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Revenue Review Meeting

September 26, 2018



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

September 26, 2018
11:00 a.m.

- Call to order
- Approval meeting minutes from September 6, 2018
- Executive Director Contract
 - Possible Executive Session
- 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**

September 6, 2018

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Christine Rolfes, Senate, Chair
John Braun, Senate (via phone)
Ed Orcutt, House of Representatives
Duane Davidson, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, WaTech

Staff

Steve Lerch, Executive Director

Call to Order

Senator Rolfes called the meeting to order at 10:06 a.m.

Motion

Treasurer Davidson made a motion to approve the meeting minutes from the June 19, 2018 meeting, seconded by Director Smith. Council approved the motion at 10:07 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 tariffs and building permits.

Motion

Representative Orcutt moved, seconded by Director Smith, for the Chairperson to negotiate the employment contract of the supervisor of the forecast on behalf of the Council. Motion approved at 10:38 a.m.

Adjournment

Meeting adjourned at 10:38 a.m.

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



Economic & Revenue Review: September 26, 2018

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's September 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. As in June, the September Blue Chip forecast for real GDP growth in 2018 and 2019 was 2.9% and 2.6%. The Blue Chip long-range forecast has not been updated since June and remains at 1.9%, 1.9%, 2.1% and 2.1% in 2020 through 2023.
- 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 Thursday, September 13, 2018 closing prices for Brent and WTI futures. The latest futures prices are slightly higher than the prices used in the June forecast. The refiner acquisition price of crude oil in the fourth quarter of 2018 is now expected to average \$71 per barrel compared to \$69 in the June forecast. By the end of 2023, the refiner acquisition price is now expected to average \$58 per barrel compared to \$56 in the June forecast.
- The U.S. economy added 201,000 net new jobs in August. Employment data for June and July were revised down by 50,000 jobs. Sectors with notable employment gains in August included health care (+33,000), professional and technical services (+28,000), construction (+23,000), wholesale trade (+22,000), accommodation and food services (+20,000) and administrative and support services (+20,000). Industries with net employment declines in August included clothing and accessories stores (-21,000), information (-6,000), performing arts and spectator sports (-5,000), state government excluding education (-3,000), and manufacturing (-3,000).
- Two key measures of consumer confidence strengthened this month. Consumers responding to the preliminary University of Michigan consumer sentiment survey reported more favorable perceptions of job prospects and economic growth, resulting in a 4.6 point increase to 100.8 in the sentiment index in September. The Conference Board index of consumer confidence increased by 3.7 points in September to 138.4. Consumers were more confident about both current conditions and future economic conditions compared to August.
- Housing units authorized by building permits in August were 5.7% (SA) below their July level and 5.5% below their year-ago level. August housing starts increased by 9.2% (SA) compared to July and were 9.4% above their August 2017 level. Existing home sales in August were unchanged from July (SA) after four consecutive months of decline. However, sales are 1.5% below their year-ago level. The seasonally adjusted Case-Shiller national home price

index for July was 0.2% above its June level and 6.0% 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 three months of new Washington employment data since the June forecast was released. Total nonfarm payroll employment rose 24,300 (seasonally adjusted) in June, July, and August, which was 6,300 more than the 17,900 expected in the June forecast. The variance in employment growth was mostly due to the private services-providing sectors, which added 18,600 jobs compared to 14,200 in the June forecast. Manufacturing employment increased 1,300 in June, July, and August, boosted by an increase of 1,100 aerospace employees. Construction employment increased by 900 jobs and government payrolls expanded by 3,500 jobs.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in May 2018 by 12,100 jobs (0.4%). The upward revision to history combined with the higher than expected growth since May results in 18,400 (0.5%) more jobs in August 2018 than expected in the June forecast.
- Washington's unemployment rate declined to 4.5% in August from 4.6% in July. August's 4.5% rate was the lowest in the series that extends back to 1976. A year ago, in August 2018, the Washington unemployment rate stood at 4.8%.
- In June, after the forecast was adopted, the Bureau of Economic Analysis released estimates for state personal income through the first quarter of 2018. We have incorporated the new BEA estimates as well as additional Washington QCEW and other wage data. Our current estimate of Washington personal income in the first quarter of 2018 is \$441.8 billion, which is \$5.0 billion (1.1%) higher than assumed in the June forecast. The new estimate of wage and salary income is \$5.6 billion higher than expected and nonwage income is \$0.6 billion lower.
- Washington housing construction declined in the second quarter of 2018 and fell short of the June forecast. The number of housing units authorized by building permits decreased to 43,200 units (SAAR) in the second quarter of 2018 from 49,200 units in the first quarter. Second quarter permits were made up of 23,000 single-family units and 20,200 multi-family units. The June forecast assumed 46,700 units (SAAR) in the second quarter, consisting of 24,400 single-family units and 22,300 multi-family units.
- Housing permits remained weak in July at 35,400 units (SAAR) of which 21,800 were single-family units and 13,700 were multi-family units. The June forecast expected 42,800 units in the third quarter as a whole, consisting of 23,600 single-family units and 19,300 multi-family units.

- In a sign that the housing market may be cooling, seasonally adjusted Seattle area home prices rose just 0.2% in June and 0.3% in July according to the S&P/Case-Shiller Home Price Indices, down from an average monthly rate of 1.1% during the previous year. The monthly results might be misleading, however, due to ongoing problems with seasonal adjustment. The over-the-year growth was 12.1% in Seattle, which was more than double the 6.0% increase in the Composite-20 index. Seattle home prices are now up 92% since the December 2011 trough and exceed the May 2007 peak by 33%.
- Seattle area consumer price inflation remains well above the national average. Over the last year, from August 2017 to August 2018, consumer prices in the Seattle area rose 3.2% (seasonally adjusted) compared to 2.7% for the U.S. city average. Core prices, which exclude food and energy, were up 3.0% in Seattle compared to 2.2% for the nation. The higher Seattle inflation was due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 6.0% compared to 3.4% for the nation. Excluding shelter costs, Seattle inflation was below the national average at 1.5% compared to 2.3%.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased in August and remained solidly in positive territory. The index, which measures conditions in the manufacturing sector, increased from 60.0 in July to 61.1 in August (index values above 50 indicate growth while values below 50 indicate contraction). The index has exceeded 50 in each of the last 13 months. The production, orders, employment, and inventory components all indicated expansion in August while the deliveries component was neutral at 50.
- Car and truck sales declined for a third consecutive month in August. Seasonally adjusted new vehicle registrations fell 2.0% in August following declines of 1.4% in July and 1.0% in June. Sales are down 7.1% over the year and 14.9% since the November 2017 post-recession peak.
- Despite a decline in transportation equipment, Washington exports were up over the year for a third consecutive quarter. Exports increased 3.7% in the second quarter of 2018 compared to the second quarter of 2017. Transportation equipment exports (mostly Boeing planes) declined 5.3% over the year but exports of agricultural products rose 26.8% and exports of all other commodities (mostly manufacturing) increased 12.0%.
- Washington employment is expected to grow 2.9% this year compared to 2.5% in the June forecast. As in June, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.2% per year in 2019 through 2023, which is slightly stronger than the 1.1% per year expected in the June forecast. Our forecast for nominal personal income growth this year is 6.6%, up from 5.8% in the June forecast, due mainly to an upward revision to first quarter growth. Our new forecast for nominal personal income growth in 2019 through 2023 averages 4.9% per year compared to 5.1% per year in the June forecast.

Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from June 11 through September 10, 2018 were \$147 million (3.0%) higher than forecasted in June.
- 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 \$137 million (3.3%) higher than forecasted. Due to the strong recent activity and the changes to the state economic forecast, projected Revenue Act receipts were increased by \$223 million in the current biennium and \$353 million in the 2019-21 biennium.
- \$38 million of the increase in Revenue Act taxes in the 2019-21 biennium was due to a U.S. Supreme Court ruling of June 21, 2018. In the ruling, the Court upheld a South Dakota law that imposed sales taxes on certain online sales from out-of-state sellers. This federal precedent is expected to increase the scope and compliance of tax collections under Washington's existing laws that also impose taxes on out-of-state sellers. The ruling is expected to increase sales tax collections by \$46 million in the 2021-23 biennium.
- Cumulative real estate excise taxes (REET) came in \$12 million (3.8%) higher than forecasted. Large commercial sales continue to occur above forecasted levels but residential sales activity is beginning to decrease. Forecasted REET receipts have been increased by \$21 million in the current biennium but only by \$6 million in the 2019-21 biennium. As in the previous two forecasts, total taxable activity is assumed to have reached a near-term peak in the first quarter of 2018.
- The total forecast increase for GF-S revenue for the current biennium is \$275 million. Forecasted GF-S revenue increased by \$355 million in the 2019-21 biennium and \$295 million in the 2021-23 biennium.
- Forecasted revenue also increased for the Education Legacy Trust Account (ELTA) and Opportunity Pathways Account (OPA). Adding these increases to the GF-S forecast increases, Near GF-S revenue is forecasted to increase by \$348 million in the current biennium, \$443 million in the 2019-21 biennium and \$415 million in the 2021-23 biennium.
- Forecasted Near GF-S revenue for the 2017-19 biennium is now \$45.636 billion, 16.9% more than that of the 2015-17 biennium. Forecasted Near GF-S revenue for the 2019-21 biennium is now \$49.806 billion, 9.1% higher than expected 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$53.585 billion, an increase of 7.6% over expected 2019-21 biennial revenue.

Revenue Review

Presented to
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

September 26, 2018
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The economic forecast for the U.S. is very similar to the June forecast
- The economic forecast for WA has higher personal income and employment than the June forecast
- Downside risks to the baseline include uncertainty regarding trade and fiscal policy, geopolitical concerns and higher interest rates
- The near General Fund-State forecast for the 2017-19 biennium is increased by \$348 million

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Forecast risks

Upside

- Elevated consumer, business confidence could translate into stronger growth
- Strong U.S., WA labor markets

Downside

- International trade and fiscal policy uncertainty
- Geopolitical risks: North Korea, China, Russia, Iran, Venezuela
- Impact of rising interest rates
- Maturing economic expansion

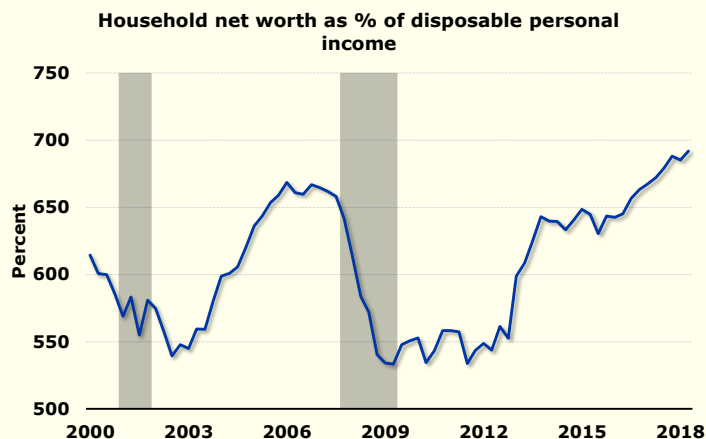
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Household net worth reached a record \$107 trillion in second quarter of 2018



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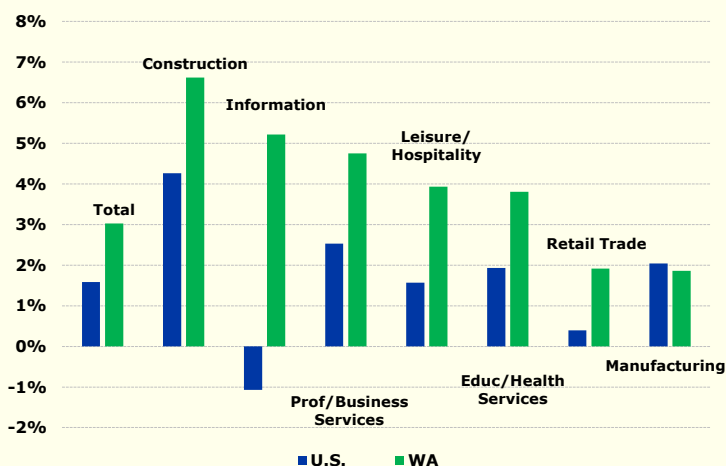
Source: Federal Reserve Bank of St. Louis, data through 2018 Q2

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Washington vs U.S. employment growth: August 2017 to August 2018



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

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Adjusted for inflation, hourly wage growth remains weak



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

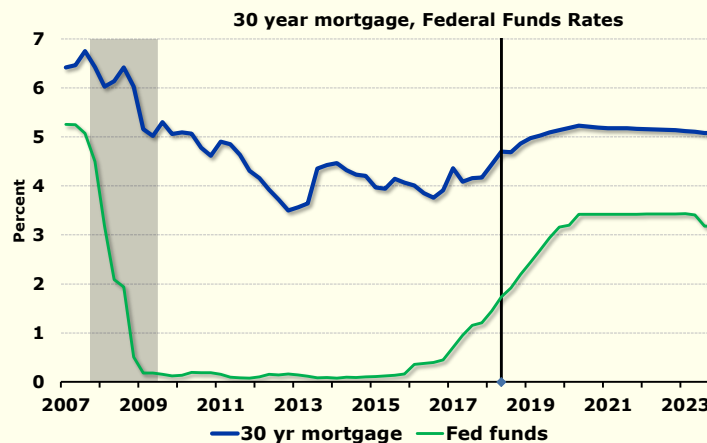
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Interest rates are expected to rise gradually over the forecast period

The forecast assumes the rate will rise gradually, with mortgage rates eventually reaching 5.2% and Fed funds 3.4% in 2020.



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Source: IHS Markit, ERFC September 2018 forecast; data through Q2 2018

Note: Vertical black line indicates last actual

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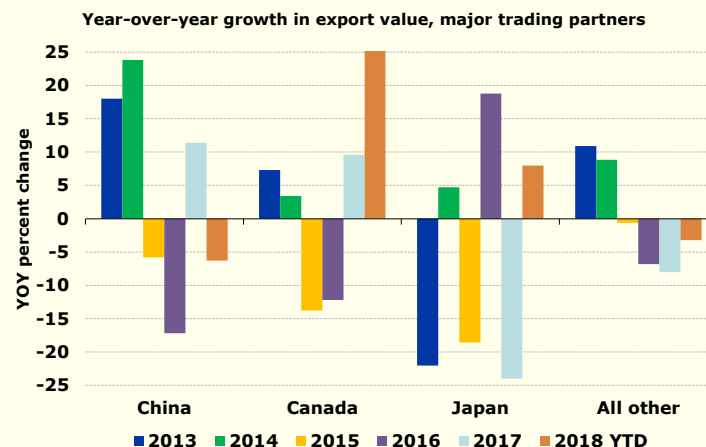


So far this year, WA exports to Canada, Japan are up but exports to China are down

Total exports declined 3.9% in 2017 but increased 0.6% in fourth quarter 2017 and 3.9% in first quarter 2018 and 3.7% in second quarter 2018

