007 peak by 22%.
- Seattle area consumer price inflation remains above the national average. Over the last year, from December 2016 to December 2017, consumer prices in the Seattle area rose 3.5% compared to 2.1% for the U.S. city average. Core prices, which exclude food and energy, were up 3.2% in Seattle compared to 1.8% for the nation. The higher Seattle inflation is largely due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 5.5% compared to 3.2% for the nation. Excluding shelter, Seattle inflation was still above the national average at 2.3% compared to 1.6%.
- The Institute of Supply Management – Western Washington Index (ISM-WW) declined in January but remained in positive territory. The index, which measures conditions in the manufacturing sector, decreased from 65.8 in December to 60.8 in January (index values above 50 indicate growth while values below 50 indicate contraction). The production, orders, employment, and inventory components all indicated expansion. Only the deliveries component was below 50 in January.
- Washington car and truck sales declined for the second consecutive month in January after five consecutive monthly increases. Seasonally adjusted new vehicle registrations decreased 4.9% in December and 5.9% in January to 300,800 units (SAAR) from a post-recession high of 336,200 in November. Car and truck sales are down 0.2% compared to January 2017.
- For the first time in nearly three years, Washington exports were up over the year. Exports increased 0.6% in the fourth quarter of 2017 compared to the fourth quarter of 2016. The last year-over-year increase was in the first quarter of 2015. Transportation equipment exports (mostly Boeing planes) edged up 0.8%, which was the first over-the-year increase since the second quarter of 2015. Exports of agricultural products fell 9.3% over the year but exports of all other commodities (mostly manufacturing) increased 6.8% over the year.
- Washington employment is expected to grow 2.2% this year, which is slightly lower than the 2.4% expected in the November forecast. As in November, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.6% per year in 2019 through 2021, which is slightly more than the 1.4% average rate in the November forecast. Our forecast for nominal personal income growth this year is 5.0%, up from 4.7% in the November forecast. Our new forecast for nominal personal income growth in 2019 through 2021 averages 5.3% per year which is the same rate as expected in the November forecast.

## Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from November 11, 2017 through February 10, 2018 were \$185 million (3.5%) higher than forecasted in November.
- Cumulative real estate excise taxes (REET) came in \$44 million (21.1%) higher than forecasted. Large commercial sales continue to occur above forecasted levels. Residential sales have also been stronger than forecasted. Because of this strength, forecasted REET receipts have been increased by \$136 million in the current biennium and \$87 million in the 2019-21 biennium.
- 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 \$132 million (3.3%) higher than forecasted. While \$42 million of the surplus came from net one-time large payments of past-due taxes, the remainder of the surplus signaled stronger-than-expected 4<sup>th</sup> quarter 2017 activity. Due to the strong recent activity and the changes to the state economic forecast, projected Revenue Act receipts were increased by \$323 million in the current biennium and \$315 million in the 2019-21 biennium.
- Forecasted property tax receipts are also higher due to a revision of the assessed value of taxable property for the 2018 levy after the November forecast. Though the final value was only 3% higher than expected in November, the change largely contributed to a \$147 million increase in the current biennium and a \$228 million increase in the 2019-21 biennium.
- Combined with forecast changes in other revenue sources, the total GF-S forecast increase for the current biennium is \$647 million. The increase for the 2019-21 biennium is \$671 million.
- Forecasted revenue for the 2017-19 biennium is now \$44.213 billion, 15.4% more than that of the 2015-17 biennium. Forecasted GF-S revenue for the 2019-21 biennium is now \$48.253 billion, 9.1% higher than expected 2017-19 biennial revenue.
- The initial forecast of GF-S revenue for the 2021-23 biennium is \$51.932 billion, an increase of 7.6% over that of the 2019-21 biennium.

# Revenue Review

Presented to  
The Economic & Revenue Forecast Council

Steve Lerch  
Executive Director

February 15, 2018  
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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## Summary

- The forecast now extends through 2023
- The economic forecast for the U.S. is slightly stronger than in November
- The economic forecast for WA has slightly higher personal income than in November
- Federal tax changes have increased after-tax income
- Risks to the baseline include stock market volatility and concerns about international trade and fiscal policy
- The revenue collection variance since the November forecast is \$185 million
- GF-S revenue for the 2017-19 biennium has been increased by \$647 million, and revenue for the 2019-21 biennium has been increased by \$671 million.

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## Forecast risks

### Upside

- Elevated consumer, business confidence could translate into stronger growth
- Stronger global economic growth

### Downside

- International trade and fiscal policy uncertainty
- Stock market volatility could lead to slower household spending
- Federal Reserve raises rates too much or too quickly
- Geopolitical risks: North Korea, Russia, Middle East

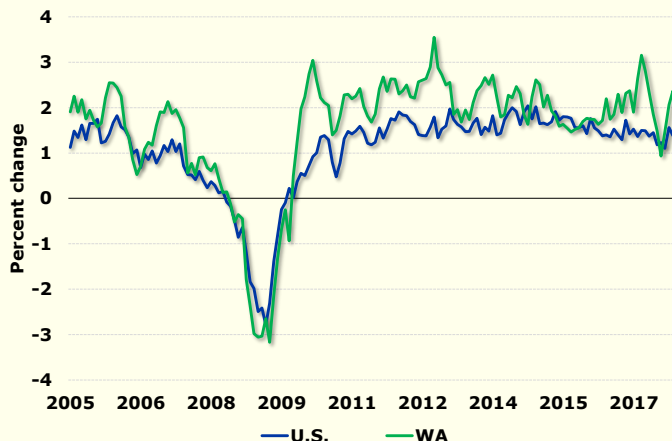
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## Leading economic indexes for U.S., WA suggest continued growth over at least the next six months



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Source: Federal Reserve Bank of Philadelphia, data through December 2017

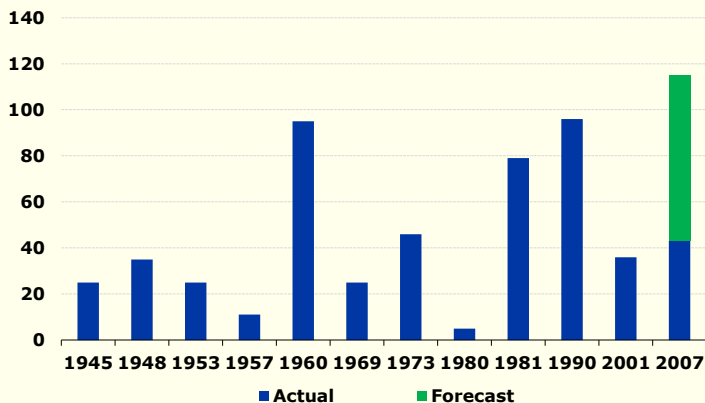
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## This recovery is forecasted to be the longest on record

Months of Recovery After Reaching Previous Peak in Employment



GCEA members were asked the probability of recession by 2023.

Average probability of those who responded = 88%

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Source: BLS; ERFC February 2018 forecast

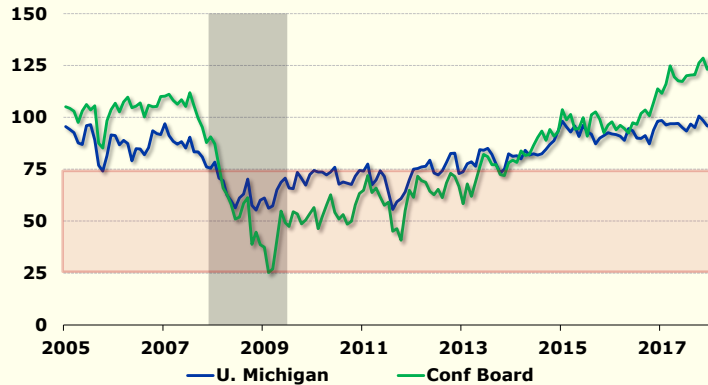
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## Consumer confidence is at or above pre-recession levels

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



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Sources: University of Michigan, Conference Board; data through January 2018

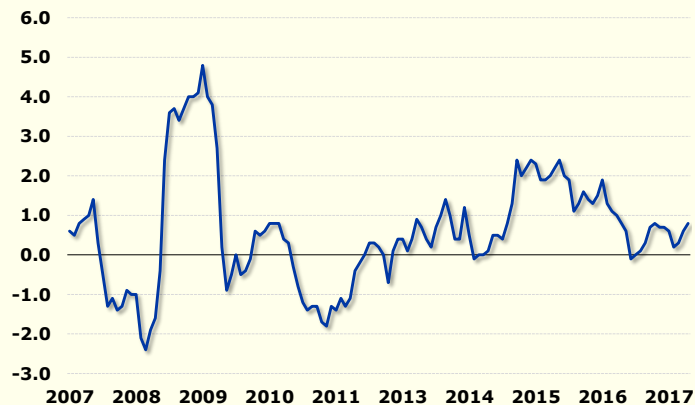
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## Adjusted for inflation, hourly wage growth remains muted

Year-over-year growth in U.S. real average hourly wages



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Source: U.S. Bureau of Labor Statistics, monthly data through January 2018

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## After an extended period of rising prices, the stock market has become volatile recently

