

Budget Outlook Adoption and Economic Review

June 13, 2023



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

BUDGET OUTLOOK ADOPTION AND ECONOMIC REVIEW

June 13, 2023
10:00 a.m.

- Call to order
- Approval of meeting minutes from March 5, 2023
- Budget Outlook Methodology presentation
- Economic & Revenue Forecast
 - Presentation of economic outlook and revenue collection experience
- Adjournment of public session
- Executive Session
 - Session to discuss personnel matters

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

Meeting Minutes
Budget Outlook Methodology
June 5, 2023
Conference Call

Economic and Revenue Forecast Council

Lynda Wilson, Senate, Chair
Christine Rolfes, Senate
Ed Orcutt, House of Representatives
Tim Ormsby, House of Representatives
Mike Pellicciotti, Treasurer
John Ryser, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director
Rachel Knutson, OFM
Corban Nemeth, Senate Ways and Means
Andy Toulon, House Appropriations

Call to Order

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

Approval of the Minutes

Director Schumacher moved, seconded by Senator Wilson, to adopt the meeting minutes from the March 20, 2023 meeting. Motion was approved at 10:01 a.m.

Budget Outlook Methodology Presentation

The Budget Outlook Work Group members presented several issues for the Council to provide guidance in the preparation of the Outlook for the Enacted 2023-25 Biennial Operating Budget.

Motion

Representative Orcutt moved, seconded by Senator Wilson, to assume zero reversions in all areas of the budget except the \$15 million already received by the Health Care Authority (HCA). Motion did not pass with 2 votes to approve and 5 votes against approval.

Motion

Representative Ormsby moved, seconded by Senator Wilson, to assume the \$256 million savings from additional general fund-state reversions, and to assume the \$95 million savings from additional K-3 reversions. Motion passed at 10:23 a.m. with 5 for and 2 against.

Motion

Representative Ormsby moved, seconded by Senator Wilson, to make no assumptions on reversions regarding office space use reductions and defaulting to the budget document as it currently exists. Motion passed at 10:27 a.m. with 5 votes for and 2 against.

Motion

Senator Rolfes moved, seconded by Representative Orcutt, to assume the \$15 million in received HCA gain sharing remittances for CY 2020 and the \$69 million in estimated HCA gain share remittances for CY 2021 in the prior period adjustment section of the Outlook. Motion passed at 10:34 with 5 votes for and 2 against.

Adjournment

With no further business, the meeting adjourned at 10:35 a.m.

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Draft Overview of the Methodology for the State Budget Outlook (June 13, 2023)

Introduction

The purpose of this document is to provide an overview of the methodology used to develop the four-year budget projections pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636). This document summarizes the major components of the projection, the overall approach, as well as the assumptions used in the State Budget Outlook (Outlook) document.

The amounts reflected in the Outlook are the sum of the state General Fund (GF-S), the Education Legacy Trust Account (ELTA), the Opportunity Pathways Account (OPA), and the Workforce Education Investment Account (WEIA). These funds are sometimes referred to as the Near General Fund Outlook (NGF-O) funds

During the 2021 legislative session, the Fair Start for Kids Account (FSKA), was added to the NGF-O definition- Chapter 199, Laws of 2021 (E2SSB 5237). The enacted budget contains no resources deposited into or expenditures from the Fair Start for Kids Account.

Resources

Pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636), the amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

Beginning Fund Balance

The Outlook uses the certified fund balance in accordance with generally accepted accounting principles for the most recently closed biennium as the starting point. The beginning fund balance for subsequent Fiscal Years (FY) is equal to the projected ending balance for the previous FY.

Revenue Forecast

Current revenues for the 2021-23, 2023-25, and 2025-27 biennia reflect the adopted March 2023 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). The provisions of Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636) call for the ensuing biennium revenue (in this instance, the 2025-27 biennium) to be based on the greater of:

- (1) the official revenue forecast for the ensuing biennium; or
- (2) an assumed revenue increase of 4.5 percent per year for that ensuing biennium.

The March 2023 forecast projected revenue growth of less than 4.5 percent per year in the 2025-27 biennium. Given the March 2023 forecast projects revenue growth of less than 4.5 percent per year in the 2025-27 biennium, the Outlook includes an adjustment for estimated FY 2026 and FY 2027 revenues. The adjustment for ensuing biennium revenues increases estimated resources in the Outlook by \$1.145 billion.

Transfers to Budget Stabilization Account (BSA)

Pursuant to a constitutional amendment approved by the voters in 2007 (Article VII, section 12(1), of the Constitution), this reflects the transfer of one percent of general state revenues (GSR) for each FY to the BSA. The estimated transfer amounts are based on the calculation of estimated GSR as defined in Article VIII, section 1, of the Constitution. The calculation of estimated GSR is based on the March 2023 revenue forecast adjusted for the estimated revenue impacts of legislation enacted during the 2023 legislative session (see enacted revenue legislation). The Outlook assumes BSA 1% transfers each biennium to include \$610 million in the 2021-23 biennium, \$630 million in the 2023-25 biennium, and \$674 million in the 2025-27 biennium.

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Extraordinary Revenue Growth

Pursuant to a constitutional amendment approved by the voters in 2011 (Article VII, section 12 of the Constitution), this reflects the transfer of three-quarters of extraordinary revenue growth (ERG) into the BSA. ERG is defined in the state Constitution as growth in general state revenues for the fiscal biennium that exceeds the average biennial percentage growth of the prior five fiscal biennia by one-third. The state Constitution also provides that the transfer only occurs to the extent that it exceeds the normal transfer amount into the BSA and that no ERG transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year.

The adopted March 2023 revenue forecast does not project ERG for the 2023-25 or 2025-27 biennia. No ERG transfer is predicted for the 2021-23 biennia as the annual average employment growth for the prior biennium was less than one percent per fiscal year. Based on the state Constitution, no transfer shall occur in a fiscal biennium following a fiscal biennium in which annual average state employment growth averaged less than one percent per fiscal year. Given this, there is also no additional BSA transfer for the 2021-23 biennia related to ERG.

Prior Period Adjustments

The Outlook assumes NGF-O prior period adjustments of \$164 million in the 2021-23 biennium and \$40.8 million for both the 2023-25 biennium and the 2025-27 biennium. The larger amount for the 2021-23 biennium reflects larger than expected actual adjustments from the FY 2022 fiscal close process and a larger than usual estimated adjustment for FY 2023, as directed at the June 5th ERFC meeting, to account for the state share of remittances paid back to the state by Medicaid Managed Care organizations pursuant to gain share and risk corridor provisions of contracts with the Health Care Authority.

Annual Comprehensive Financial Report Adjustments

The Outlook assumes NGF-O Annual Comprehensive Financial Report adjustments of \$196 million in the 2021-23 biennium. This reflects actual adjustments from the FY 2022 fiscal close process and an adjustment to account for a correction to the beginning fund balance because of a correction in the draw of federal Medicaid funds by the Health Care Authority (HCA). The Medicaid draw correction is due to HCA under-claiming federal revenues during the period of 2008-2020. The correction resulted in an increase in resources of \$220 million as reflected on the official March 2023 forecast balance sheet.

Prior Enacted Fund Transfers

This category reflects all enacted NGF-O fund transfers made through the 2021 and 2022 legislative sessions after accounting for vetoes. For more information, see the 2021 and 2022 session Legislative Budget Notes at:

<https://fiscal.wa.gov/statebudgets/LBNs>

Enacted Fund Transfers in the 2023 Legislative Session

The Outlook assumes transfers to and from NGF-O accounts that were enacted in the 2023 supplemental operating budget and the 2023-25 operating budget as follows:

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	2021-23	2023-25	2025-27	6 Yr
Fund Transfers In the Operating Budget (\$ in 1,000s)				
Business License Account	0	7,200	0	7,200
Disaster Response Account	-85,818	0	0	-85,818
Financial Services Regulation Account	0	7,000	7,000	14,000
Forest Resiliency Account	0	-4,000	0	-4,000
Home Security Fund Account	0	-49,000	0	-49,000
Judicial Information Systems Account	-9,700	0	0	-9,700
Long-Term Services and Supports Trust Account	0	64,281	0	64,281
Model Toxics Control Operating Account	0	50,000	0	50,000
Salmon Recovery Account	0	-3,000	0	-3,000
State Drought and Response Preparedness Account	0	-2,000	0	-2,000
State Treasurer's Service Account	0	30,000	30,000	60,000
WA Rescue Plan Transition Account	0	1,302,000	0	1,302,000
Washington Student Loan Account	0	40,000	0	40,000
Wildfire Resp, Forest Restoration, & Community Resilience Account	0	-89,806	0	-89,806
Total NGF-O Fund Transfers in the Operating Budget	-95,518	1,352,675	37,000	1,294,157
Notes				
1. The impact of transfers included in separate legislation is reflected in the Revenue Legislation table below.				
2. Positive numbers reflect a transfer from a non NGF-O account to a NGF-O account.				
3. Negative numbers reflect a transfer from a NGF-O account to a non-NGF-O account.				

Enacted Revenue Legislation in the 2023 Legislative Session

The Outlook assumes NGF-O revenue changes from the following bills that were newly enacted in the 2023 legislative session:

Revenue Legislation Enacted in the 2023 Session (\$ in 1,000s)	2021-23	2023-25	2025-27	6 Yr
Chapter 341, Laws of 2023 (HB 1018)	0	-1,817	-3,454	-5,271
Chapter 161, Laws of 2023 (E2SHB 1143)	0	-1,244	-1,658	-2,902
Chapter 343, Laws of 2023 (SHB 1163)	0	-2,400	-3,000	-5,400
Chapter 449, Laws of 2023 (ESHB 1169)	0	-8	-8	-16
Chapter 162, Laws of 2023 (SHB 1240)	0	-400	-400	-800
Chapter 68, Laws of 2023 (SHB 1254)	0	1,649	-806	843
Chapter 351, Laws of 2023 (2SHB 1425)	0	-1,700	-10,000	-11,700
Chapter 416, Laws of 2023 (SHB 1431)	0	-2,679	-3,173	-5,852
Chapter 213, Laws of 2023 (2SHB 1534)	0	615	128	743
Chapter 422, Laws of 2023 (HB 1573)	0	0	-13,600	-13,600
Chapter 388, Laws of 2023 (SHB 1682)	0	-8,018	-8,132	-16,150
Chapter 355, Laws of 2023 (SHB 1711)	0	-3,810	-1,900	-5,710
Chapter 258, Laws of 2023 (HB 1742)	0	28,150	29,825	57,975
Chapter 427, Laws of 2023 (SHB 1756)	0	0	-328	-328
Chapter 307, Laws of 2023 (SHB 1764)	0	-667	-754	-1,421
Chapter 430, Laws of 2023 (SHB 1850)	0	54,230	74,800	129,030
Chapter 218, Laws of 2023 (E2SSB 5001)	0	342	545	887
Chapter 110, Laws of 2023 (SB 5084)	0	-1,268	-1,268	-2,536
Chapter 392, Laws of 2023 (SSB 5096)	0	-229	-852	-1,081
Chapter 317, Laws of 2023 (SB 5166)	0	-404	-420	-824
Chapter 286, Laws of 2023 (E2SSB 5199)	0	-1,604	-2,370	-3,974
Chapter 319, Laws of 2023 (SSB 5218)	0	-580	-670	-1,250
Chapter 337, Laws of 2023 (E2SSB 5258)	0	-250	-500	-750
Chapter 232, Laws of 2023 (ESSB 5447)	0	0	-340	-340
Chapter 285, Laws of 2023 (E2SSB 5634)	0	-570	-676	-1,246
Total Revenue Legislation Enacted in the 2023 Session	0	57,338	50,989	108,327

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Budget Driven Revenue Adjustments

Adjustments are made to reflect the difference between assumed transfers of cannabis, liquor and lottery revenue to GFS in the March 2023 forecast and what is estimated to be available after adjusting for the 2023 legislative session spending levels. Additional adjustments are made to reflect increased state revenue from budget initiatives at the Health Care Authority. These revenue increases are due to managed care premium taxes and inpatient and outpatient directed payment programs.