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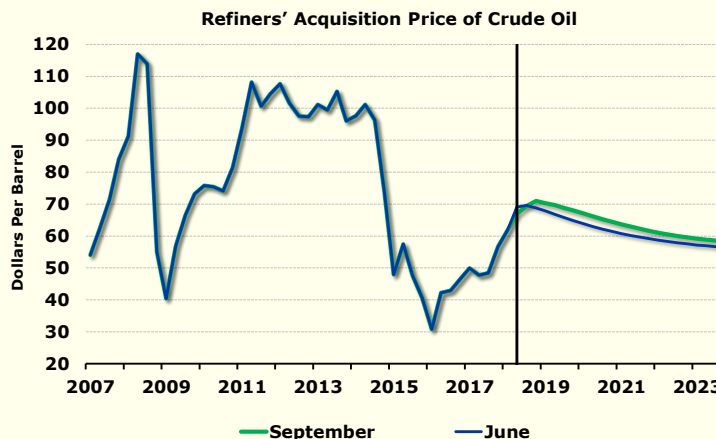


Source: WISERTrade; data through July 2018

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Oil prices are very similar to the June forecast



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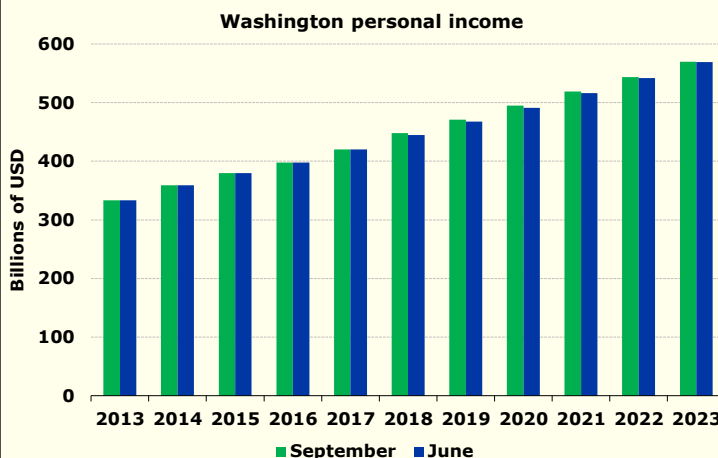
Source: Energy Information Administration, IHS Markit, ERFC September 2018 forecast; data through Q2 2018
Note: Vertical black line indicates last actual

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Washington personal income is slightly higher than in June

First quarter 2018 personal income data were revised up after the June forecast



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Source: ERFC September 2018 forecast; historical data through 2017

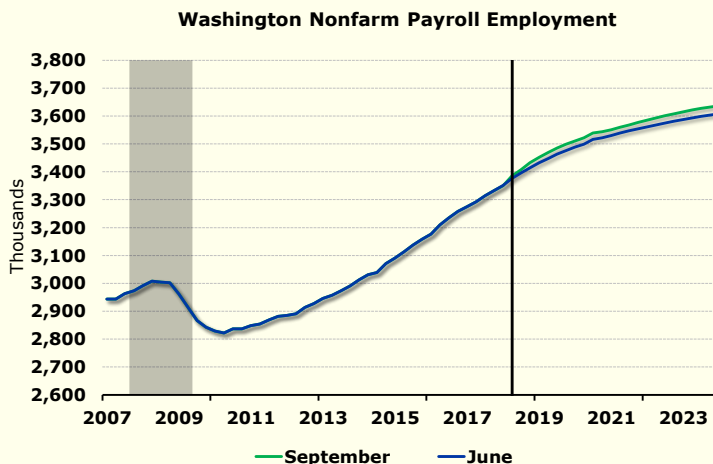
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Washington employment forecast is slightly higher than in June

The nonfarm employment forecast is 14,800 jobs higher (0.4%) this year and 29,000 jobs higher (0.8%) by 2023 compared to June.



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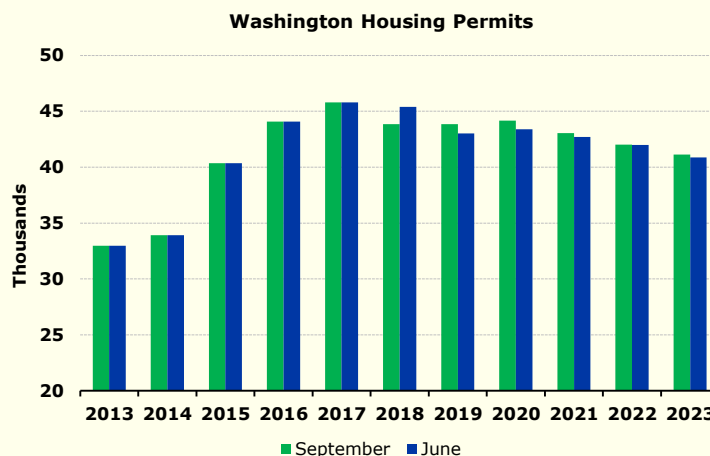
Source: ERFC September 2018 forecast; historical data through Q2 2018

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Washington housing permits forecast is lower this year, higher for 2019 – 2023 compared to June



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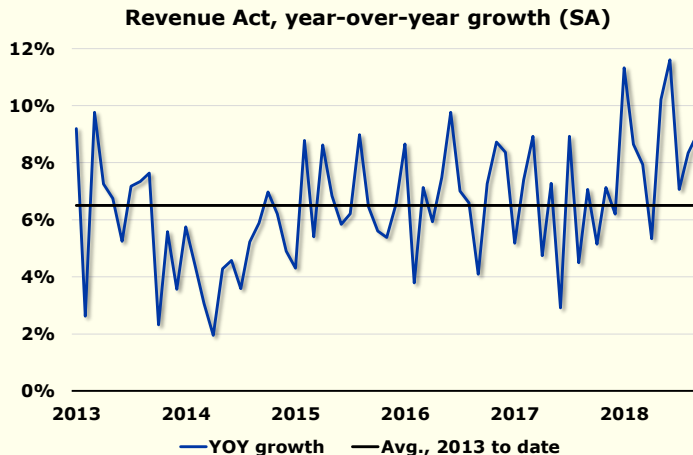
Source: ERFC September 2018 forecast; historical data through 2017

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Federal tax cuts, Marketplace Fairness Act likely contributing to strong Rev Act growth this year



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* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act; DOR and ERFC, data through Sept. 2018 activity

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Revenue Act collections growth has been strong

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

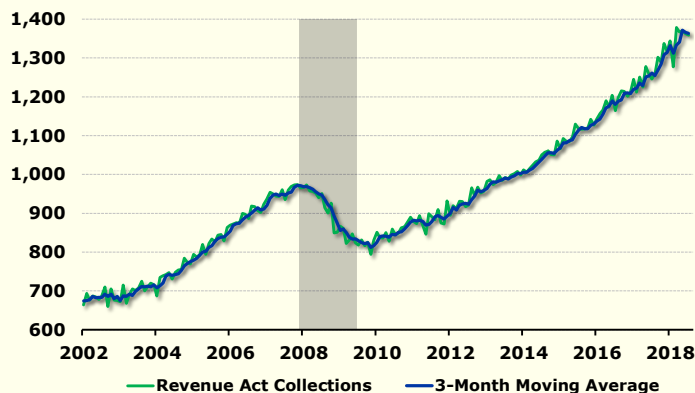
2017Q4: 8.3%
2018Q1: 8.2%
2018Q2: 8.8%

September 10, 2018 collections: 10.0%

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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 July 2018 activity

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Taxable REET activity may have peaked in Q1 2018

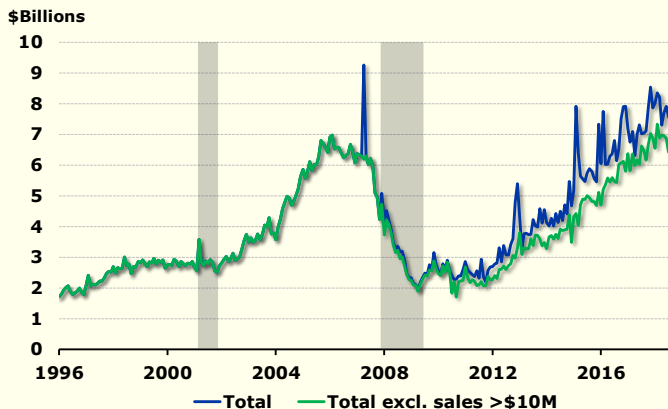
Taxable activity in residential sales has been on a downward trend since March.