S&P 500, weekly prices



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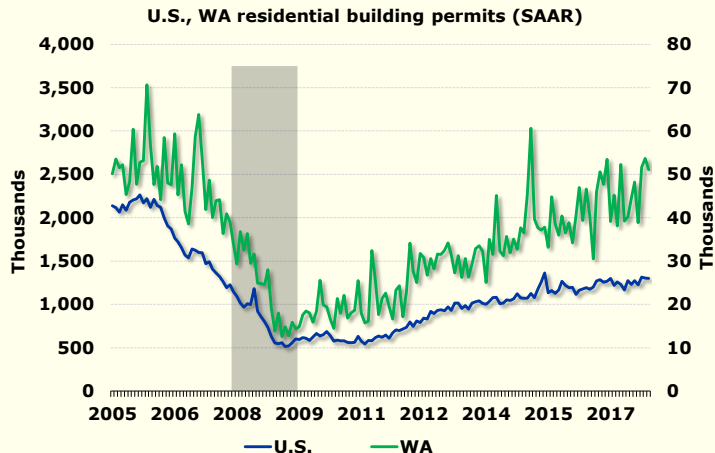
Source: Yahoo Finance, data through Feb. 13, 2018

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## U.S. residential construction remains below pre-recession levels



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Source: U.S. Census Bureau, ERFC; data through December 2017

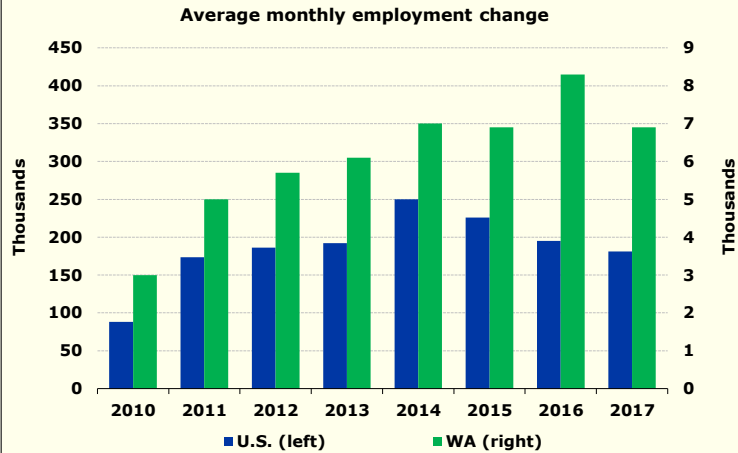
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## Pace of job creation has slowed somewhat nationally but remains strong in WA



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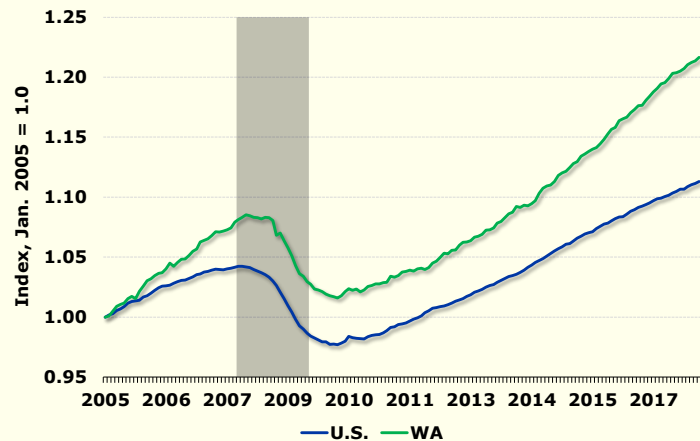
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Source: Bureau of Labor Statistics, ERFC; data through Dec. 2017

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## WA employment has grown much faster than for the U.S. as a whole



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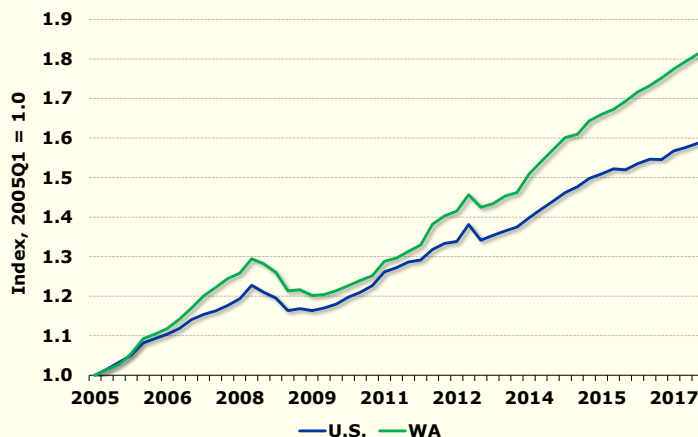
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Source: U.S. Bureau of Labor Statistics, Employment Security Dept., ERFC; data through Jan. 2018

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## WA personal income growth continues to outpace the U.S.



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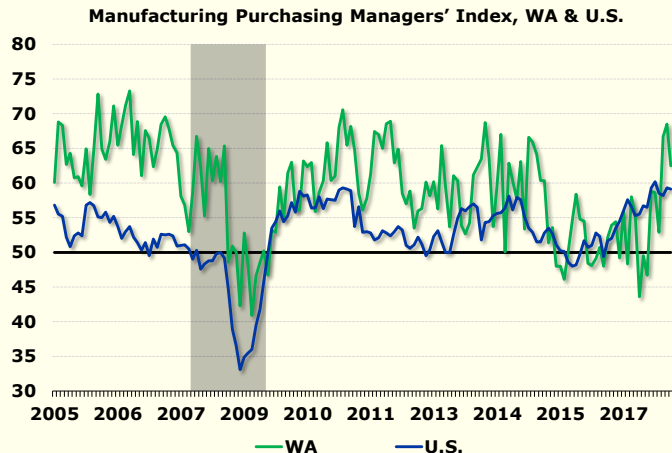
Source: U.S. Bureau of Economic Analysis; data through 2017 Q3

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## Manufacturing activity continues to expand nationally and in WA

Index values below 50 indicate contraction in manufacturing activity, values above 50 indicate expansion



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Source: Institute of Supply Management; data through January 2018

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## WA exports have slowed, but exports to China, Canada have improved in 2017

Total exports declined 3.2% in 2017 and 7.9% in 2016



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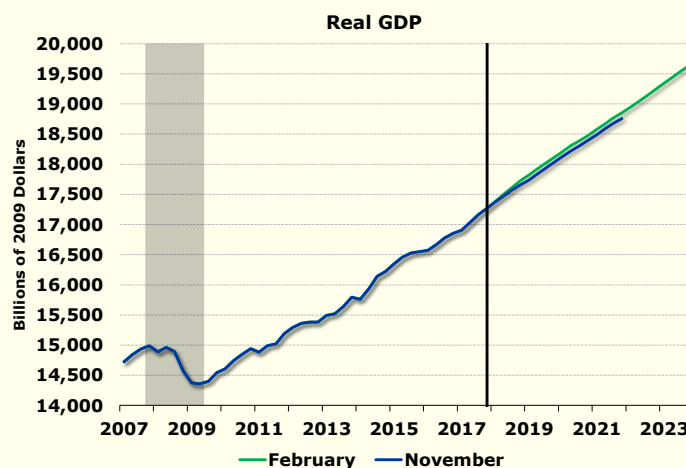
Source: WISERTrade; data through December 2017

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## Real GDP is slightly higher than the November forecast



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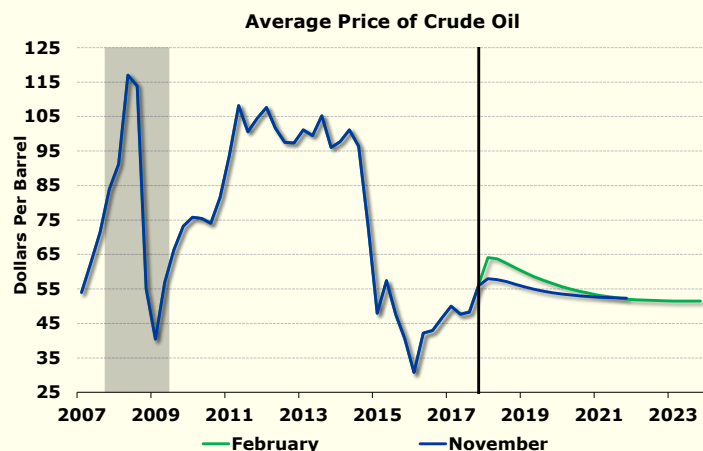
Source: ERFC February 2018 forecast; data through Q4 2017

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## Oil prices are slightly higher in the near term compared to the November forecast



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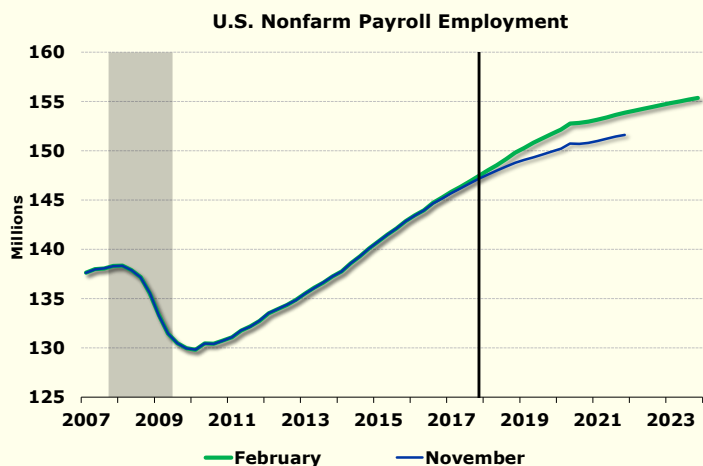
Source: U.S. DOE, ERFEC February 2018 forecast; historical data through Q4 2017

