

EMBARGOED

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Revenue Review Meeting

June 19, 2018



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

June 19, 2018
10:00 a.m.

- Call to order
- Approval meeting minutes from May 29, 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
Economic Review**

May 29, 2018

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Staff

Members Present

Christine Rolfes, Senate

John Braun, Senate

Terry Nealey, House of Representatives (via phone)

Timm Ormsby, House of Representatives (via phone)

Duane Davidson, Treasurer

David Schumacher, Office of Financial Management

Steve Lerch, Executive
Director

Call to Order

Senator Rolfes called the meeting to order at 10:01 a.m.

Motion

Treasurer Davidson made a motion to approve the meeting minutes from the April 25, 2018 meeting, seconded by Director Schumacher. Council approved the motion at 10:02 a.m.

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 recession probabilities and municipal-level taxes.

Adjournment

Meeting adjourned at 10:21 a.m.

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



Economic & Revenue Review: June 19, 2018

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's June 2018 Control forecast for the U.S. economy. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. The June Blue Chip forecast for real GDP growth in 2018 and 2019 was increased to 2.9% and 2.6% from 2.7% and 2.4% in February. The Blue Chip long-range forecast has also been updated. The new forecast calls for growth rates of 1.9%, 1.9%, 2.1% and 2.1% in 2020 through 2023 compared to 2.1%, 2.0%, 2.0%, and 2.1% in February.
- Our oil price forecast reflects the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the June 7, 2018 closing prices for Brent and WTI futures. The latest futures prices are higher than the prices used in the February forecast. The refiner acquisition price of crude oil in the third quarter of 2018 is now expected to average \$70 per barrel compared to \$62 in the February forecast. By the end of 2023, the refiner acquisition price is now expected to average \$56 per barrel compared to \$52 in the February forecast.
- The U.S. economy added 233,000 net new jobs in May. Employment data for March and April were revised up by 15,000 jobs. Sectors with notable employment gains in May included retail trade (+31,000), health care (+29,000), construction (+25,000), professional and technical services (+23,000), transportation and warehousing (+19,000) and manufacturing (+18,000). Industries with net employment declines in May included employment services (-10,000), museums and historical sites (-4,000), and federal government (-3,000).
- Two key measures of consumer confidence again gave conflicting signals this month but remain at high levels. The University of Michigan index of consumer sentiment decreased by 0.8 points in May to 98.0, with survey respondents less optimistic about current conditions but slightly more optimistic about the future. The Conference Board index of consumer confidence increased by 2.4 points in May to 128.0. Consumers' assessment of current economic conditions were at a 17-year high in May.
- U.S. residential construction and sales activity both slowed this month. Housing units authorized by building permits in April were 1.8% (SA) below their March level but 7.7% above their year-ago level. April housing starts decreased by 3.7% (SA) compared to March but were 10.5% above their April 2017 level. Existing home sales decreased by 2.5% in April (SA) compared to March and were 1.4% below their April 2017 level. New single-family home sales in April decreased by 1.5% (SA) compared to March but were 11.6% above their year-ago level. The seasonally adjusted Case-Shiller national

home price index for March was 0.4% above its February level and 6.5% above its year-ago level.

- Major threats to the U.S. and Washington economies remain, including international trade concerns, geopolitical risks and a maturing economic expansion.

Washington

- We have four months of new Washington employment data since the February forecast was released. Total nonfarm payroll employment rose 25,800 (seasonally adjusted) in February, March, April, and May, which was 1,800 more than expected in the forecast. As is usually the case, the majority of the employment increase was due to private, services-providing industries, which added 18,300 net new jobs in the four-month period. Construction employment grew 3,100 and manufacturing employment increased 1,400. Government payrolls expanded by 2,800 in February, March, April, and May.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in January 2018 by 4,400 jobs (0.1%). The downward revision to history combined with the higher than expected growth since January results in 2,600 (0.1%) fewer jobs in May 2018 than expected in the February forecast.
- Washington's unemployment rate inched down to 4.7% in May from 4.8% in April. May's 4.7% rate was the lowest since June 2007 when it reached an all-time low of 4.6%. A year ago, in May 2017, the Washington unemployment rate stood at 4.8%.
- The BEA recently released preliminary 2017 estimates for personal income and real GDP by state. In both cases, Washington ranked first in the nation in growth in 2017. Washington personal income grew 4.8% compared to 3.1% for the nation and Washington real GDP grew 4.4% compared to 2.1%. The difference between Washington U.S. personal income and GDP growth was mostly due to two sectors: retail trade (which includes electronic shopping) and information (which includes software publishing and other IT services such as internet publishing and web search portals).
- Washington housing construction exceeded the forecast in the first quarter of 2018. The number of housing units authorized by building permits totaled 49,200 (SAAR) in January, February, and March which was 6,000 more than the 43,200 expected in the February forecast. The variance was mostly due to the multi-family sector. In the first quarter, 24,200 multi-family units were permitted which was 4,500 more than expected. The number of single-family units permitted was 25,000, which exceeded the forecast by 1,400 units.
- Washington housing construction remained very strong at the start of the second quarter due to continued strength in the multi-family sector. The number of housing units authorized by building permits totaled 50,800 in April (SAAR), consisting of 23,800 single-family units and 27,000 multi-family units. The February forecast assumed an average rate of 43,700 units for the second quarter as a whole (SAAR) consisting of 24,500 single-family units and 19,100 multi-family units.

- Seattle home prices continue to rise very rapidly. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 1.3% in March compared to 0.5% in the Composite-20 index. The over-the-year growth was 12.9% in Seattle, which was nearly double the 6.7% increase in the Composite-20 index. Seattle home prices are now up 86% since the December 2011 trough and now exceed the May 2007 peak by 30%.
- Seattle area consumer price inflation remains above the national average. Over the last year, from April 2017 to April 2018, consumer prices in the Seattle area rose 3.3% compared to 2.4% for the U.S. city average. Core prices, which exclude food and energy, were up 3.1% in Seattle compared to 2.1% for the nation. The higher Seattle inflation is due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 5.9% compared to 3.4% for the nation. Excluding shelter, Seattle inflation matched the national average at 1.9% over the year.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased in May to remain solidly in positive territory. The index, which measures conditions in the manufacturing sector, increased from 55.8 in April to 61.7 in May (index values above 50 indicate growth while values below 50 indicate contraction). The index has exceeded 50 in each of the last ten months. The production, orders, employment, and inventory components all indicated expansion in May while the deliveries component was neutral at 50.
- Car and truck sales appear to have plateaued. Seasonally adjusted new vehicle registrations rose 0.5% in April. Car and truck sales are up 1.8% over the year but are down 11.1% since the post-recession peak in November 2017.
- Washington exports were up over the year for the second consecutive quarter. Exports increased 3.9% in the first quarter of 2018 compared to the first quarter of 2017. Transportation equipment exports (mostly Boeing planes) and exports of agricultural products both rose 2.8% over the year while exports of all other commodities (mostly manufacturing) increased 6.2% over the year.
- In February, we had assumed that aerospace employment would continue to decline through the end of 2019, though at a slower rate than in 2016 and 2017. However, aerospace employment has been essentially flat for the last seven months and we are now assuming no further reductions. The result is 4,200 more aerospace jobs by the end of 2019 than assumed in February.
- Washington employment is expected to grow 2.5% this year compared to 2.2% in the February forecast. As in February, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.1% per year in 2019 through 2023, which is slightly weaker than the 1.4% per year expected in the February forecast. Our forecast for nominal personal income growth this year is 5.8%, up from 5.0% in the February forecast, due mainly to stronger growth in the first quarter. Our new forecast for nominal personal income growth in 2019 through 2023 averages 5.1% per year compared to 5.2% per year in the February forecast.

Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from February 11 through June 10, 2018 were \$189 million (2.7%) higher than forecasted in February.
- Cumulative real estate excise taxes (REET) came in \$25 million (8.0%) 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 \$96 million in the current biennium and \$45 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 \$131 million (2.7%) higher than forecasted. Due to the strong recent activity and the changes to the state economic forecast, projected Revenue Act receipts were increased by \$326 million in the current biennium and \$280 million in the 2019-21 biennium.
- Legislation passed during the 2018 legislative session included a \$935 million transfer of property tax revenue from the GF-S to the Education Legacy Trust Account (ELTA) in fiscal year 2019. While the transfer reduces GF-S revenue, it does not affect Near GF-S revenue, the broader measure of revenue and spending that is reflected in balanced budget outlook requirements. Near GF-S revenue consists of GF-S revenue plus ELTA and Washington Opportunity Pathways Account (OPA) revenue.
- Other legislation from the 2018 session reduced the additional property tax levy that was passed in 2017 for calendar year 2019. This reduced expected property tax revenue by \$206 million in FY 2019 and \$184 million in FY 2020. Additional legislation resulted in another \$32 million reduction in GF-S revenue in the current biennium, an addition of \$3 million for the 2019-21 biennium and a reduction of \$7 million for the 2021-23 biennium.
- Because of the forecasted increases in Revenue Act, REET and various other revenue sources, total Near GF-S revenue is forecasted to increase by \$298 million in the current biennium, \$287 million in the 2019-21 biennium and \$380 million in the 2021-23 biennium despite the legislated reductions.
- Forecasted Near GF-S revenue for the 2017-19 biennium is now \$45.288 billion, 16.0% more than that of the 2015-17 biennium. Forecasted Near GF-S revenue for the 2019-21 biennium is now \$49.363 billion, 9.0% higher than expected 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$53.170 billion, an increase of 7.7% over expected 2019-21 biennial revenue.

Revenue Review

Presented to
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

June 19, 2018
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The economic forecast for the U.S. is slightly stronger than in February.
- The economic forecast for WA has slightly higher personal income than in February.
- Risks to the baseline include concerns about international trade, geopolitical risks and a maturing economic expansion.
- The revenue collection variance since the February forecast is \$189 million.
- Near General Fund revenue for the 2017-19 biennium has been increased by \$298 million, and revenue for the 2019-21 biennium has been increased by \$287 million.

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Forecast risks

Upside

- Strong labor market
- Elevated consumer and business confidence

Downside

- International trade policy uncertainty
- Higher oil and gasoline prices
- Maturing economic expansion
- Federal Reserve raises rates too much or too quickly
- Geopolitical risks: North Korea, Russia, Middle East, Europe

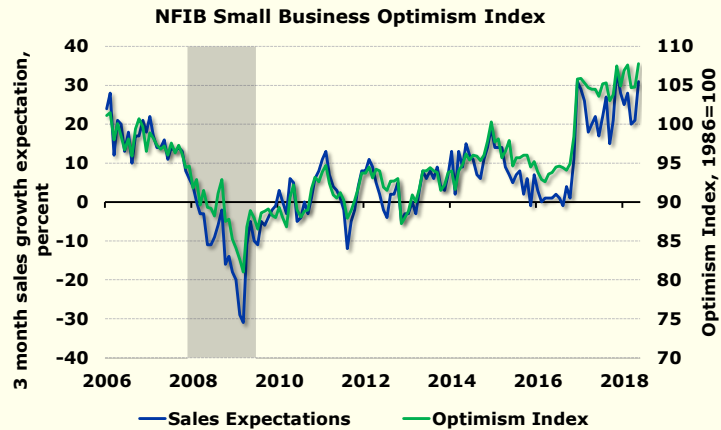
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Small business optimism and sales expectations are above pre-recession levels



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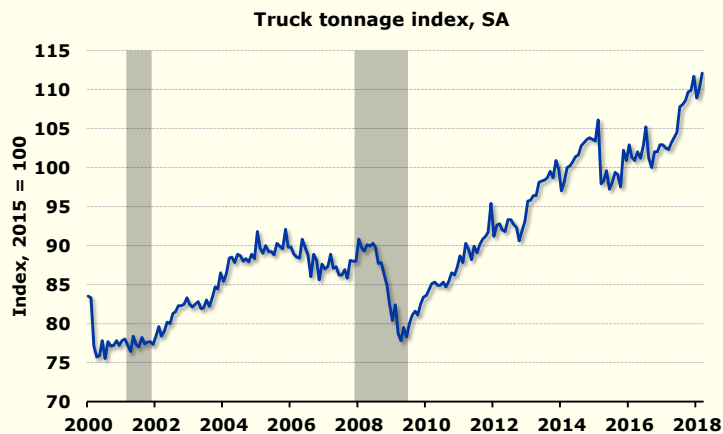
Slide 3

Source: National Federation of Independent Business; data through May 2018

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Freight carried by trucks has steadily increased since the end of the recession



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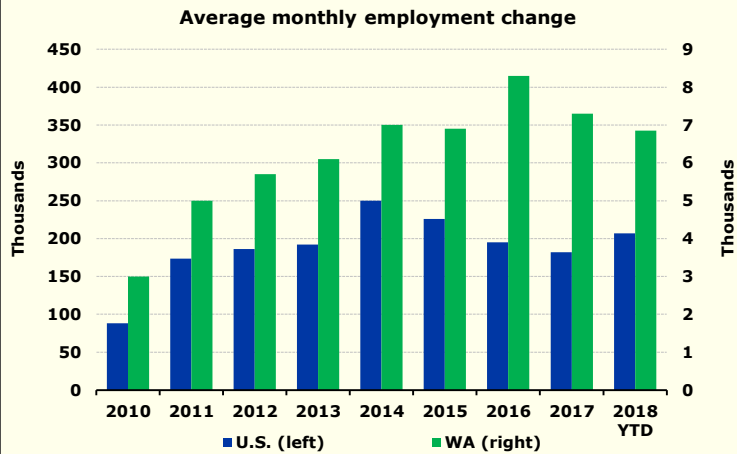
Slide 4

Source: American Trucking Association, data through March 2018

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U.S., WA labor markets look strong



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Source: Bureau of Labor Statistics, ERFC; data through May 2018

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Adjusted for inflation, hourly wage growth remains muted



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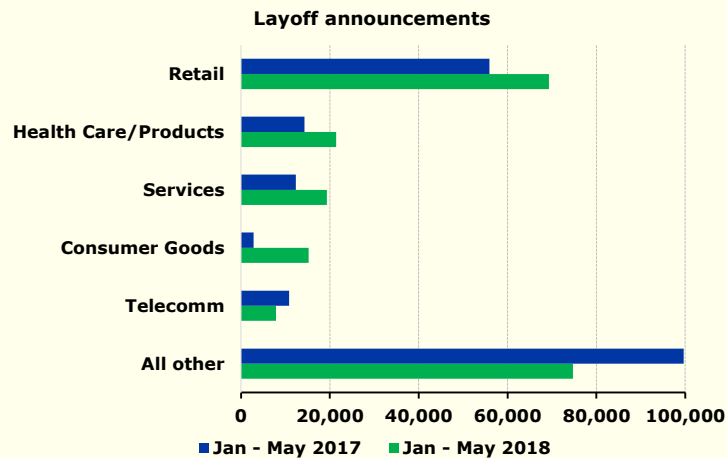
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Source: U.S. Bureau of Labor Statistics, monthly data through May 2018

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Through May, layoff announcements are 6% above the same time period last year



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Source: Challenger, Gray & Christmas; Job Cut Report, May 2018

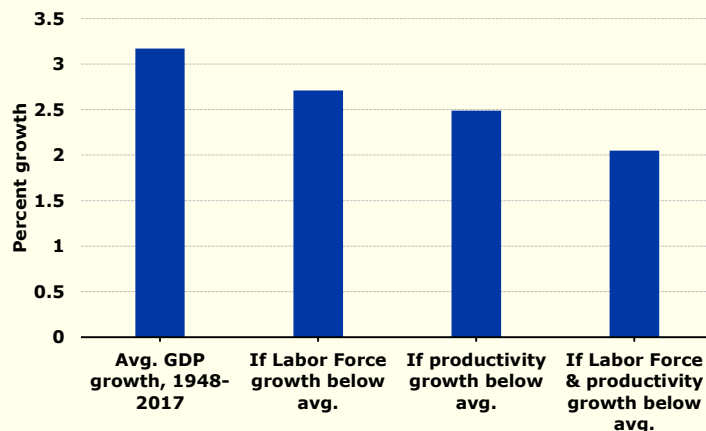
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Both labor force growth and labor productivity growth have been below average for last seven years

Labor force growth will remain below its 1948-2017 average in our forecast; productivity growth is very difficult to forecast