Large commercial sales (>\$10 million) have slowed but have been over \$2 billion per quarter in 2018.

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Seasonally Adjusted Taxable Real Estate Excise Activity

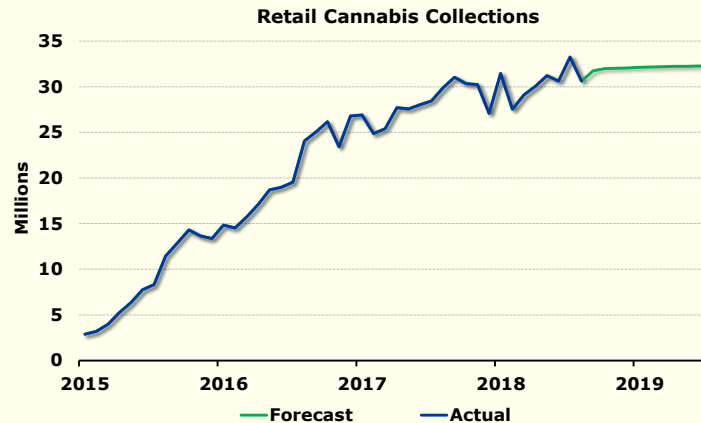


Source: ERFC; Monthly data through August 2018 preliminary

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The rapid growth in cannabis revenue is likely over



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Source: ERFC September 2018 forecast; historical data through August 2018

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

As of September 10, General Fund-State collections were \$147 million higher than the June forecast.

\$Millions	June 2018 Forecast*	Non-economic Change	Forecast Change	September 2018 Forecast	Total Change#
General Fund-State	\$43,532	\$0	\$275	\$43,808	\$275
Education Legacy Trust Account	\$1,498	\$0	\$65	\$1,563	\$65
WA Opportunity Pathways Account	\$258	\$0	\$8	\$266	\$8
Total Near GF-S	\$45,288	\$0	\$348	\$45,636	\$348

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* Forecast for the 2017-19 biennium adopted June 19, 2018
Detail may not add to total due to rounding

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

\$Millions	<u>June 2018 Forecast*</u>	<u>Non-economic Change**</u>	<u>Forecast Change</u>	<u>September 2018 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$48,520	\$38	\$317	\$48,875	\$355
Education Legacy Trust Account	\$582	\$0	\$87	\$669	\$87
WA Opportunity Pathways Account	\$261	\$0	\$1	\$262	\$1
Total Near GF-S	\$49,363	\$38	\$405	\$49,806	\$443

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* Forecast for the 2019-21 biennium adopted June 19, 2018
 ** Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.
 # Detail may not add to total due to rounding

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Cannabis excise tax and license fee estimates

Total change since June forecast:

- 2017-19
+ \$0.1 M
- 2019-21
- \$0.2 M
- 2021-23
- \$4.0 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	\$317
Non-GF	\$501	\$530	\$530
Total	\$749	\$798	\$847

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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 [#]
September 2018 Baseline (70%)	\$43,808	
<u>September 2018 Alternative Forecasts</u>		
Optimistic (15%)	\$44,402	\$594
Pessimistic (15%)	\$43,138	(\$669)
Probability Weighted Average	\$43,796	(\$11)
GCEA*	\$43,619	(\$189)

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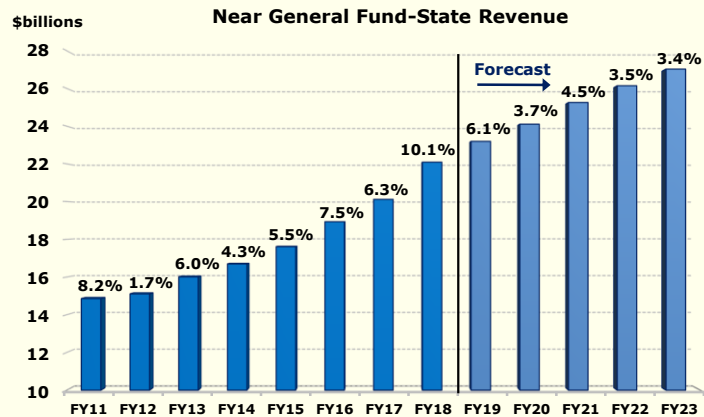
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*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

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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, September 2018

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Conclusion

- WA personal income and employment are higher than in June
- 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 16.9% 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

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Questions



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

Comparison of the September 2018 to the June 2018 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	<u>June 2018 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>September 2018 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$43,532.4	\$0.0	\$275.2	\$43,807.6	\$275.2
Education Legacy Trust Account	\$1,497.6	\$0.0	\$65.0	\$1,562.6	\$65.0
WA Opportunity Pathways Account	\$258.0	\$0.0	\$7.7	\$265.7	\$7.7
Total	\$45,288.0	\$0.0	\$347.9	\$45,635.9	\$347.9

*Forecast for the 2017-19 biennium adopted June 19, 2018

[#]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 September 2018 to the June 2018 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	<u>June 2018 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2018 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$48,519.9	\$37.8	\$317.1	\$48,874.8	\$354.9
Education Legacy Trust Account	\$582.4	\$0.0	\$87.0	\$669.4	\$87.0
WA Opportunity Pathways Account	\$260.9	\$0.0	\$1.1	\$262.0	\$1.1
Total	\$49,363.3	\$37.8	\$405.1	\$49,806.3	\$443.0

*Forecast for the 2019-21 biennium adopted June 19, 2018

**Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.

[#]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 September 2018 to the June 2018 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	<u>June 2018 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2018 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$52,281.8	\$46.1	\$248.7	\$52,576.6	\$294.8
Education Legacy Trust Account	\$618.9	\$0.0	\$93.8	\$712.7	\$93.8
WA Opportunity Pathways Account	\$269.4	\$0.0	\$26.6	\$295.9	\$26.6
Total	\$53,170.1	\$46.1	\$369.1	\$53,585.3	\$415.2

*Forecast for the 2021-23 biennium adopted June 19, 2018

**Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.

[#]Details may not add due to rounding

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

February 2014 through September 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>
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
September 2018	231	44	275	0	275	43,808
Total change***:						
From February 2014	3,548	245	3,793	1,304	5,098	
Percent change	9.6	13.5	9.8	3.4	13.2	

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

February 2016 through September 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>
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
September 2018	295	22	317	38 ^{#8}	355	48,875
Total change***:						
From February 2016	2,378	(72)	2,306	3,127	5,434	
Percent change	6.4	(3.9)	5.3	7.2	12.5	

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

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

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

[#] First official forecast for the 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

^{#8} Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

September 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	5.0	1.2
	2018	7.6	6.2	1.2
	2019	4.2	5.7	0.7
	2020	3.8	5.3	0.7
	2021	3.2	4.8	0.7
	2022	3.5	4.9	0.7
	2023	3.4	4.8	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	5.0	0.7
	2018	7.3	6.2	1.2
	2019	5.0	5.7	0.9
	2020	4.4	5.3	0.8
	2021	4.0	4.8	0.8
	2022	4.5	4.9	0.9
	2023	4.2	4.8	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.

