

EMBARGOED

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Revenue Review &
Budget Outlook
Adoption Meeting

November 20, 2018



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

November 20, 2018
10:00 a.m.

- Call to order
- Approval meeting minutes from November 6, 2018
- Economic & Revenue Forecast
 - Adoption of the Official Forecast
- Budget Outlook
 - Adoption of the Official Budget Outlook
- Term of ERFC Chair
- Adjournment

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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 & Budget Outlook

November 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
Timm Ormsby, House of Representatives
Duane Davidson, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, WaTech

Staff

Steve Lerch, Executive Director
Sarian Scott, Senate
Andy Toulon, House
Pam Davidson, OFM

Call to Order

Senator Rolfes called the meeting to order at 10:02 a.m.

Motion

Treasurer Davidson made a motion to approve the meeting minutes from the September 26, 2018 meeting, seconded by Representative Ormsby. Council approved the motion at 10:03 a.m.

Motion

Representative Orcutt made a motion to adopt the amended employment contract for the executive director. The revised contract now reflects the Council's annual review of wage increases under section IV. Motion seconded by Representative Ormsby. Council unanimously approved the motion at 10:04 a.m.

Presentation on the Economic Forecast

Dr. Lerch presented information on the preliminary November economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding building permits relative to population, home price growth, and recession risk.

Budget Outlook

Members of the Budget Outlook Work Group consulted with the Council regarding the methodology for the outlook and growth rates.

Transfers. ERFC members discussed if the November 2018 Outlook should or should not reflect the FY 2019-21 transfers assumed in the enacted 2018 Outlook budget.

Motion

Representative Orcutt, seconded by Representative Ormsby, moved to exclude the transfer from the outlook. Without a majority vote, motion failed at 10:45 a.m.

Motion

Senator Rolfes, seconded by Representative Ormsby, moved to include the transfers in the November 2018 outlook. Affirmative votes were casted by Senator Rolfes, Senator Braun, Representative Ormsby, Treasurer Davidson, Director Schumacher, Director Smith. Represented Orcutt dissented. Motion passed with six votes at 10:46 a.m.

Fire Suppression and Mobilization costs. ERFC discussed if fiscal year 2019 fire costs related to fire suppression/mobilization in 2018 should be included in the November 2018 Outlook.

Motion

Representative Ormsby, seconded by Representative Orcutt, moved to include the costs in the November outlook. Motion approved unanimously at 10:49 a.m.

Motion

Senator Rolfes, seconded by Representative Orcutt, moved to include an estimate for fire suppression/mobilization costs for recently concluded fire season for all future November outlooks. Affirmative votes were casted by Senator Rolfes, and Representative Orcutt. Dissenting votes were casted by Treasure Davidson, Representative Ormsby, Senator Braun, Director Schumacher and Director Smith. Motion failed at 10:54 a.m.

Trueblood Litigation. ERFC discussed including any costs related to the Trueblood litigation in the November Outlook. They reviewed previous ERFC decisions, discussed timing of a proposed settlement agreement and estimated costs.

Motion

Representative Ormsby moved to assume fines through calendar year 2018, amended from an initial proposal through fiscal year 2019. Amended motion is seconded by Senator Rolfes. Affirmative votes are casted from Senator Rolfes, Representative Ormsby, Director Schumacher, Director Smith, and Treasurer Davidson. Senator Braun and Representative Orcutt dissent. Motion passed with five votes at 11 a.m.

Early Childhood Education and Assistance Program (ECEAP) entitlement and phase-in. ERFC discusses how the November 2018 outlook reflect funding growth for the entitlement.

Motion

Senator Rolfes moved, seconded by Representative Ormsby, to include a linear phase-in for the ECEAP entitlement. Motion passed unanimously at 11:03 a.m.

Managed Care Dental Rates. ERFC discusses if the November 2018 Outlook should reflect the preliminary estimated costs of implementing the change in purchasing method for dental services as directed in the FY 2017-19 operating budget bill.

Motion

Senator Braun, seconded by Senator Rolfes, moved that the managed care dental rates not be included in the November 2018 Outlook. Motion passed unanimously at 11:09 a.m.

K-12 Forest Revenue. ERFC members discuss a rule change made in May 2018 by the Office of the Superintendent of Public Instruction (OSPI) excluding state forest revenues from local funds deducted from payments to school districts.

Motion

Representative Orcutt moved, seconded by Representative Ormsby, that the November 2018 Outlook reflect the preliminary estimated cost of implementing the OSPI rule change regarding K-12 forest revenue. Motion passed unanimously at 11:17 a.m.

Initiatives. ERFC members discuss including four statewide ballot initiatives in the Outlook if they appear to be passing based on initial election results.

Motion

Representative Ormsby moved, seconded by Senator Rolfes, to include the quantifiable known costs/savings of initiatives that appear to be passing in preparation of the November 2018 outlook. Motion passed unanimously at 11:21 a.m.

Growth factors. The Budget Outlook Work Group provided background and information on proposed growth rates utilized in Outlooks prepared during the 2019-21 biennium. The growth rates factor areas reflect reorganizations of major components of the Department of Social and Health Services and Early Learning.

Motion

Senator Rolfes moved, seconded by Representative Orcutt, to adopt the proposed new rates in the Outlook Growth Rate Summary Table for the 2019-21 biennium. Director Smith was formally excused from voting. Affirmative votes are casted by Senator Rolfes, Representative Orcutt, Treasurer Davidson, Director Schumacher, Senator Braun, and Representative Ormsby and with six votes, the motion passed at 11:29 a.m.

Adjournment

Meeting adjourned at 11:30 a.m.

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



Economic & Revenue Review: November 20, 2018

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's November 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 September, the November 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 Tuesday, November 13, 2018 closing prices for Brent and WTI futures. The latest futures prices are slightly lower than the prices used in the September forecast. The refiner acquisition price of crude oil in the fourth quarter of 2018 is now expected to average \$64 per barrel compared to \$71 in the September forecast. For 2023, the refiner acquisition price is expected to average \$59 per barrel, essentially unchanged from the September forecast.
- The U.S. economy added 250,000 net new jobs in October. Sectors with notable employment gains in October included health care (+36,000), accommodation and food services (+33,000), manufacturing (+32,000), construction (+30,000), transportation and warehousing (+25,000), and professional and technical services (+20,000). Industries with net employment declines in October included sporting goods, hobby, book, and music stores (-6,000), educational services (-2,000) and finance and insurance (-2,000).
- Two key measures of consumer confidence moved in opposite directions this month but remain at high levels. Consumers responding to the University of Michigan consumer sentiment survey reported slightly less favorable perceptions of both current and expected future economic conditions, resulting in a 1.5 point decline to 98.6 in the sentiment index in October. The Conference Board index of consumer confidence increased by 2.6 points in October to 137.9, its highest level in 18 years. In contrast to the University of Michigan findings, consumers responding to the Conference Board survey were more confident about both current condition and future economic conditions compared to September.
- U.S. residential construction activity and sales slowed this month. Housing units authorized by building permits in September were 0.6% (SA) below their August level and 1.0% below their year-ago level. September housing starts decreased by 5.3% (SA) compared to August but were 3.7% above their September 2017 level. Existing home sales decreased in September, falling by 3.4% (SA) compared to August. Existing home sales in September

were at their slowest pace since November 2015 and are 4.1% below their year-ago level. New single-family home sales in September decreased by 5.5% (SA) compared to August and were 13.2% below their September 2017 level. The seasonally adjusted Case-Shiller national home price index for August was 0.6% above its July level and 5.8% 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 two months of new Washington employment data since the September forecast was released. Total nonfarm payroll employment rose 16,700 (seasonally adjusted) in September and October, which was 3,700 more than the 13,000 expected in the September forecast. Manufacturing added 1,800 jobs, boosted by an increase of 1,200 aerospace employees, and construction employment rose 2,200. Private services-providing sectors added 9,500 jobs and government payrolls expanded by 3,000 jobs.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in August 2018 by 10,100 jobs (0.3%). As a result of the downward revision to history and slightly stronger-than expected growth since August, the net effect is 6,400 (0.2%) fewer jobs in October 2018 than expected in the September forecast.
- Washington's unemployment declined to 4.3% in October from 4.4% in September. This marks yet another all-time low in the series that extends back to 1976. A year ago, in October 2017, the Washington unemployment rate stood at 4.7%.
- In September, after the forecast was released, the Bureau of Economic Analysis released estimates for state personal income through the second quarter of 2018. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) data. Our current estimate of Washington personal income in the second quarter of 2018 is \$10.4 billion (2.4%) higher than assumed in the September forecast. The wage forecast was very close but nonwage income was \$10.5 billion (5.0%) above the forecast.
- The main reason nonwage income was revised higher was the comprehensive revision of state personal income. The revised Washington personal income estimate for 2017 was \$8.8 billion (2.1%) higher than assumed in September. The revision was more than accounted for by proprietors' income which increased \$5.1 billion, and property income (dividends, interest, and rent), which increased \$4.2 billion.
- Washington housing construction declined in the third quarter of 2018 but was close to the September forecast. The number of housing units authorized by building permits decreased to 39,700 units (SAAR) in the third quarter of

2018 from 43,200 units in the second quarter. The September forecast expected 40,100 units in the third quarter.