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

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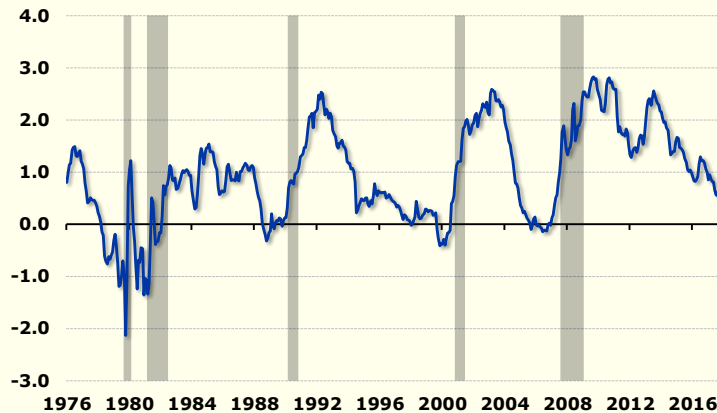
When long-term interest rates are below short-term rates, it is often a signal of coming recession

When long-term rates are below short-term rates, this is referred to as an inverted yield curve

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Treasury bond yield difference: 10 year minus 2 year



Source: Federal Reserve Bank of St. Louis, monthly data through May 2018

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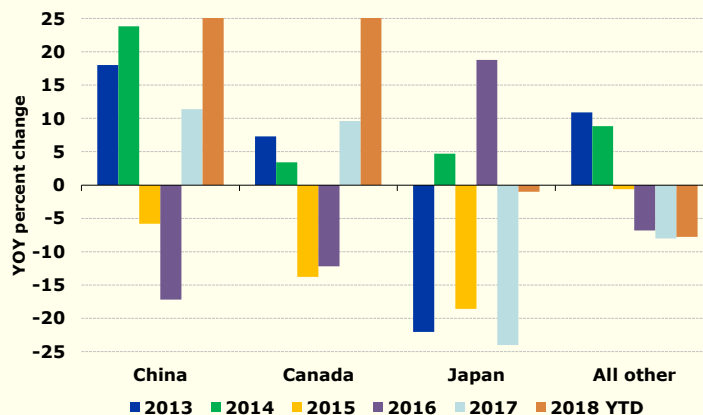
WA exports have slowed, but exports to China, Canada improved in 2017

Total exports declined 3.9% in 2017 but increased 0.6% in fourth quarter 2017 and 3.9% in first quarter 2018

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Year-over-year growth in export value, major trading partners

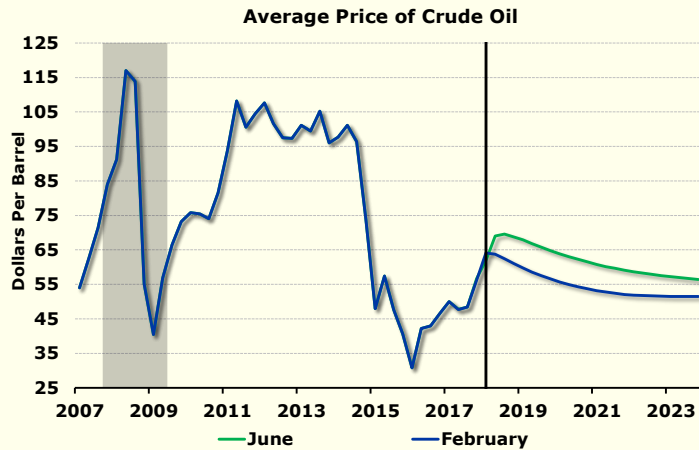


Source: WISERTrade; data through March 2018

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Oil prices are slightly higher compared to the February forecast



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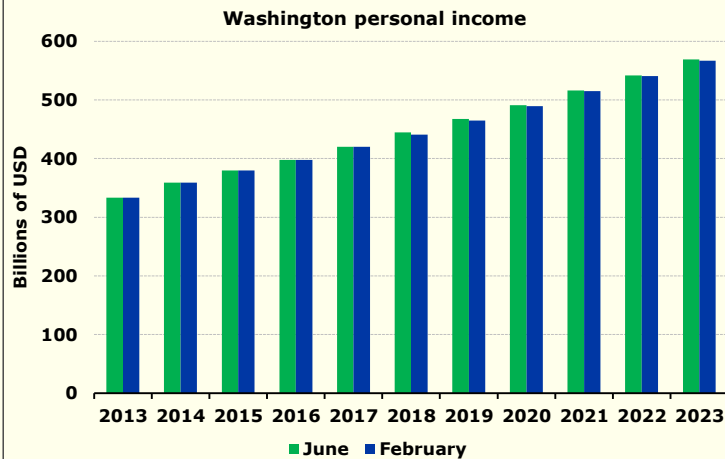
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Source: U.S. DOE, ERFC June 2018 forecast; historical data through Q1 2018

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Washington personal income is slightly higher than in February



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Source: ERFC June 2018 forecast; historical data through 2017

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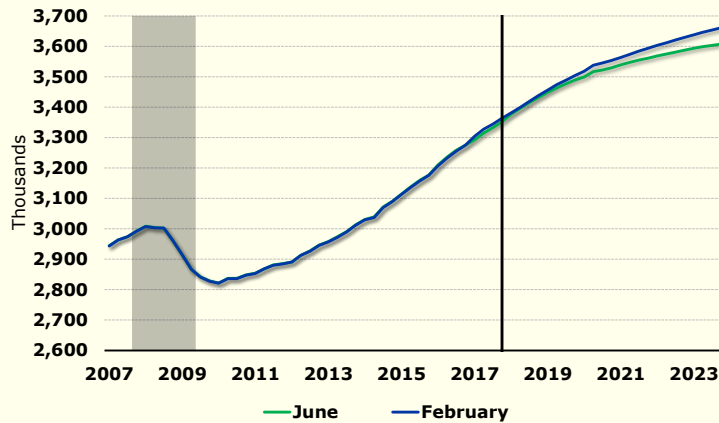
Washington employment forecast is slightly lower compared to February

A downward revision in the population forecast has resulted in a nonfarm employment forecast 53,000 jobs lower (1.5%) by 2023 Q4 compared to February.

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Washington Nonfarm Payroll Employment



Source: ERFC June 2018 forecast; historical data through Q1 2018

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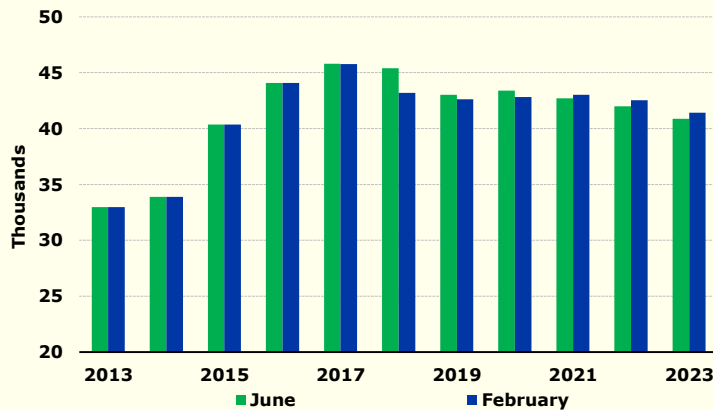


Washington housing permits forecast is higher in 2018 compared to February

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Washington Housing Permits



Source: ERFC June 2018 forecast; historical data through 2017

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Revenue Act collections growth has been strong for two quarters

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

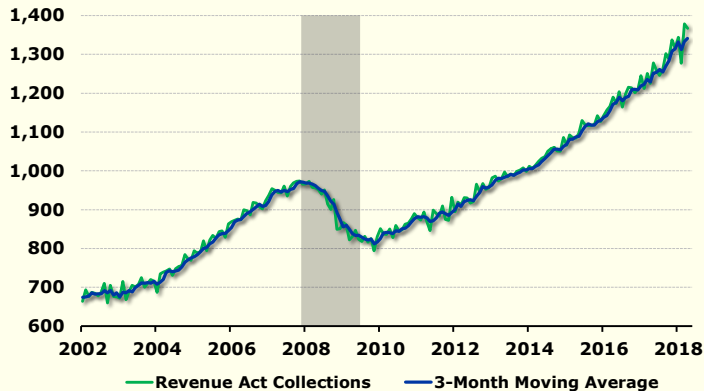
2017Q2: 5.6%
2017Q3: 6.4%
2017Q4: 8.3%
2018Q1: 8.2%

June 10, 2018 collections: 10.8%

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\$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 April 2018 activity

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Large commercial property sales decreased but still strong in Q1 2018

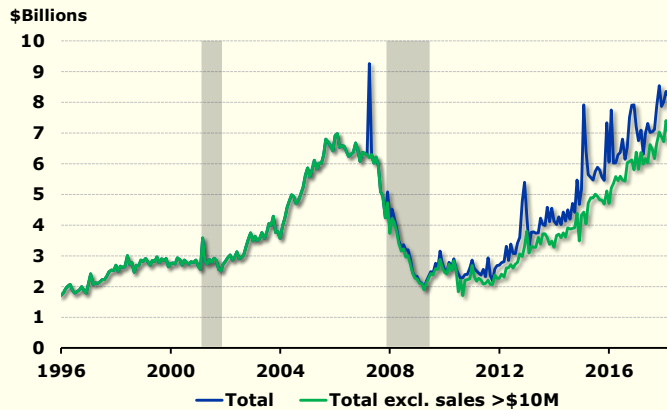
Large commercial sales (>\$10 million) totaled \$2.6 billion in the 1st quarter of 2018, down from \$3.6 billion in the 4th quarter of 2017.