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

September 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	5.0	0.9
	2018	7.0	6.2	1.1
	2019	1.2	5.7	0.2
	2020	2.7	5.3	0.5
	2021	3.1	4.8	0.6
	2022	5.7	4.9	1.2
	2023	4.0	4.8	0.8
Average 2002-2017:		3.7	4.9	0.8

Total Revenue Act Receipts

September 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	5.0	1.3
	2018	7.2	6.2	1.2
	2019	6.4	5.7	1.1
	2020	4.0	5.3	0.8
	2021	3.8	4.8	0.8
	2022	3.7	4.9	0.8
	2023	3.7	4.8	0.8
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)

September 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%
FY 2018	\$21,712	10.0%	\$302	19.6%	\$22,014	10.1%	\$129	1.5%	\$22,142	10.1%
Forecast:										
FY 2019	\$22,096	1.8%	\$1,261	317.8%	\$23,356	6.1%	\$137	6.7%	\$23,494	6.1%
FY 2020	\$23,892	8.1%	\$329	-73.9%	\$24,221	3.7%	\$130	-5.1%	\$24,351	3.7%
FY 2021	\$24,983	4.6%	\$340	3.4%	\$25,323	4.5%	\$132	1.2%	\$25,455	4.5%
FY 2022	\$25,852	3.5%	\$351	3.1%	\$26,203	3.5%	\$144	9.2%	\$26,347	3.5%
FY 2023	\$26,725	3.4%	\$362	3.1%	\$27,086	3.4%	\$152	5.6%	\$27,238	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	\$43,808	14.3%	\$1,563	234.5%	\$45,370	17.0%	\$266	0.0%	\$45,636	16.9%
19-21 Biennium	\$48,875	11.6%	\$669	-57.2%	\$49,544	9.2%	\$262	-1.4%	\$49,806	9.1%
21-23 Biennium	\$52,577	7.6%	\$713	6.5%	\$53,289	7.6%	\$296	13.0%	\$53,585	7.6%

*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	183.6	38.5	0.0	12.6	0.0	0.0	0.3	3.5	128.5	0.0	0.0	0.0
2019	179.9	24.0	0.0	13.1	0.0	0.0	0.4	5.2	137.2	0.0	0.0	0.0
2017-19 Biennium	363.5	62.5	0.0	25.8	0.0	0.0	0.7	8.7	265.7	0.0	0.0	0.0
2020	177.7	29.2	0.0	13.7	0.0	0.0	0.4	4.2	130.2	0.0	0.0	0.0
2021	180.7	30.1	0.0	14.2	0.0	0.0	0.4	4.2	131.8	0.0	0.0	0.0
2019-21 Biennium	358.3	59.3	0.0	27.9	0.0	0.0	0.7	8.4	262.0	0.0	0.0	0.0
2022	183.3	34.7	0.0	0.0	0.0	0.0	0.4	4.2	143.9	0.0	0.0	0.0
2023	185.9	29.3	0.0	0.0	0.0	0.0	0.4	4.2	152.0	0.0	0.0	0.0
2021-23 Biennium	369.2	64.1	0.0	0.0	0.0	0.0	0.8	8.4	295.9	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

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	183.0	31.2	0.0	12.6	0.0	0.0	0.4	4.6	134.2	0.0	0.0	0.0
2019	174.3	26.4	0.0	13.1	0.0	0.0	0.4	4.2	130.2	0.0	0.0	0.0
2017-19 Biennium	357.2	57.6	0.0	25.8	0.0	0.0	0.7	8.8	264.3	0.0	0.0	0.0
2020	178.1	28.1	0.0	13.7	0.0	0.0	0.4	4.2	131.7	0.0	0.0	0.0
2021	180.9	28.2	0.0	14.2	0.0	0.0	0.4	4.2	133.9	0.0	0.0	0.0
2019-21 Biennium	359.0	56.4	0.0	27.9	0.0	0.0	0.7	8.4	265.6	0.0	0.0	0.0
2022	183.5	28.3	0.0	0.0	0.0	0.0	0.4	4.2	150.6	0.0	0.0	0.0
2023	186.1	28.3	0.0	0.0	0.0	0.0	0.4	4.2	153.2	0.0	0.0	0.0
2021-23 Biennium	369.6	56.6	0.0	0.0	0.0	0.0	0.8	8.4	303.8	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 September 2018 and June 2018 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,218.5	\$0.0	\$5.4	\$1,223.8	\$5.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$496.8	\$0.0	(\$8.4)	\$488.4	(\$8.4)
Lottery Commission Lottery Revenue	\$55.8	\$0.0	\$6.7	\$62.5	\$6.7
State Treasurer Interest Earnings	\$19.3	\$0.0	\$8.7	\$28.0	\$8.7
Office of Financial Management Other Agencies	\$307.0	\$0.0	\$29.8	\$336.8	\$29.8
Administrative Office of the Courts Fines and Forfeitures	\$144.5	\$0.0	\$2.1	\$146.6	\$2.1
Total General Fund-State	\$2,241.8	\$0.0	\$44.3	\$2,286.1	\$44.3

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,218.5	\$0.0	\$5.4	\$1,223.8	\$5.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$496.8	\$0.0	(\$8.4)	\$488.4	(\$8.4)
Lottery Commission Lottery Revenue	\$55.9	\$0.0	\$1.7	\$57.6	\$1.7
State Treasurer Interest Earnings	\$20.1	\$0.0	\$7.0	\$27.1	\$7.0
Office of Financial Management Other Agencies	\$307.0	\$0.0	\$29.8	\$336.8	\$29.8
Administrative Office of the Courts Fines and Forfeitures	\$144.5	\$0.0	\$2.1	\$146.6	\$2.1
Total General Fund-State	\$2,242.7	\$0.0	\$37.5	\$2,280.2	\$37.5

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,310.3	\$0.0	\$10.5	\$1,320.8	\$10.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$544.0	\$0.0	(\$2.1)	\$541.9	(\$2.1)
Lottery Commission Lottery Revenue	\$58.3	\$0.0	\$1.0	\$59.3	\$1.0
State Treasurer Interest Earnings	\$40.8	\$0.0	\$9.0	\$49.8	\$9.0
Office of Financial Management Other Agencies	\$168.4	\$0.0	\$1.6	\$170.0	\$1.6
Administrative Office of the Courts Fines and Forfeitures	\$135.2	\$0.0	\$1.9	\$137.1	\$1.9
Total General Fund-State	\$2,257.0	\$0.0	\$22.0	\$2,279.0	\$22.0

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,310.3	\$0.0	\$10.5	\$1,320.8	\$10.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$544.0	\$0.0	(\$2.1)	\$541.9	(\$2.1)
Lottery Commission Lottery Revenue	\$54.9	\$0.0	\$1.4	\$56.4	\$1.4
State Treasurer Interest Earnings	\$42.4	\$0.0	\$8.4	\$50.8	\$8.4
Office of Financial Management Other Agencies	\$168.4	\$0.0	\$1.6	\$170.0	\$1.6
Administrative Office of the Courts Fines and Forfeitures	\$135.2	\$0.0	\$1.9	\$137.1	\$1.9
Total General Fund-State	\$2,255.3	\$0.0	\$21.8	\$2,277.0	\$21.8

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,421.0	\$0.0	\$5.4	\$1,426.4	\$5.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$612.9	\$0.0	(\$5.6)	\$607.3	(\$5.6)
Lottery Commission Lottery Revenue	\$59.8	\$0.0	\$4.2	\$64.1	\$4.2
State Treasurer Interest Earnings	\$54.2	\$0.0	(\$2.6)	\$51.6	(\$2.6)
Office of Financial Management Other Agencies	\$161.4	\$0.0	(\$1.9)	\$159.5	(\$1.9)
Administrative Office of the Courts Fines and Forfeitures	\$137.8	\$0.0	\$1.6	\$139.4	\$1.6
Total General Fund-State	\$2,447.1	\$0.0	\$1.2	\$2,448.3	\$1.2

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	June 2018 Baseline	Non-Economic Changes	Economic Changes	September 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,421.0	\$0.0	\$5.4	\$1,426.4	\$5.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$612.9	\$0.0	(\$5.6)	\$607.3	(\$5.6)
Lottery Commission Lottery Revenue	\$55.3	\$0.0	\$1.3	\$56.6	\$1.3
State Treasurer Interest Earnings	\$54.2	\$0.0	(\$2.7)	\$51.5	(\$2.7)
Office of Financial Management Other Agencies	\$161.4	\$0.0	(\$1.9)	\$159.5	(\$1.9)
Administrative Office of the Courts Fines and Forfeitures	\$137.8	\$0.0	\$1.6	\$139.4	\$1.6
Total General Fund-State	\$2,442.6	\$0.0	(\$1.9)	\$2,440.7	(\$1.9)

* Detail may not total due to rounding.