- In a sign that the housing market may be turning, seasonally adjusted Seattle area home prices fell 1.0% in August following a 0.1% decline in July and a scant 0.2% increase in June according to the S&P/Case-Shiller Home Price Indices. During the previous year, increases averaged 1.1% per month. In August, the over-the-year growth was 9.6% in Seattle, compared to the 5.5% increase in the Composite-20 index. Seattle home prices are still up 89% since the December 2011 trough and exceed the May 2007 peak by 32%.
- Seattle area consumer price inflation remains above the national average. Over the last year, from October 2017 to October 2018, consumer prices in the Seattle area rose 3.1% (seasonally adjusted) compared to 2.5% for the U.S. city average. Core prices, which exclude food and energy, increased 2.7% 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 5.2% compared to 3.2% for the nation. Excluding shelter costs, Seattle inflation was below the national average at 1.9% compared to 2.2%.
- Despite a decline in transportation equipment, Washington exports increased over the year for a fourth consecutive quarter. Exports increased 2.6% in the third quarter of 2018 compared to the third quarter of 2017. Transportation equipment exports (mostly Boeing planes) declined 3.3% over the year but exports of agricultural products rose 29.6% and exports of all other commodities (mostly manufacturing) increased 5.0%.
- The Institute of Supply Management - Western Washington Index (ISM-WW) declined in October but remained in positive territory. The index, which measures conditions in the manufacturing sector, decreased from 62.7 in September to 55.0 in October (index values above 50 indicate growth while values below 50 indicate contraction). The index has exceeded 50 in each of the last 15 months. The production, orders, employment, and inventory components all indicated expansion in October while the deliveries component indicated contraction.
- Car and truck sales rose in September and October after three consecutive declines. Seasonally adjusted new vehicle registrations rose 2.8% in September and 2.5% in October following declines of 2.0% in August, 1.4% in July, and 1.0% in June. Sales are still down 6.2% over the year and 10.3% since the November 2017 post-recession peak.
- We expect 2.7% Washington employment growth this year compared to 2.9% in the September forecast. As in September, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.3% per year in 2019 through 2023, which is slightly higher than the 1.2% average growth in the September forecast. Our forecast for nominal personal income growth this year is 6.9%, up from 6.6% in the September forecast. Our new forecast for nominal personal income growth in 2019 through 2023 averages 4.8% per year compared to 4.9% per year in the September forecast.

Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from September 11 through November 10, 2018 were \$22 million (0.7%) higher than forecasted in September.
- While total revenue came in higher than forecasted, 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 \$25 million (0.9%) lower than forecasted. Most of the surplus in total revenue came from larger-than-expected remittances of unclaimed property from businesses by the annual October 31st deadline.
- Though the historical and forecasted level of state personal income has been revised upward from the September forecast, its forecasted rate of growth has slowed. This has caused forecasted Revenue Act receipts to decrease by \$78 million in the 2019-21 biennium and \$68 million in the 2021-23 biennium. Forecasted receipts for the current biennium would have also decreased if not for an increase in expected payments from audits and tax settlements. Due to the expected payments, Revenue Act receipts are forecasted to increase by \$5 million in the current biennium.
- Cumulative real estate excise taxes (REET) came in \$19 million (10.8%) higher than forecasted. Large commercial sales continued to occur above forecasted levels but residential sales activity weakened. Forecasted REET receipts have been increased by \$23 million in the current biennium but have been decreased by \$5 million in the 2019-21 biennium and \$1 million in the 2021-23 biennium. As in the previous three forecasts, total taxable activity is assumed to have reached a near-term peak in the first quarter of 2018.
- The September property tax forecast assumed the assessed value of existing properties for the 2019 levy would increase by 7.4%. The actual growth in assessed value was 10.9%. The additional assessed value increased forecasted property tax receipts by \$57 million in the current biennium, \$259 million in the 2019-21 biennium and \$287 million in the 2021-23 biennium.
- The total forecast increase for GF-S revenue for the current biennium is \$118 million. Forecasted GF-S revenue increased by \$189 million in the 2019-21 biennium and \$201 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 \$163 million in the current biennium, \$196 million in the 2019-21 biennium and \$209 million in the 2021-23 biennium.
- Forecasted Near GF-S revenue for the 2017-19 biennium is now \$45.799 billion, 17.3% more than that of the 2015-17 biennium. Forecasted Near GF-S revenue for the 2019-21 biennium is now \$50.002 billion, 9.2% higher than expected 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$53.795 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

November 20, 2018
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The oil price forecast has dropped in the last two weeks reflecting lower futures prices
- The economic forecast for the U.S. is otherwise very similar to the September forecast
- The economic forecast for WA has higher personal income than in September but slower growth
- 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 \$163 million

Revenue Review
November 20, 2018

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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: Brexit, North Korea, China, Russia, Iran, Venezuela
- Impact of rising interest rates
- Maturing economic expansion

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November 20, 2018

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Adjusted for inflation, hourly wage growth remains weak



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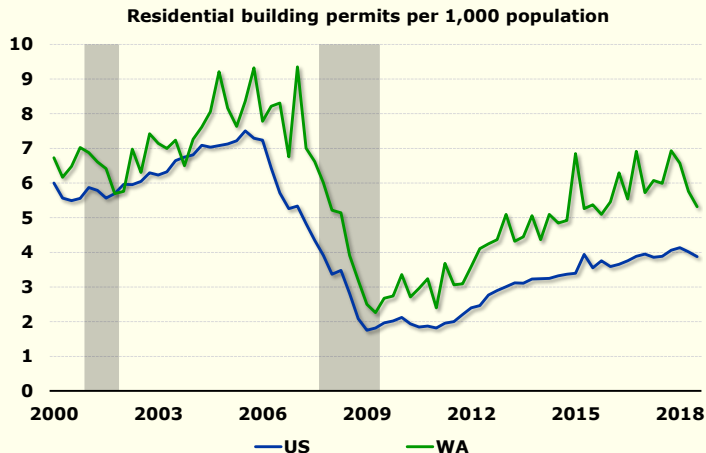
Source: U.S. Bureau of Labor Statistics, monthly data through October 2018

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Relative to population, WA residential construction activity is stronger than the U.S.



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Source: U.S. Census Bureau, ERFC; data through 2018 Q3

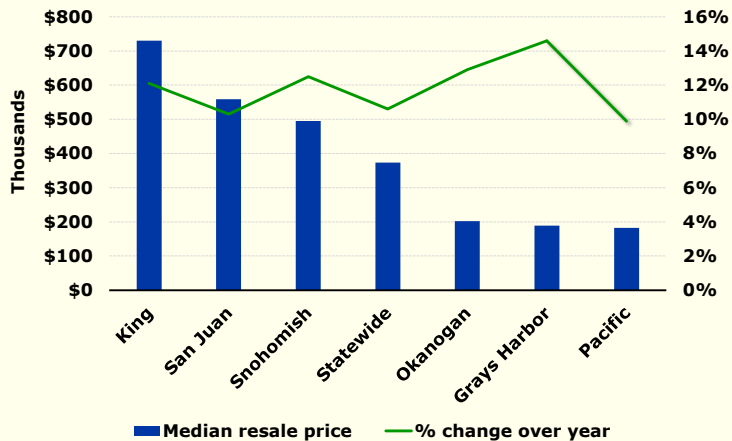
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Median resale home prices, 2018 Q2: three highest and lowest counties

Includes only counties with 100 or more existing homes sales in 2018 Q2



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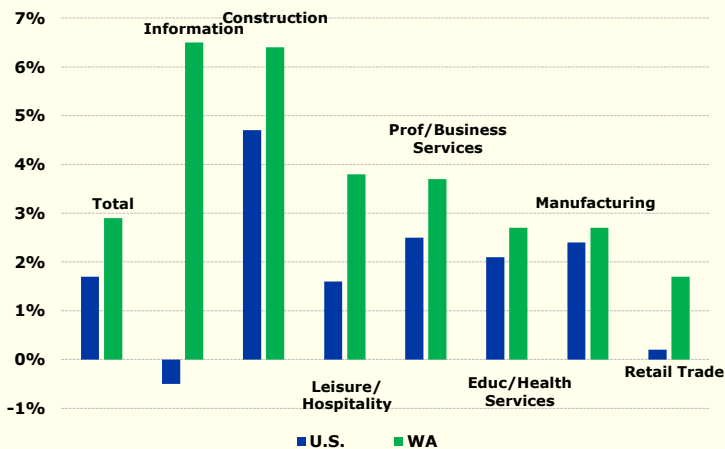
Source: University of Washington, Runstad Center for Real Estate Research