Residential and smaller commercial sales continue to grow.

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Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through May 2018 preliminary

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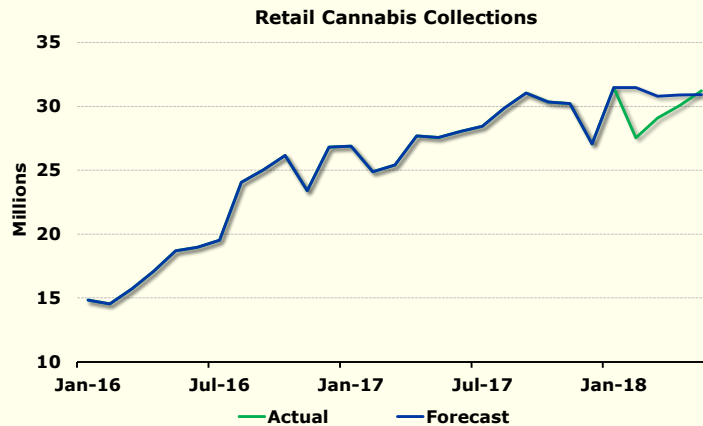
Cannabis revenue continues to be volatile

Collections were 0.9% above forecast in May

Collections are 5.0% below forecast since February

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Source: LCB, ERFC; data through May 2018

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: Near General Fund-State, 2017-2019 biennium

As of June 10, General Fund-State collections were \$189 million higher than the February forecast.

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\$Millions	February 2018 Forecast*	Non-economic Change**	Forecast Change	Forecast	Total Change#
General Fund-State	\$44,213	(\$1,173)	\$493	\$43,532	(\$680)
Education Legacy Trust Account	\$520	\$935	\$43	\$1,498	\$978
WA Opportunity Pathways Account	\$257	\$0	\$1	\$258	\$1
Total Near GF-S	\$44,990	(\$238)	\$536	\$45,288	\$298

* Forecast for the 2017-19 biennium adopted February 20, 2018

** Sum of legislative and budget driven revenue changes from the 2018 legislative session

Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: Near General Fund-State, 2019-2021 biennium

\$Millions	<u>February 2018 Forecast*</u>	<u>Non-economic Change**</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change#</u>
General Fund-State	\$48,253	(\$181)	\$448	\$48,520	\$267
Education Legacy Trust Account	\$565	\$0	\$17	\$582	\$17
WA Opportunity Pathways Account	\$258	\$0	\$3	\$261	\$3
Total Near GF-S	\$49,076	(\$181)	\$468	\$49,363	\$287

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* Forecast for the 2019-21 biennium adopted February 20, 2018
** Sum of legislative and budget driven revenue changes from the 2018 legislative session
Detail may not add to total due to rounding

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Cannabis excise tax and license fee estimates

Total change since February forecast:

- 2017-19
-\$6.0 M
- 2019-21
-\$15.7 M
- 2021-23
-\$7.4 M

\$Millions	Cannabis Forecast		
	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>
GF-S share of excise tax and license fees	\$247	\$268	\$321
Non-GF	\$495	\$525	\$525
Total	\$743	\$794	\$846

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* Detail may not add to total due to rounding

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2017-19 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2017-19 Biennium	Difference From the baseline*
June 2018 Baseline (70%)	\$43,532	
<u>June 2018 Alternative Forecasts</u>		
Optimistic (15%)	\$44,383	\$851
Pessimistic (15%)	\$42,595	(\$937)
Probability Weighted Average	\$43,519	(\$13)
GCEA *	\$43,304	(\$228)

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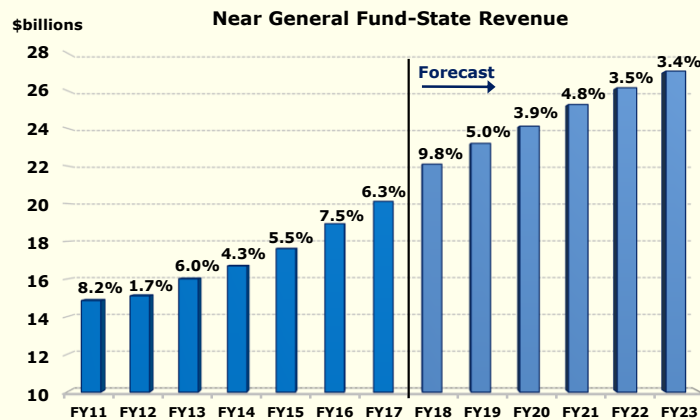
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*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

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Near General Fund-State* forecast by fiscal year



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*Near General Fund-State equals General Fund-State plus Education Legacy Trust and Washington Opportunities Pathway Accounts
Source: ERFC forecast, June 2018

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Conclusion

- WA personal income and employment are slightly higher than in February
- As has been the case for some time, Washington's economy is continuing to outperform the nation
- Near GF-S revenues are expected to grow 16.0% between the 2015-17 and 2017-19 biennia and 9.0% between the 2017-19 and 2019-21 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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Total Changes to General Fund-State, Education Legacy Trust Account and Washington Opportunity Pathways Account Forecasts

Comparison of the June 2018 to the February 2018 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	February 2018 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$44,212.9	(\$1,173.5)	\$493.0	\$43,532.4	(\$680.4)
Education Legacy Trust Account	\$519.9	\$935.0	\$42.6	\$1,497.6	\$977.6
WA Opportunity Pathways Account	\$257.3	\$0.0	\$0.8	\$258.0	\$0.8
Total	\$44,990.1	(\$238.5)	\$536.4	\$45,288.0	\$297.9

*Forecast for the 2017-19 biennium adopted February 20, 2018

[#]Details may not add due to rounding

**Sum of legislative and budget driven revenue changes from the 2018 legislative session

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

Comparison of the June 2018 to the February 2018 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	February 2018 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$48,253.4	(\$181.2)	\$447.7	\$48,519.9	\$266.5
Education Legacy Trust Account	\$565.1	\$0.0	\$17.4	\$582.4	\$17.4
WA Opportunity Pathways Account	\$258.0	\$0.0	\$2.9	\$260.9	\$2.9
Total	\$49,076.5	(\$181.2)	\$468.0	\$49,363.3	\$286.8

*Forecast for the 2019-21 biennium adopted February 20, 2018

[#]Details may not add due to rounding

**Sum of legislative and budget driven revenue changes from the 2018 legislative session

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

Comparison of the June 2018 to the February 2018 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	February 2018 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$51,932.0	(\$7.0)	\$356.8	\$52,281.8	\$349.8
Education Legacy Trust Account	\$592.7	\$0.0	\$26.2	\$618.9	\$26.2
WA Opportunity Pathways Account	\$265.6	\$0.0	\$3.8	\$269.4	\$3.8
Total	\$52,790.2	(\$7.0)	\$386.9	\$53,170.1	\$379.9

*Forecast for the 2021-23 biennium adopted February 20, 2018

[#]Details may not add due to rounding

**Sum of legislative and budget driven revenue changes from the 2018 legislative session

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

February 2014 through June 2018

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis
February 2014 #	\$36,887	\$1,823				\$38,710
Changes to Forecast						
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	2,079 #6	2,359	43,262
November 2017	297	7	304	0	304	43,566
February 2018	631	16	647	0	647	44,213
June 2018	447	46	493	(1,173) #7	(680)	43,532
Total change***:						
From February 2014	3,317	201	3,518	1,304	4,822	
Percent change	9.0	11.0	9.1	3.4	12.5	

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

February 2016 through June 2018

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis
February 2016 ##	\$36,887	\$1,823				\$43,441
Changes to Forecast						
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	0	671	48,253
June 2018	426	22	448	(181) #7	267	48,520
Total change***:						
From February 2016	2,083	(94)	1,989	3,090	5,079	
Percent change	5.6	(5.1)	4.6	7.1	11.7	

* 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

#7 Sum of legislative and budget driven revenue changes from the 2018 legislative session

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 2018 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income
	Tax Base Adjusted*	Personal Income ¹	Elasticity**
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	6.5	5.7	1.1
2019	4.2	5.5	0.8
2020	3.6	5.1	0.7
2021	3.4	5.0	0.7
2022	3.5	5.0	0.7
2023	3.4	5.0	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	6.9	5.7	1.2
2019	5.3	5.5	1.0
2020	4.2	5.1	0.8
2021	4.3	5.0	0.9
2022	4.6	5.0	0.9
2023	4.1	5.0	0.8
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.