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## The U.S. nonfarm payroll employment forecast is stronger than November



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Source: ERFEC February 2018 forecast; data through Q4 2017

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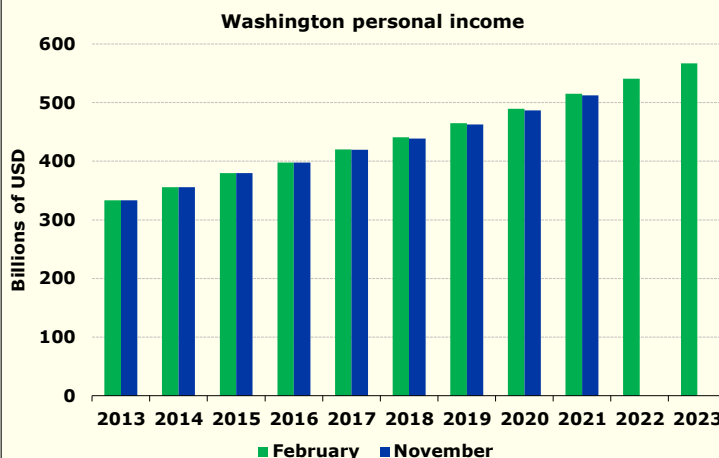


## Washington personal income is slightly higher than in November...

Third quarter 2017 personal income data have become available since the November forecast

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Source: ERFC February 2018 forecast; historical data through 2016

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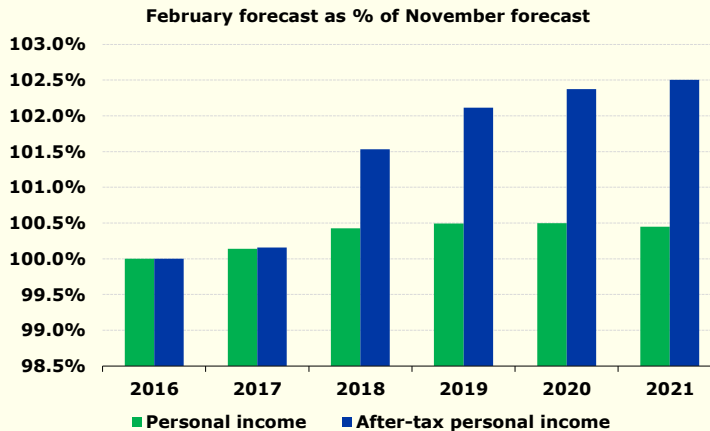


## But WA after-tax personal income increased even more due to federal tax cuts

Personal income is 0.4% to 0.5% higher compared to November but after-tax income is 1.5% to 2.5% higher

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Source: ERFC February 2018 forecast; historical data through 2016

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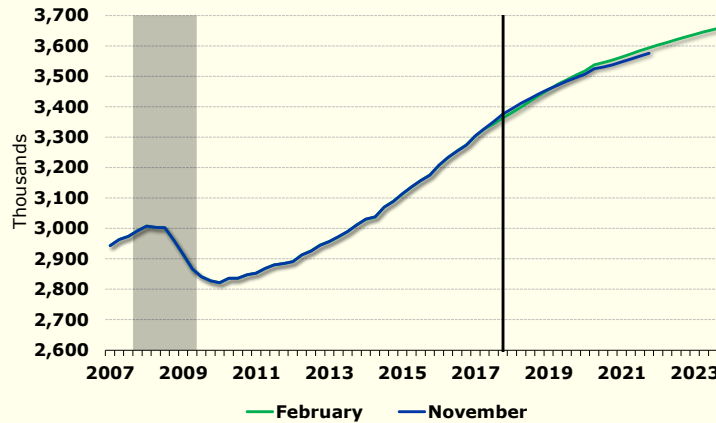
## Washington employment forecast is slightly higher compared to November

The WA nonfarm employment forecast is 18,000 jobs higher (0.5%) by 2021 compared to November.

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Washington Nonfarm Payroll Employment



Source: ERFC February 2018 forecast; historical data through Q4 2017

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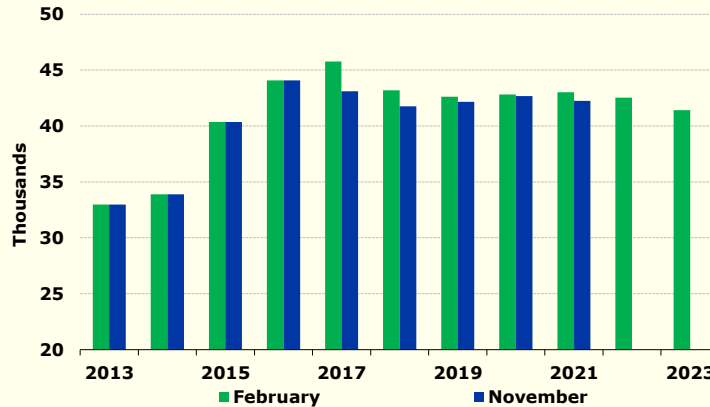
## Washington housing permits forecast is slightly higher than in November

Fourth quarter 2017 permits were much higher than expected in November.

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Washington Housing Permits



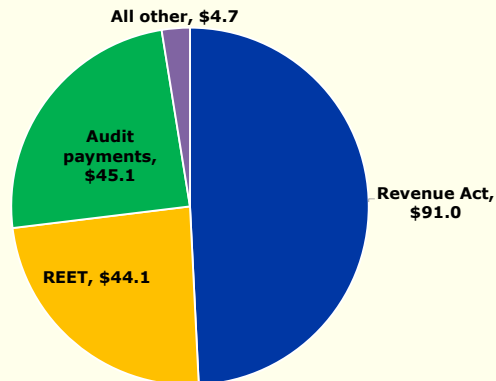
Source: ERFC February 2018 forecast; historical data through 2017

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## Forecast variance since November mainly from Revenue Act sources; 24% due to one-time audit payments

Variance from November forecast (\$ millions)



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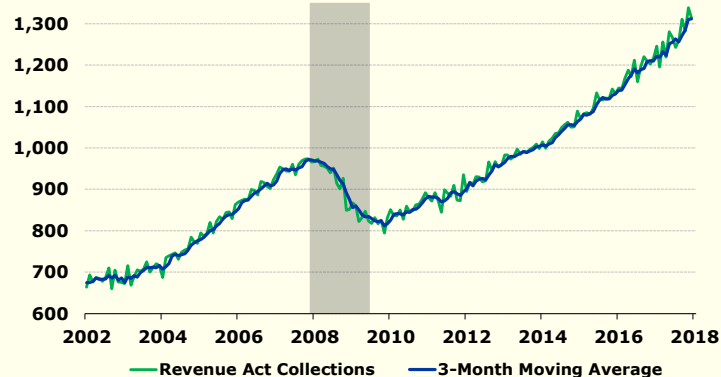


## Revenue Act collections growth accelerated in the 4<sup>th</sup> quarter

Adjusted year-over-year collections growth (by quarter of activity):

Q1: 6.3%  
Q2: 5.6%  
Q3: 6.4%  
Q4: 8.3%

\$millions SA



\* 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 December 2017 activity

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## Large commercial property sales increased in the 4<sup>th</sup> quarter of 2017

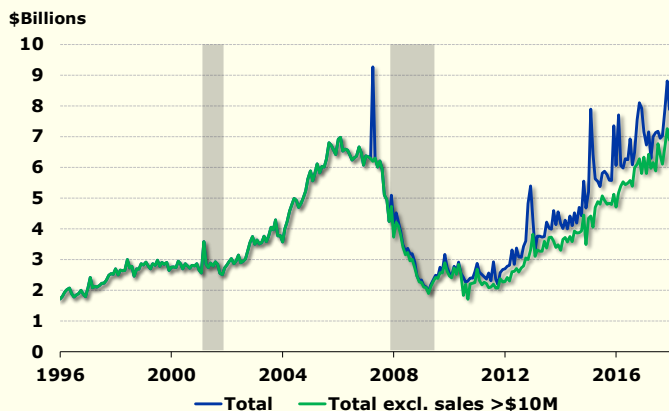
Large commercial sales (>\$10 million) totaled \$1.8 billion in the 1<sup>st</sup> quarter of 2017, \$2.9 billion in the 2<sup>nd</sup> quarter and \$2.0 billion in the 3<sup>rd</sup> quarter, then rebounded to \$3.6 billion in the 4<sup>th</sup> quarter.

Residential and smaller commercial sales also increased.