September 2018Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2017-19 Biennium

	2017-19 <u>Biennium</u>	Difference From the <u>September 2018 Baseline</u>
September 2018 GF-S Baseline (70%)	\$43,808	
September 2018 Alternative GF-S Forecasts		
Optimistic (15%)	\$44,402	\$594
Pessimistic (15%)	\$43,138	(\$669)
Probability Weighted Average	\$43,796	(\$11)
GCEA*	\$43,619	(\$189)

2019-21 Biennium

	2019-21 <u>Biennium</u>	Difference From the <u>September 2018 Baseline</u>
September 2018 GF-S Baseline (60%)	\$48,875	
September 2018 Alternative GF-S Forecasts		
Optimistic (15%)	\$51,679	\$2,804
Pessimistic (25%)	\$45,893	(\$2,981)
Probability Weighted Average	\$48,848	(\$27)
GCEA*	\$48,560	(\$315)

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

U.S. Forecast Comparison

	2018Q2	2018Q3	2018Q4	2019Q1
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Real GDP (Billions of 2012 Dollars)

September Forecast	18,515	18,665	18,796	18,905
Percent Change	4.2%	3.3%	2.9%	2.3%
June Forecast	18,445	18,582	18,710	18,820
Percent Change	3.5%	3.0%	2.8%	2.4%

Real Consumption (Billions of 2012 Dollars)

September Forecast	12,841	12,931	13,016	13,093
Percent Change	3.8%	2.8%	2.7%	2.4%
June Forecast	12,901	12,988	13,071	13,148
Percent Change	3.1%	2.7%	2.6%	2.4%

PCE Price Index (2012=100)

September Forecast	108.0	108.6	109.2	109.7
Percent Change	1.9%	2.1%	2.2%	2.0%
June Forecast	108.1	108.7	109.2	109.7
Percent Change	2.0%	2.0%	2.0%	1.8%

Real Personal Income (Billions of 2012 Dollars)

September Forecast	16,197	16,281	16,358	16,501
Percent Change	2.3%	2.1%	1.9%	3.5%
June Forecast	14,821	14,898	15,013	15,151
Percent Change	2.0%	2.1%	3.1%	3.7%

Nonfarm Payroll Employment (Millions)

September Forecast	148.7	149.4	150.0	150.6
Percent Change	1.8%	1.9%	1.7%	1.4%
June Forecast	148.6	149.2	149.8	150.3
Percent Change	1.4%	1.7%	1.6%	1.3%

Unemployment Rate (Percent of Labor Force)

September Forecast	3.9	3.8	3.6	3.5
June Forecast	3.9	3.8	3.6	3.6

Oil Price, Refiner's Acquisition

September Forecast	67.0	69.4	71.0	70.3
June Forecast	69.1	69.6	68.7	67.9

30 Year Fixed Mortgage Rate (Percent, average)

September Forecast	4.5	4.6	4.7	4.8
June Forecast	4.5	4.6	4.7	4.8

3 Month T-Bill Rate (Percent, average)

September Forecast	1.8	2.1	2.4	2.5
June Forecast	1.9	2.1	2.3	2.4

2017	2018	2019	2020	2021	2022	2023
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18,051	18,575	19,060	19,421	19,799	20,208	20,623
2.2%	2.9%	2.6%	1.9%	1.9%	2.1%	2.1%
17,989	18,506	18,982	19,341	19,718	20,125	20,539
2.3%	2.9%	2.6%	1.9%	1.9%	2.1%	2.1%

12,559	12,878	13,199	13,457	13,732	14,025	14,329
2.5%	2.5%	2.5%	2.0%	2.0%	2.1%	2.2%
12,619	12,941	13,253	13,511	13,787	14,082	14,387
2.8%	2.6%	2.4%	2.0%	2.0%	2.1%	2.2%

106.1	108.3	110.5	112.8	114.9	117.1	119.3
1.8%	2.1%	2.0%	2.0%	1.9%	1.9%	1.9%
106.2	108.4	110.5	112.8	115.1	117.5	119.9
1.7%	2.1%	1.9%	2.1%	2.0%	2.1%	2.1%

15,867	16,236	16,662	17,075	17,483	17,913	18,342
2.6%	2.3%	2.6%	2.5%	2.4%	2.5%	2.4%
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%

146.6	149.1	151.2	152.6	153.5	154.5	155.3
1.6%	1.7%	1.5%	0.9%	0.6%	0.6%	0.5%
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%

4.4	3.8	3.5	3.6	3.7	3.8	3.9
4.4	3.8	3.6	3.7	3.8	4.0	4.1

50.7	67.3	69.2	65.7	62.6	60.2	58.8
50.7	67.3	66.3	62.6	59.9	58.1	56.8

4.0	4.5	4.9	5.1	5.2	5.1	5.1
4.0	4.5	5.0	5.3	5.3	5.3	5.2

0.9	2.0	2.7	3.1	3.2	3.1	3.0
0.9	1.9	2.7	3.1	3.2	3.2	3.0

Washington Forecast Comparison

	2018Q2	2018Q3	2018Q4	2019Q1
Real Personal Income (Billions of 2012 Dollars)				
September Forecast	411.2	414.4	416.9	421.1
Percent Change	0.3%	3.2%	2.4%	4.0%
June Forecast	408.5	411.2	414.8	418.9
Percent Change	2.4%	2.8%	3.5%	4.0%
Personal Income (Billions of Dollars)				
September Forecast	444.2	450.0	455.2	462.0
Percent Change	2.2%	5.3%	4.6%	6.1%
June Forecast	441.6	446.8	452.9	459.4
Percent Change	4.4%	4.8%	5.5%	5.8%
Disposable Personal Income (Billions of Dollars)				
September Forecast	397.6	402.8	407.4	413.6
Percent Change	2.5%	5.3%	4.6%	6.3%
June Forecast	392.9	397.4	403.0	408.9
Percent Change	5.0%	4.7%	5.7%	6.1%
Nonfarm Payroll Employment (Thousands)				
September Forecast	3407	3433	3452	3469
Percent Change	2.5%	3.0%	2.2%	2.0%
June Forecast	3396	3414	3432	3448
Percent Change	2.2%	2.2%	2.1%	1.9%
Unemployment Rate (Percent of Labor Force)				
September Forecast	4.7	4.6	4.4	4.2
June Forecast	4.7	4.6	4.4	4.3
Manufacturing Employment (Thousands)				
September Forecast	285.5	287.4	289.3	290.3
Percent Change	2.0%	2.7%	2.7%	1.4%
June Forecast	285.9	287.1	288.7	289.8
Percent Change	1.4%	1.7%	2.2%	1.5%
Construction Employment (Thousands)				
September Forecast	211.6	212.4	212.8	213.0
Percent Change	5.6%	1.5%	0.7%	0.5%
June Forecast	210.7	211.9	212.4	213.1
Percent Change	4.8%	2.3%	1.0%	1.1%
Housing Permits (Thousands)				
September Forecast	43.2	40.1	42.8	43.3
Percent Change	-40.2%	-25.8%	29.9%	4.4%
June Forecast	46.7	42.8	42.9	43.2
Percent Change	-18.6%	-29.2%	0.8%	2.3%