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 2018 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income
	Tax Base Adjusted*	Personal Income ¹	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	6.4	5.7	1.1
2019	0.8	5.5	0.1
2020	3.4	5.1	0.7
2021	4.0	5.0	0.8
2022	6.1	5.0	1.2
2023	4.1	5.0	0.8
Average 2002-2017:	3.7	4.9	0.8

Total Revenue Act Receipts

June 2018 Baseline Forecast

Source/Fiscal Year		Percentage Change		Personal Income Elasticity ^{##}
		Tax Receipts [#]	Personal Income ¹	
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	7.4	5.7	1.3
	2019	4.7	5.5	0.9
	2020	4.4	5.1	0.9
	2021	4.1	5.0	0.8
	2022	3.8	5.0	0.7
	2023	3.7	5.0	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.

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)

June 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	\$21,681	9.8%	\$282	11.9%	\$21,963	9.9%	\$129	2.2%	\$22,093	9.8%
FY 2019	\$21,852	0.8%	\$1,215	330.2%	\$23,067	5.0%	\$129	-0.6%	\$23,195	5.0%
FY 2020	\$23,691	8.4%	\$286	-76.4%	\$23,978	3.9%	\$129	0.6%	\$24,107	3.9%
FY 2021	\$24,829	4.8%	\$296	3.4%	\$25,125	4.8%	\$132	1.6%	\$25,256	4.8%
FY 2022	\$25,705	3.5%	\$305	3.0%	\$26,010	3.5%	\$133	1.4%	\$26,143	3.5%
FY 2023	\$26,577	3.4%	\$314	2.9%	\$26,891	3.4%	\$136	2.1%	\$27,027	3.4%
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	\$43,532	13.6%	\$1,498	220.6%	\$45,030	16.1%	\$258	-2.9%	\$45,288	16.0%
19-21 Biennium	\$48,520	11.5%	\$582	-61.1%	\$49,102	9.0%	\$261	1.1%	\$49,363	9.0%
21-23 Biennium	\$52,282	7.8%	\$619	6.3%	\$52,901	7.7%	\$269	3.2%	\$53,170	7.7%

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

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	178.7	32.4	0.0	12.6	0.0	0.0	0.3	3.8	129.4	0.0	0.0	0.0
2019	169.6	23.4	0.0	13.1	0.0	0.0	0.4	4.1	128.6	0.0	0.0	0.0
2017-19 Biennium	348.2	55.8	0.0	25.8	0.0	0.0	0.7	7.9	258.0	0.0	0.0	0.0
2020	176.7	29.2	0.0	13.7	0.0	0.0	0.4	4.0	129.4	0.0	0.0	0.0
2021	179.2	29.1	0.0	14.2	0.0	0.0	0.4	4.0	131.5	0.0	0.0	0.0
2019-21 Biennium	355.9	58.3	0.0	27.9	0.0	0.0	0.7	8.0	260.9	0.0	0.0	0.0
2022	181.9	30.0	0.0	14.2	0.0	0.0	0.4	4.0	133.3	0.0	0.0	0.0
2023	184.5	29.8	0.0	14.2	0.0	0.0	0.4	4.0	136.1	0.0	0.0	0.0
2021-23 Biennium	366.4	59.8	0.0	28.4	0.0	0.0	0.8	8.0	269.4	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	173.2	28.9	0.0	12.6	0.0	0.0	0.4	4.0	127.3	0.0	0.0	0.0
2019	173.9	27.0	0.0	13.1	0.0	0.0	0.4	4.0	129.4	0.0	0.0	0.0
2017-19 Biennium	347.1	55.9	0.0	25.8	0.0	0.0	0.7	8.0	256.7	0.0	0.0	0.0
2020	176.9	27.4	0.0	13.7	0.0	0.0	0.4	4.0	131.5	0.0	0.0	0.0
2021	179.4	27.6	0.0	14.2	0.0	0.0	0.4	4.0	133.3	0.0	0.0	0.0
2019-21 Biennium	356.3	54.9	0.0	27.9	0.0	0.0	0.7	8.0	264.8	0.0	0.0	0.0
2022	182.2	27.6	0.0	14.2	0.0	0.0	0.4	4.0	136.0	0.0	0.0	0.0
2023	184.7	27.7	0.0	14.2	0.0	0.0	0.4	4.0	138.4	0.0	0.0	0.0
2021-23 Biennium	366.8	55.3	0.0	28.4	0.0	0.0	0.8	8.0	274.3	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

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,167.2	\$0.0	\$51.3	\$1,218.5	\$51.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$502.9	(\$3.0)	(\$3.1)	\$496.8	(\$6.1)
Lottery Commission Lottery Revenue	\$49.7	(\$0.0)	\$6.1	\$55.8	\$6.1
State Treasurer Interest Earnings	\$28.3	\$0.0	(\$9.1)	\$19.3	(\$9.1)
Office of Financial Management Other Agencies	\$327.9	(\$18.0)	(\$3.0)	\$307.0	(\$21.0)
Administrative Office of the Courts Fines and Forfeitures	\$137.4	(\$0.0)	\$7.1	\$144.5	\$7.1
Total General Fund-State	\$2,213.4	(\$21.0)	\$49.4	\$2,241.8	\$28.4

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,167.2	\$0.0	\$51.3	\$1,218.5	\$51.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$502.9	(\$3.0)	(\$3.1)	\$496.8	(\$6.1)
Lottery Commission Lottery Revenue	\$49.6	(\$0.0)	\$6.3	\$55.9	\$6.3
State Treasurer Interest Earnings	\$28.2	\$0.0	(\$8.1)	\$20.1	(\$8.1)
Office of Financial Management Other Agencies	\$327.9	(\$18.0)	(\$3.0)	\$307.0	(\$21.0)
Administrative Office of the Courts Fines and Forfeitures	\$137.4	(\$0.0)	\$7.1	\$144.5	\$7.1
Total General Fund-State	\$2,213.2	(\$21.0)	\$50.5	\$2,242.7	\$29.6

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,274.1	\$0.0	\$36.1	\$1,310.3	\$36.1
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$550.3	\$7.0	(\$13.3)	\$544.0	(\$6.3)
Lottery Commission Lottery Revenue	\$54.7	(\$0.3)	\$3.9	\$58.3	\$3.6
State Treasurer Interest Earnings	\$49.3	\$0.0	(\$8.5)	\$40.8	(\$8.5)
Office of Financial Management Other Agencies	\$162.5	\$10.0	(\$4.2)	\$168.4	\$5.8
Administrative Office of the Courts Fines and Forfeitures	\$134.4	(\$0.3)	\$1.0	\$135.2	\$0.8
Total General Fund-State	\$2,225.5	\$16.5	\$15.1	\$2,257.0	\$31.5

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,274.1	\$0.0	\$36.1	\$1,310.3	\$36.1
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$550.3	\$7.0	(\$13.3)	\$544.0	(\$6.3)
Lottery Commission Lottery Revenue	\$52.2	(\$0.3)	\$3.1	\$54.9	\$2.8
State Treasurer Interest Earnings	\$50.0	\$0.0	(\$7.6)	\$42.4	(\$7.6)
Office of Financial Management Other Agencies	\$162.5	\$10.0	(\$4.2)	\$168.4	\$5.8
Administrative Office of the Courts Fines and Forfeitures	\$134.4	(\$0.3)	\$1.0	\$135.2	\$0.8
Total General Fund-State	\$2,223.7	\$16.5	\$15.2	\$2,255.3	\$31.6