Budget Driven Revenue	2021-23	2023-25	2025-27	6 Yr
Health Care for the Uninsured	0	933	2,820	3,753
Inpatient Directed Payment Program	0	4,050	5,400	9,450
Liquor Control Board (Liquor)	7,000	-29,311	10,860	-11,451
Lottery	-952	-1,907	-1,708	-4,567
Outpatient Directed Payment Program	0	8,250	6,600	14,850
Total Budget Driven Revenue Adjustments	6,048	-17,985	23,972	12,035

Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget for the 2021-23 biennium (the 2022 supplemental operating budget). This becomes the base for the 2023-25 biennium. Adjustments are then made for the 2023 supplemental operating budget Maintenance Level (ML) and Policy Level (PL) changes; the 2023-25 biennial carry forward level (CFL), ML and PL changes; and adjustments for Governor's vetoes. For more information on the 2022 supplemental operating budget, please see:

<https://fiscal.wa.gov/statebudgets/LBNs>.

Estimating Costs for the 2023-25 and 2025-27 Fiscal Biennia

Estimated costs for the 2023-25 biennium are based on appropriations in the enacted 2023-25 operating budget. Per statute, the estimated expenditures in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law in the subsequent fiscal biennium (i.e., the 2025-27 biennium). The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the FY cost/savings associated with a budget item.

The historical growth factors used to estimate increased costs in the subsequent fiscal biennium are updated each biennium through a joint effort by legislative and executive branch staff and are ultimately adopted by the ERFC. Per direction provided by the ERFC on November 4, 2022, the growth factors adopted on November 18, 2020, will continue to be used for Outlooks prepared for the 2023 and 2024 sessions. Additional information on the calculation of the historical growth factors adopted by the ERFC for the current Outlook can be found in the following document available on the ERFC website:

- <https://erfc.wa.gov/sites/default/files/public/documents/forecasts/rev20201118.pdf>
- <https://erfc.wa.gov/sites/default/files/public/documents/meetings/20221104%20Outlook%20Growth%20Factor%20Update.pdf>

The current adopted growth rates are shown below:

2022 Outlook Growth Rates Summary Table	
Default Growth Rate Category	Adopted 20202 Growth Factors

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All Other	0.00%
Corrections	1.53%
Debt Service	Use Bond Model
Department of Social and Health Services	3.31%
Higher Education	0.69%
K-12 Education	Use K-12 Model
Low Income Health Care & Community Behavioral Health	2.86%

There are some cases whereby simply applying the growth factor to the cost or savings of a budget item is not used to estimate costs in the subsequent fiscal biennium. These include the following situations:

- **K-12 Education.** K-12 Outlook calculations are derived from the K-12 model, which is updated quarterly based on the caseload forecast for growth and inflationary factors. The K-12 model is periodically updated for other factors such as levy equalization and student transportation.
- **Debt Service.** Debt service calculations are derived from the debt service model. The Outlook statute specifies that "estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature." Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2025-27 biennium bond bill and capital budget.
- **Custom adjustments.** Custom adjustments are used when the estimated annual costs in the subsequent fiscal biennium are expected to be significantly different from the second FY of the current biennium. This occurs primarily when a policy is being phased in during the second FY of a biennium or may be delayed until the subsequent fiscal biennium. In most cases, the growth factor is applied after a custom adjustment is made to reflect the phase in for the policy item. In a small number of cases, the custom adjustment already accounts for the types of growth captured by the growth factor and so the growth factor is not applied.
- **One-Time costs.** Certain items in the budget are one-time for the current biennium and therefore the related costs or savings are not carried forward into the subsequent biennium.
- **Compensation items.** Because the Outlook statute specifically excludes any additional future costs related to collective bargaining agreements (CBAs) not approved by the Legislature, or salaries and benefits, no growth factor is applied to compensation related items. However, a custom adjustment is applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

Carry Forward Level Revisions

The 2023-25 budget adjusts the most recently enacted spending level (2021-23) including the FY 2022 Supplemental to the CFL. The CFL is a primarily mechanical calculation based on the removal of any one-time items and adjusting for the bow wave impact of items assumed in existing appropriations (costs or savings). In many instances, this means simply biennializing to the second year enacted funding levels.

The CFL adjustments total savings of \$1.506 billion in the 2023-25 biennium and savings of \$6.703 billion in the 2025-27 biennium. The 2025-27 adjustments include application of the growth factor methodology adopted by the ERFC.

Maintenance Level Items

In this section, adjustments are made to reflect the NGF-O costs of continuing to comply with current law provisions. This is often referred to as maintenance level (ML). Pursuant to the provisions of Chapter 8, Laws of 2012, 1st sp.s. (SSB 6636), this excludes the costs of policy enhancements, including new CBAs

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not approved by the Legislature, other proposed compensation increases, and costs of any adverse court rulings within 90 days of each respective legislative session.

Following are the total statewide ML impacts, by biennial period:

- ❖ 2021-23 biennium: \$401 million increased costs.
- ❖ 2023-25 biennium: \$2.442 billion increased costs.
- ❖ 2025-27 biennium estimate: \$4.451 billion increased costs.

Kindergarten – Grade 12 (K-12) Education

The amounts depicted reflect the February 2023 caseload forecast and K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model, which updates the growth and inflationary factors with each forecast. The K-12 model is also periodically updated for other factors such as levy equalization and student transportation.

ML adjustments total \$26 million increased costs in the 2021-23 biennium, \$1.223 billion increased costs in the 2023-25 biennium, and \$2.305 billion increased costs in the 2025-27 biennium.

The larger increases are related primarily to salary inflation, student support staffing, and enrollment and workload adjustments. The largest savings in this category are related primarily to local effort assistance and a technical correction to CFL.

Low-Income Health Care and Community Behavioral Health

The amounts depicted reflect the February 2023 caseload forecast and per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include utilization, caseload, and medical inflation. The average growth factor for this grouping is 2.86 percent per FY from FY 2025 levels.

ML adjustments total \$422 million increased costs in the 2021-23 biennium, \$138 million increased costs in the 2023-25 biennium, and \$61 million increased costs in the 2025-27 biennium.

The larger increases are related primarily to utilization changes, physical health managed care rate adjustments, and increases in the state share of prescription drug costs for clients with dual eligibility for Medicaid and Medicare. The larger savings are related to mandatory caseload adjustments and behavioral health managed care rate adjustments.

In addition, there is an increase reflected for the 2025-27 biennium of \$292 million related to the expiration of the Hospital Safety net program which is displayed on a separate row of the Outlook.

Social and Health Services

The amounts depicted reflect the February 2023 caseload forecast and updated per capita cost information, as well as other mandatory maintenance level changes. Some of the major cost components include caseload, utilization, and severity of client needs. The average growth factor for this grouping is 3.31 percent per FY from FY 2025 levels.

ML adjustments total \$7 million savings in the 2021-23 biennium, \$342 million increased costs in the 2023-25 biennium, and \$515 million increased costs in the 2025-27 biennium.

The larger increases are related to mandatory caseload adjustments, mandatory nursing home and assisted living rebases, and backfilling reductions in federal Disproportionate Share Hospital grants used in lieu of state funds for operating costs at Eastern State Hospital. The larger savings are due to

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forecasted cost/utilization adjustments and removing funding for a one-time skilled nursing facility rate adjustment.

Higher Education

Higher Education adjustments are generally related to the Initiative 732 cost of living adjustments, the Washington College Grant program, the College Bound Scholarship program, and maintenance, operations, and lease adjustments. The amounts depicted reflect the February 2023 caseload forecast. The average growth factor for this grouping is 0.69 percent per FY from FY 2025 levels.

ML adjustments total \$13 million savings in the 2021-23 biennium, \$90 million increased costs in the 2023-25 biennium, and \$180 million increased costs in the 2025-27 biennium.

The larger increases are related to Initiative 732 cost of living adjustment increases. The larger savings are due to reductions in the forecasted Washington College Grant program caseload.

Corrections

The amounts depicted reflect the February 2023 caseload forecast, as well as other mandatory maintenance level changes. The average growth factor for this grouping is 1.53 percent per FY from FY 2025 levels.

ML adjustments total \$5 million increased costs in the 2021-23 biennium, \$67 million increased costs in the 2023-25 biennium, and \$74 million increased costs in the 2025-27 biennium.

The larger increases are related to forecasted increases in the male prison and community supervision caseloads. The larger savings are due to forecasted reductions in the community violator caseloads.

All Other

This area includes all other agencies not reflected in the preceding Outlook groups. Many are general government agencies, smaller human service agencies, the department of child youth and families (DCYF), natural resource agencies, legislative agencies, and judicial agencies. The average growth factor for this grouping is zero percent per FY from FY 2025 levels.

ML adjustments total \$34 million in savings in the 2021-23 biennium, \$379 million increased costs in the 2023-25 biennium, and \$675 million increased costs in the 2025-27 biennium.

The larger increases are related to mandatory rate increases and caseload adjustments for the Working Connections Child Care program, fire suppression adjustments, and costs related to the Early Childhood Education an Assistance Program (ECEAP) becoming an entitlement in the 2026/27 school year. The larger savings are related to reductions in the February 2023 forecast for Foster Care services.

Debt Service

The amounts depicted reflect the cost of the debt on all capital budget bonds that were authorized through the 2022 session using the bond model to calculate estimated costs for the 2025-27 biennium. Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2025-27 biennium bond bill and capital budget.

ML adjustments total \$2 million increased costs in the 2021-23 biennium, and \$203 million increased costs in the 2023-25 biennium, and \$349 million increased costs in the 2025-27 biennium.

Policy Level Items

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In this section, adjustments are made to reflect the policy level (PL) expenditures included in the enacted budget as well as appropriations made in other legislation. Growth in the ensuing biennium is calculated using the same growth factors and methodologies as outlined above.

The total statewide PL impacts, by biennial period:

- ❖ 2021-23 biennium: \$1.179 billion savings.
- ❖ 2023-25 biennium: \$4.744 billion increased costs.
- ❖ 2025-27 biennium estimate: \$4.867 billion increased costs.

K-12 Education

PL adjustments total \$27 million savings in the 2021-23 biennium, \$1.035 billion increased costs in the 2023-25 biennium, and \$1.612 billion increased costs in the 2025-27 biennium.

The larger increases are related to K12 salary inflation, adjustments for the School Employee Benefits Board rate, and adjustments for the special education multiplier and cap. The larger savings are due to reductions in local effort assistance.

Low-Income Health Care and Community Behavioral Health

PL adjustments total \$29 million increased costs in the 2021-23 biennium, \$510 million increased costs in the 2023-25 biennium, and \$639 million increased costs in the 2025-27 biennium.

The larger increases are related to behavioral health rate increases, expansion of health care for uninsured adults, and operating costs for new behavioral health crisis and residential facilities. The larger savings are due to adjustments in GF-S and Dedicated Cannabis Account funding.