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Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through January 2018 preliminary

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## Cannabis revenue continues to be volatile

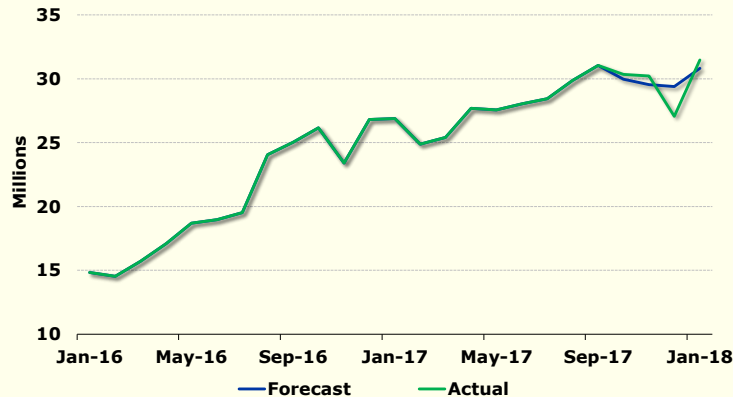
Collections were 2.1% above forecast in January

Collections are 0.5% below forecast since October

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Retail Cannabis Collections



Source: LCB, ERFC; data through January 2018

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

**November  
Forecast:**  
**\$43,566  
million**

**\$Millions**

	February Forecast				
	<u>Collection Experience</u>	<u>Non- economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$184	\$0	\$447	\$41,999	\$631
All other agencies	\$1	\$0	\$15	\$2,213	\$16
<b>Total GF-S</b>	<b>\$185</b>	<b>\$0</b>	<b>\$462</b>	<b>\$44,213</b>	<b>\$647</b>

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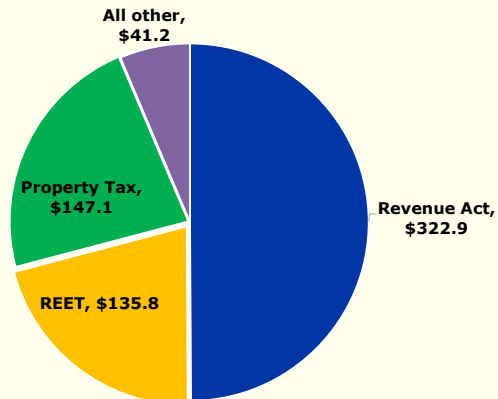
\* Detail may not add to total due to rounding

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## Components of 2017-19 GF-S forecast change

2017-19 forecast change, \$ million



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## Forecast changes: General Fund State, 2019-2021 Biennium

**November  
Forecast:**  
**\$47,582  
million**

**\$Millions**

		February Forecast		
		<u>Non- economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>
Dept. of Revenue	\$0	\$655	\$46,029	\$655
All other agencies	\$0	\$16	\$2,226	\$16
<b>Total GF-S</b>	<b>\$0</b>	<b>\$671</b>	<b>\$48,255</b>	<b>\$671</b>

Total  
Change\*

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\* Detail may not add to total due to rounding

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## State property tax estimates

**\$Millions**

	Property Tax Forecast		
	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>
November	\$4,133	\$6,034	\$7,188
February	\$4,133	\$6,181	\$7,416
<b>Difference</b>	<b>\$0</b>	<b>\$147</b>	<b>\$228</b>

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\* Detail may not add to total due to rounding

Source: ERFC February 2018 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Cannabis excise tax and license fee estimates

General Fund  
change since  
November  
forecast:

•2017-19  
\$0 M

•2019-21  
+\$7.6 M

**\$Millions**

### Cannabis Forecast

**2015-17   2017-19   2019-21**

GF-S share of excise  
tax and license fees

\$148   \$250   \$278

Non-GF

\$321   \$499   \$532

**Total**

**\$469   \$749   \$809**

Revenue Review  
February 15, 2018

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\* Detail may not add to total due to rounding

Source: ERFC February 2018 forecast

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



## 2017-19 Biennium alternative forecasts – cash basis

<b>\$Millions</b>	<b>2017-19 Biennium</b>	<b>Difference From the baseline*</b>
-------------------	-----------------------------	--

**February 2018 Baseline (60%)   \$44,213**

### **November 2017 Alternative Forecasts**

**Optimistic (15%)   \$45,311   \$1,098**

**Pessimistic (25%)   \$42,832   (\$1,381)**

**Probability Weighted Average   \$44,032   (\$181)**

**GCEA\*   \$44,125   (\$88)**

Revenue Review  
February 15, 2018

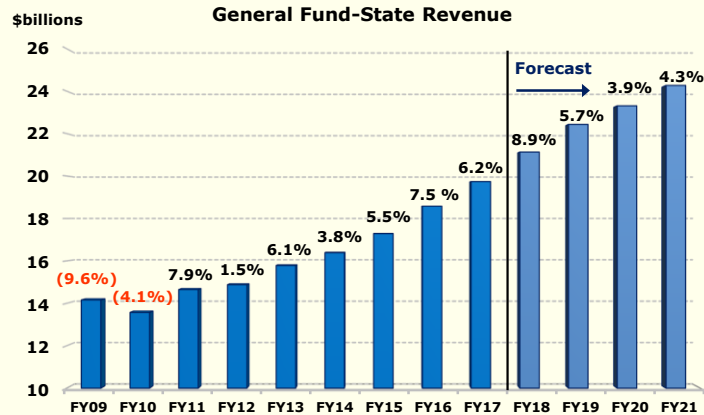
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\*Based on the Governor's Council of Economic Advisors' economic assumptions  
#May not add to total due to rounding

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



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



Revenue Review  
February 15, 2018

\*General Fund-State & Related Funds for FY 09, General Fund-State current definition for FY 10-21  
Source: ERFC forecast, February 2018

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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## Conclusion

- WA personal income and employment are slightly higher than in November
- The forecast incorporates federal tax changes, raising after-tax income in the U.S. and in WA
- As has been the case for some time, Washington's economy is continuing to outperform the nation
- GF-S revenues are expected to grow 15.4% between the 2015-17 and 2017-19 biennia and 9.1% between the 2017-19 and 2019-21 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

Revenue Review  
February 15, 2018

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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## Questions

Revenue Review  
February 15, 2018

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**Economic & Revenue Forecast Council**  
**PO BOX 40912**  
**Olympia WA 98504-0912**  
[www.ercf.wa.gov](http://www.ercf.wa.gov)  
**360-534-1560**

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

Comparison of the February 2018 to the November 2017 Forecast

2017-19 Biennium

Millions of Dollars

	November 2017 <u>Forecast*</u>	Collection <u>Experience</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2018 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
Department of Revenue	\$41,368.1	\$184.1	\$0.0	\$447.3	\$41,999.4	\$631.4
All other Agencies	\$2,197.8	\$0.8	\$0.0	\$14.9	\$2,213.4	\$15.7
Total General Fund-State	<b>\$43,565.8</b>	<b>\$184.9</b>	<b>\$0.0</b>	<b>\$462.2</b>	<b>\$44,212.9</b>	<b>\$647.0</b>

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

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

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

Comparison of the February 2018 to the November 2017 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	November 2017 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2018 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$43,565.8	\$0.0	\$647.0	\$44,212.9	\$647.0
Education Legacy Trust Account	\$539.1	\$0.0	(\$19.2)	\$519.9	(\$19.2)
WA Opportunity Pathways Account	\$257.3	\$0.0	(\$0.1)	\$257.3	(\$0.1)
<b>Total</b>	<b>\$44,362.3</b>	<b>\$0.0</b>	<b>\$627.8</b>	<b>\$44,990.1</b>	<b>\$627.8</b>

\*Forecast for the 2017-19 biennium adopted November 20, 2017

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



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

Comparison of the February 2018 to the November 2017 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	November 2017 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2018 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$47,582.2	\$0.0	\$671.2	\$48,253.4	\$671.2
Education Legacy Trust Account	\$577.1	\$0.0	(\$12.0)	\$565.1	(\$12.0)
WA Opportunity Pathways Account	\$257.5	\$0.0	\$0.6	\$258.0	\$0.6
<b>Total</b>	<b>\$48,416.7</b>	<b>\$0.0</b>	<b>\$659.7</b>	<b>\$49,076.5</b>	<b>\$659.7</b>

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

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

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

February 2014 through February 2018

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2014 #</b>	\$36,887	\$1,823				\$38,710
<b>Changes to Forecast</b>						
June 2014	265	50	315	(1) #1	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 #2	443	40,200
September 2015	4	47	52	286 #3	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) #4	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) #5	87	40,903
September 2017	269	11	279	2079 #6	2,359	43,262
November 2017	297	7	304	0	304	43,566
February 2018	631	16	647	0	647	44,213
<b>Total change***:</b>						
From February 2014	2,870	155	3,025	2,478	5,503	
Percent change	7.8	8.5	7.8	6.4	14.2	

### Track Record for the 2019-21 General Fund-State Cash Forecast

February 2016 through February 2018

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2016 ##</b>	\$36,887	\$1,823				\$43,441
<b>Changes to Forecast</b>						
June 2016	172	(31)	141	(7) #4	134	43,575
September 2016	86	(31)	55	0	55	43,630
November 2016	21	4	26	0	26	43,656
March 2017	241	(55)	186	0	186	43,842
June 2017	47	(13)	34	(1) #5	34	43,875
September 2017	245	(3)	243	3,278 #6	3,521	47,396
November 2017	188	(2)	186	0	186	47,582
February 2018	655	16	671		671	48,253
<b>Total change***:</b>						
From February 2016	1,657	(115)	1,542	3,271	4,812	
Percent change	4.5	(6.3)	3.5	7.5	11.1	

\* 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 2017-19 biennium.