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2018 and February 2018 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,383.7	\$0.0	\$37.4	\$1,421.0	\$37.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$591.3	\$0.0	\$21.6	\$612.9	\$21.6
Lottery Commission Lottery Revenue	\$57.3	\$0.0	\$2.5	\$59.8	\$2.5
State Treasurer Interest Earnings	\$53.8	\$0.0	\$0.4	\$54.2	\$0.4
Office of Financial Management Other Agencies	\$157.6	\$10.0	(\$6.2)	\$161.4	\$3.8
Administrative Office of the Courts Fines and Forfeitures	\$137.6	(\$0.7)	\$0.8	\$137.8	\$0.1
Total General Fund-State	\$2,381.3	\$9.3	\$56.5	\$2,447.1	\$65.8

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2018 and February 2018 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	February 2018 Baseline	Non-Economic Changes	Economic Changes	June 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,383.7	\$0.0	\$37.4	\$1,421.0	\$37.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$591.3	\$0.0	\$21.6	\$612.9	\$21.6
Lottery Commission Lottery Revenue	\$52.5	\$0.0	\$2.8	\$55.3	\$2.8
State Treasurer Interest Earnings	\$53.8	\$0.0	\$0.4	\$54.2	\$0.4
Office of Financial Management Other Agencies	\$157.6	\$10.0	(\$6.2)	\$161.4	\$3.8
Administrative Office of the Courts Fines and Forfeitures	\$137.6	(\$0.7)	\$0.8	\$137.8	\$0.1
Total General Fund-State	\$2,376.5	\$9.3	\$56.8	\$2,442.6	\$66.1

* Detail may not total due to rounding.

June 2018

Cash Basis

Alternative General Fund-State Forecasts
Millions of Dollars**2017-19 Biennium**

	<u>2017-19 Biennium</u>	<u>Difference From the June 2018 Baseline</u>
June 2018 GF-S Baseline (70%)	\$43,532	

June 2018 Alternative GF-S Forecasts

Optimistic (15%)	\$44,383	\$851
Pessimistic (15%)	\$42,595	(\$937)
Probability Weighted Average	\$43,519	(\$13)
GCEA*	\$43,304	(\$228)

2019-21 Biennium

	<u>2019-21 Biennium</u>	<u>Difference From the June 2018 Baseline</u>
June 2018 GF-S Baseline (60%)	\$48,520	

June 2018 Alternative GF-S Forecasts

Optimistic (15%)	\$51,540	\$3,020
Pessimistic (25%)	\$45,239	(\$3,281)
Probability Weighted Average	\$48,481	(\$39)
GCEA*	\$48,067	(\$453)

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

U.S. Forecast Comparison

	2018Q1	2018Q2	2018Q3	2018Q4
Real GDP (Billions of 2009 Dollars)				
June Forecast	17,380	17,530	17,660	17,782
Percent Change	2.2%	3.5%	3.0%	2.8%
February Forecast	17,380	17,504	17,618	17,726
Percent Change	2.5%	2.9%	2.6%	2.5%
Real Consumption (Billions of 2009 Dollars)				
June Forecast	12,066	12,157	12,239	12,317
Percent Change	1.0%	3.1%	2.7%	2.6%
February Forecast	12,080	12,161	12,236	12,311
Percent Change	1.7%	2.7%	2.5%	2.5%
PCE Price Index (2009=100)				
June Forecast	114.2	114.7	115.3	115.9
Percent Change	2.6%	2.0%	2.0%	2.0%
February Forecast	114.1	114.5	115.1	115.6
Percent Change	2.3%	1.3%	2.0%	1.8%
Real Personal Income (Billions of 2009 Dollars)				
June Forecast	14,749	14,821	14,898	15,013
Percent Change	1.7%	2.0%	2.1%	3.1%
February Forecast	14,724	14,830	14,933	15,044
Percent Change	1.9%	2.9%	2.8%	3.0%
Nonfarm Payroll Employment (Millions)				
June Forecast	148.1	148.6	149.2	149.8
Percent Change	1.7%	1.4%	1.7%	1.6%
February Forecast	148.0	148.6	149.2	149.8
Percent Change	1.6%	1.4%	1.7%	1.7%
Unemployment Rate (Percent of Labor Force)				
June Forecast	4.1	3.9	3.8	3.6
February Forecast	4.1	4.0	3.9	3.8
Oil Price, Refiner's Acquisition				
June Forecast	61.9	69.1	69.6	68.7
February Forecast	64.1	63.7	62.4	61.0
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast	4.3	4.5	4.6	4.7
February Forecast	4.3	4.5	4.6	4.8
3 Month T-Bill Rate (Percent, average)				
June Forecast	1.6	1.9	2.1	2.3
February Forecast	1.6	1.7	1.9	2.1

	2017	2018	2019	2020	2021	2022	2023
	17,096	17,588	18,040	18,382	18,740	19,127	19,520
	2.3%	2.9%	2.6%	1.9%	1.9%	2.1%	2.1%
	17,093	17,557	17,970	18,348	18,715	19,089	19,490
	2.3%	2.7%	2.4%	2.1%	2.0%	2.0%	2.1%
	11,891	12,195	12,488	12,732	12,992	13,270	13,557
	2.8%	2.6%	2.4%	2.0%	2.0%	2.1%	2.2%
	11,889	12,197	12,479	12,729	12,983	13,256	13,547
	2.7%	2.6%	2.3%	2.0%	2.0%	2.1%	2.2%
	112.7	115.0	117.3	119.7	122.1	124.6	127.2
	1.7%	2.1%	1.9%	2.1%	2.0%	2.1%	2.1%
	112.7	114.8	116.9	119.2	121.7	124.2	126.7
	1.7%	1.9%	1.8%	2.0%	2.0%	2.1%	2.0%
	14,583	14,870	15,293	15,677	16,062	16,461	16,876
	1.4%	2.0%	2.8%	2.5%	2.5%	2.5%	2.5%
	14,572	14,883	15,339	15,756	16,145	16,518	16,896
	1.4%	2.1%	3.1%	2.7%	2.5%	2.3%	2.3%
	146.6	148.9	150.9	152.3	153.3	154.1	154.8
	1.6%	1.6%	1.3%	0.9%	0.6%	0.5%	0.5%
	146.6	148.9	151.0	152.7	153.5	154.4	155.1
	1.6%	1.5%	1.4%	1.1%	0.6%	0.5%	0.5%
	4.4	3.8	3.6	3.7	3.8	4.0	4.1
	4.4	4.0	3.7	3.8	3.9	3.9	4.0
	50.7	67.3	66.3	62.6	59.9	58.1	56.8
	50.6	62.8	58.1	54.6	52.6	51.7	51.5
	4.0	4.5	5.0	5.3	5.3	5.3	5.2
	4.0	4.5	5.1	5.3	5.3	5.3	5.2
	0.9	1.9	2.7	3.1	3.2	3.2	3.0
	0.9	1.8	2.6	3.1	3.2	3.2	3.0

Washington Forecast Comparison

	2018Q1	2018Q2	2018Q3	2018Q4
Real Personal Income (Billions of 2009 Dollars)				
June Forecast	382.6	384.9	387.5	390.9
Percent Change	5.2%	2.4%	2.8%	3.5%
February Forecast	379.0	382.4	385.6	388.9
Percent Change	2.3%	3.7%	3.4%	3.5%
Personal Income (Billions of Dollars)				
June Forecast	436.9	441.6	446.8	452.9
Percent Change	7.9%	4.4%	4.8%	5.5%
February Forecast	432.5	437.8	443.7	449.5
Percent Change	4.8%	5.0%	5.4%	5.3%
Disposable Personal Income (Billions of Dollars)				
June Forecast	388.1	392.9	397.4	403.0
Percent Change	9.8%	5.0%	4.7%	5.7%
February Forecast	387.3	391.7	396.9	402.1
Percent Change	9.2%	4.6%	5.5%	5.4%
Nonfarm Payroll Employment (Thousands)				
June Forecast	3377	3396	3414	3432
Percent Change	3.1%	2.2%	2.2%	2.1%
February Forecast	3381	3399	3419	3438
Percent Change	2.2%	2.1%	2.3%	2.3%
Unemployment Rate (Percent of Labor Force)				
June Forecast	4.7	4.7	4.6	4.4
February Forecast	4.5	4.4	4.3	4.2
Manufacturing Employment (Thousands)				
June Forecast	284.9	285.9	287.1	288.7
Percent Change	3.6%	1.4%	1.7%	2.2%
February Forecast	282.2	283.7	285.0	285.0
Percent Change	2.3%	2.0%	2.0%	0.0%
Construction Employment (Thousands)				
June Forecast	208.2	210.7	211.9	212.4
Percent Change	7.8%	4.8%	2.3%	1.0%
February Forecast	208.3	208.2	208.1	207.9
Percent Change	5.3%	-0.3%	-0.2%	-0.4%
Housing Permits (Thousands)				
June Forecast	49.2	46.7	42.8	42.9
Percent Change	-18.1%	-18.6%	-29.2%	0.8%
February Forecast	43.2	43.7	43.0	42.9
Percent Change	-51.2%	4.5%	-5.9%	-1.3%