In addition, there are savings reflected from extension and expansion of the Hospital Safety net program which is displayed on a separate row of the Outlook.

Social and Health Services

PL adjustments total \$19 million savings in the 2021-23 biennium, \$1.015 billion increased costs in the 2023-25 biennium, and \$1.160 billion increased costs in the 2025-27 biennium.

The larger increases are related to long-term care and developmental disability provider rates, expansion of behavioral health beds on the Maple Lane and Vancouver campuses, cash grants and elimination of recoveries for aged and blind disabled clients. The larger savings are due to assumptions that the federal government will continue to delay reductions to Disproportionate Share Hospital grants and a reduction of beds at the Rainier School Residential Habilitation Center.

Higher Education

PL adjustments total \$1 million increased costs in the 2021-23 biennium, \$341 million increased costs in the 2023-25 biennium, and \$257 million increased costs in the 2025-27 biennium.

The larger increases are related to increases in state support for employee compensation and one-time support for the University of Washington and Harborview medical centers.

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Corrections

PL adjustments total \$3 million increased costs in the 2021-23 biennium, \$61 million increased costs in the 2023-25 biennium, and \$53 million increased costs in the 2025-27 biennium.

The larger increases are related to adjustments for central service charges and compensation for inmates enrolled in work programs.

All Other

PL adjustments total \$26 million increased costs in the 2021-23 biennium, \$1.868 billion increased costs in the 2023-25 biennium, and \$1.250 billion increased costs in the 2025-27 biennium.

The larger increases are related to the family childcare collective bargaining agreement, emergency housing and shelter services, foundational public health services and a rate increase for ECEAP providers. The larger savings are due shifts in funding to available federal dollars and the closure of the Naselle Youth Camp.

Debt Service

PL adjustments total \$60 million increased costs in the 2023-25 biennium and \$434 million increased costs in the 2025-27 biennium. Consistent with prior ERFC direction, the calculation of debt service in the ensuing biennium assumes enactment of a 2025-27 bond bill and capital budget.

Pensions

PL adjustments total \$550 million savings in the 2021-23 biennium, \$764 million savings in the 2023-25 biennium and \$1.073 billion savings in the 2025-27 biennium. There is no growth factor applied to these items although custom adjustments are applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

The larger increases include a benefit increase for the Public Employees' and Teachers' Retirement System Plan 1 members. The larger savings is related to reductions for the unfunded actuarial accrued liability (UAAL) portion of the pension rates related to plans 1 of the Teachers' Retirement and Public Employees' Retirement Systems, as provided in Chapter 396, Laws of 2023 (ESSB 5294).

FMAP Adjustments

PL adjustments total \$653 million savings in the 2021-23 biennium, \$107 million savings in the 2023-25 biennium. These adjustments reflect state savings from utilization of increases to the Federal Medical Assistance Percentages (FMAP) to offset state spending in the Medicaid program.

Employee Compensation and Health Benefits:

The PL budget adjustment for employee compensation is \$884 million in the 2023-25 biennium and \$976 million in the 2025-27 biennium. There is no growth factor applied to these items although custom adjustments are applied to items that are not fully implemented in the second year of the biennium to capture the full cost in the subsequent fiscal biennium.

Governor Vetoes & Lapses

The Outlook separately reflects the NGF-O impacts of budget items vetoed by the Governor as well as funding lapses from legislation that were not enacted into law. The NGF-O impacts from the Governor's budget vetoes total \$11 million increased costs in the 2021-23 biennium, \$3 million increased costs in the

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2023-25 biennium, and \$10 million increased costs in the 2025-27 biennium. The net increase in costs is related to a veto of a step which required savings from reductions in leased office space. Pursuant to direction at the ERFC meeting on June 5, 2023, the Outlook does not assume these savings in the form of additional reversions.

Reversions

Reversions are the estimated appropriations that will be unspent and revert to the state for re-appropriation. Consistent with prior Outlooks, reversions are estimated at approximately 0.5% of GF-S appropriations. Additional adjustments for reversions are made in accordance with direction from the ERFC as follows:

- ❖ Increase reversion assumption for FY 2023 to 1% and for FY 2024 to 0.8%
- ❖ Continue reversion assumption for K-3 class size

The following table includes a breakout of reversions by type and biennium assumed pursuant to direction at the ERFC meeting on June 5, 2023.

Reversion Assumptions (\$ in 1,000s)	2021-23	2023-25	2025-27	6 Yr
Actual Reversions (FY 2022) and Standard 0.5% Assumption	569,009	331,277	345,811	1,246,097
Additional Reversion Assumption	159,042	96,998	0	256,040
K-3 Reversion Assumptions	0	65,034	30,454	95,488
Total Reversion Assumptions	728,051	493,309	376,265	1,597,625

Additional information regarding reversion assumptions is available in the June 5th memo to the ERFC which can be found at:

<https://erfc.wa.gov/sites/default/files/public/documents/meetings/20230605%20Budget%20Outlook%20Methodology.pdf>

Total Reserves

Pursuant to the direction of the ERFC, the summary document for the Outlook shows reserves in the NGF-O Accounts, the Washington Rescue Plan Transition Account (WRPTA) created in Chapter 334, Laws of 2021 (ESSB 5092), and the Budget Stabilization Account. To calculate percentage of reserves to revenues and other resources, ending balances are divided by the sum of forecasted revenues and total resource changes. Beginning fund balances are not included in the percentage calculation.

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Draft Outlook for the Enacted 2023-25 Omnibus Operating Budget- Chapter 475, Laws of 2023, Partial Veto (ESSB 5187)

Funds Subject to Outlook
(Dollars in Millions)

	2021-23			2023-25			2025-27		
	FY 2022	FY 2023	2021-23	FY 2024	FY 2025	2023-25	FY 2026	FY 2027	2025-27
Beginning Balance	4,161	6,310	4,161	4,168	3,573	4,168	1,362	256	1,362
Forecasted Revenues	31,478	32,668	64,146	32,250	33,452	65,702	34,957	36,530	71,488
March 2023 Revenue Forecast (NGF-O)	31,478	32,668	64,146	32,250	33,452	65,702	34,564	35,778	70,342
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	0	0	0	393	752	1,145
Other Resource Changes	-273	-1,247	-1,520	1,032	-229	803	-255	-266	-522
GF-S Transfer to BSA (1%)	-300	-310	-610	-309	-321	-630	-331	-343	-674
Prior Period Adjustments	60	104	164	20	20	41	20	20	41
ACFR Adjustments	-24	220	196	0	0	0	0	0	0
Prior Enacted Fund Transfers	-8	-1,172	-1,180	0	0	0	0	0	0
New Enacted Fund Transfers (2023 Session)	0	-96	-96	24	26	51	19	19	37
New Enacted WRPTA Transfer (2023 Session)	0	0	0	1,302	0	1,302	0	0	0
Revenue Legislation (2023 Session)	0	0	0	6	52	57	26	25	51
Budget Driven Revenue	0	6	6	-11	-7	-18	11	13	24
Total Revenues and Resources	35,366	37,731	66,787	37,450	36,796	70,673	36,064	36,521	72,328
Enacted Appropriations	29,531	34,594	64,125	29,531	34,594	64,125	34,884	35,182	70,066
Carryforward Level Adjustments	0	0	0	1,830	-3,336	-1,506	-3,346	-3,357	-6,703
Maintenance Level Total	0	401	401	844	1,597	2,442	2,067	2,383	4,451
K-12 Education	0	26	26	393	829	1,223	1,056	1,249	2,305
Low Income Health Care & Comm Behavioral Health	0	422	422	111	27	138	28	33	61
Social & Health Services	0	-7	-7	84	258	342	254	261	515
Higher Education	0	-13	-13	24	66	90	80	100	180
Corrections	0	5	5	29	39	67	37	37	74
All Other	0	-34	-34	154	225	379	280	395	675
Debt Service	0	2	2	49	154	203	187	161	349
Hospital Safety Net	0	0	0	0	0	0	146	146	292
Policy Level Total	0	-1,179	-1,179	1,967	2,777	4,744	2,393	2,474	4,867
K-12 Education	0	-27	-27	319	715	1,035	796	816	1,612
Low Income Health Care & Comm Behavioral Health	0	29	29	214	296	510	314	325	639
Social & Health Services	0	-19	-19	429	586	1,015	587	573	1,160
Higher Education	0	1	1	193	148	341	128	130	257
Corrections	0	3	3	32	28	61	27	26	53
All Other	0	26	26	888	980	1,868	628	622	1,250
Debt Service	0	0	0	6	54	60	151	283	434
Pensions	0	-550	-550	-322	-442	-764	-506	-567	-1,073
FMAP Adjustments	0	-653	-653	-107	0	-107	0	0	0
Hospital Safety Net	0	0	0	-80	-80	-160	-226	-226	-452
Compensation & Benefits	0	0	0	393	491	884	488	488	976
Governor Vetoes and Lapsed Items	0	11	11	2	1	3	7	3	10
Reversions	-475	-253	-728	-296	-198	-493	-191	-185	-376
Revised Appropriations	29,056	33,563	62,618	33,877	35,434	69,311	35,807	36,498	72,305
Projected Ending Balance	6,310	4,168	4,168	3,573	1,362	1,362	256	23	23
Budget Stabilization Account									
Beginning Balance	19	335	19	652	984	652	1,345	1,727	1,345
GF-S Transfer to BSA (1%)	300	310	610	309	321	630	331	343	674
BSA Transfers	5	0	5	0	0	0	0	0	0
Prior Period Adjustments	10	0	10	0	0	0	0	0	0
Interest Earnings	0	7	7	22	40	62	51	61	112
Budget Stabilization Account Ending Balance	335	652	652	984	1,345	1,345	1,727	2,131	2,131
Washington Rescue Plan Transition Account (WRPTA)									
Beginning Balance	1,000	1,000	1,000	2,100	798	2,100	798	798	798
GF-S Transfer to WRPTA	0	1,100	1,100	0	0	0	0	0	0
Transfer Balance from WRPTA to GF-S	0	0	0	-1,302	0	-1,302	0	0	0
WRPTA Ending Balance	1,000	2,100	2,100	798	798	798	798	798	798
Total Reserves	7,644	6,920	6,920	5,355	3,504	3,504	2,781	2,952	2,952
% of Reserves to Revenues and Other Resources	24.5%	22.0%		16.1%	10.5%		8.0%	8.1%	
NGF-O	20.2%	13.3%		10.7%	4.1%		0.7%	0.1%	
Budget Stabilization Account	1.1%	2.1%		3.0%	4.0%		5.0%	5.9%	
Washington Rescue Plan Transition Account	3.2%	6.7%		2.4%	2.4%		2.3%	2.2%	

Note: Includes FY 2023 supplemental and FY 2023-25 adjustments.