## First official forecast for the 2019-21 biennium.

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

#2 Legislative revenue changes from 2015 regular legislative session

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

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

#5 Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

#6 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

February 2018 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
I. Retail Sales			
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	5.3	5.1	1.0
2019	3.9	5.4	0.7
2020	3.8	5.3	0.7
2021	4.1	5.3	0.8
2022	3.7	5.1	0.7
2023	3.3	4.9	0.7
Average 2002-2017:	3.9	4.9	0.8
II. Business & Occupation			
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	6.3	5.1	1.2
2019	5.0	5.4	0.9
2020	4.3	5.3	0.8
2021	4.4	5.3	0.8
2022	4.6	5.1	0.9
2023	4.2	4.9	0.9
Average 2002-2017:	4.3	4.9	0.9

\* Based on constant base taxable data.

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

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

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

Revenue Act Sources

February 2018 Baseline Forecast

Source/Fiscal Year		Percentage Change		Personal Income
		Tax Base Adjusted*	Personal Income <sup>1</sup>	Elasticity**
III. Use				
	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	2.8	5.1	0.6
	2019	2.3	5.4	0.4
	2020	3.3	5.3	0.6
	2021	4.1	5.3	0.8
	2022	6.3	5.1	1.2
	2023	4.2	4.9	0.8
Average 2002-2017:		3.7	4.9	0.8

### Total Revenue Act Receipts

February 2018 Baseline Forecast

Source/Fiscal Year		Percentage Change		Personal Income Elasticity <sup>##</sup>
		Tax Receipts <sup>#</sup>	Personal Income <sup>1</sup>	
Revenue Act	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	6.5	5.1	1.3
	2019	4.4	5.4	0.8
	2020	4.5	5.3	0.9
	2021	4.5	5.3	0.9
	2022	4.0	5.1	0.8
	2023	3.7	4.9	0.7
Average 2002-2017:		4.0	4.9	0.8

\* Based on constant base taxable data.

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

# Post-ESSB 5073 definition of Revenue Act

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

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

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

History and Forecast by Fiscal Year (Cash basis)

February 2018 - 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 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	\$21,492	8.9%	\$246	-2.4%	\$21,738	8.7%	\$131	3.1%	\$21,869	8.7%
FY 2019	\$22,721	5.7%	\$274	11.1%	\$22,995	5.8%	\$127	-2.9%	\$23,122	5.7%
FY 2020	\$23,616	3.9%	\$279	2.0%	\$23,895	3.9%	\$128	1.3%	\$24,024	3.9%
FY 2021	\$24,637	4.3%	\$286	2.5%	\$24,923	4.3%	\$130	1.1%	\$25,053	4.3%
FY 2022	\$25,538	3.7%	\$293	2.4%	\$25,831	3.6%	\$131	1.3%	\$25,962	3.6%
FY 2023	\$26,394	3.4%	\$300	2.4%	\$26,694	3.3%	\$134	2.0%	\$26,828	3.3%
<b>Biennial Totals</b>										
<b>05-07 Biennium</b>	<b>\$29,785</b>	<b>17.3%</b>	<b>\$381</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>
<b>07-09 Biennium</b>	<b>\$29,817</b>	<b>0.1%</b>	<b>\$437</b>	<b>14.8%</b>	<b>\$30,254</b>	<b>0.3%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,254</b>	<b>0.3%</b>
<b>09-11 Biennium</b>	<b>\$28,218</b>	<b>-5.4%</b>	<b>\$269</b>	<b>-38.5%</b>	<b>\$28,487</b>	<b>-5.8%</b>	<b>\$99</b>	<b>NA</b>	<b>\$28,586</b>	<b>-5.5%</b>
<b>11-13 Biennium</b>	<b>\$30,657</b>	<b>8.6%</b>	<b>\$215</b>	<b>-19.9%</b>	<b>\$30,872</b>	<b>8.4%</b>	<b>\$244</b>	<b>145.2%</b>	<b>\$31,116</b>	<b>8.8%</b>
<b>13-15 Biennium</b>	<b>\$33,666</b>	<b>9.8%</b>	<b>\$405</b>	<b>88.0%</b>	<b>\$34,071</b>	<b>10.4%</b>	<b>\$234</b>	<b>-4.1%</b>	<b>\$34,305</b>	<b>10.2%</b>
<b>15-17 Biennium</b>	<b>\$38,317</b>	<b>13.8%</b>	<b>\$467</b>	<b>15.4%</b>	<b>\$38,785</b>	<b>13.8%</b>	<b>\$266</b>	<b>13.6%</b>	<b>\$39,050</b>	<b>13.8%</b>
<b>17-19 Biennium</b>	<b>\$44,213</b>	<b>15.4%</b>	<b>\$520</b>	<b>11.3%</b>	<b>\$44,733</b>	<b>15.3%</b>	<b>\$257</b>	<b>-3.2%</b>	<b>\$44,990</b>	<b>15.2%</b>
<b>19-21 Biennium</b>	<b>\$48,253</b>	<b>9.1%</b>	<b>\$565</b>	<b>8.7%</b>	<b>\$48,818</b>	<b>9.1%</b>	<b>\$258</b>	<b>0.3%</b>	<b>\$49,076</b>	<b>9.1%</b>
<b>21-23 Biennium</b>	<b>\$51,932</b>	<b>7.6%</b>	<b>\$593</b>	<b>4.9%</b>	<b>\$52,525</b>	<b>7.6%</b>	<b>\$266</b>	<b>2.9%</b>	<b>\$52,790</b>	<b>7.6%</b>

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

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

Comparison of the February 2018 and November 2017 forecasts  
2017-19 Biennium  
(Amounts in Millions)

Source/Agency	November 2017 Baseline	Non-Economic Changes	Economic Changes	February 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,166.9	\$0.0	\$0.3	\$1,167.2	\$0.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$498.6	\$0.0	\$4.2	\$502.9	\$4.2
Lottery Commission Lottery Revenue	\$41.6	\$0.0	\$8.1	\$49.7	\$8.1
State Treasurer Interest Earnings	\$25.5	\$0.0	\$2.8	\$28.3	\$2.8
Office of Financial Management Other Agencies	\$327.5	\$0.0	\$0.4	\$327.9	\$0.4
Administrative Office of the Courts Fines and Forfeitures	\$137.6	\$0.0	(\$0.2)	\$137.4	(\$0.2)
<b>Total General Fund-State</b>	<b>\$2,197.8</b>	<b>\$0.0</b>	<b>\$15.7</b>	<b>\$2,213.4</b>	<b>\$15.7</b>

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

Comparison of the February 2018 and November 2017 forecasts  
2017-19 Biennium  
(Amounts in Millions)

Source/Agency	November 2017 Baseline	Non-Economic Changes	Economic Changes	February 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,166.9	\$0.0	\$0.3	\$1,167.2	\$0.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$498.6	\$0.0	\$4.2	\$502.9	\$4.2
Lottery Commission Lottery Revenue	\$41.2	\$0.0	\$8.4	\$49.6	\$8.4
State Treasurer Interest Earnings	\$24.9	\$0.0	\$3.3	\$28.2	\$3.3
Office of Financial Management Other Agencies	\$327.5	\$0.0	\$0.4	\$327.9	\$0.4
Administrative Office of the Courts Fines and Forfeitures	\$137.6	\$0.0	(\$0.2)	\$137.4	(\$0.2)
<b>Total General Fund-State</b>	<b>\$2,196.7</b>	<b>\$0.0</b>	<b>\$16.5</b>	<b>\$2,213.2</b>	<b>\$16.5</b>

\* Detail may not total due to rounding.

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

Comparison of the February 2018 and November 2017 forecasts  
2019-21 Biennium  
(Amounts in Millions)

Source/Agency	November 2017 Baseline	Non-Economic Changes	Economic Changes	February 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,273.4	\$0.0	\$0.8	\$1,274.1	\$0.8
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$538.3	\$0.0	\$12.0	\$550.3	\$12.0
Lottery Commission Lottery Revenue	\$48.4	\$0.0	\$6.3	\$54.7	\$6.3
State Treasurer Interest Earnings	\$48.7	\$0.0	\$0.6	\$49.3	\$0.6
Office of Financial Management Other Agencies	\$163.7	\$0.0	(\$1.2)	\$162.5	(\$1.2)
Administrative Office of the Courts Fines and Forfeitures	\$137.1	\$0.0	(\$2.7)	\$134.4	(\$2.7)
<b>Total General Fund-State</b>	<b>\$2,209.6</b>	<b>\$0.0</b>	<b>\$15.9</b>	<b>\$2,225.5</b>	<b>\$15.9</b>

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

Comparison of the February 2018 and November 2017 forecasts  
2019-21 Biennium  
(Amounts in Millions)

Source/Agency	November 2017 Baseline	Non-Economic Changes	Economic Changes	February 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,273.4	\$0.0	\$0.8	\$1,274.1	\$0.8
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$538.3	\$0.0	\$12.0	\$550.3	\$12.0
Lottery Commission Lottery Revenue	\$48.3	\$0.0	\$3.9	\$52.2	\$3.9
State Treasurer Interest Earnings	\$49.5	\$0.0	\$0.5	\$50.0	\$0.5
Office of Financial Management Other Agencies	\$163.7	\$0.0	(\$1.2)	\$162.5	(\$1.2)
Administrative Office of the Courts Fines and Forfeitures	\$137.1	\$0.0	(\$2.7)	\$134.4	(\$2.7)
<b>Total General Fund-State</b>	<b>\$2,210.3</b>	<b>\$0.0</b>	<b>\$13.4</b>	<b>\$2,223.7</b>	<b>\$13.4</b>

\* Detail may not total due to rounding.