	2017	2018	2019	2020	2021	2022	2023
	372.9	386.5	398.8	410.5	422.5	434.8	447.4
	3.9%	3.6%	3.2%	2.9%	2.9%	2.9%	2.9%
	372.9	384.0	397.6	410.4	423.2	435.5	447.7
	3.8%	3.0%	3.6%	3.2%	3.1%	2.9%	2.8%
	420.1	444.6	467.7	491.4	516.0	542.0	569.1
	5.6%	5.8%	5.2%	5.1%	5.0%	5.0%	5.0%
	420.0	440.9	464.9	489.4	514.9	540.8	567.3
	5.6%	5.0%	5.4%	5.3%	5.2%	5.0%	4.9%
	372.3	395.3	416.6	437.7	458.7	480.5	503.5
	5.0%	6.2%	5.4%	5.1%	4.8%	4.7%	4.8%
	372.4	394.5	417.4	439.2	460.8	482.7	505.3
	5.1%	5.9%	5.8%	5.2%	4.9%	4.7%	4.7%
	3323	3405	3469	3517	3550	3578	3601
	2.4%	2.5%	1.9%	1.4%	1.0%	0.8%	0.6%
	3334	3409	3480	3538	3579	3616	3650
	2.8%	2.2%	2.1%	1.7%	1.1%	1.0%	0.9%
	4.8	4.6	4.3	4.3	4.4	4.5	4.6
	4.6	4.3	4.1	4.1	4.1	4.1	4.2
	283.8	286.6	290.8	293.2	295.3	296.7	297.9
	-2.1%	1.0%	1.5%	0.8%	0.7%	0.5%	0.4%
	283.2	284.0	286.1	287.1	289.6	292.7	295.7
	-2.3%	0.3%	0.7%	0.3%	0.9%	1.1%	1.0%
	199.7	210.8	213.9	215.0	214.8	214.1	212.2
	7.0%	5.6%	1.4%	0.5%	-0.1%	-0.3%	-0.9%
	201.4	208.1	208.8	211.1	212.1	210.9	208.3
	8.0%	3.3%	0.3%	1.1%	0.5%	-0.6%	-1.2%
	45.8	45.4	43.0	43.4	42.7	42.0	40.9
	3.9%	-0.8%	-5.3%	0.9%	-1.6%	-1.7%	-2.7%
	45.8	43.2	42.6	42.8	43.0	42.5	41.4
	3.9%	-5.6%	-1.4%	0.5%	0.5%	-1.1%	-2.6%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2018	2019	2020	2021	2022	2023
<u>U.S.</u>						
Real GDP						
<i>Growth</i>						
ERFC	2.9	2.6	1.9	1.9	2.1	2.1
GCEA Average	2.7	2.5	2.0	1.9	2.0	2.0
Real Consumption						
<i>Growth</i>						
ERFC	2.6	2.4	2.0	2.0	2.1	2.2
GCEA Average	2.6	2.4	2.0	2.0	2.0	1.9
PCE Price Index						
<i>Growth</i>						
ERFC	2.1	1.9	2.1	2.0	2.1	2.1
GCEA Average	2.2	2.3	2.1	2.0	1.8	1.8
Mortgage Rate						
<i>Percent</i>						
ERFC	4.5	5.0	5.3	5.3	5.3	5.2
GCEA Average	4.8	5.3	5.4	5.6	5.8	5.6
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	73.9	73.5	69.4	66.3	64.4	63.0
GCEA Average	71.7	68.7	64.9	62.6	60.9	61.0

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	3.6	3.2	2.9	2.9	2.9	2.9
GCEA Average	2.9	3.1	2.7	2.4	2.6	2.8

Wage and Salary Employment

<i>Growth</i>						
ERFC	2.5	1.9	1.4	1.0	0.8	0.6
GCEA Average	2.2	1.5	1.0	0.9	0.9	0.9

Manufacturing Employment

<i>Growth</i>						
ERFC	1.0	1.5	0.8	0.7	0.5	0.4
GCEA Average	0.2	0.3	0.0	0.1	1.0	1.0

Construction Employment

<i>Growth</i>						
ERFC	5.6	1.4	0.5	-0.1	-0.3	-0.9
GCEA Average	3.7	0.1	1.0	1.0	0.0	0.0

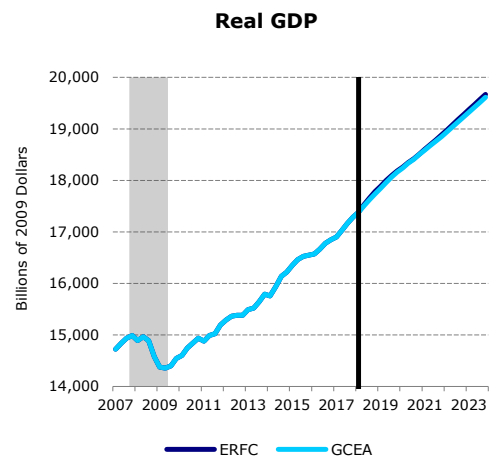
Housing Permits

<i>Thousands of authorized units</i>						
ERFC	45.4	43.0	43.4	42.7	42.0	40.9
GCEA Average	44.0	43.2	42.8	43.5	44.5	43.9

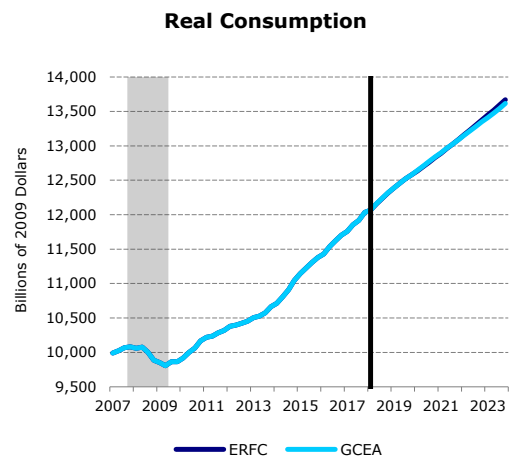
Washington Average Annual Wage

<i>Growth</i>						
ERFC	4.5	3.3	3.9	4.1	4.2	4.4
GCEA Average	3.4	3.6	3.6	3.6	3.6	3.5

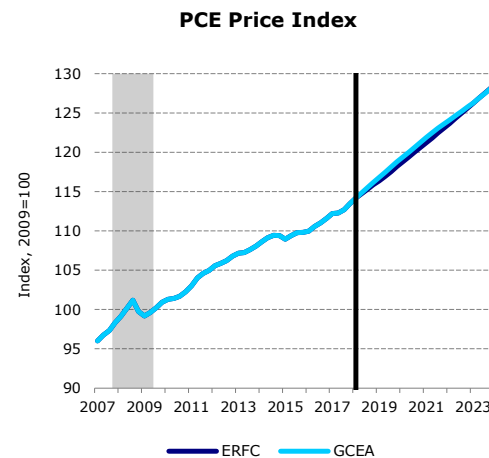
U.S. Forecast Comparison



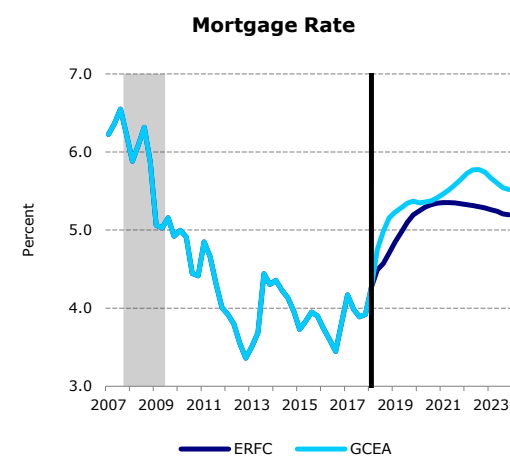
Source: BEA, ERFC, GCEA; data through 2018 Q1