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



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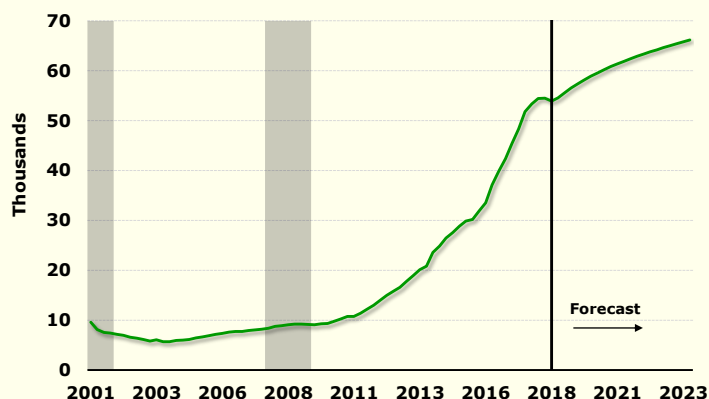
Source: U.S. Bureau of Labor Statistics, Employment Security Dept., ERFC; data through Oct. 2018

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In WA, employment growth in the electronic shopping sector has slowed recently but is expected to resume



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Source: Employment Security Dept., ERFC; November 2018 forecast, data through Sept. 2018

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Second quarter 2018 WA GDP grew more slowly than the U.S. for the first time in two years

Year/Quarter	Rank	Growth Rate
2017 Q1	7	4.1%
2017 Q2	9	5.0%
2017 Q3	9	4.9%
2017 Q4	2	5.7%
2018 Q1	1	7.8%
2018 Q2	23	3.7%

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Source: U.S. Bureau of Economic Analysis

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WA exports have grown for four consecutive quarters

Total Export Growth

2017: -3.9%

2017Q4: 0.6%

2018Q1: 3.9%

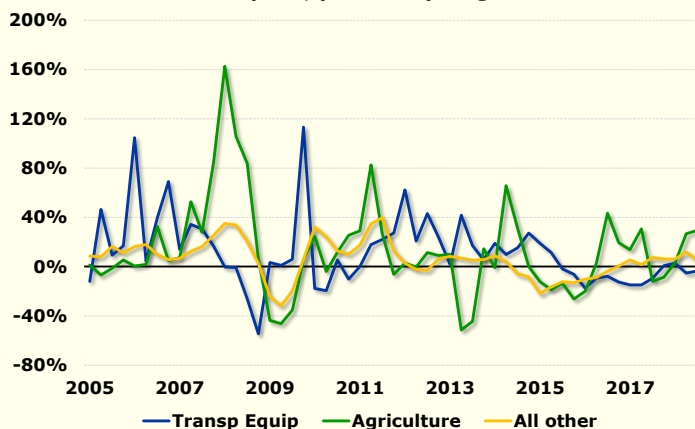
2018Q2: 3.7%

2018Q3: 2.6%

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WA exports, year over year growth



Source: WISERTrade; data through 2018 Q3

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WA exports to China, Canada, EU have slowed since tariff imposition; exports to Mexico have increased

Date of first retaliatory tariffs on U.S. exports:

China: April 2018

Canada: July 2018

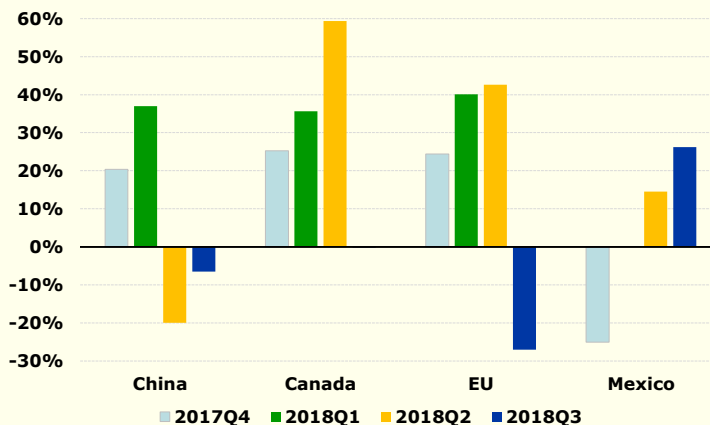
EU: June 2018

Mexico: June 2018

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WA exports, year over year growth



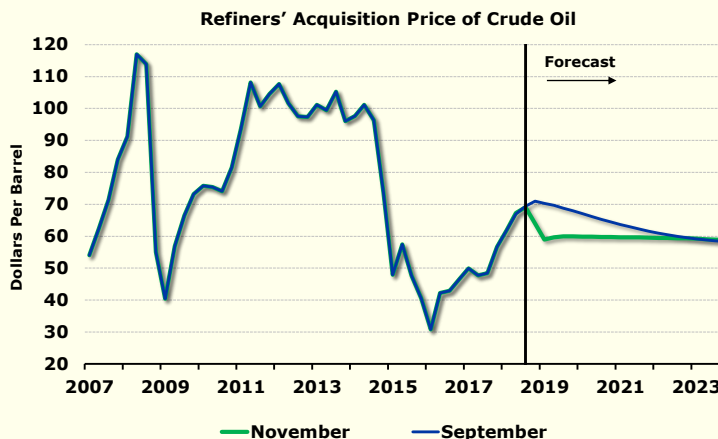
Source: WISERTrade; data through 2018 Q3

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Oil prices have declined recently

Since the preliminary forecast, oil prices have dropped \$8 per gallon for the 4th quarter of this year.



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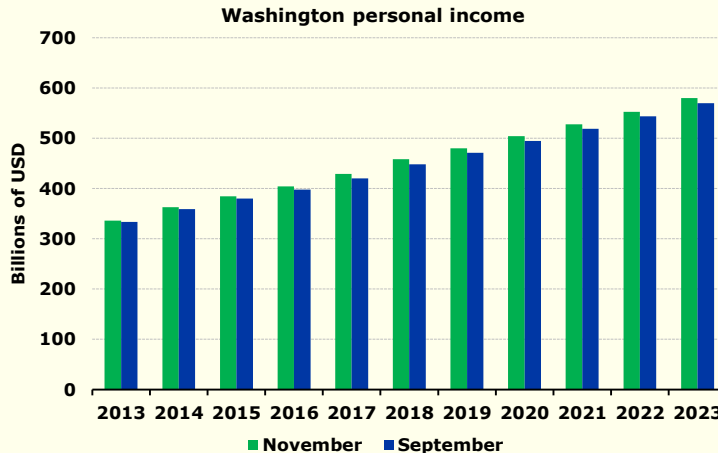
Source: Energy Information Administration, IHS Markit, ERFC November 2018 forecast; data through Q3 2018
Note: Vertical black line indicates last actual

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Washington personal income is slightly higher than in September but grows more slowly

Personal income data were revised back to 1998 after the September forecast



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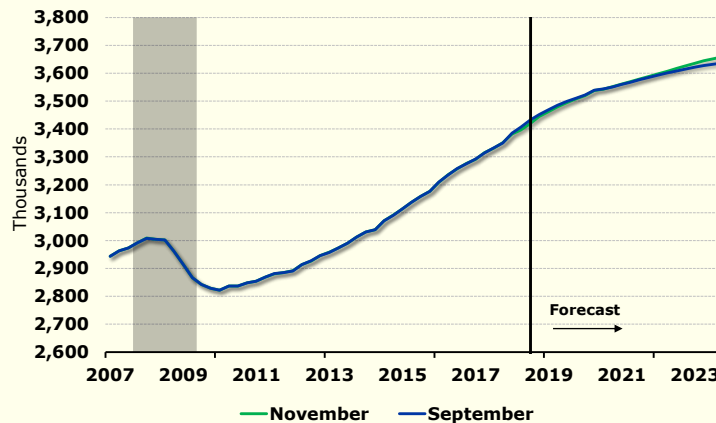
Source: ERFC November 2018 forecast; historical data through 2017

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Washington employment forecast is very similar to September

Washington Nonfarm Payroll Employment



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Source: ERFC November 2018 forecast; historical data through Q3 2018

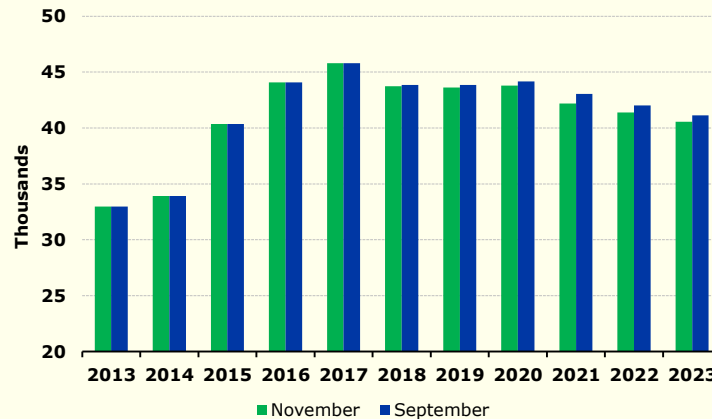
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WA housing permits forecast averages about 500 units lower per year for 2019 – 2023 compared to September

Washington Housing Permits



Revenue Review
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Source: ERFC November 2018 forecast; historical data through 2017