## Lottery Transfers by Fund

(cash basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>	<b>Veteran's VIP Account</b>	<b>Education Legacy Trust Account</b>	<b>Gambling Revolving Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0	0.0	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0	0.0	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	0.0	0.0
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5	125.5	0.0	0.0	0.0
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9	244.0	0.2	0.0	0.0
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1	0.0
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7	120.2	0.0	6.1	0.0
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4	233.9	0.0	16.1	0.0
2016	171.6	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	172.3	24.8	0.0	12.6	0.0	0.0	0.3	4.0	130.5	0.0	0.0	0.0
2019	169.0	24.8	0.0	13.1	0.0	0.0	0.4	3.9	126.7	0.0	0.0	0.0
2017-19 Biennium	341.3	49.7	0.0	25.8	0.0	0.0	0.7	7.9	257.3	0.0	0.0	0.0
2020	173.5	27.1	0.0	13.7	0.0	0.0	0.4	4.0	128.3	0.0	0.0	0.0
2021	175.9	27.6	0.0	14.2	0.0	0.0	0.4	4.0	129.7	0.0	0.0	0.0
2019-21 Biennium	349.4	54.7	0.0	27.9	0.0	0.0	0.7	8.0	258.0	0.0	0.0	0.0
2022	178.6	28.6	0.0	14.2	0.0	0.0	0.4	4.0	131.4	0.0	0.0	0.0
2023	181.4	28.7	0.0	14.2	0.0	0.0	0.4	4.0	134.1	0.0	0.0	0.0
2021-23 Biennium	360.1	57.3	0.0	28.4	0.0	0.0	0.7	8.0	265.6	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)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>	<b>Veteran's VIP Account</b>	<b>Education Legacy Trust Account</b>	<b>Gambling Revolving Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	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	169.3	24.8	0.0	12.6	0.0	0.0	0.3	4.0	127.6	0.0	0.0	0.0
2019	170.6	24.8	0.0	13.1	0.0	0.0	0.4	4.0	128.3	0.0	0.0	0.0
2017-19 Biennium	340.0	49.6	0.0	25.8	0.0	0.0	0.7	8.0	255.9	0.0	0.0	0.0
2020	173.7	26.0	0.0	13.7	0.0	0.0	0.4	4.0	129.7	0.0	0.0	0.0
2021	176.1	26.1	0.0	14.2	0.0	0.0	0.4	4.0	131.4	0.0	0.0	0.0
2019-21 Biennium	349.8	52.2	0.0	27.9	0.0	0.0	0.7	8.0	261.1	0.0	0.0	0.0
2022	178.9	26.2	0.0	14.2	0.0	0.0	0.4	4.0	134.1	0.0	0.0	0.0
2023	181.7	26.3	0.0	14.2	0.0	0.0	0.4	4.0	136.8	0.0	0.0	0.0
2021-23 Biennium	360.5	52.5	0.0	28.4	0.0	0.0	0.7	8.0	270.9	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

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**February 2018**Alternative Forecasts  
Millions of Dollars

Cash Basis

**2017-19 Biennium**

	<u>2017-19 Biennium</u>	<u>Difference From the February 2018 Baseline</u>
February 2018 Baseline (60%)	\$44,213	
February 2018 Alternative Forecasts		
Optimistic (15%)	\$45,311	\$1,098
Pessimistic (25%)	\$42,832	(\$1,381)
Probability Weighted Average	\$44,032	(\$181)
GCEA*	\$44,125	(\$88)

**2019-21 Biennium**

	<u>2019-21 Biennium</u>	<u>Difference From the February 2018 Baseline</u>
February 2018 Baseline (60%)	\$48,253	
February 2018 Alternative Forecasts		
Optimistic (15%)	\$51,593	\$3,340
Pessimistic (25%)	\$44,670	(\$3,584)
Probability Weighted Average	\$47,858	(\$395)
GCEA*	\$48,016	(\$238)

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

## U.S. Forecast Comparison

	2017Q4	2018Q1	2018Q2	2018Q3
<b>Real GDP (Billions of 2009 Dollars)</b>				
February Forecast	17,272	17,380	17,504	17,618
Percent Change	2.6%	2.5%	2.9%	2.6%
November Forecast	17,265	17,369	17,474	17,571
Percent Change	2.5%	2.4%	2.4%	2.2%
<b>Real Consumption (Billions of 2009 Dollars)</b>				
February Forecast	12,028	12,080	12,161	12,236
Percent Change	3.8%	1.7%	2.7%	2.5%
November Forecast	12,002	12,073	12,148	12,219
Percent Change	2.7%	2.4%	2.5%	2.4%
<b>PCE Price Index (2009=100)</b>				
February Forecast	113.5	114.1	114.5	115.1
Percent Change	2.8%	2.3%	1.3%	2.0%
November Forecast	113.4	114.0	114.4	114.9
Percent Change	2.4%	2.1%	1.5%	1.7%
<b>Real Personal Income (Billions of 2009 Dollars)</b>				
February Forecast	14,657	14,724	14,830	14,933
Percent Change	1.6%	1.9%	2.9%	2.8%
November Forecast	14,646	14,721	14,806	14,898
Percent Change	0.7%	2.1%	2.3%	2.5%
<b>Nonfarm Payroll Employment (Millions)</b>				
February Forecast	147.4	148.0	148.6	149.2
Percent Change	1.5%	1.6%	1.4%	1.7%
November Forecast	147.2	147.6	148.0	148.4
Percent Change	1.4%	1.1%	1.2%	1.1%
<b>Unemployment Rate (Percent of Labor Force)</b>				
February Forecast	4.1	4.1	4.0	3.9
November Forecast	4.2	4.0	4.0	4.0
<b>Oil Price, Refiner's Acquisition</b>				
February Forecast	56.2	64.1	63.7	62.4
November Forecast	56.0	58.0	57.7	57.2
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
February Forecast	3.9	4.3	4.5	4.6
November Forecast	4.1	4.2	4.4	4.5
<b>3 Month T-Bill Rate (Percent, average)</b>				
February Forecast	1.2	1.6	1.7	1.9
November Forecast	1.1	1.3	1.3	1.5

2015	2016	2017	2018	2019	2020	2021	2022	2023
16,472	16,716	17,093	17,557	17,970	18,348	18,715	19,089	19,490
2.9%	1.5%	2.3%	2.7%	2.4%	2.1%	2.0%	2.0%	2.1%
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%	---	---
11,264	11,572	11,889	12,197	12,479	12,729	12,983	13,256	13,547
3.6%	2.7%	2.7%	2.6%	2.3%	2.0%	2.0%	2.1%	2.2%
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%	---	---
109.5	110.8	112.7	114.8	116.9	119.2	121.7	124.2	126.7
0.3%	1.2%	1.7%	1.9%	1.8%	2.0%	2.0%	2.1%	2.0%
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%	---	---
14,206	14,377	14,572	14,883	15,339	15,756	16,145	16,518	16,896
4.6%	1.2%	1.4%	2.1%	3.1%	2.7%	2.5%	2.3%	2.3%
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%	---	---
141.8	144.3	146.6	148.9	151.0	152.7	153.5	154.4	155.1
2.1%	1.8%	1.6%	1.5%	1.4%	1.1%	0.6%	0.5%	0.5%
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%	---	---
5.3	4.9	4.4	4.0	3.7	3.8	3.9	3.9	4.0
5.3	4.9	4.4	4.0	4.1	4.2	4.2	---	---
48.4	40.6	50.6	62.8	58.1	54.6	52.6	51.7	51.5
48.4	40.6	50.5	57.3	54.7	53.1	52.5	---	---
3.9	3.6	4.0	4.5	5.1	5.3	5.3	5.3	5.2
3.9	3.6	4.0	4.4	4.9	5.1	5.1	---	---
0.1	0.3	0.9	1.8	2.6	3.1	3.2	3.2	3.0
0.1	0.3	0.9	1.5	2.1	2.6	2.9	---	---