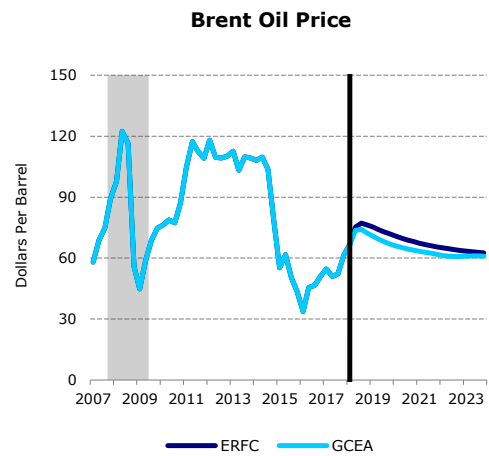
Source: BEA, ERFC, GCEA; data through 2018 Q1



Source: BEA, ERFC, GCEA; data through 2018 Q1

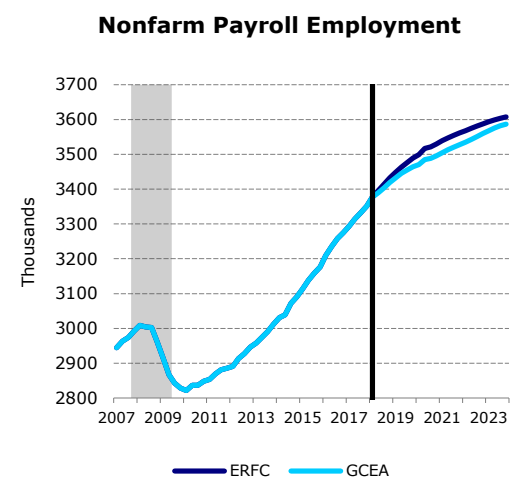


Source: Freddie Mac, ERFC, GCEA; data through 2018 Q1

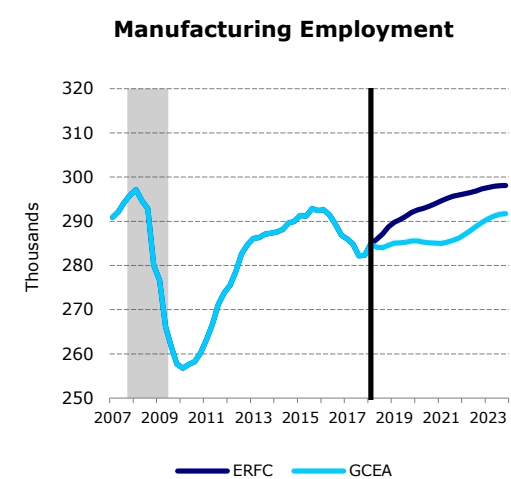


Source: EIA, ERFC, GCEA; data through 2018 Q1

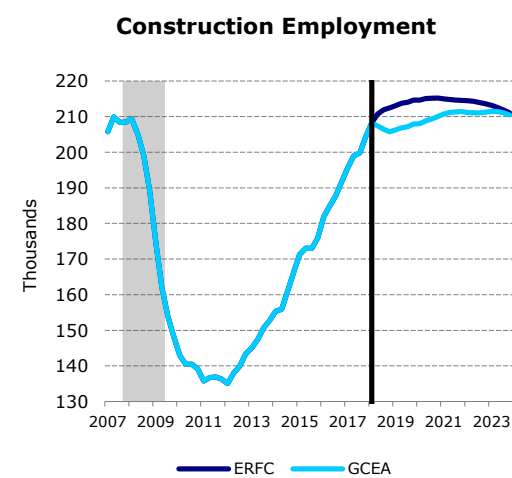
Washington Forecast Comparison



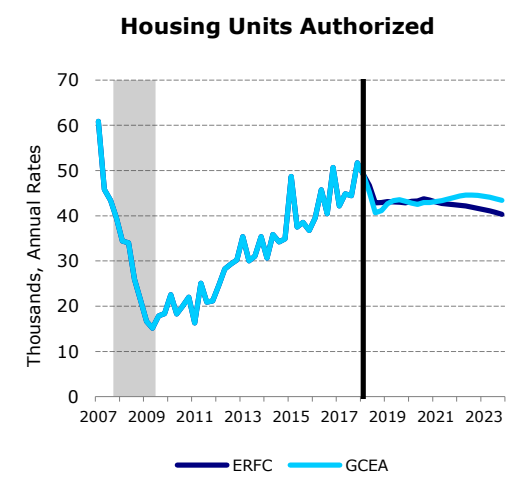
Source: ESD, ERFC, GCEA; data through 2018 Q1



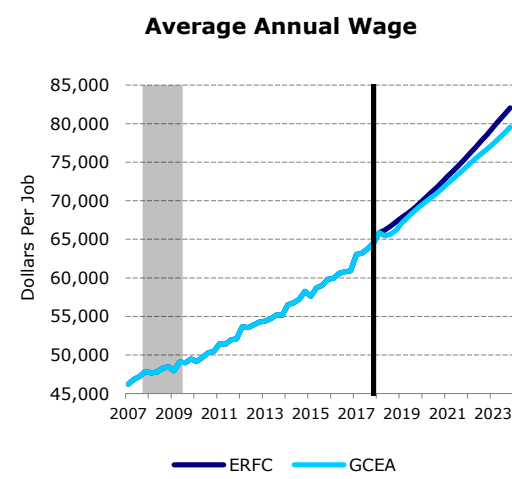
Source: ESD, ERFC, GCEA; data through 2018 Q1



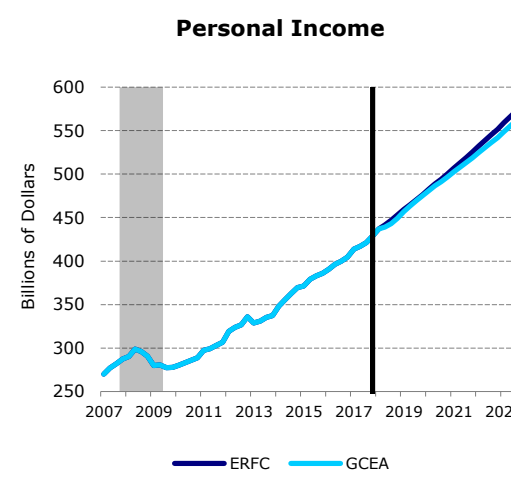
Source: ESD, ERFC, GCEA; data through 2018 Q1



Source: Census, ERFC, GCEA; data through 2018 Q1



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



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

2017-19 Enacted 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

	2017-19		
	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	1,100.6	48.0	1,148.5
February 2018 Revenue Forecast	44,212.9	777.2	44,990.1
June 2018 Revenue Forecast change	493.0	43.4	536.4
Current Revenue Totals	44,705.9	820.6	45,526.4
Transfer to Budget Stabilization Account (1% of GSR)	(429.7)		(429.7)
Transfer to Budget Stabilization Account (EGSR)	(924.3)		(924.3)
Transfer from BSA (EGSR)	924.3		924.3
Enacted Fund Transfers	74.1	254.0	328.1
Assumed Prior Period Adjustments	40.8		40.8
2018 Legislative Session			-
Budget Driven Revenue	(21.0)		(21.0)
McCleary Penalty Account Transfer	(105.2)		(105.2)
Other Fund Transfers	(61.2)		(61.2)
Chapter 295, Laws of 2018 (Property Tax Reduction)	(206.2)		(206.2)
Chapter 295, Laws of 2018 (Property Tax/ELTA)	(935.0)	935.0	-
Other Legislation	(11.3)	-	(11.3)
Total Resources (including beginning fund balance)	44,151.8	2,057.6	46,209.4
EXPENDITURES			
Enacted Budgets			
2017-19 Biennium	42,659.6	1,048.8	43,708.4
2018 Supplemental	689.1	251.7	940.8
Assumed Reversions	(216.0)	-	(216.0)
Total Expenditures	43,132.7	1,300.5	44,433.2
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	1,019.1	757.1	1,776.2
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,638.3		1,638.3
Transfers from General Fund (1% of GSR)	429.7		429.7
Assumed Interest Earnings	38.0		38.0
Transfers from GFS (EGSR)	924.3		924.3
Less 17-19 Appropriations from BSA	(41.5)		(41.5)
Less 17-19 Transfers to Pension Stabilization Account	(925.2)		(925.2)
Less Transfers out to GFS (EGSR)	(924.3)		(924.3)
Projected Budget Stabilization Account Ending Balance	1,139.3		1,139.3
Total Reserves (Near General Fund plus Budget Stabilization)	2,158.4	757.1	2,915.5

Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report