	2017	2018	2019	2020	2021	2022	2023
September Forecast	395.9	413.4	426.1	438.8	451.3	464.3	477.2
Percent Change	3.7%	4.4%	3.1%	3.0%	2.8%	2.9%	2.8%
June Forecast	395.8	410.1	423.3	435.6	448.4	461.4	474.8
Percent Change	3.9%	3.6%	3.2%	2.9%	2.9%	2.9%	2.9%
September Forecast	420.0	447.8	471.0	494.9	518.7	543.8	569.5
Percent Change	5.6%	6.6%	5.2%	5.1%	4.8%	4.8%	4.7%
June Forecast	420.1	444.6	467.7	491.4	516.0	542.0	569.1
Percent Change	5.6%	5.8%	5.2%	5.1%	5.0%	5.0%	5.0%
September Forecast	374.2	400.8	421.7	443.4	464.6	486.4	508.5
Percent Change	5.6%	7.1%	5.2%	5.1%	4.8%	4.7%	4.6%
June Forecast	372.3	395.3	416.6	437.7	458.7	480.5	503.5
Percent Change	5.0%	6.2%	5.4%	5.1%	4.8%	4.7%	4.8%
September Forecast	3322	3419	3491	3539	3572	3605	3630
Percent Change	2.4%	2.9%	2.1%	1.4%	0.9%	0.9%	0.7%
June Forecast	3323	3405	3469	3517	3550	3578	3601
Percent Change	2.4%	2.5%	1.9%	1.4%	1.0%	0.8%	0.6%
September Forecast	4.8	4.6	4.2	4.2	4.3	4.3	4.4
June Forecast	4.8	4.6	4.3	4.3	4.4	4.5	4.6
September Forecast	283.8	286.6	290.5	290.7	290.5	292.3	295.1
Percent Change	-2.1%	1.0%	1.4%	0.0%	-0.1%	0.6%	0.9%
June Forecast	283.8	286.6	290.8	293.2	295.3	296.7	297.9
Percent Change	-2.1%	1.0%	1.5%	0.8%	0.7%	0.5%	0.4%
September Forecast	199.7	211.4	213.1	213.1	212.1	211.4	210.0
Percent Change	7.0%	5.9%	0.8%	0.0%	-0.5%	-0.3%	-0.7%
June Forecast	199.7	210.8	213.9	215.0	214.8	214.1	212.2
Percent Change	7.0%	5.6%	1.4%	0.5%	-0.1%	-0.3%	-0.9%
September Forecast	45.8	43.8	43.8	44.2	43.0	42.0	41.1
Percent Change	3.9%	-4.2%	0.0%	0.8%	-2.6%	-2.4%	-2.1%
June Forecast	45.8	45.4	43.0	43.4	42.7	42.0	40.9
Percent Change	3.9%	-0.8%	-5.3%	0.9%	-1.6%	-1.7%	-2.7%

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	2.8	2.5	2.0	1.9	2.0	2.0
Real Consumption						
<i>Growth</i>						
ERFC	2.5	2.5	2.0	2.0	2.1	2.2
GCEA Average	2.7	2.5	2.0	1.9	2.0	2.0
PCE Price Index						
<i>Growth</i>						
ERFC	2.1	2.0	2.0	1.9	1.9	1.9
GCEA Average	2.3	2.3	2.1	2.0	1.9	1.9
Mortgage Rate						
<i>Percent</i>						
ERFC	4.5	4.9	5.1	5.2	5.1	5.1
GCEA Average	4.7	5.3	5.4	5.5	5.6	5.5
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	73.5	75.8	72.1	68.8	66.4	64.9
GCEA Average	71.4	70.8	66.1	63.4	63.2	62.9

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	4.4	3.1	3.0	2.8	2.9	2.8
GCEA Average	3.6	3.2	2.6	2.3	2.6	2.8

Wage and Salary Employment

<i>Growth</i>						
ERFC	2.9	2.1	1.4	0.9	0.9	0.7
GCEA Average	2.7	1.7	1.1	0.9	0.8	0.9

Manufacturing Employment

<i>Growth</i>						
ERFC	1.0	1.4	0.0	-0.1	0.6	0.9
GCEA Average	0.3	0.3	-0.2	0.0	-0.2	-0.2

Construction Employment

<i>Growth</i>						
ERFC	5.9	0.8	0.0	-0.5	-0.3	-0.7
GCEA Average	4.3	0.3	0.8	0.8	0.8	1.0

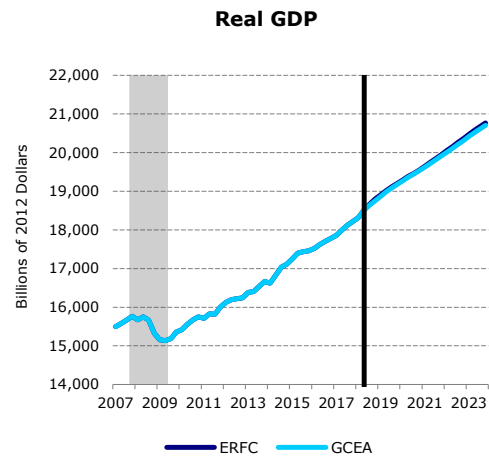
Housing Permits

<i>Thousands of authorized units</i>						
ERFC	43.8	43.8	44.2	43.0	42.0	41.1
GCEA Average	43.6	42.0	41.5	41.5	42.0	42.5

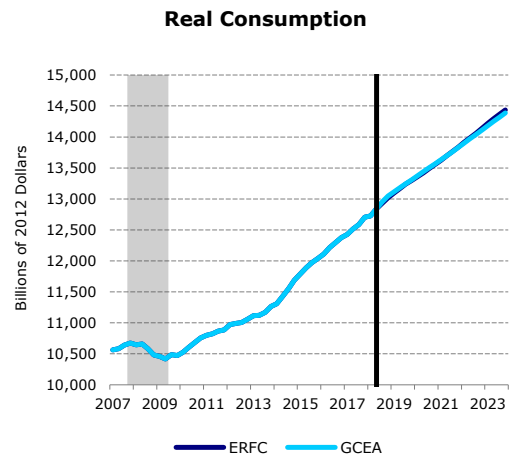
Washington Average Annual Wage

<i>Growth</i>						
ERFC	6.0	2.6	3.5	3.9	4.1	4.2
GCEA Average	3.7	3.6	3.8	3.8	3.8	3.6

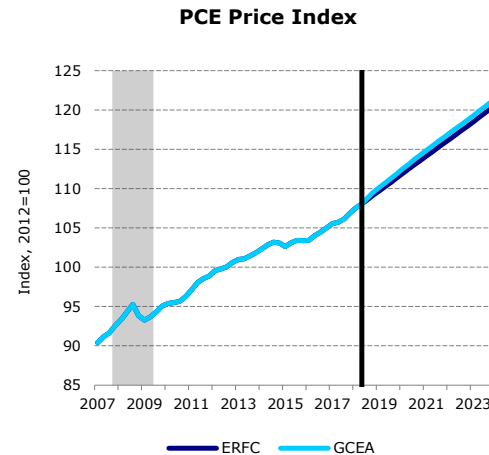
U.S. Forecast Comparison



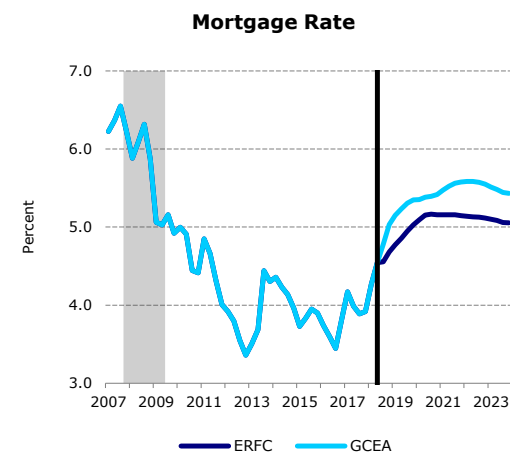
Source: BEA, ERFC, GCEA; data through 2018 Q2