## Washington Forecast Comparison

	2017Q4	2018Q1	2018Q2	2018Q3
<b>Real Personal Income (Billions of 2009 Dollars)</b>				
February Forecast	376.8	379.0	382.4	385.6
Percent Change	3.3%	2.3%	3.7%	3.4%
November Forecast	375.6	378.4	381.3	384.4
Percent Change	1.8%	3.0%	3.1%	3.3%
<b>Personal Income (Billions of Dollars)</b>				
February Forecast	427.5	432.5	437.8	443.7
Percent Change	6.2%	4.8%	5.0%	5.4%
November Forecast	425.8	431.2	436.1	441.5
Percent Change	4.3%	5.2%	4.6%	5.0%
<b>Disposable Personal Income (Billions of Dollars)</b>				
February Forecast	378.8	387.3	391.7	396.9
Percent Change	6.1%	9.2%	4.6%	5.5%
November Forecast	377.0	381.8	386.1	390.8
Percent Change	4.0%	5.2%	4.6%	4.9%
<b>Nonfarm Payroll Employment (Thousands)</b>				
February Forecast	3363	3381	3399	3419
Percent Change	2.3%	2.2%	2.1%	2.3%
November Forecast	3376	3394	3411	3427
Percent Change	2.9%	2.2%	2.0%	1.9%
<b>Unemployment Rate (Percent of Labor Force)</b>				
February Forecast	4.5	4.5	4.4	4.3
November Forecast	4.5	4.3	4.3	4.2
<b>Manufacturing Employment (Thousands)</b>				
February Forecast	280.6	282.2	283.7	285.0
Percent Change	-1.7%	2.3%	2.0%	2.0%
November Forecast	285.0	286.0	289.3	291.2
Percent Change	0.0%	1.5%	4.6%	2.6%
<b>Construction Employment (Thousands)</b>				
February Forecast	205.7	208.3	208.2	208.1
Percent Change	8.4%	5.3%	-0.3%	-0.2%
November Forecast	204.8	206.4	206.1	206.1
Percent Change	6.3%	3.1%	-0.4%	-0.1%
<b>Housing Permits (Thousands)</b>				
February Forecast	51.7	43.2	43.7	43.0
Percent Change	83.1%	-51.2%	4.5%	-5.9%
November Forecast	43.9	42.2	41.9	41.6
Percent Change	0.1%	-14.4%	-2.8%	-2.9%

2015	2016	2017	2018	2019	2020	2021	2022	2023
347.0	359.0	372.9	384.0	397.6	410.4	423.2	435.5	447.7
5.5%	3.5%	3.8%	3.0%	3.6%	3.2%	3.1%	2.9%	2.8%
347.0	359.0	372.4	382.9	396.5	409.2	422.1	---	---
5.5%	3.5%	3.7%	2.8%	3.6%	3.2%	3.1%	---	---
380.0	397.8	420.0	440.9	464.9	489.4	514.9	540.8	567.3
5.8%	4.7%	5.6%	5.0%	5.4%	5.3%	5.2%	5.0%	4.9%
380.0	397.8	419.5	439.0	462.6	487.0	512.6	---	---
5.8%	4.7%	5.5%	4.7%	5.4%	5.3%	5.3%	---	---
338.2	354.4	372.4	394.5	417.4	439.2	460.8	482.7	505.3
5.1%	4.8%	5.1%	5.9%	5.8%	5.2%	4.9%	4.7%	4.7%
338.2	354.4	371.9	388.5	408.7	429.0	449.6	---	---
5.1%	4.8%	4.9%	4.5%	5.2%	5.0%	4.8%	---	---
3146	3242	3334	3409	3480	3538	3579	3616	3650
2.9%	3.1%	2.8%	2.2%	2.1%	1.7%	1.1%	1.0%	0.9%
3146	3242	3340	3419	3477	3525	3561	---	---
2.9%	3.1%	3.0%	2.4%	1.7%	1.4%	1.0%	---	---
5.6	5.4	4.6	4.3	4.1	4.1	4.1	4.1	4.2
5.6	5.4	4.6	4.2	4.2	4.2	4.2	---	---
291.8	289.9	283.2	284.0	286.1	287.1	289.6	292.7	295.7
1.1%	-0.7%	-2.3%	0.3%	0.7%	0.3%	0.9%	1.1%	1.0%
291.8	289.9	285.1	289.5	293.5	296.7	301.1	---	---
1.1%	-0.7%	-1.6%	1.5%	1.4%	1.1%	1.5%	---	---
173.3	186.5	201.4	208.1	208.8	211.1	212.1	210.9	208.3
8.5%	7.6%	8.0%	3.3%	0.3%	1.1%	0.5%	-0.6%	-1.2%
173.3	186.5	201.5	206.1	207.2	208.7	209.3	---	---
8.5%	7.6%	8.0%	2.3%	0.5%	0.8%	0.3%	---	---
40.4	44.1	45.8	43.2	42.6	42.8	43.0	42.5	41.4
19.1%	9.2%	3.9%	-5.6%	-1.4%	0.5%	0.5%	-1.1%	-2.6%
40.4	44.1	43.1	41.8	42.2	42.7	42.3	---	---
19.1%	9.2%	-2.2%	-3.1%	1.0%	1.2%	-1.0%	---	---

# Governor's Council of Economic Advisor's Forecast

# Calendar Years

	2018	2019	2020	2021	2022	2023
<b>U.S.</b>						
<b>Real GDP</b>						
<i>Growth</i>						
ERFC	2.7	2.4	2.1	2.0	2.0	2.1
GCEA Average	2.5	2.4	2.1	2.0	2.0	2.0
<b>Real Consumption</b>						
<i>Growth</i>						
ERFC	2.6	2.3	2.0	2.0	2.1	2.2
GCEA Average	2.5	2.2	2.1	2.1	2.0	2.0
<b>PCE Price Index</b>						
<i>Growth</i>						
ERFC	1.9	1.8	2.0	2.0	2.1	2.0
GCEA Average	2.0	2.1	2.1	2.0	2.0	2.1
<b>Mortgage Rate</b>						
<i>Percent</i>						
ERFC	4.5	5.1	5.3	5.3	5.3	5.2
GCEA Average	4.5	5.0	5.1	5.3	5.4	5.4
<b>Oil Price (Brent)</b>						
<i>Dollars per barrel</i>						
ERFC	67.5	63.0	59.5	57.4	56.5	56.3
GCEA Average	61.2	59.2	57.9	56.9	57.3	57.7

## Washington State

### Real Personal Income

<i>Growth</i>						
ERFC	3.0	3.6	3.2	3.1	2.9	2.8
GCEA Average	2.9	3.2	2.8	2.5	2.7	2.7

### Wage and Salary Employment

<i>Growth</i>						
ERFC	2.2	2.1	1.7	1.1	1.0	0.9
GCEA Average	2.0	1.5	1.3	1.0	1.0	1.0

### Manufacturing Employment

<i>Growth</i>						
ERFC	0.3	0.7	0.3	0.9	1.1	1.0
GCEA Average	-0.2	0.0	0.0	0.1	0.1	0.1

### Construction Employment

<i>Growth</i>						
ERFC	3.3	0.3	1.1	0.5	-0.6	-1.2
GCEA Average	2.7	1.3	1.4	1.3	0.8	0.6

### Housing Permits

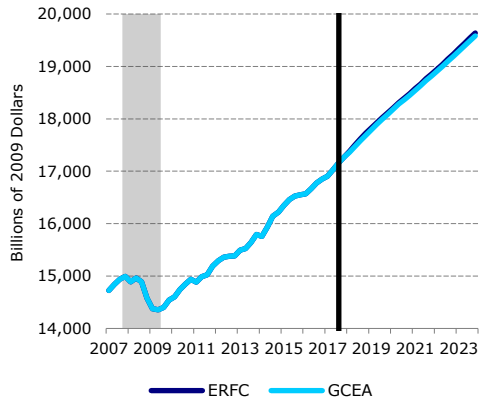
<i>Thousands of authorized units</i>						
ERFC	43.2	42.6	42.8	43.0	42.5	41.4
GCEA Average	42.9	42.9	43.2	43.9	44.1	43.8

### Washington Average Annual Wage

<i>Growth</i>						
ERFC	3.1	3.0	3.4	4.0	4.1	4.1
GCEA Average	2.8	3.2	3.2	3.2	3.2	3.3

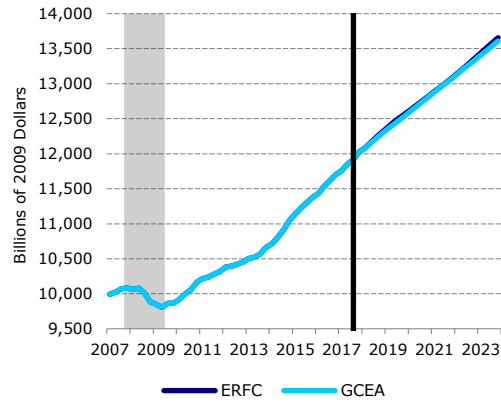
## U.S. Forecast Comparison

**Real GDP**



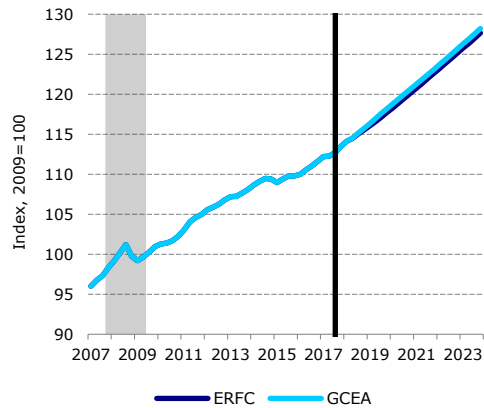
Source: BEA, ERFC, GCEA; data through 2017 Q3