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



Economic Review: June 13, 2023

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's May 2023 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to be consistent with the May Blue Chip "Consensus" GDP forecast for 2023 and 2024. We expect real GDP to increase 1.1% in 2023 and 0.7% in 2024 compared to the 1.0% and 1.1% growth rates assumed in the March forecast. Our forecast for real GDP growth in 2025-27 is based on the most recent long term forecast from Blue Chip which was released in March 2023. As in March, we expect growth rates of 2.0%, 2.0%, and 1.9% in 2025 through 2027. The forecast assumes one quarter of negative growth in the third quarter of 2023 and no growth in the fourth quarter.
- Our oil price forecast reflects the futures markets for the Brent (North Sea) oil price and West Texas Intermediate (WTI) benchmarks. This forecast was based on the Wednesday, May 24, 2023 closing prices for Brent and WTI futures. Oil prices are initially lower than in the March forecast. As in March, oil prices are expected to decline throughout the forecast. The latest futures prices indicate that the refiner acquisition price of crude oil will average \$74 per barrel in the third quarter of 2023 compared to \$77 in the March forecast. By the fourth quarter of 2027 the refiner acquisition price of crude is now expected to average \$62 per barrel which is the same price as in the March forecast.
- National employment in May increased by a stronger than expected 339,000 net jobs. Employment in March and April was revised up by a combined 93,000 jobs. Sectors with the largest job gains in May included health care (+52,000), professional, scientific and technical services (+43,000), food service and drinking places (+33,000), construction (+25,000), private educational services (+22,000) and social assistance (+22,000). Sectors with declining employment in May included commercial banking (-6,000), wholesale trade agents and brokers (-6,000), building material and garden equipment and supplies dealers (-5,000), furniture and related product manufacturing (-4,000), publishing industries (-3,000) and telecommunications (-3,000).
- Two key measures of consumer confidence declined this month. The University of Michigan (UM) consumer sentiment survey decreased 4.3 points to 59.2 in May. Survey results indicated consumers were concerned about the impacts of a possible recession. The Conference Board index of consumer confidence decreased in May, falling 1.4 points to 102.3. Consumers were more pessimistic about the current labor market and future business conditions.
- Initial claims for unemployment insurance increased by 28,000 to 261,000 (SA) in the week ending June 3rd. This is the highest level for initial claims

since late October 2021. The four-week moving average of initial claims increased by 7,500 to 237,250.

- Industrial production increased by 0.5% (SA) in April following a revised March reading indicating no growth compared to February. Industrial production is 0.2% (SA) above its April 2022 level. New orders for core capital goods (i.e., durables excluding aircraft and military), which is a proxy for business investment, increased by 1.4% (SA) in April following a revised 0.6% decrease in March according to U.S. Census Bureau data. New orders for core capital goods were 1.1% above their April 2022 level.
- Residential construction and existing home sales remained weak this month. April housing starts increased by 2.2% (SA) compared to March but were 22.3% below their April 2022 level. Housing units authorized by building permits in April were 1.5% (SA) below their March level and 21.1% below their year-ago level. New home sales in April increased by 4.1% (SA) compared to March and were 11.8% above their April 2022 level. Existing home sales in April decreased by 3.4% (SA) compared to March and were down 23.2% compared to April 2022. The seasonally adjusted Case-Shiller national home price index for March was 0.4% above its February level. The home price index was 0.6% (SA) above its year-ago level.
- The major threats to the U.S. and Washington economies are the impact of rising prices and interest rates and the potential for a recession.

Washington

- We have five months of new Washington employment data since the March forecast was released. Total seasonally adjusted nonfarm payroll employment increased 30,200 in January, February, March, April, and May which was 28,300 more than the forecasted increase of 2,000. Private services-providing sectors added 17,800 jobs in the five-month period. The manufacturing sector added 5,100 jobs including 2,400 jobs in aerospace manufacturing. Construction employment increased by 4,400 jobs. State and local government employment was unchanged from December to May but federal government employment increased by 2,900 jobs.
- We have also incorporated new benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions to employment data subtracted 29,300 (0.8%) from the estimated level of total employment in December 2022. The combined effect of the downward revision to historical data and the stronger employment growth from December through May is that May employment is 1,000 (0.0%) lower than expected in the March forecast.
- The Washington unemployment rate declined in March, April, and May but remains above its post-recession low. The Washington unemployment rate has declined from 4.6% in February to 4.1% in May. The jobless rate remains slightly higher than the 3.9% reached in June 2022.
- After the grounding of the 737 Max and then the pandemic, Washington's aerospace employment declined from 89,600 at end of 2019 to a low of 66,700 in August 2021, a loss of 22,800 jobs. Since August 2021, the industry added back 9,400 jobs, bringing the level to 76,100 in May 2022. We expect aerospace employment to continue to expand in Washington,

adding 2,000 jobs from the second quarter of 2023 through the fourth quarter of 2027.

- In March, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the fourth quarter of 2022. Washington personal income increased from \$594.6 billion (SAAR) in the third quarter of 2022 to \$604.9 billion in the fourth quarter. The 7.1% increase (SAAR) in Washington personal income was the 20th highest among the states and District of Columbia and slightly trailed the 7.4% rate of increase for the U.S. as a whole. At 6.5% (SAAR), growth in Washington net earnings exceeded the 6.2% national average growth rate. Property income (dividends, interest, and rent) grew 9.8% in Washington compared to the 8.1% national average. However, transfer receipts grew at only a 6.5% annual rate in Washington compared to an 11.3% increase for the nation.
- Washington housing construction declined throughout 2022 but increased in early 2023. The number of housing units authorized by building permits declined from 58,000 (SAAR) in the first quarter to 55,500 in the second quarter, 44,600 units in the third quarter, and 38,000 in the fourth quarter. Permits increased to 41,900 (SAAR) units in the first quarter of 2023 consisting of 14,200 single-family units and 27,700 multi-family units. The March forecast predicted 35,800 units (SAAR) for the first quarter, consisting of 14,900 single-family units and 21,000 multi-family units. Permits fell in April to 35,800 units (SAAR) on weaker multi-family activity.
- Seattle-area home prices continue to fall. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle home prices fell 0.9% in March which was the tenth consecutive decline in the series. In comparison, the composite-20 index increased 0.5%. March Seattle home prices were down 12.5% over the year. In comparison, the composite-20 index was down 1.2% over the year.
- Seattle metropolitan area consumer price inflation continued to exceed the national average in the year ending in April 2023. From April 2022 to April 2023, the seasonally adjusted Seattle CPI rose 7.0% compared to the 5.0% increase in the U.S. City Average index. Core prices, which exclude food and energy, increased 7.3% in Seattle and 5.5% in the national index. Seattle shelter cost inflation exceeded the national average at 9.0% compared to 8.1%. Seattle inflation excluding shelter also exceeded the national average at 5.7% compared to 3.4%.
- According to the World Institute for Strategic Economic Research (WISER), Washington exports increased 2.6% from the first quarter of 2022 to the first quarter of 2023 following a 6.7% year-over-year decline in the fourth quarter. Washington exports of transportation equipment (mostly Boeing planes) increased 20.2% over the year. Agricultural exports declined 19.7% over the year but this could be misleading as the data include soybean and corn exports which receive only minimal processing in Washington. Exports from all other sectors (mostly manufacturing) increased 7.5% over the year.
- Washington car and truck sales increased in each of the last four months, reaching their highest level in two years. The seasonally adjusted number of new vehicle registrations increased 10.9% in February, 5.3% in March, 4.4% in April, and 5.7% in May to 291,100 (SAAR) registrations in May. The last

time car and truck sales were this high was in May 2021. The number of registrations was up 23.6% over the year in May.

- We expect a 2.3% increase in Washington employment this year, up from the 1.5% growth rate expected in the March forecast. We expect slower growth during the remainder of the forecast as the U.S economy slows. We expect employment growth to average 0.7% per year in 2024 through 2027 which is slightly higher than the 0.6% average rate in the March forecast. Our forecast for nominal personal income growth this year is 5.0%, up from 4.7% in the March forecast. Our new forecast for nominal personal income growth in 2024 through 2027 averages 4.8% per year down from the 5.1% rate in the March forecast.

Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

June 13, 2023



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Summary

- U.S. GDP growth stronger in 2023, weaker in 2024 compared to March forecast
- Inflation forecast is very similar to the March forecast
- The Federal Reserve is *not* expected to raise the federal funds interest rate in June; the rate will remain in a range of 5.0% – 5.25%; a decrease in rates not expected until March 2024
- WA personal income is slightly weaker, employment slightly stronger compared to March
- Revenue collections since the March forecast are \$21 million (0.5%) below expectations

Economic Review
June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast risks

Upside

- Consumer spending, labor productivity are stronger than expected
- Quicker resolution of Russia – Ukraine conflict leads to lower energy and grain prices

Downside

- Rising interest rates push economy into recession
- Russia – Ukraine conflict intensifies, leading to higher prices for energy and grains
- ~~Congress fails to raise debt ceiling~~

Economic Review
June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Recession views

June 2023 Blue Chip Survey

Probability of U.S. recession in 2023:

- 57%

May 2023 Natl. Assoc. Bus. Economists

- 59% of respondents indicated probability of U.S. recession in next 12 months as >50%

Q2 2023 (April) WSJ Forecasting Survey

Probability of U.S. recession in next 12 months:

- 61%

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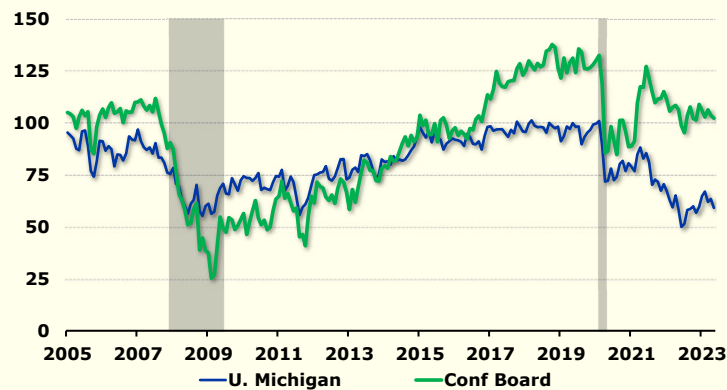
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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



The improvement in consumer confidence appears to have stalled

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



Economic Review
June 13, 2023

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Sources: University of Michigan, Conference Board; data through May 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



After declining in February and March, U.S. retail trade sales were up 0.4% in April

Sectors with largest sales increases and decreases in April:

Nonstore retailers: +1.2%

General merchandise stores: +0.9%

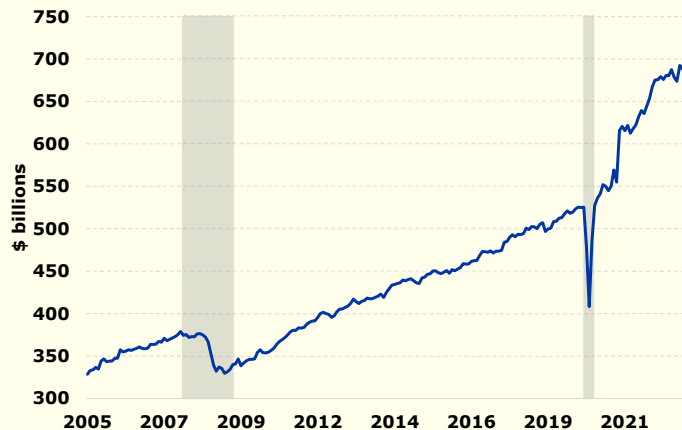
Sporting goods, hobby, musical instrument & book stores: -3.3%

Gasoline stations: -0.8%

Economic Review
June 13, 2023

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U.S. Retail Trade & Food Service Sales, SA