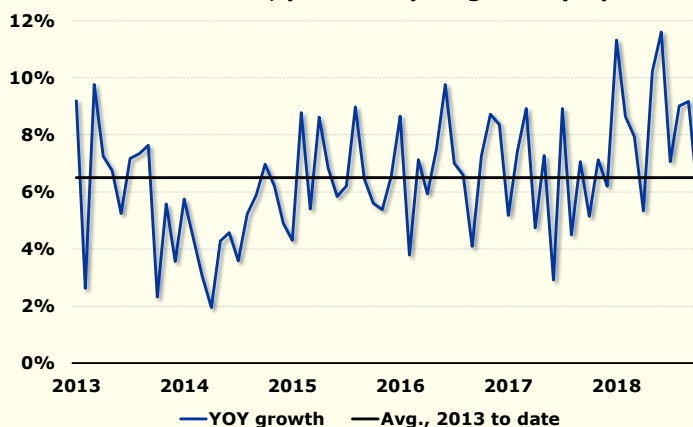
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Federal tax cuts, Marketplace Fairness Act likely contributing to strong Rev Act growth this year

Revenue Act, year-over-year growth (SA)



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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

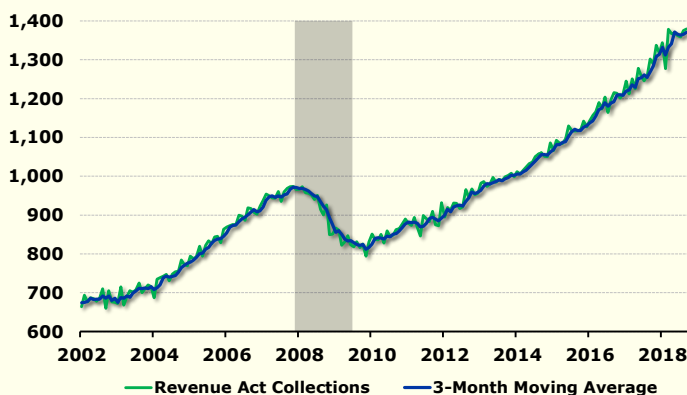
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Revenue Act collections growth has been strong

\$millions SA



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

2017Q4: 8.3%
2018Q1: 8.2%
2018Q2: 8.8%
2018Q3: 7.6%

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

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Taxable REET activity may have peaked in Q1 2018

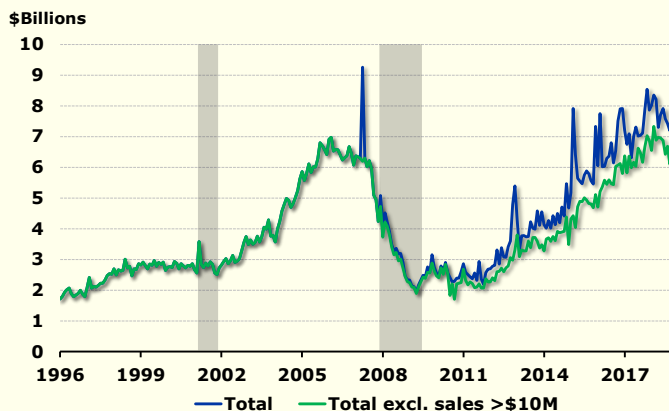
Taxable activity in residential sales has been on a downward trend since March.

Large commercial sales (>\$10 million) have not slowed as much as residential sales.

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Seasonally Adjusted Taxable Real Estate Excise Activity



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Assessed value on existing properties increased between September, November forecasts

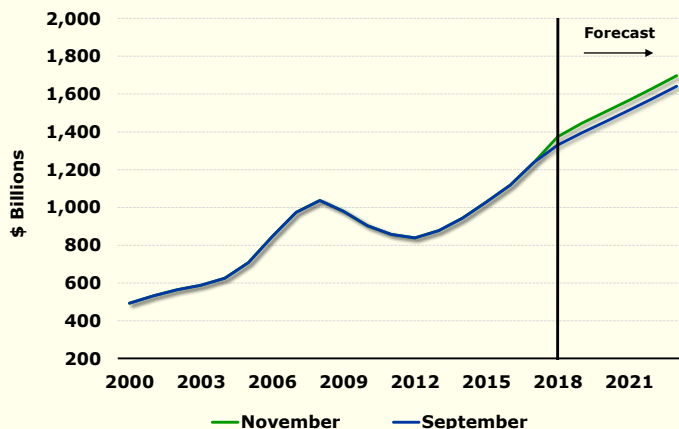
September forecast for growth in Market Value: 7.3%

Actual growth: 10.9%

Every 1.0 percentage point increase in Market Value growth adds between \$30-\$40 million in revenue per year

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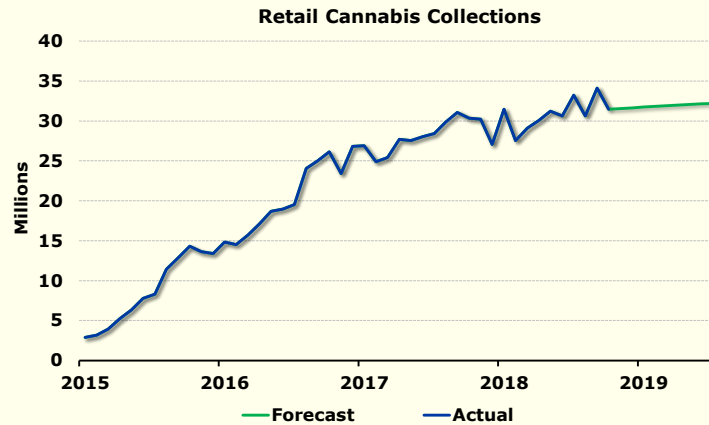
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The rapid growth in cannabis revenue is likely over



Revenue Review
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Source: ERFC November 2018 forecast; historical data through October 2018

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Cannabis excise tax and license fee estimates

Total change
since September
forecast:

- 2017-19
-\$0.1 M
- 2019-21
-\$2.8M
- 2021-23
-\$5.4M

\$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	\$270	\$294
Non-GF	\$501	\$525	\$548
Total	\$749	\$795	\$842

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* Detail may not add to total due to rounding

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

As of November 10, General Fund-State collections were \$22 million higher than the September forecast.

\$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	\$43,808	\$0	\$119	\$43,926	\$119
Education Legacy Trust Account	\$1,563	\$0	\$28	\$1,591	\$28
WA Opportunity Pathways Account	\$266	\$0	\$16	\$282	\$16
Total Near GF-S	\$45,636	\$0	\$163	\$45,799	\$163

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* Forecast for the 2017-19 biennium adopted September 26, 2018
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>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	\$48,875	\$0	\$189	\$49,064	\$189
Education Legacy Trust Account	\$669	\$0	\$3	\$672	\$3
WA Opportunity Pathways Account	\$262	\$0	\$4	\$266	\$4
Total Near GF-S	\$49,806	\$38	\$196	\$50,002	\$196

Revenue Review
November 20, 2018

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* Forecast for the 2019-21 biennium adopted September 26, 2018
Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

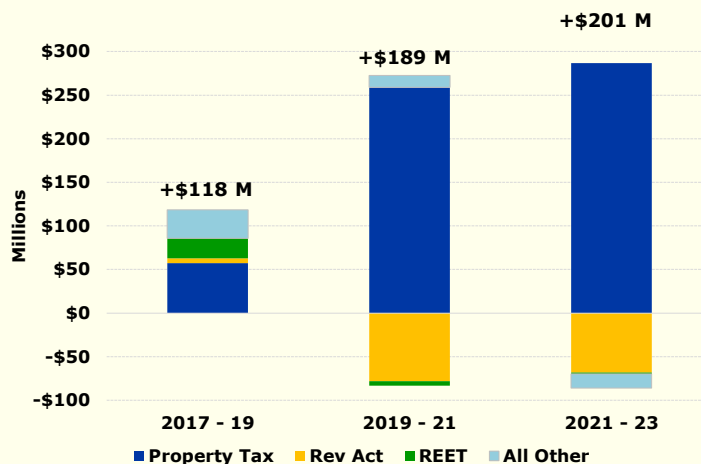


GF-S forecast changes by source

The largest piece of the "All Other" category in 2017-19 is unclaimed property

Revenue Review
November 20, 2018

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2017-19 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2017-19 Biennium	Difference From the baseline [#]
November 2018 Baseline (70%)	\$43,926	
November 2018 Alternative Forecasts		
Optimistic (15%)	\$44,377	\$451
Pessimistic (15%)	\$43,451	(\$475)
Probability Weighted Average	\$43,922	(\$4)
GCEA*	\$43,939	\$13

Revenue Review
November 20, 2018

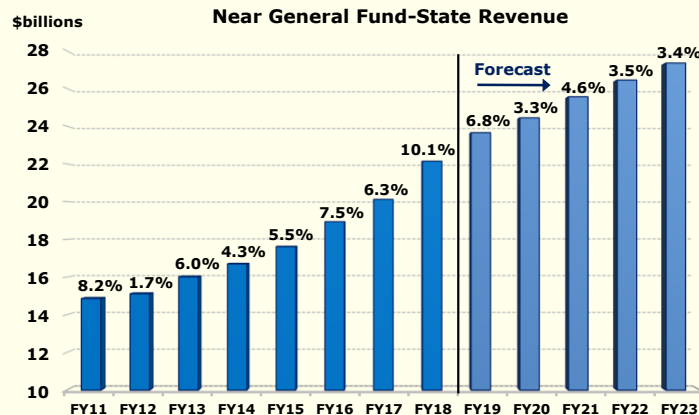
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*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Near General Fund-State* forecast by fiscal year