**Real Consumption**



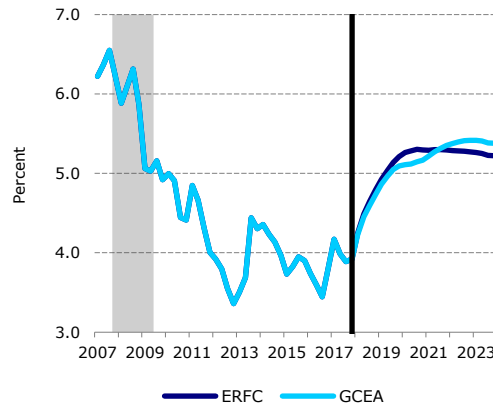
Source: BEA, ERFC, GCEA; data through 2017 Q3

**PCE Price Index**



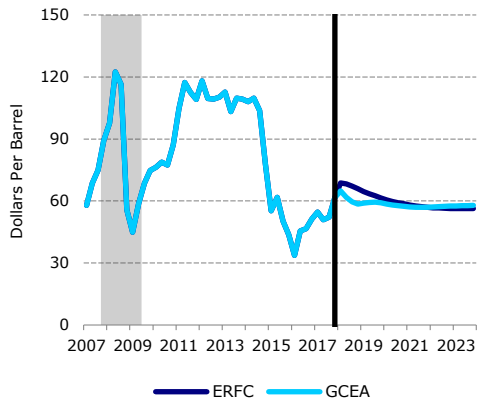
Source: BEA, ERFC, GCEA; data through 2017 Q3

**Mortgage Rate**



Source: Freddie Mac, ERFC, GCEA; data through 2017 Q4

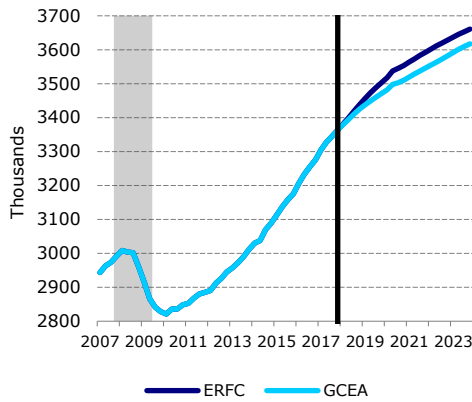
**Brent Oil Price**



Source: EIA, ERFC, GCEA; data through 2017 Q4

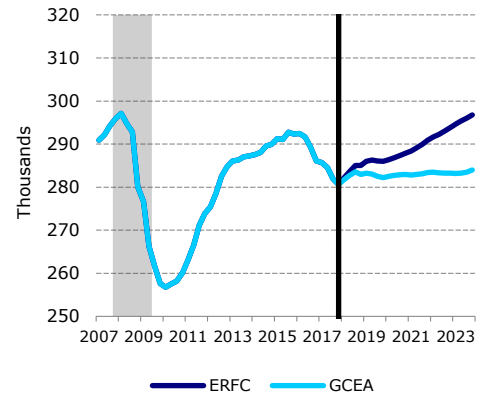
## Washington Forecast Comparison

**Nonfarm Payroll Employment**



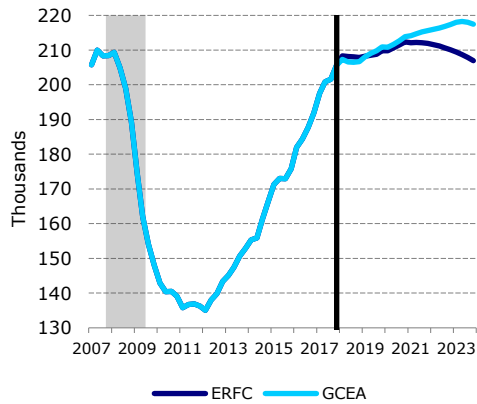
Source: ESD, ERFC, GCEA; data through 2017 Q4

**Manufacturing Employment**



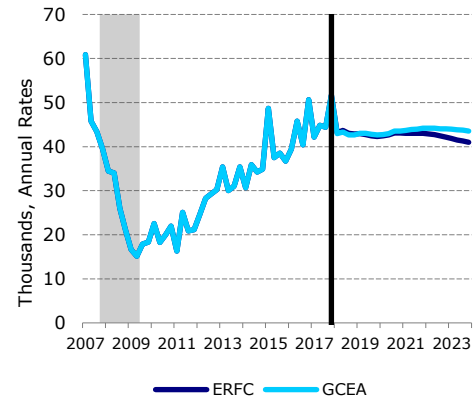
Source: ESD, ERFC, GCEA; data through 2017 Q4

**Construction Employment**



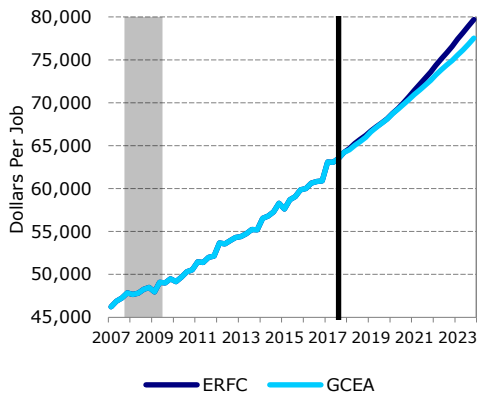
Source: ESD, ERFC, GCEA; data through 2017 Q4

**Housing Units Authorized**



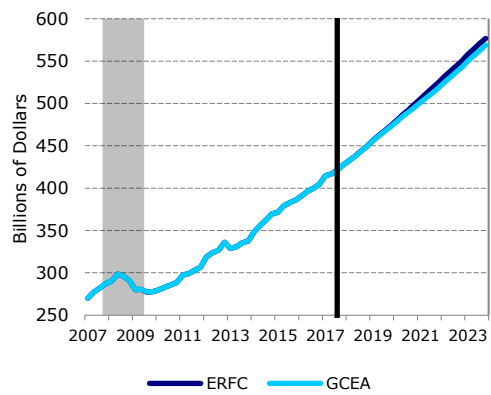
Source: Census, ERFC, GCEA; data through 2017 Q4

**Average Annual Wage**



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

**Personal Income**



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

# 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
<b>RESOURCES</b>						
<b>Beginning Fund Balance</b>	990.9	20.3	1,011.2	1,100.6	48.0	1,148.5
November 2017 Revenue Forecast	38,317.4	732.9	39,050.3	43,565.8	796.5	44,362.3
February 2018 Revenue Forecast change	-	-	-	647.0	(19.2)	627.8
<b>Current Revenue Totals</b>	<b>38,317.4</b>	<b>732.9</b>	<b>39,050.3</b>	<b>44,212.9</b>	<b>777.2</b>	<b>44,990.1</b>
Transfer to Budget Stabilization Account (1% of GSR)	(383.2)		(383.2)	(434.8)		(434.8)
Transfer to Budget Stabilization Account (EORG)	(925.2)		(925.2)	(1,304.4)		(1,304.4)
Transfer from BSA (EORG)				1,078.0		1,078.0
CAFR Adjustment	(78.9)	(9.6)	(88.5)	-	-	-
Enacted Fund Transfers	167.7		167.7	74.1	254.0	328.1
Actual/Assumed Prior Period Adjustments	521.7		521.7	40.8		40.8
<b>Total Resources (including beginning fund balance)</b>	<b>38,610.4</b>	<b>743.7</b>	<b>39,354.1</b>	<b>44,767.1</b>	<b>1,079.2</b>	<b>45,846.3</b>
<b>EXPENDITURES</b>						
<b>Enacted Budgets</b>						
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)
<b>Total Expenditures</b>	<b>37,509.9</b>	<b>695.7</b>	<b>38,205.6</b>	<b>42,442.8</b>	<b>1,048.8</b>	<b>43,491.5</b>
<b>RESERVES</b>						
<b>Projected Ending Balance (GFS + ELTA + OPA)</b>	<b>1,100.6</b>	<b>48.0</b>	<b>1,148.5</b>	<b>2,324.4</b>	<b>30.5</b>	<b>2,354.8</b>
<b>Budget Stabilization Account</b>						
Budget Stabilization Account Beginning Balance	513.1		513.1	1,638.3		1,638.3
Transfers from General Fund, Interest Earnings & Adjustments	390.7		390.7	473.1		473.1
Transfers from GFS (EORG)	925.2		925.2	1,304.4		1,304.4
Less 15-17 Biennium expenditures	(190.6)		(190.6)	-		-
Less 17-19 Appropriations from BSA				(19.0)		(19.0)
Less 17-19 Transfers to Pension Stabilization Account				(925.2)		(925.2)
Less Transfers out to GFS (EORG)	-		-	(1,078.0)		(1,078.0)
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>1,638.3</b>		<b>1,638.3</b>	<b>1,393.7</b>		<b>1,393.7</b>
<b>Total Reserves (Near General Fund plus Budget Stabilization)</b>	<b>2,738.9</b>	<b>48.0</b>	<b>2,786.9</b>	<b>3,718.0</b>	<b>30.5</b>	<b>3,748.5</b>

>>> Final accounting adjustments for fiscal year 2017 made subsequent to the balance sheet adopted in November 2017 increased the ending fund balance for 15-17 Biennium from \$785 million to \$1.15 billion.

## Acronyms

GSR- General State Revenues

EORG- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report