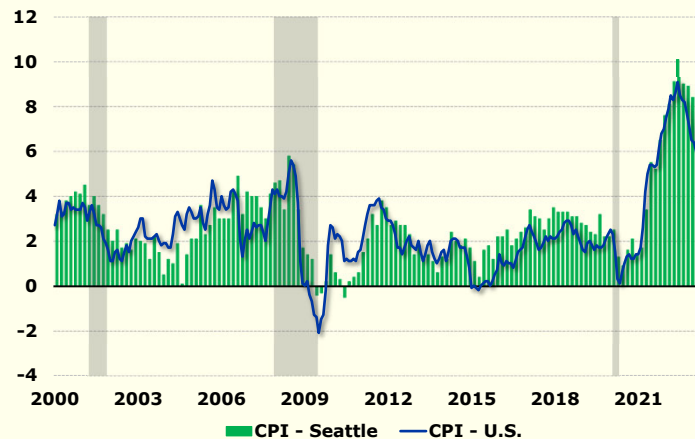


WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Inflation over the year continues to trend down but remains elevated

Inflation, % Change over the Year



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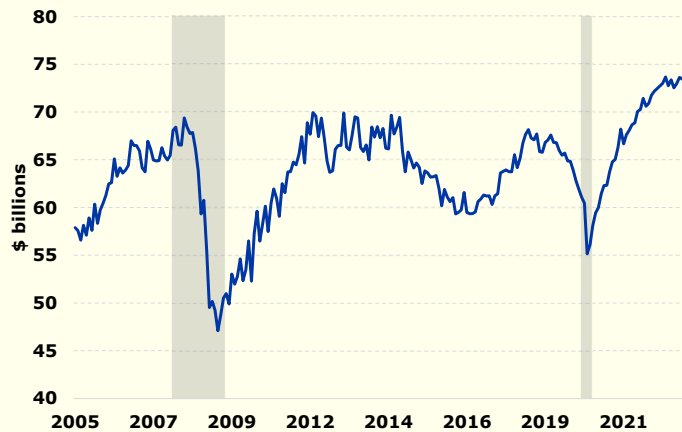
After declining for two months, new orders for U.S. core capital goods increased in April

Core capital goods (durable goods excluding aircraft and military) are a proxy for business investment

Economic Review
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New Orders for Core Capital Goods, SA



Source: U.S. Census Bureau; data through April 2023

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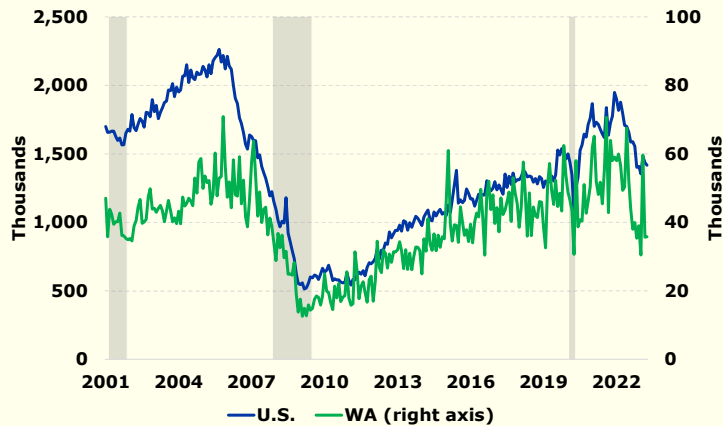


Residential construction slowed in 2022; continued slowing expected despite February 2023 improvement

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Building Permits (thousands of units, SAAR)



Source: U.S. Census Bureau; monthly, data through April 2023

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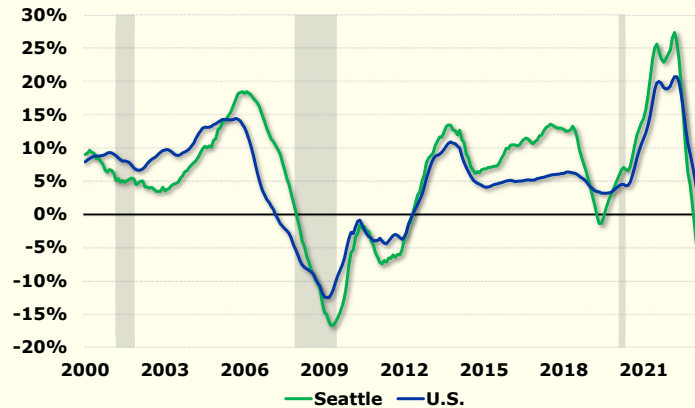
Seattle area home prices have declined for the last ten months

Nationally, home prices increased slightly in February and March after seven months of decline

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June 13, 2023

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Case-Shiller Home Price Index, Year over Year % Change, SA



Source: Case-Shiller, data through March 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

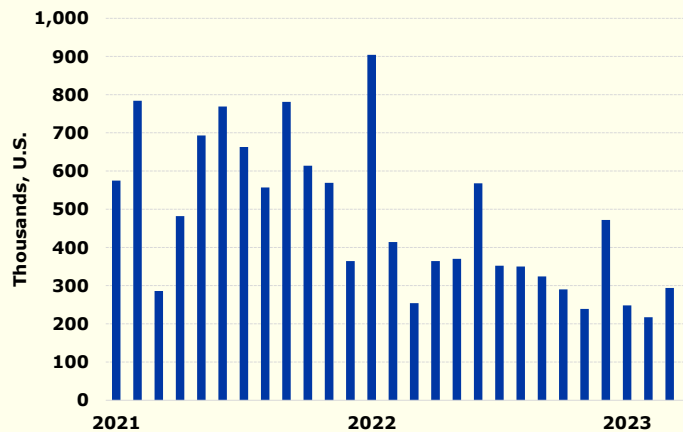


U.S. employment – trending down but stronger than expected in April, May

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U.S. Monthly Employment Change (SA)

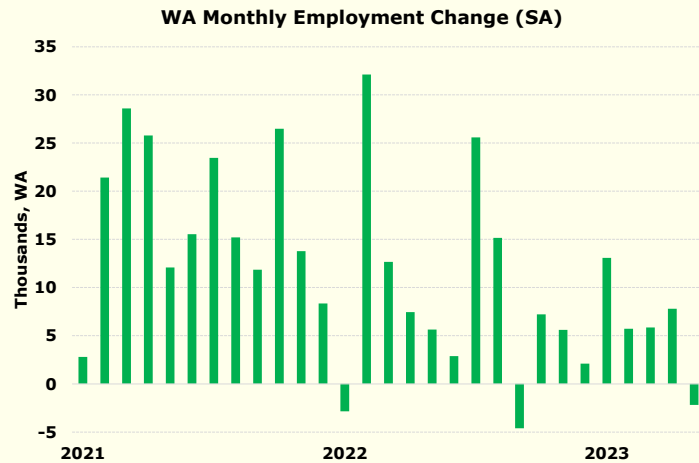


Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through May 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment growth is trending down



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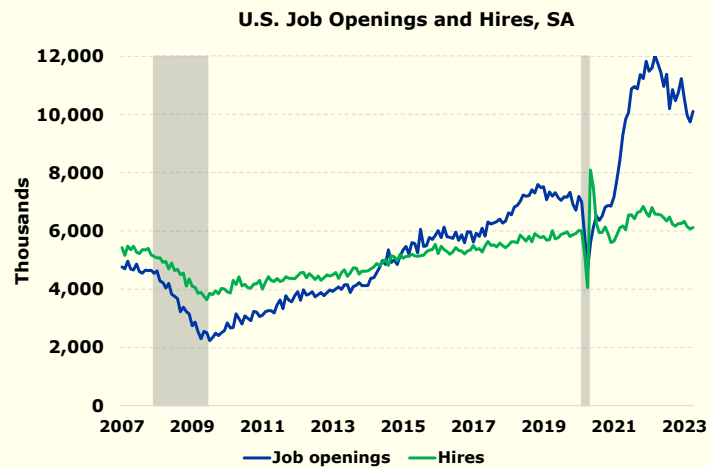
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Source: U.S. Bureau of Labor Statistics, WA Employment Security Dept., ERFC; data through May 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. job openings down from recent peak but remain at very high levels



Economic Review
June 13, 2023

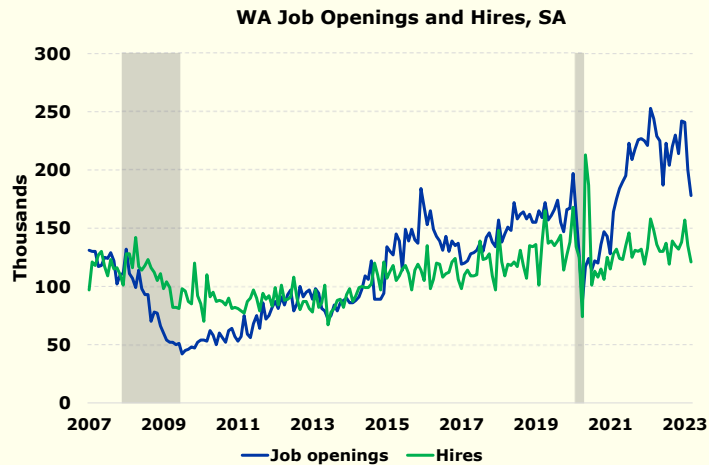
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Source: U.S. Bureau of Labor Statistics, data through April 2023

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Washington job openings have declined since December 2022



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June 13, 2023

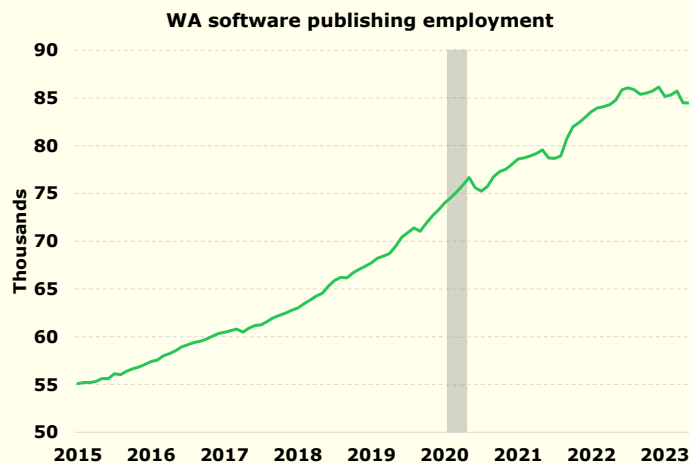
Source: U.S. Bureau of Labor Statistics, data through March 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA software publishing employment has dropped by 1,700 since December 2022



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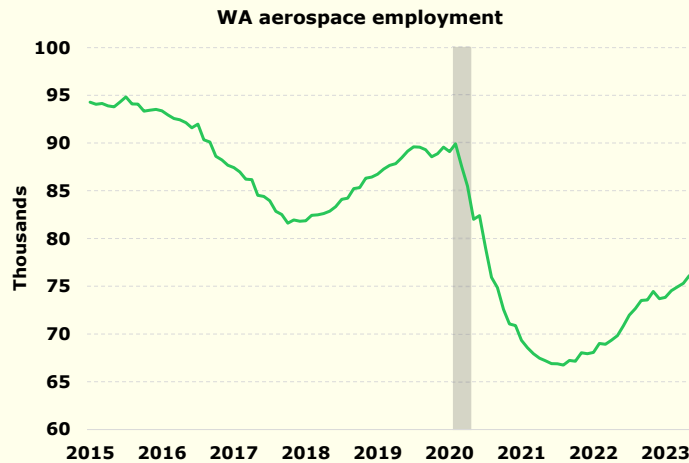
Source: ERFC, U.S. Bureau of Labor Statistics, Employment Security Dept., data through May 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA aerospace employment is up 9,400 since low point in August 2021