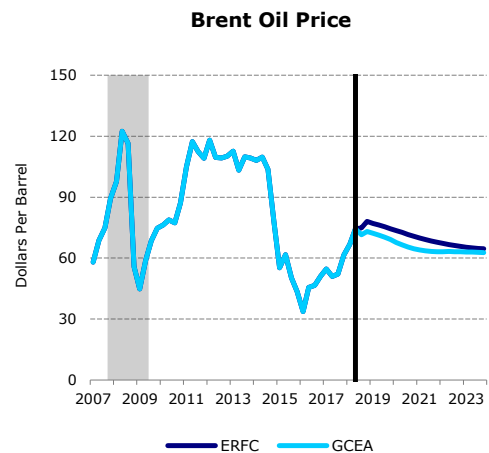
Source: BEA, ERFC, GCEA; data through 2018 Q2



Source: BEA, ERFC, GCEA; data through 2018 Q2

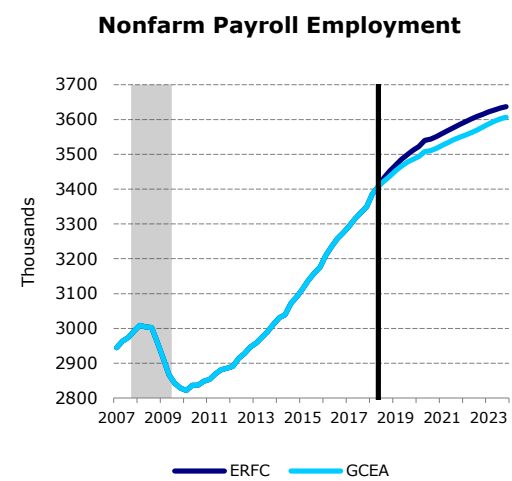


Source: Freddie Mac, ERFC, GCEA; data through 2018 Q2

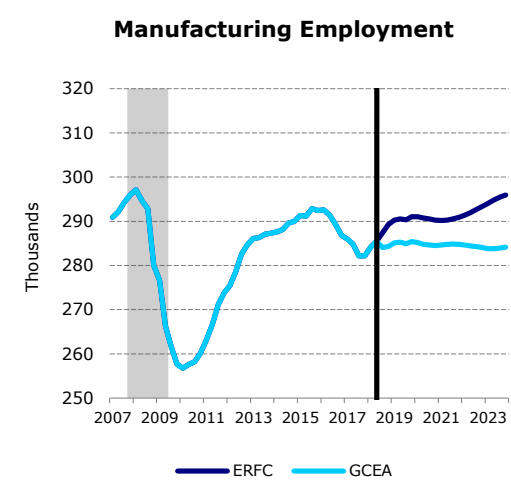


Source: EIA, ERFC, GCEA; data through 2018 Q2

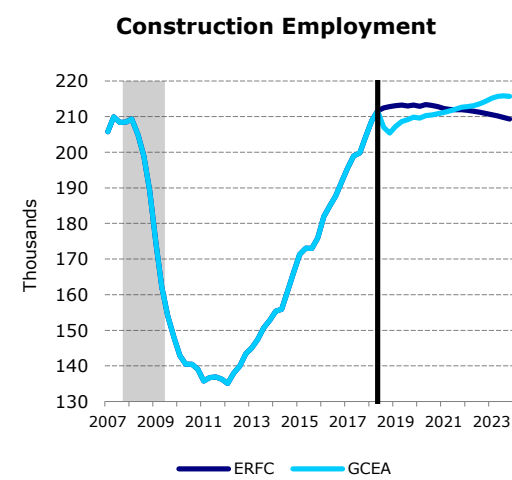
Washington Forecast Comparison



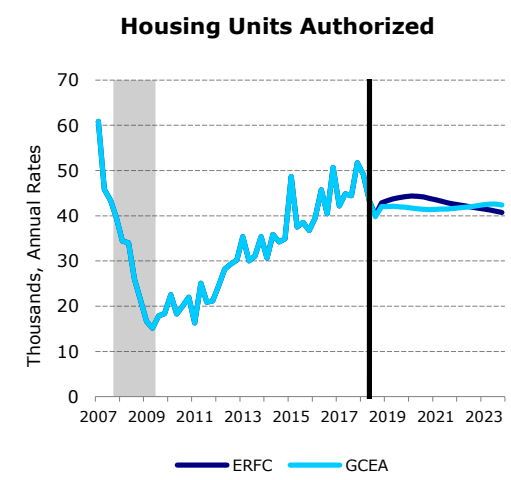
Source: ESD, ERFC, GCEA; data through 2018 Q2



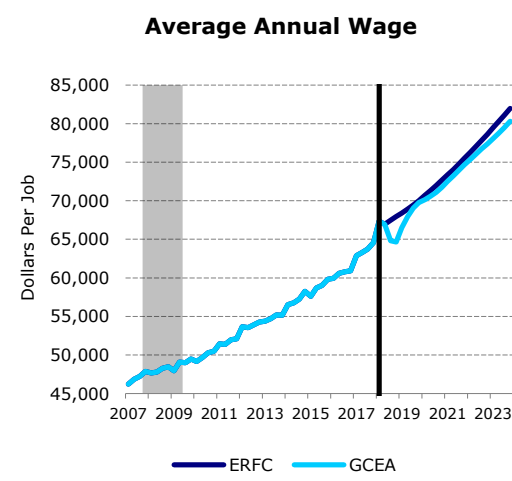
Source: ESD, ERFC, GCEA; data through 2018 Q2



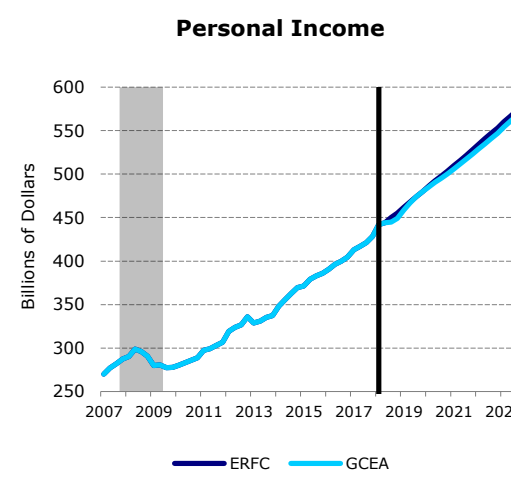
Source: ESD, ERFC, GCEA; data through 2018 Q2



Source: Census, ERFC, GCEA; data through 2018 Q2



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



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

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
June 2018 Revenue Forecast	43,532.4	1,755.6	45,288.0
September 2018 Revenue Forecast change	275.2	72.7	347.9
Current Revenue Totals	43,807.6	1,828.3	45,635.9
Transfer to Budget Stabilization Account (1% of GSR)	(434.5)		(434.5)
Transfer to Budget Stabilization Account (EGSR)	(1,286.0)		(1,286.0)
Transfer from BSA (EGSR)	1,078.0		1,078.0
Enacted Fund Transfers	12.9	254.0	266.9
McCleary Penalty Account Transfer	(105.2)		(105.2)
Assumed Prior Period Adjustments	40.8		40.8
Total Resources (including beginning fund balance)	44,214.1	2,130.3	46,344.4
EXPENDITURES			
Enacted Budgets			
2017-19 Biennium	42,659.6	1,048.8	43,708.4
2018 Supplemental-updated	701.1	251.7	952.8
Assumed Reversions	(216.0)	-	(216.0)
Total Expenditures	43,144.7	1,300.5	44,445.2
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	1,069.3	829.8	1,899.2
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,638.3		1,638.3
Transfers from General Fund (1% of GSR)	434.5		434.5
Assumed Interest Earnings	38.0		38.0
Transfers from GFS (EGSR)	1,286.0		1,286.0
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)	(1,078.0)		(1,078.0)
Projected Budget Stabilization Account Ending Balance	1,352.3		1,352.3
Total Reserves (Near General Fund plus Budget Stabilization)	2,421.6	829.8	3,251.4

Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report