Revenue Review
November 20, 2018

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Conclusion

- WA personal income is higher than in September as a result of revisions to historic data
- 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 17.3% between the 2015-17 and 2017-19 biennia and 9.2% between the 2017-19 and 2019-21 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

Revenue Review
November 20, 2018

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Questions

Revenue Review
November 20, 2018

Slide 27



Economic & Revenue Forecast Council
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360-534-1560

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

Comparison of the November 2018 to the September 2018 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	September 2018 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$43,807.6	\$0.0	\$118.5	\$43,926.1	\$118.5
Education Legacy Trust Account	\$1,562.6	\$0.0	\$28.5	\$1,591.1	\$28.5
WA Opportunity Pathways Account	\$265.7	\$0.0	\$16.5	\$282.2	\$16.5
Total	\$45,635.9	\$0.0	\$163.4	\$45,799.3	\$163.4

*Forecast for the 2017-19 biennium adopted September 26, 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 November 2018 to the September 2018 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	September 2018 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$48,874.8	\$0.0	\$189.1	\$49,063.9	\$189.1
Education Legacy Trust Account	\$669.4	\$0.0	\$2.5	\$671.9	\$2.5
WA Opportunity Pathways Account	\$262.0	\$0.0	\$4.0	\$266.0	\$4.0
Total	\$49,806.3	\$0.0	\$195.5	\$50,001.8	\$195.5

*Forecast for the 2019-21 biennium adopted September 26, 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 November 2018 to the September 2018 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	September 2018 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	November 2018 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$52,576.6	\$0.0	\$201.0	\$52,777.6	\$201.0
Education Legacy Trust Account	\$712.7	\$0.0	\$1.7	\$714.5	\$1.7
WA Opportunity Pathways Account	\$295.9	\$0.0	\$6.5	\$302.5	\$6.5
Total	\$53,585.3	\$0.0	\$209.2	\$53,794.5	\$209.2

*Forecast for the 2021-23 biennium adopted September 26, 2018

[#]Details may not add due to rounding

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

February 2014 through November 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
November 2018	118	1	118	0	118	43,926
Total change***:						
From February 2014	3,666	246	3,912	1,304	5,216	
Percent change	9.9	13.5	10.1	3.4	13.5	

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

February 2016 through November 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
November 2018	186	3	189	0	189	49,064
Total change***:						
From February 2016	2,564	(69)	2,496	3,127	5,623	
Percent change	7.0	(3.8)	5.7	7.2	12.9	

* 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

November 2018 Forecast

Source/Fiscal Year		Percentage Change		Personal Income
		Tax Base Adjusted*	Personal Income ¹	Elasticity**
I. Retail Sales				
	2002	(1.4)	1.3	(1.1)
	2003	2.1	3.0	0.7
	2004	4.6	4.6	1.0
	2005	7.9	5.4	1.5
	2006	10.1	8.3	1.2
	2007	7.9	8.5	0.9
	2008	2.7	8.1	0.3
	2009	(10.4)	(1.1)	9.6
	2010	(5.4)	(1.5)	3.6
	2011	1.8	5.1	0.4
	2012	4.1	6.9	0.6
	2013	6.7	5.4	1.2
	2014	5.8	4.6	1.3
	2015	8.1	7.7	1.0
	2016	8.4	5.1	1.7
	2017	6.3	5.7	1.1
	2018	7.7	6.6	1.2
	2019	4.4	5.6	0.8
	2020	3.8	5.0	0.8
	2021	3.2	4.8	0.7
	2022	3.5	4.7	0.7
	2023	3.5	4.8	0.7
Average 2002-2018:		4.1	5.1	0.8
II. Business & Occupation				
	2002	(3.5)	1.3	(2.6)
	2003	(1.6)	3.0	(0.5)
	2004	6.8	4.6	1.5
	2005	9.7	5.4	1.8
	2006	11.2	8.3	1.4
	2007	8.3	8.5	1.0
	2008	6.9	8.1	0.8
	2009	(8.8)	(1.1)	8.2
	2010	(2.9)	(1.5)	1.9
	2011	4.4	5.1	0.9
	2012	8.0	6.9	1.2
	2013	6.8	5.4	1.3
	2014	5.4	4.6	1.2
	2015	5.4	7.7	0.7
	2016	2.9	5.1	0.6
	2017	3.6	5.7	0.6
	2018	7.4	6.6	1.1
	2019	4.3	5.6	0.8
	2020	4.4	5.0	0.9
	2021	4.0	4.8	0.8
	2022	4.6	4.7	1.0
	2023	4.3	4.8	0.9
Average 2002-2018:		4.5	5.1	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

November 2018 Forecast

Source/Fiscal Year		Percentage Change		Personal Income
		Tax Base Adjusted*	Personal Income ¹	Elasticity**
III. Use				
	2002	(5.8)	1.3	(4.3)
	2003	(1.4)	3.0	(0.5)
	2004	5.6	4.6	1.2
	2005	14.0	5.4	2.6
	2006	2.3	8.3	0.3
	2007	9.0	8.5	1.1
	2008	2.1	8.1	0.3
	2009	(13.0)	(1.1)	12.1
	2010	(5.9)	(1.5)	3.9
	2011	11.4	5.1	2.2
	2012	1.9	6.9	0.3
	2013	7.4	5.4	1.4
	2014	9.7	4.6	2.1
	2015	8.9	7.7	1.2
	2016	2.0	5.1	0.4
	2017	4.6	5.7	0.8
	2018	7.2	6.6	1.1
	2019	0.9	5.6	0.2
	2020	3.0	5.0	0.6
	2021	3.2	4.8	0.7
	2022	5.6	4.7	1.2
	2023	4.1	4.8	0.8
Average 2002-2018:		3.9	5.1	0.8

Total Revenue Act Receipts

November 2018 Forecast

Source/Fiscal Year		Percentage Change		Personal Income Elasticity ^{##}
		Tax Receipts [#]	Personal Income ¹	
Revenue Act	2002	(1.7)	1.3	(1.2)
	2003	1.0	3.0	0.3
	2004	4.8	4.6	1.0
	2005	7.6	5.4	1.4
	2006	10.6	8.3	1.3
	2007	8.3	8.5	1.0
	2008	4.2	8.1	0.5
	2009	(9.5)	(1.1)	8.9
	2010	(5.3)	(1.5)	3.5
	2011	8.1	5.1	1.6
	2012	1.3	6.9	0.2
	2013	5.9	5.4	1.1
	2014	4.6	4.6	1.0
	2015	5.6	7.7	0.7
	2016	8.5	5.1	1.7
	2017	6.3	5.7	1.1
	2018	7.2	6.6	1.1
	2019	6.5	5.6	1.2
	2020	3.7	5.0	0.7
	2021	3.9	4.8	0.8
	2022	3.7	4.7	0.8
	2023	3.8	4.8	0.8
Average 2002-2018:		4.2	5.1	0.8

* Based on constant base taxable data.

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

Post-ESSB 5073 definition of Revenue Act

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

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

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

History and Forecast by Fiscal Year (Cash basis)

November 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%	\$22,143	10.1%
Forecast:										
FY 2019	\$22,214	2.3%	\$1,289	327.2%	\$23,503	6.8%	\$154	19.5%	\$23,657	6.8%
FY 2020	\$23,981	8.0%	\$330	-74.4%	\$24,311	3.4%	\$131	-14.6%	\$24,443	3.3%
FY 2021	\$25,083	4.6%	\$342	3.4%	\$25,424	4.6%	\$135	2.6%	\$25,559	4.6%
FY 2022	\$25,948	3.4%	\$352	3.0%	\$26,299	3.4%	\$147	9.2%	\$26,447	3.5%
FY 2023	\$26,830	3.4%	\$363	3.1%	\$27,193	3.4%	\$155	5.6%	\$27,348	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	\$43,926	14.6%	\$1,591	240.6%	\$45,517	17.4%	\$282	6.2%	\$45,799	17.3%
19-21 Biennium	\$49,064	11.7%	\$672	-57.8%	\$49,736	9.3%	\$266	-5.7%	\$50,002	9.2%
21-23 Biennium	\$52,778	7.6%	\$714	6.3%	\$53,492	7.6%	\$302	13.7%	\$53,795	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	195.7	23.3	0.0	13.1	0.0	0.0	0.4	5.3	153.7	0.0	0.0	0.0
2017-19 Biennium	379.3	61.8	0.0	25.8	0.0	0.0	0.7	8.8	282.2	0.0	0.0	0.0
2020	180.6	31.1	0.0	13.7	0.0	0.0	0.4	4.1	131.3	0.0	0.0	0.0
2021	184.8	31.3	0.0	14.2	0.0	0.0	0.4	4.2	134.7	0.0	0.0	0.0
2019-21 Biennium	365.4	62.5	0.0	27.9	0.0	0.0	0.8	8.3	266.0	0.0	0.0	0.0
2022	187.4	35.7	0.0	0.0	0.0	0.0	0.4	4.2	147.1	0.0	0.0	0.0
2023	190.1	30.1	0.0	0.0	0.0	0.0	0.4	4.2	155.3	0.0	0.0	0.0
2021-23 Biennium	377.5	65.9	0.0	0.0	0.0	0.0	0.8	8.4	302.5	0.0	0.0	0.0