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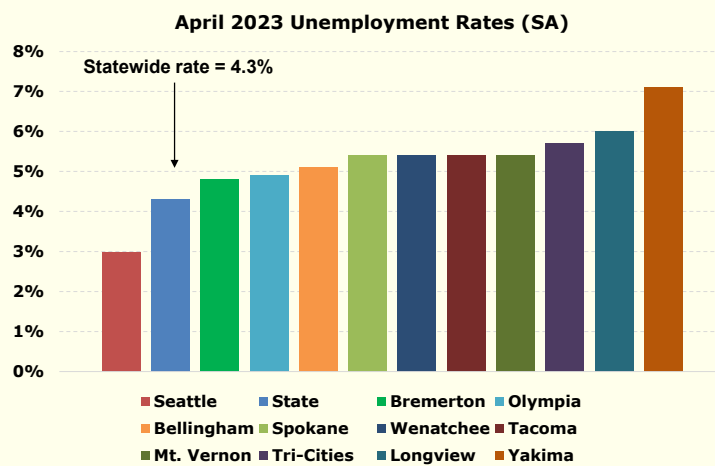
Source: ERFC, U.S. Bureau of Labor Statistics, Employment Security Dept., data through May 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Unemployment rates vary widely across Washington metro areas



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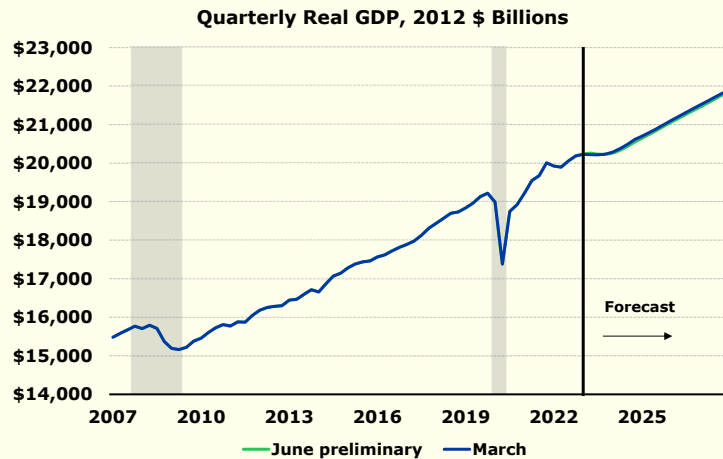
Source: WA Employment Security Dept.

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U.S. GDP forecast is very similar to March



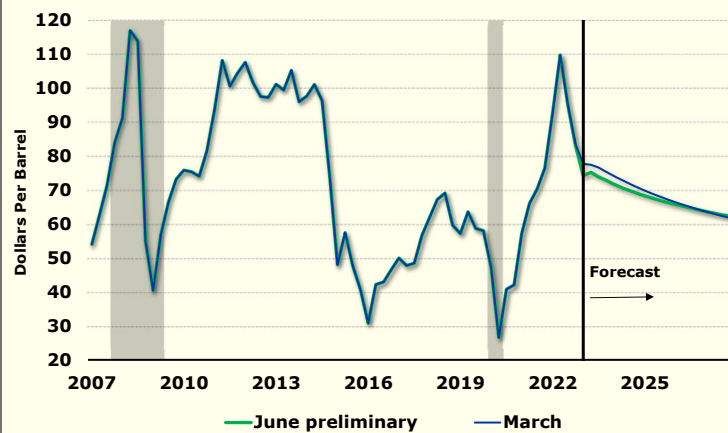
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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Oil prices are slightly lower in 2023 to 2025 compared to the March forecast



The forecast was completed prior to the recent 10% cut in oil production announced by Saudi Arabia

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June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



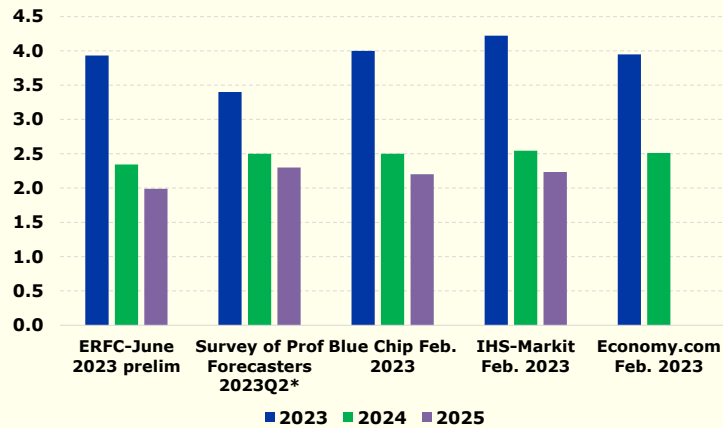
ERFC inflation forecast slightly lower in 2023 and 2024, slightly higher in 2025 compared to March

In the March forecast, the Consumer Price Index was expected to increase by 4.2% in 2023, 2.4% in 2024 and 1.9% in 2025

Economic Review
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Consumer Price Index, Annual % Change



Survey of Professional Forecasters reflects change in price level in 4th quarter compared to 4th quarter of prior year; all others reflect average change over the year compared to prior year.

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

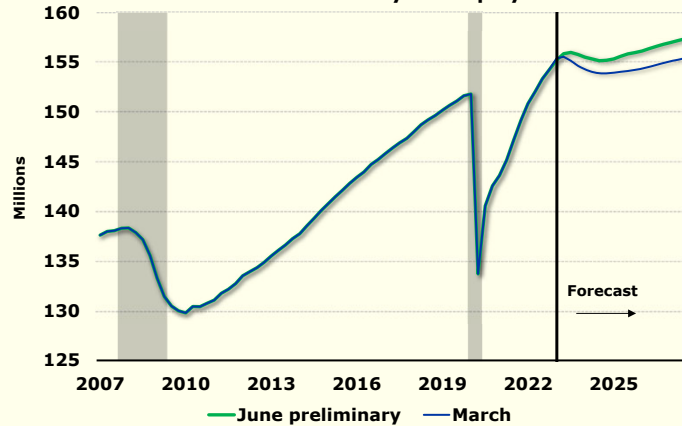


U.S. nonfarm employment slows in 2024; forecast is higher than in March

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U.S. Nonfarm Payroll Employment

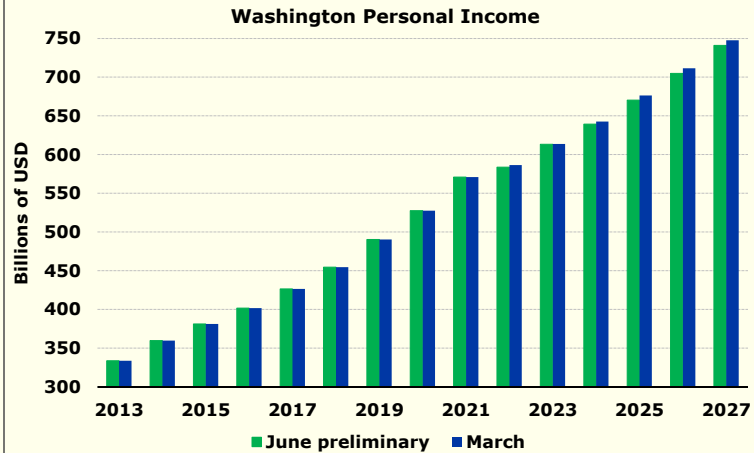


Source: IHS Markit, ERFC June 2023 Preliminary forecast; data through 2023 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA personal income is expected to grow slightly slower than in the March forecast



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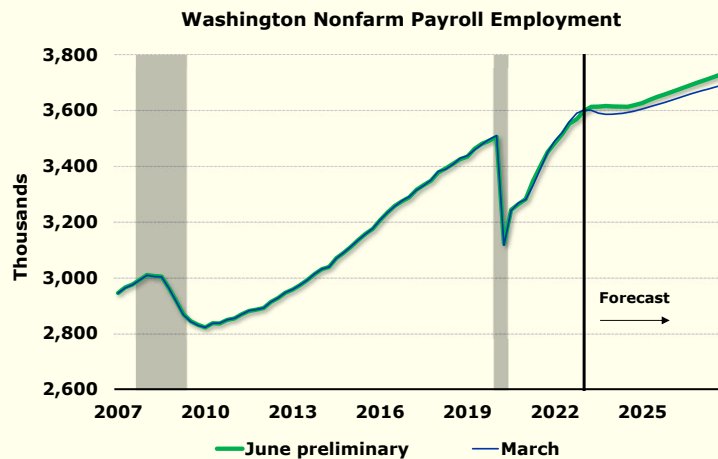
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Source: ERFC June 2023 Preliminary forecast; historical data through 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment forecast is slightly stronger than in March



Economic Review
June 13, 2023

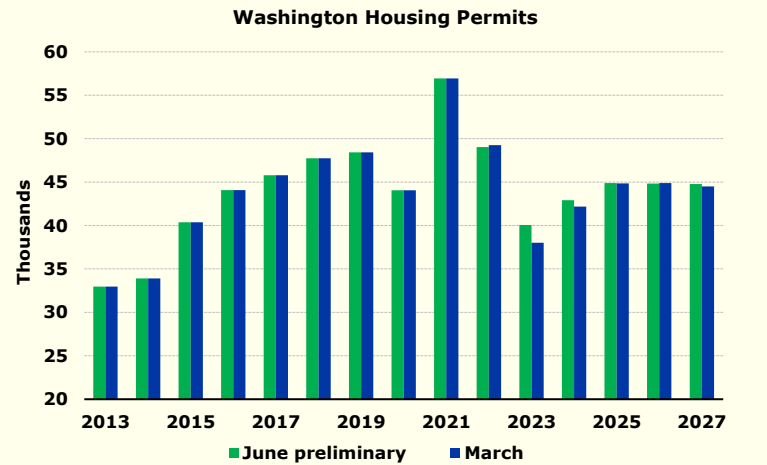
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Source: ERFC June 2023 Preliminary forecast; historical data through 2023 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA housing permits forecast is slightly stronger in 2023, 2024 compared to March



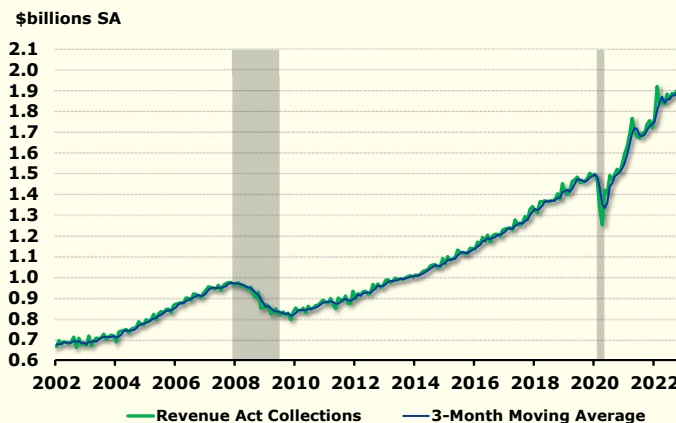
Economic Review
June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue Act collections for March activity grew 4.2% over the year, up from 0.5% for February activity



Economic Review
June 13, 2023

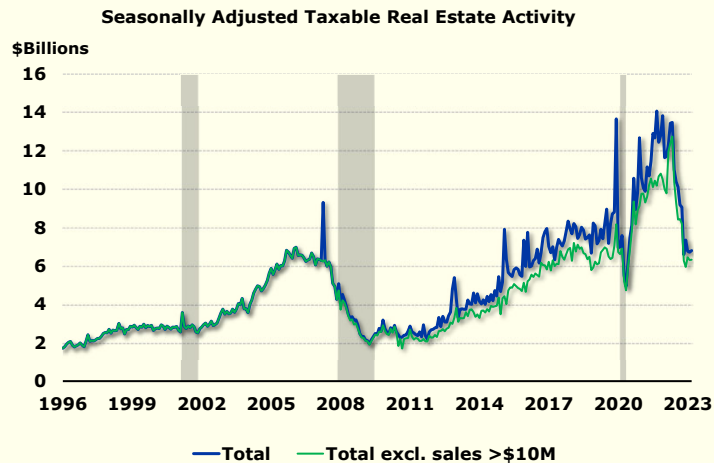
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* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred 2020 payments, current definition of Revenue Act

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Seasonally adjusted taxable real estate activity increased slightly in April 2023 but was 46% lower than April 2022



Economic Review
June 13, 2023

Source: ERFC; Monthly data through April 2023 estimate

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue collections to date

Collections Variance Since November Forecast (March 11, 2022 – May 10, 2023) dollars in thousands

	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct.</u>
Dept. of Revenue	\$4,245,767	\$4,223,438	(\$22,329)	-0.5%
Other revenue	6,195	7,514	1,318	21.3%
Total GF-S	\$4,251,963	\$4,230,952	(\$21,011)	-0.5%

Economic Review
June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Conclusion

- U.S. GDP growth stronger in 2023, weaker in 2024 compared to March forecast; inflation forecast is very similar to March
- WA personal income slightly weaker, employment and building permits slightly stronger compared to the March forecast
- Impacts of the Russia-Ukraine war and potential for recession pose risks to the forecast
- The next monthly revenue collection report will be available on June 14th and the revenue forecast will be presented on June 27th

Economic Review
June 13, 2023

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions



Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912

www.erfc.wa.gov
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Economic Review
June 13, 2023

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U.S. Economic Forecast Comparison

May 2023

	2023Q1	2023Q2	2023Q3	2023Q4	2022	2023	2024	2025	2026	2027
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary June)	1.1	0.5	-0.6	0.0	2.1	1.1	0.7	2.0	2.0	1.9
IHS	1.1	-0.1	0.5	0.5	2.1	1.2	0.9	1.6	2.0	1.8
Economy.com	1.1	1.6	0.9	1.1	2.1	1.6	1.7			
Blue Chip Average*		0.4	-0.6	0.1		1.1	0.7	2.0	2.0	1.9
Blue Chip Top 10*		1.7	1.0	1.8		1.6	1.6	2.4	2.3	2.1
Blue Chip Bottom 10*		-1.1	-2.3	-1.7		0.7	0.0	1.6	1.7	1.7
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary June)	3.7	0.3	-0.3	0.0	2.7	1.5	0.7	2.1	2.1	2.0
IHS	3.7	0.1	0.5	0.0	2.7	1.6	0.6	1.6	2.3	2.4
Economy.com	3.7	1.1	1.1	1.7	2.7	2.0	1.8			
Blue Chip Average*		0.4	-0.2	0.1		1.5	0.7	2.1	2.1	2.0
Blue Chip Top 10*		1.7	1.2	1.6		2.0	1.5	2.5	2.4	2.3
Blue Chip Bottom 10*		-1.0	-1.8	-1.5		1.1	-0.3	1.6	1.8	1.9
Federal Funds Rate										
ERFC (Preliminary June)	4.5	5.0	5.1	5.1	1.7	4.9	4.4	3.0	2.6	2.6
IHS	4.5	5.0	5.1	5.1	1.7	4.9	4.4	3.0	2.6	2.6
Economy.com	4.5	5.0	5.1	5.1	1.7	4.9	4.3			
Three Month T-Bill Rate										
ERFC (Preliminary June)	4.6	5.0	5.0	4.9	2.0	4.9	4.1	2.7	2.4	2.3
IHS	4.6	5.0	5.0	4.9	2.0	4.9	4.1	2.7	2.4	2.4
Blue Chip Average*		5.1	5.0	4.8		4.9	3.8	3.0	2.6	2.5
Blue Chip Top 10*		5.3	5.3	5.3		5.2	4.7	3.7	3.1	3.0
Blue Chip Bottom 10*		4.9	4.7	4.2		4.6	2.6	2.3	2.1	2.0
10-Yr. T-Note Yield										
ERFC (Preliminary June)	3.6	3.5	3.4	3.4	3.0	3.5	3.4	3.3	3.2	3.1
IHS	3.6	3.5	3.5	3.5	3.0	3.5	3.5	3.3	3.2	3.2
Economy.com	3.6	3.7	3.8	3.9	3.0	3.8	3.9			
Blue Chip Average*		3.6	3.6	3.5		3.6	3.3	3.3	3.2	3.2
Blue Chip Top 10*		3.9	4.0	4.0		3.9	3.8	3.8	3.6	3.6
Blue Chip Bottom 10*		3.4	3.2	3.0		3.3	2.8	2.8	2.8	2.8
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary June)	3.8	2.3	2.6	2.8	8.0	3.9	2.3	2.0	2.1	2.2
IHS	3.8	3.2	3.6	2.7	8.0	4.2	2.5	2.2	2.2	2.3
Economy.com	3.8	2.2	2.7	3.0	8.0	3.9	2.5			
Blue Chip Average*		3.4	3.0	2.7		4.0	2.5	2.2	2.2	2.2
Blue Chip Top 10*		4.2	4.1	3.5		4.5	3.0	2.4	2.4	2.4
Blue Chip Bottom 10*		2.6	1.6	1.9		3.4	2.0	1.9	2.0	2.0
Payroll Employment, Millions										
ERFC (Preliminary June)	155.2	155.9	156.0	155.8	152.6	155.7	155.3	155.7	156.5	157.3
Percent Change, Annual Rate	2.5	1.7	0.3	-0.5	4.3	2.0	-0.3	0.3	0.5	0.5
IHS	155.2	155.8	156.0	155.9	152.6	155.7	155.6	155.4	156.0	156.8
Percent Change, Annual Rate	2.5	1.5	0.6	-0.3	4.3	2.0	-0.1	-0.1	0.4	0.5
Economy.com	155.2	155.8	155.9	156.1	152.6	155.8	156.4			
Percent Change, Annual Rate	2.5	1.4	0.5	0.3	4.3	2.0	0.4			
Unemployment Rate, Percent										
ERFC (Preliminary June)	3.5	3.4	3.7	3.9	3.6	3.6	4.4	4.5	4.3	4.1
IHS	3.5	3.5	3.6	3.8	3.6	3.6	4.3	4.8	4.7	4.5
Economy.com	3.5	3.4	3.5	3.8	3.6	3.6	4.0			
Blue Chip Average*		3.6	3.9	4.2		3.8	4.6	4.2	4.1	4.1
Blue Chip Top 10*		3.8	4.4	4.8		4.2	5.1	4.7	4.5	4.4
Blue Chip Bottom 10*		3.4	3.5	3.7		3.6	4.0	3.8	3.8	3.8
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary June)	8.0	3.5	2.2	0.7	-6.1	4.1	1.9	2.6	2.5	2.4
IHS	8.0	2.8	1.9	1.2	-6.1	4.0	2.0	2.0	2.4	2.5
Blue Chip Average*		1.5	0.9	1.2		3.3	1.6	2.3	2.1	2.1
Blue Chip Top 10*		3.0	2.7	2.7		4.0	2.5	2.8	2.5	2.5
Blue Chip Bottom 10*		-0.4	-1.4	-0.9		2.3	0.6	1.8	1.7	1.8
West Texas Intermediate										
ERFC (Preliminary June)	76.1	75.4	74.2	73.2	94.8	74.7	70.4	67.0	64.3	62.0
IHS	76.1	81.8	87.2	84.0	94.8	82.3	79.6	80.3	81.5	84.9
Economy.com	76.0	78.9	82.8	83.3	94.4	80.2	78.3			

* Forecasts beyond 2024 are from the March 2023 Blue Chip Economic Indicators

U.S. Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4
Real GDP (Billions of 2012 Dollars)				
June Forecast, Preliminary	20,236	20,261	20,231	20,233
Percent Change	1.1%	0.5%	-0.6%	0.0%
March Forecast	20,226	20,220	20,214	20,229
Percent Change	0.8%	-0.1%	-0.1%	0.3%
Real Consumption (Billions of 2012 Dollars)				
June Forecast, Preliminary	14,344	14,357	14,346	14,345
Percent Change	3.7%	0.3%	-0.3%	0.0%
March Forecast	14,301	14,313	14,316	14,328
Percent Change	2.1%	0.3%	0.1%	0.3%
PCE Price Index (2012=100)				
June Forecast, Preliminary	126.2	126.9	127.8	128.7
Percent Change	4.2%	2.4%	2.8%	2.8%
March Forecast	126.2	127.2	128.1	129.0
Percent Change	4.4%	3.0%	3.1%	2.7%
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	17,948	18,046	18,115	18,121
Percent Change	0.9%	2.2%	1.5%	0.1%
March Forecast	17,898	17,889	17,935	17,982
Percent Change	-0.1%	-0.2%	1.0%	1.0%
Nonfarm Payroll Employment (Millions)				
June Forecast, Preliminary	155.2	155.9	156.0	155.8
Percent Change	2.5%	1.7%	0.3%	-0.5%
March Forecast	155.4	155.6	155.2	154.6
Percent Change	2.9%	0.4%	-1.1%	-1.3%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	3.5	3.4	3.7	3.9
March Forecast	3.3	3.4	3.7	3.9
Oil Price, Refiner's Acquisition				
June Forecast, Preliminary	74.3	75.2	73.9	72.9
March Forecast	77.7	77.4	76.6	75.4
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Preliminary	6.4	6.4	6.3	6.1
March Forecast	6.5	6.8	6.7	6.5
3 Month T-Bill Rate (Percent, average)				
June Forecast, Preliminary	4.6	5.0	5.0	4.9
March Forecast	4.7	4.9	5.0	5.0

	2021	2022	2023	2024	2025	2026	2027
	19,610	20,014	20,240	20,392	20,800	21,216	21,619
	5.9%	2.1%	1.1%	0.7%	2.0%	2.0%	1.9%
	19,610	20,015	20,222	20,440	20,848	21,265	21,669
	5.9%	2.1%	1.0%	1.1%	2.0%	2.0%	1.9%
	13,754	14,130	14,348	14,442	14,746	15,055	15,356
	8.3%	2.7%	1.5%	0.7%	2.1%	2.1%	2.0%
	13,754	14,133	14,314	14,459	14,763	15,073	15,374
	8.3%	2.8%	1.3%	1.0%	2.1%	2.1%	2.0%
	115.6	122.9	127.4	130.5	133.0	135.6	138.3
	4.0%	6.3%	3.7%	2.4%	1.9%	1.9%	2.0%
	115.6	122.9	127.6	130.8	133.2	135.8	138.4
	4.0%	6.3%	3.9%	2.4%	1.9%	1.9%	2.0%
	18,427	17,750	18,058	18,276	18,709	19,201	19,689
	3.3%	-3.7%	1.7%	1.2%	2.4%	2.6%	2.5%
	18,427	17,748	17,926	18,223	18,717	19,227	19,731
	3.3%	-3.7%	1.0%	1.7%	2.7%	2.7%	2.6%
	146.3	152.6	155.7	155.3	155.7	156.5	157.3
	2.9%	4.3%	2.0%	-0.3%	0.3%	0.5%	0.5%
	146.3	152.6	155.2	154.0	154.1	154.6	155.3
	2.9%	4.3%	1.7%	-0.7%	0.0%	0.4%	0.4%
	5.4	3.6	3.6	4.4	4.5	4.3	4.1
	5.4	3.6	3.6	4.3	4.4	4.2	4.1
	67.5	95.1	74.0	70.3	67.3	65.0	63.0
	67.5	95.2	76.8	72.5	68.5	65.3	62.7
	3.0	5.4	6.3	5.7	5.1	4.9	4.9
	3.0	5.4	6.6	5.9	5.2	5.0	4.9
	0.0	2.0	4.9	4.1	2.7	2.4	2.3
	0.0	2.0	4.9	4.2	2.9	2.4	2.3