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

Source: Lottery Commission, ERFC

Lottery Transfers by Fund

(GAAP basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account	Gambling Revolving Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0	0.0
2017	161.9	16.8	0.0	12.2	0.0	0.0	0.3	4.9	126.8	0.0	0.0	1.0
2015-17 Biennium	337.4	48.7	0.0	23.8	0.0	0.0	0.7	7.7	255.5	0.0	0.0	1.0
2018	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	189.3	26.5	0.0	13.1	0.0	0.0	0.4	4.2	145.1	0.0	0.0	0.0
2017-19 Biennium	372.3	57.7	0.0	25.8	0.0	0.0	0.7	8.8	279.2	0.0	0.0	0.0
2020	182.2	29.3	0.0	13.7	0.0	0.0	0.4	4.2	134.7	0.0	0.0	0.0
2021	185.1	29.3	0.0	14.2	0.0	0.0	0.4	4.2	136.9	0.0	0.0	0.0
2019-21 Biennium	367.2	58.6	0.0	27.9	0.0	0.0	0.8	8.4	271.6	0.0	0.0	0.0
2022	187.7	29.4	0.0	0.0	0.0	0.0	0.4	4.2	153.7	0.0	0.0	0.0
2023	190.3	29.5	0.0	0.0	0.0	0.0	0.4	4.2	156.2	0.0	0.0	0.0
2021-23 Biennium	377.9	58.9	0.0	0.0	0.0	0.0	0.8	8.4	309.9	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

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,223.8	\$0.0	\$1.0	\$1,224.8	\$1.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$488.4	\$0.0	\$0.9	\$489.2	\$0.9
Lottery Commission Lottery Revenue	\$62.5	\$0.0	(\$0.8)	\$61.8	(\$0.8)
State Treasurer Interest Earnings	\$28.0	\$0.0	\$2.3	\$30.3	\$2.3
Office of Financial Management Other Agencies	\$336.8	\$0.0	(\$3.0)	\$333.8	(\$3.0)
Administrative Office of the Courts Fines and Forfeitures	\$146.6	\$0.0	\$0.5	\$147.2	\$0.5
Total General Fund-State	\$2,286.1	\$0.0	\$1.0	\$2,287.0	\$1.0

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,223.8	\$0.0	\$1.0	\$1,224.8	\$1.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$488.4	\$0.0	\$0.9	\$489.2	\$0.9
Lottery Commission Lottery Revenue	\$57.6	\$0.0	\$0.1	\$57.7	\$0.1
State Treasurer Interest Earnings	\$27.1	\$0.0	\$2.2	\$29.3	\$2.2
Office of Financial Management Other Agencies	\$336.8	\$0.0	(\$3.0)	\$333.8	(\$3.0)
Administrative Office of the Courts Fines and Forfeitures	\$146.6	\$0.0	\$0.5	\$147.2	\$0.5
Total General Fund-State	\$2,280.2	\$0.0	\$1.7	\$2,281.9	\$1.7

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,320.8	\$0.0	\$1.1	\$1,322.0	\$1.1
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$541.9	\$0.0	\$3.2	\$545.1	\$3.2
Lottery Commission Lottery Revenue	\$59.3	\$0.0	\$3.1	\$62.5	\$3.1
State Treasurer Interest Earnings	\$49.8	\$0.0	\$0.2	\$50.0	\$0.2
Office of Financial Management Other Agencies	\$170.0	\$0.0	(\$5.2)	\$164.8	(\$5.2)
Administrative Office of the Courts Fines and Forfeitures	\$137.1	\$0.0	\$0.4	\$137.5	\$0.4
Total General Fund-State	\$2,279.0	\$0.0	\$2.8	\$2,281.8	\$2.8

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,320.8	\$0.0	\$1.1	\$1,322.0	\$1.1
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$541.9	\$0.0	\$3.2	\$545.1	\$3.2
Lottery Commission Lottery Revenue	\$56.4	\$0.0	\$2.2	\$58.6	\$2.2
State Treasurer Interest Earnings	\$50.8	\$0.0	\$0.0	\$50.8	\$0.0
Office of Financial Management Other Agencies	\$170.0	\$0.0	(\$5.2)	\$164.8	(\$5.2)
Administrative Office of the Courts Fines and Forfeitures	\$137.1	\$0.0	\$0.4	\$137.5	\$0.4
Total General Fund-State	\$2,277.0	\$0.0	\$1.7	\$2,278.8	\$1.7

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,426.4	\$0.0	\$0.7	\$1,427.2	\$0.7
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$607.3	\$0.0	(\$23.5)	\$583.8	(\$23.5)
Lottery Commission Lottery Revenue	\$64.1	\$0.0	\$1.8	\$65.9	\$1.8
State Treasurer Interest Earnings	\$51.6	\$0.0	\$0.0	\$51.6	\$0.0
Office of Financial Management Other Agencies	\$159.5	\$0.0	(\$6.2)	\$153.3	(\$6.2)
Administrative Office of the Courts Fines and Forfeitures	\$139.4	\$0.0	\$0.1	\$139.5	\$0.1
Total General Fund-State	\$2,448.3	\$0.0	(\$27.1)	\$2,421.2	(\$27.1)

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	September 2018 Baseline	Non-Economic Changes	Economic Changes	November 2018 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,426.4	\$0.0	\$0.7	\$1,427.2	\$0.7
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$607.3	\$0.0	(\$23.5)	\$583.8	(\$23.5)
Lottery Commission Lottery Revenue	\$56.6	\$0.0	\$2.3	\$58.9	\$2.3
State Treasurer Interest Earnings	\$51.5	\$0.0	\$0.0	\$51.5	\$0.0
Office of Financial Management Other Agencies	\$159.5	\$0.0	(\$6.2)	\$153.3	(\$6.2)
Administrative Office of the Courts Fines and Forfeitures	\$139.4	\$0.0	\$0.1	\$139.5	\$0.1
Total General Fund-State	\$2,440.7	\$0.0	(\$26.6)	\$2,414.1	(\$26.6)

* Detail may not total due to rounding.

November 2018Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the November 2018 Baseline</u>
November 2018 GF-S Baseline (70%)	\$43,926	
November 2018 Alternative GF-S Forecasts		
Optimistic (15%)	\$44,377	\$451
Pessimistic (15%)	\$43,451	(\$475)
Probability Weighted Average	\$43,922	(\$4)
GCEA*	\$43,939	\$13

2019-21 Biennium

	<u>2019-21 Biennium</u>	<u>Difference From the November 2018 Baseline</u>
November 2018 GF-S Baseline (50%)	\$49,064	
November 2018 Alternative GF-S Forecasts		
Optimistic (15%)	\$51,596	\$2,532
Pessimistic (35%)	\$46,215	(\$2,849)
Probability Weighted Average	\$48,447	(\$617)
GCEA*	\$49,630	\$566

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

U.S. Forecast Comparison

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

November Forecast	18,671	18,790	18,905	19,021
Percent Change	3.5%	2.6%	2.5%	2.5%
September Forecast	18,665	18,796	18,905	19,017
Percent Change	3.3%	2.9%	2.3%	2.4%

Real Consumption (Billions of 2012 Dollars)

November Forecast	12,969	13,036	13,121	13,199
Percent Change	4.0%	2.1%	2.6%	2.4%
September Forecast	12,931	13,016	13,093	13,169
Percent Change	2.8%	2.7%	2.4%	2.3%

PCE Price Index (2012=100)

November Forecast	108.5	108.9	109.5	110.0
Percent Change	1.6%	1.8%	1.9%	2.0%
September Forecast	108.6	109.2	109.7	110.2
Percent Change	2.1%	2.2%	2.0%	2.0%

Real Personal Income (Billions of 2012 Dollars)

November Forecast	16,299	16,374	16,472	16,588
Percent Change	2.6%	1.9%	2.4%	2.8%
September Forecast	16,281	16,358	16,501	16,609
Percent Change	2.1%	1.9%	3.5%	2.7%

Nonfarm Payroll Employment (Millions)

November Forecast	149.3	150.0	150.5	151.0
Percent Change	1.7%	1.7%	1.5%	1.4%
September Forecast	149.4	150.0	150.6	151.1
Percent Change	1.9%	1.7%	1.4%	1.3%

Unemployment Rate (Percent of Labor Force)

November Forecast	3.8	3.7	3.5	3.4
September Forecast	3.8	3.6	3.5	3.4

Oil Price, Refiner's Acquisition

November Forecast	69.0	64.0	59.0	59.7
September Forecast	69.4	71.0	70.3	69.6

30 Year Fixed Mortgage Rate (Percent, average)

November Forecast	4.6	4.8	4.9	5.0
September Forecast	4.6	4.7	4.8	4.9

3 Month T-Bill Rate (Percent, average)

November Forecast	2.0	2.4	2.6	2.7
September Forecast	2.1	2.4	2.5	2.7

2017	2018	2019	2020	2021	2022	2023
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18,051	18,574	19,060	19,403	19,753	20,128	20,551
2.2%	2.9%	2.6%	1.8%	1.8%	1.9%	2.1%
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%

12,559	12,892	13,228	13,479	13,749	14,038	14,347
2.5%	2.7%	2.6%	1.9%	2.0%	2.1%	2.2%
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%

106.1	108.3	110.3	112.4	114.7	117.0	119.4
1.8%	2.1%	1.9%	1.9%	2.1%	2.0%	2.0%
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%

15,867	16,244	16,639	17,053	17,430	17,819	18,249
2.6%	2.4%	2.4%	2.5%	2.2%	2.2%	2.4%
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%

146.6	149.0	151.2	152.6	153.5	154.5	155.6
1.6%	1.6%	1.5%	0.9%	0.6%	0.7%	0.7%
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%

4.4	3.9	3.5	3.6	3.7	3.8	3.8
4.4	3.8	3.5	3.6	3.7	3.8	3.9

50.7	65.5	59.6	59.8	59.6	59.4	59.0
50.7	67.3	69.2	65.7	62.6	60.2	58.8

4.0	4.6	5.0	5.2	5.2	5.2	5.1
4.0	4.5	4.9	5.1	5.2	5.1	5.1

0.9	2.0	2.8	3.1	3.2	3.2	3.0
0.9	2.0	2.7	3.1	3.2	3.1	3.0

Washington Forecast Comparison

	2018Q3	2018Q4	2019Q1	2019Q2
Real Personal Income (Billions of 2012 Dollars)				
November Forecast	424.7	427.6	430.2	433.6
Percent Change	3.7%	2.8%	2.4%	3.3%
September Forecast	414.4	416.9	421.1	424.5
Percent Change	3.2%	2.4%	4.0%	3.3%
Personal Income (Billions of Dollars)				
November Forecast	460.7	465.9	470.9	477.0
Percent Change	5.3%	4.6%	4.4%	5.3%
September Forecast	450.0	455.2	462.0	468.0
Percent Change	5.3%	4.6%	6.1%	5.4%
Disposable Personal Income (Billions of Dollars)				
November Forecast	410.1	414.6	419.2	424.8
Percent Change	5.0%	4.5%	4.5%	5.4%
September Forecast	402.8	407.4	413.6	419.1
Percent Change	5.3%	4.6%	6.3%	5.4%
Nonfarm Payroll Employment (Thousands)				
November Forecast	3420	3446	3462	3480
Percent Change	2.8%	3.0%	2.0%	2.0%
September Forecast	3433	3452	3469	3485
Percent Change	3.0%	2.2%	2.0%	1.9%
Unemployment Rate (Percent of Labor Force)				
November Forecast	4.5	4.3	4.2	4.1
September Forecast	4.6	4.4	4.2	4.2
Manufacturing Employment (Thousands)				
November Forecast	287.7	289.0	289.6	290.0
Percent Change	3.7%	1.9%	0.8%	0.6%
September Forecast	287.4	289.3	290.3	290.5
Percent Change	2.7%	2.7%	1.4%	0.4%
Construction Employment (Thousands)				
November Forecast	213.3	215.9	215.8	215.8
Percent Change	3.3%	4.8%	-0.1%	0.1%
September Forecast	212.4	212.8	213.0	213.3
Percent Change	1.5%	0.7%	0.5%	0.4%
Housing Permits (Thousands)				
November Forecast	39.7	42.8	42.9	43.6
Percent Change	-29.1%	35.9%	0.9%	6.7%
September Forecast	40.1	42.8	43.3	43.8
Percent Change	-25.8%	29.9%	4.4%	4.2%

	2017	2018	2019	2020	2021	2022	2023
	404.2	423.2	435.2	448.3	460.1	472.4	485.7
	4.2%	4.7%	2.8%	3.0%	2.6%	2.7%	2.8%
	395.9	413.4	426.1	438.8	451.3	464.3	477.2
	3.7%	4.4%	3.1%	3.0%	2.8%	2.9%	2.8%
	428.8	458.2	479.9	503.8	527.8	552.8	579.8
	6.1%	6.9%	4.7%	5.0%	4.8%	4.7%	4.9%
	420.0	447.8	471.0	494.9	518.7	543.8	569.5
	5.6%	6.6%	5.2%	5.1%	4.8%	4.8%	4.7%
	380.3	407.9	427.4	449.3	471.0	492.7	515.6
	6.0%	7.3%	4.8%	5.1%	4.8%	4.6%	4.6%
	374.2	400.8	421.7	443.4	464.6	486.4	508.5
	5.6%	7.1%	5.2%	5.1%	4.8%	4.7%	4.6%
	3322	3411	3486	3538	3575	3612	3648
	2.4%	2.7%	2.2%	1.5%	1.0%	1.0%	1.0%
	3322	3419	3491	3539	3572	3605	3630
	2.4%	2.9%	2.1%	1.4%	0.9%	0.9%	0.7%
	4.8	4.6	4.1	4.3	4.5	4.6	4.6
	4.8	4.6	4.2	4.2	4.3	4.3	4.4
	283.8	286.4	290.1	290.5	290.2	292.2	295.8
	-2.1%	0.9%	1.3%	0.1%	-0.1%	0.7%	1.2%
	283.8	286.6	290.5	290.7	290.5	292.3	295.1
	-2.1%	1.0%	1.4%	0.0%	-0.1%	0.6%	0.9%
	199.7	212.5	215.8	215.7	214.9	213.8	212.5
	7.0%	6.4%	1.6%	-0.1%	-0.3%	-0.5%	-0.6%
	199.7	211.4	213.1	213.1	212.1	211.4	210.0
	7.0%	5.9%	0.8%	0.0%	-0.5%	-0.3%	-0.7%
	45.8	43.7	43.6	43.8	42.2	41.4	40.6
	3.9%	-4.5%	-0.2%	0.4%	-3.7%	-1.9%	-2.0%
	45.8	43.8	43.8	44.2	43.0	42.0	41.1
	3.9%	-4.2%	0.0%	0.8%	-2.6%	-2.4%	-2.1%

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	1.8	1.8	1.9	2.1
GCEA Average	2.9	2.5	2.1	1.8	2.0	2.0
Real Consumption						
<i>Growth</i>						
ERFC	2.7	2.6	1.9	2.0	2.1	2.2
GCEA Average	2.8	2.6	2.1	1.9	2.0	2.0
PCE Price Index						
<i>Growth</i>						
ERFC	2.1	1.9	1.9	2.1	2.0	2.0
GCEA Average	2.2	2.3	2.2	2.2	2.0	2.0
Mortgage Rate						
<i>Percent</i>						
ERFC	4.6	5.0	5.2	5.2	5.2	5.1
GCEA Average	4.6	5.1	5.2	5.2	5.3	5.3
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	71.8	66.4	66.0	65.6	65.2	64.8
GCEA Average	73.8	72.4	70.9	70.5	71.0	71.1

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	4.7	2.8	3.0	2.6	2.7	2.8
GCEA Average	4.5	3.6	3.3	3.0	3.1	3.3

Wage and Salary Employment

<i>Growth</i>						
ERFC	2.7	2.2	1.5	1.0	1.0	1.0
GCEA Average	2.7	1.9	1.4	1.2	1.1	1.0

Manufacturing Employment

<i>Growth</i>						
ERFC	0.9	1.3	0.1	-0.1	0.7	1.2
GCEA Average	1.0	1.2	0.8	0.8	0.8	0.8

Construction Employment

<i>Growth</i>						
ERFC	6.4	1.6	-0.1	-0.3	-0.5	-0.6
GCEA Average	5.9	1.9	1.5	1.0	0.5	0.5

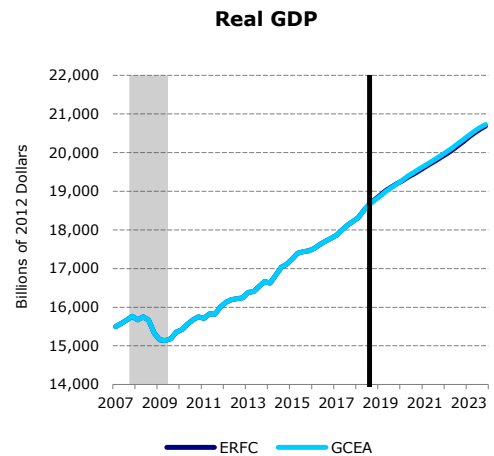
Housing Permits

<i>Thousands of authorized units</i>						
ERFC	43.7	43.6	43.8	42.2	41.4	40.6
GCEA Average	43.7	43.3	41.8	40.5	40.0	39.5

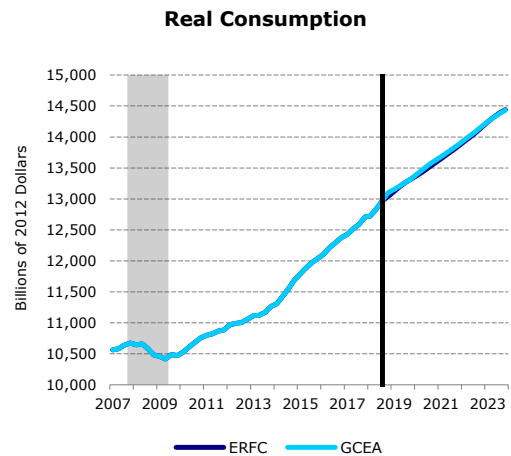
Washington Average Annual Wage

<i>Growth</i>						
ERFC	6.5	2.6	3.2	3.5	3.8	4.1
GCEA Average	6.2	4.0	3.9	3.9	3.8	3.6

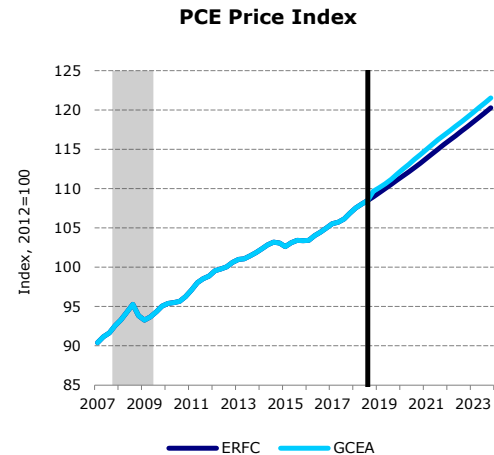
U.S. Forecast Comparison



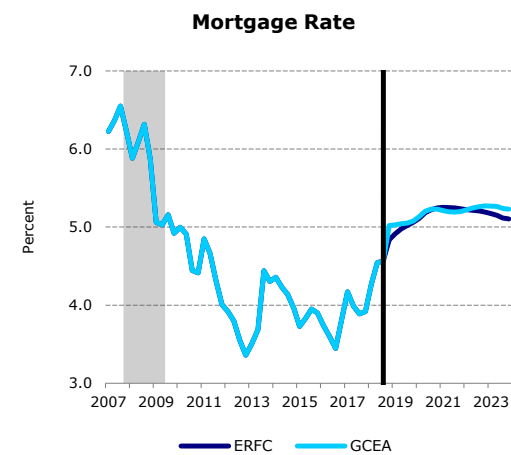
Source: BEA, ERFC, GCEA; data through 2018 Q3



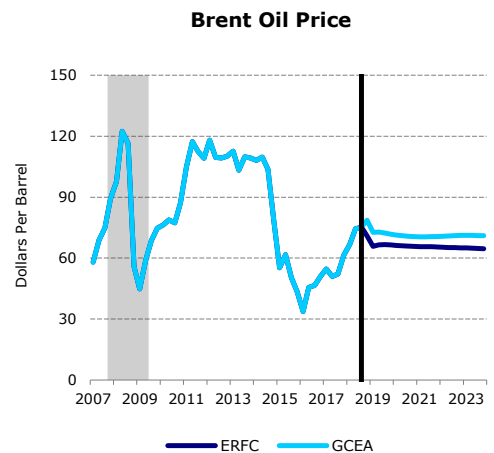
Source: BEA, ERFC, GCEA; data through 2018 Q3



Source: BEA, ERFC, GCEA; data through 2018 Q3



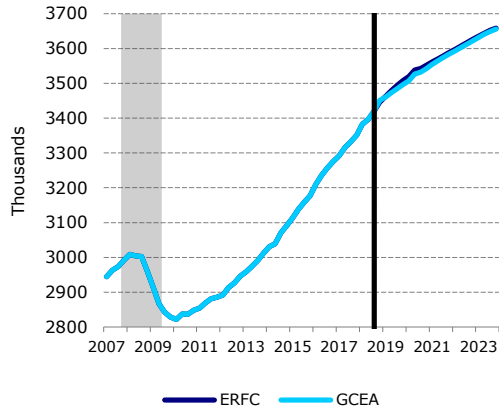
Source: Freddie Mac, ERFC, GCEA; data through 2018 Q3



Source: EIA, ERFC, GCEA; data through 2018 Q3

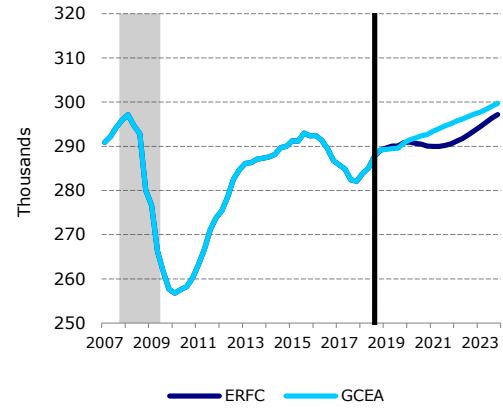
Washington Forecast Comparison

Nonfarm Payroll Employment



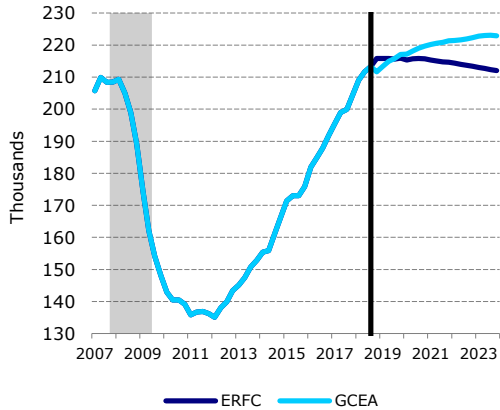
Source: ESD, ERFC, GCEA; data through 2018 Q3

Manufacturing Employment



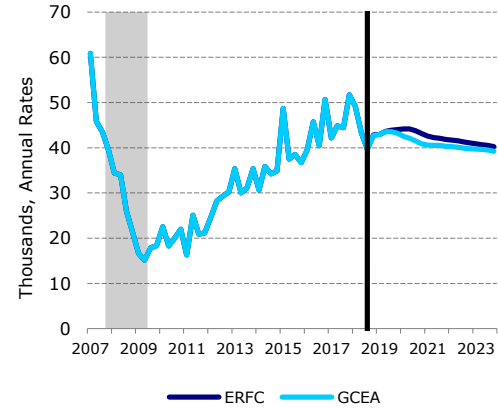
Source: ESD, ERFC, GCEA; data through 2018 Q3

Construction Employment



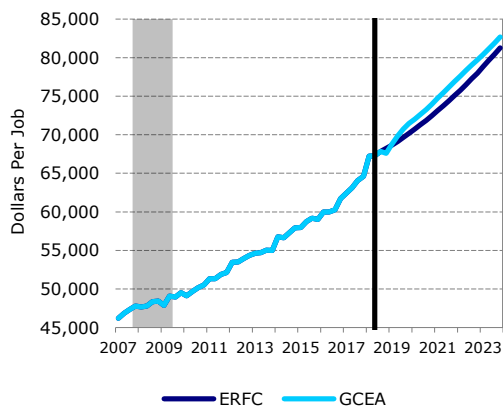
Source: ESD, ERFC, GCEA; data through 2018 Q3

Housing Units Authorized



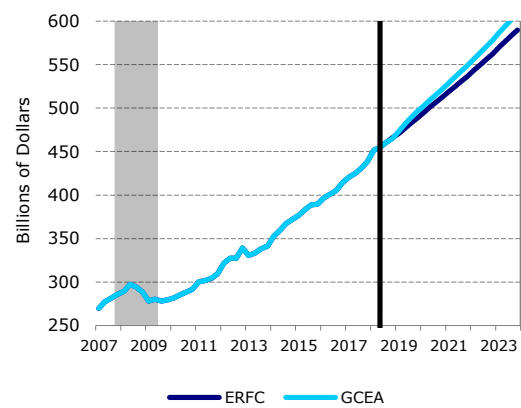
Source: Census, ERFC, GCEA; data through 2018 Q3

Average Annual Wage



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

Personal Income



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

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
September 2018 Revenue Forecast	43,807.6	1,828.3	45,635.9
November 2018 Revenue Forecast change	118.5	45.0	163.4
Current Revenue Totals	43,926.1	1,873.3	45,799.3
Transfer to Budget Stabilization Account (1% of GSR)	(437.0)		(437.0)
Transfer to Budget Stabilization Account (EGSR)	(1,486.2)		(1,486.2)
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)
CAFR Adjustment	(39.5)	13.9	(25.6)
Actual/Assumed Prior Period Adjustments	111.2		111.2
Total Resources (including beginning fund balance)	44,160.8	2,189.2	46,350.0
EXPENDITURES			
Enacted Budgets			
2017-19 Biennium	42,659.6	1,048.8	43,708.4
2018 Supplemental	701.1	251.7	952.8
Actual/Assumed Reversions	(191.8)	-	(191.8)
Total Expenditures	43,169.0	1,300.5	44,469.5
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	991.8	888.7	1,880.6
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,638.3		1,638.3
Transfers from General Fund (1% of GSR)	437.0		437.0
Actual/Assumed Interest Earnings and other	41.3		41.3
Transfers from GFS (EGSR)	1,486.2		1,486.2
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	1,558.2		1,558.2
Total Reserves (Near General Fund plus Budget Stabilization)	2,550.0	888.7	3,438.8

Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report