Washington Forecast Comparison

	2023Q1	2023Q2	2023Q3	2023Q4
Real Personal Income (Billions of 2012 Dollars)				
June Forecast, Preliminary	477.2	481.1	483.1	484.2
Percent Change	2.0%	3.3%	1.7%	0.9%
March Forecast	479.8	479.6	481.0	482.9
Percent Change	-0.4%	-0.1%	1.1%	1.6%
Personal Income (Billions of Dollars)				
June Forecast, Preliminary	602.0	610.7	617.4	623.0
Percent Change	6.3%	5.9%	4.5%	3.7%
March Forecast	605.7	610.0	616.4	623.0
Percent Change	4.1%	2.9%	4.3%	4.4%
Disposable Personal Income (Billions of Dollars)				
June Forecast, Preliminary	525.2	536.7	543.8	549.7
Percent Change	13.4%	9.1%	5.4%	4.4%
March Forecast	529.2	535.4	542.1	548.9
Percent Change	12.8%	4.8%	5.1%	5.1%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Preliminary	3598	3613	3613	3615
Percent Change	3.3%	1.6%	0.1%	0.2%
March Forecast	3601	3600	3590	3586
Percent Change	1.2%	0.0%	-1.1%	-0.5%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Preliminary	4.5	4.3	4.4	4.6
March Forecast	4.6	4.5	4.6	4.8
Manufacturing Employment (Thousands)				
June Forecast, Preliminary	274.2	275.5	274.9	273.5
Percent Change	2.3%	1.9%	-1.0%	-2.0%
March Forecast	277.6	277.9	277.5	274.5
Percent Change	1.2%	0.4%	-0.6%	-4.3%
Construction Employment (Thousands)				
June Forecast, Preliminary	240.1	241.9	236.9	237.5
Percent Change	3.7%	3.1%	-8.0%	1.0%
March Forecast	238.5	233.0	229.7	230.6
Percent Change	-1.6%	-8.9%	-5.6%	1.7%
Housing Permits (Thousands)				
June Forecast, Preliminary	41.9	37.3	39.8	41.1
Percent Change	48.5%	-37.1%	29.8%	13.4%
March Forecast	35.8	37.8	38.6	39.8
Percent Change	-22.3%	24.6%	8.6%	12.3%

2021	2022	2023	2024	2025	2026	2027
494.1	475.3	481.4	490.1	504.1	519.9	535.8
4.1%	-3.8%	1.3%	1.8%	2.9%	3.1%	3.1%
494.1	477.4	480.8	491.4	507.5	524.0	540.0
4.1%	-3.4%	0.7%	2.2%	3.3%	3.2%	3.1%
570.9	583.8	613.3	639.4	670.4	704.8	741.1
8.2%	2.3%	5.0%	4.3%	4.8%	5.1%	5.2%
570.9	586.4	613.8	642.6	676.3	711.4	747.7
8.2%	2.7%	4.7%	4.7%	5.2%	5.2%	5.1%
504.4	499.3	538.8	566.7	594.9	623.9	654.6
6.5%	-1.0%	7.9%	5.2%	5.0%	4.9%	4.9%
504.4	501.0	538.9	568.9	600.4	631.1	663.0
6.5%	-0.7%	7.6%	5.6%	5.5%	5.1%	5.0%
3370	3530	3610	3615	3642	3680	3717
2.6%	4.8%	2.3%	0.1%	0.8%	1.0%	1.0%
3363	3540	3594	3591	3616	3649	3680
2.4%	5.3%	1.5%	-0.1%	0.7%	0.9%	0.8%
5.2	4.2	4.5	5.0	4.9	4.7	4.5
5.2	4.2	4.6	4.9	4.8	4.6	4.5
260.0	269.0	274.5	268.5	266.9	268.3	269.5
-4.4%	3.5%	2.0%	-2.2%	-0.6%	0.5%	0.4%
259.2	272.0	276.9	268.9	267.7	269.6	271.3
-4.6%	4.9%	1.8%	-2.9%	-0.4%	0.7%	0.6%
223.9	233.4	239.1	234.2	233.8	237.5	241.4
4.7%	4.2%	2.4%	-2.1%	-0.2%	1.6%	1.6%
223.4	236.0	233.0	230.2	230.8	234.4	237.4
4.5%	5.7%	-1.3%	-1.2%	0.2%	1.6%	1.3%
56.9	49.0	40.1	42.9	44.9	44.8	44.8
29.8%	-13.9%	-18.3%	7.2%	4.6%	-0.1%	-0.1%
56.9	49.3	38.0	42.2	44.8	44.9	44.5
29.8%	-13.5%	-22.8%	10.9%	6.4%	0.1%	-0.9%

U.S. Forecast Comparison					Fiscal Years	
	2022	2023	2024	2025	2026	2027
Real GDP						
Billions of 2012 dollars						
June Preliminary Forecast	19,875	20,184	20,264	20,592	21,009	21,414
Growth	4.0%	1.6%	0.4%	1.6%	2.0%	1.9%
March Forecast	19,875	20,172	20,276	20,649	21,055	21,468
Growth	4.0%	1.5%	0.5%	1.8%	2.0%	2.0%
Difference in level	0	12	-12	-57	-45	-54
Difference in growth forecast	0.0%	0.1%	-0.1%	-0.2%	0.1%	0.0%
Real Consumption						
Billions of 2012 dollars						
June Preliminary Forecast	13,996	14,274	14,362	14,586	14,902	15,205
Growth	5.4%	2.0%	0.6%	1.6%	2.2%	2.0%
March Forecast	13,996	14,255	14,353	14,611	14,915	15,226
Growth	5.4%	1.8%	0.7%	1.8%	2.1%	2.1%
Difference in level	0	19	9	-25	-13	-21
Difference in growth forecast	0.0%	0.1%	-0.1%	-0.2%	0.1%	0.0%
PCE Price Index						
2012 = 100						
June Preliminary Forecast	119.3	125.4	129.0	131.8	134.2	136.9
Growth	5.8%	5.1%	2.9%	2.1%	1.9%	2.0%
March Forecast	119.3	125.5	129.4	132.0	134.5	137.1
Growth	5.8%	5.2%	3.1%	2.1%	1.9%	1.9%
Difference in level	0.0	-0.1	-0.3	-0.3	-0.2	-0.2
Difference in growth forecast	0.0%	-0.1%	-0.2%	0.1%	0.0%	0.1%
Unemployment Rate						
Percent of Labor Force						
June Preliminary Forecast	4.2%	3.5%	4.0%	4.6%	4.4%	4.2%
March Forecast	4.2%	3.5%	4.0%	4.4%	4.3%	4.2%
Difference in forecast	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%
30 Year Fixed Mortgage Rate						
Annual Average						
June Preliminary Forecast	3.8%	6.3%	6.1%	5.4%	5.0%	4.9%
March Forecast	3.8%	6.4%	6.3%	5.5%	5.1%	4.9%
Difference in forecast	0.0%	-0.1%	-0.3%	-0.2%	-0.1%	0.0%
3 Month T-Bill Rate						
Annual Average						
June Preliminary Forecast	0.4%	4.1%	4.8%	3.3%	2.4%	2.4%
March Forecast	0.4%	4.1%	4.8%	3.5%	2.5%	2.4%
Difference in forecast	0.0%	0.0%	-0.1%	-0.2%	-0.1%	0.0%

Washington Forecast Comparison					Fiscal Years	
	2022	2023	2024	2025	2026	2027
Real Personal Income						
Billions of 2012 dollars						
June Preliminary Forecast	479.9	477.0	485.6	496.4	512.1	527.7
Growth	-1.9%	-0.6%	1.8%	2.2%	3.2%	3.0%
March Forecast	480.6	478.7	484.9	499.2	515.8	532.0
Growth	-1.8%	-0.4%	1.3%	2.9%	3.3%	3.1%
Difference in level	-0.7	-1.7	0.7	-2.8	-3.7	-4.3
Difference in growth forecast	-0.1%	-0.2%	0.5%	-0.7%	-0.2%	-0.1%
Nominal Personal Income						
Billions of dollars						
June Preliminary Forecast	572.4	598.3	626.5	654.1	687.5	722.5
Growth	3.7%	4.5%	4.7%	4.4%	5.1%	5.1%
March Forecast	573.3	600.8	627.3	659.0	693.7	729.4
Growth	3.9%	4.8%	4.4%	5.1%	5.3%	5.1%
Difference in level	-0.8	-2.5	-0.7	-5.0	-6.2	-6.8
Difference in growth forecast	-0.2%	-0.3%	0.3%	-0.7%	-0.2%	0.0%
Nonfarm Payroll Employment						
Thousands						
June Preliminary Forecast	3,461.8	3,582.9	3,613.9	3,623.7	3,661.0	3,698.3
Growth	5.4%	3.5%	0.9%	0.3%	1.0%	1.0%
March Forecast	3,462.4	3,587.8	3,587.6	3,602.0	3,632.2	3,665.0
Growth	5.5%	3.6%	0.0%	0.4%	0.8%	0.9%
Difference in level	-0.6	-4.9	26.3	21.7	28.8	33.3
Difference in growth forecast	-0.1%	-0.1%	0.9%	-0.1%	0.2%	0.1%
Housing Permits						
Units Authorized, Thousands						
June Preliminary Forecast	58.0	40.5	41.4	44.0	45.1	44.7
Growth	17.1%	-30.2%	2.4%	6.3%	2.3%	-0.8%
March Forecast	58.1	39.2	40.2	44.0	44.9	44.7
Growth	17.4%	-32.6%	2.6%	9.6%	2.0%	-0.5%
Difference in level	-0.1	1.3	1.2	0.0	0.2	0.0
Difference in growth forecast	-0.3%	2.4%	-0.2%	-3.2%	0.3%	-0.3%

Year-Over-Year Employment Growth by Industry (April 2022 to April 2023) Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	92.0	2.6%	2.7%
Aerospace Product and Parts Manufacturing	6.0	8.6%	6.6%
Leisure and Hospitality	17.0	5.2%	5.9%
State and Local Gov Non-Education	10.9	5.2%	2.5%
Information Excluding Software	3.5	4.2%	1.5%
State and Local Gov Education	9.8	4.1%	2.4%
Education and Health Services	17.9	3.5%	4.4%
Other Services	4.1	3.4%	3.0%
Construction	7.3	3.2%	2.7%
Wholesale Trade	2.8	2.1%	1.8%
Mining and Logging	0.1	1.5%	7.0%
Manufacturing Excluding Aerospace	2.0	1.0%	1.5%
Software Publishers	0.2	0.2%	3.5%
Transportation, Warehousing and Utilities	-0.8	-0.6%	1.7%
Management of Companies and Enterprises	-0.6	-0.6%	2.1%
Financial Activities	-3.7	-2.2%	1.0%
Information	3.7	2.2%	1.9%
Professional and Business Services	14.5	2.7%	2.5%
Manufacturing	8.0	3.0%	1.7%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics