

EMBARGOED

*until March 16, 2017 10:00 am PST when it will be published at
www.erfc.wa.gov*

Revenue Review Meeting

March 16, 2017



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

This page left intentionally blank.



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

March 16, 2017
10:00 a.m.

- Call to order
- Approval meeting minutes from March 2, 2017
- Economic & Revenue Forecast
- Adoption of the Official Forecast

This page left intentionally blank.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes Economic Review

March 2, 2017

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Kevin Ranker, Senate, Chair
John Braun, Senate
Terry Nealey, House of Representatives
David Schumacher, Office of Financial
Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

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

Motion

Director Schumacher made a motion to approve the meeting minutes from the January 23, 2017 meeting, seconded by Representative Nealey. Council approved the motion at 10:02 a.m.

Presentation on the Economic Forecast

Dr. Lerch presented information on the preliminary economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding small business optimism, labor productivity and employment, and uncertainty around the cannabis industry.

Adjournment

Meeting adjourned at 10:20 a.m.

This page left intentionally blank.

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



Economic & Revenue Review: March 16, 2017

Executive Summary

United States

- The final U.S. economic forecast is based on the March IHS-Markit (formerly Global Insight) and Blue Chip consensus forecasts, both of which were released prior to yesterday's meeting of the Federal Reserve. IHS-Markit had correctly assumed that the Federal Reserve would raise the federal funds rate from a range of 0.5% - 0.75% to 0.75% - 1.0%. In the preliminary forecast, the next federal funds rate increase had been assumed to occur in June. Our final economic forecast also assumes two additional 0.25% rate increases will occur this year.
- IHS-Markit also incorporates some policies proposed by the Trump administration, including lower personal and corporate federal tax rates, consistent with the House Republican plan, as well as \$250 billion in additional infrastructure spending over 10 years and a hiring freeze for federal nonmilitary employees. The forecast does not assume a border adjustment tax. These assumptions were also included in the preliminary March forecast.
- The March Blue Chip forecast of real GDP growth was largely unchanged from November. Real GDP growth for 2017, 2018 and 2019 remain at 2.3%, 2.4% and 2.1%. Real GDP growth for 2020 was reduced from 2.1% to 2.0%. FY 2021 growth remained unchanged at 2.0%.
- Our oil price forecast continues to rely on the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Thursday, March 9, 2016 closing prices for Brent and WTI futures. Futures prices are slightly higher in 2017 and slightly lower thereafter compared to the November forecast. The price paid by refiners in 2017 is expected to average \$49 per barrel, up from an average of \$47 in the November forecast. Oil prices are expected to rise gradually to \$50 per barrel in 2021, down from an average 2021 price of \$55 per barrel in the November forecast.
- Two key measures of consumer confidence both suggest relatively strong optimism in February. Although the University of Michigan (UM) index of consumer sentiment decreased by 2.2 points to 96.3, the average reading in the last three months was the highest in over a decade. The Conference Board index of consumer confidence increased 3.2 points to 114.8, its highest level since July 2001. The Conference Board survey noted that consumers expect the economy to continue expanding in the months ahead and had a more positive view of current conditions compared to January, while the decrease in the UM index was attributed to slightly less positive views on future economic conditions.

- U.S. housing data were generally positive this month. Housing units authorized by building permits in January were 4.6% (SA) above their December 2016 level and 8.2% above their year-ago level (see figure). Although January housing starts decreased by 2.6% (SA) compared to December 2016, they were 10.5% above their January 2016 level. Existing home sales in January were 3.3% (SA) above their December 2016 level. January was the strongest month for sales since February 2007. Existing home sales are now 3.8% above January 2016 sales. New single-family home sales increased from a revised 535,000 (SAAR) in December 2016 to 555,000 in January, an increase of 3.7% and 5.5% above their year-ago level. The seasonally adjusted Case-Shiller national home price index for December 2016 was 0.7% above its November level and 5.8% above its year-ago level.
- Major threats to the U.S. and Washington economies remain, including slower growth in developed economies, weaker exports, sluggish growth in labor productivity and uncertainty regarding federal fiscal and trade policy. Solid employment growth and stronger residential construction activity suggest potential upside risks to the forecast.

Washington

- We have four months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 21,300 (seasonally adjusted) in November, December, January, and February, which was 4,600 more than the 16,700 expected in the November forecast. The goods producing sectors more than accounted for the variance in job growth. Manufacturing employment, which had been expected to fall 3,300, lost only 300 jobs. Some of the variance in manufacturing employment was due to aerospace, which declined less than expected, but most of the variance was due to other manufacturing industries, which grew more than expected. Construction employment increased 4,500 in the four-month period compared to the forecast of a decline of 400 jobs. Government payrolls expanded by 2,800 jobs compared to the forecast of 2,000 jobs but private, service-providing sectors added only 14,200 jobs, compared to the 18,400 expected in the forecast.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in October 2016 by 12,600 jobs (0.4%). As a result of the upward revision to history and slightly stronger-than-expected growth, the total effect is 17,100 (0.5%) more jobs in February 2017 than expected in the November forecast.
- Though aerospace employment declined less than expected in November through February, Boeing has made it clear that significant reductions should be expected in 2017. We have assumed a decline of 6,100 aerospace jobs from the fourth quarter of 2016 through the fourth quarter of 2017 which is very similar to the 6,300 decline experienced during 2016. The new aerospace employment forecast is 2,500 lower by the end of 2017 than in the November forecast.

- In December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2016. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) and other wage data, also through the third quarter. Our current estimate of Washington personal income in the third quarter of 2016 is \$391.7 billion, which is \$0.4 billion (0.1%) higher than assumed in the November forecast. Wages and salaries were \$0.1 billion higher than believed in November and other sources of personal income were \$0.3 billion higher.
- Washington housing construction finished the year on a high note. The number of housing units authorized by building permits in the fourth quarter averaged 22,300 single-family units and 28,700 multi-family units permitted for a total of 50,900 units (SAAR). The forecast expected 21,500 single-family and 17,700 multi-family units for a total of 39,200 units in the fourth quarter. It is worth noting that the variance was nearly entirely in the multi-family segment. Permits came down to earth in January 2017 as the number of housing units authorized fell to 39,100 (SAAR) of which 22,600 were single-family and 16,600 were multi-family.
- Seattle home prices continue to rise rapidly. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 1.4% in December following a 1.0% increase in November. Recent growth is probably overstated due to problems with the seasonal adjustment process. A more reliable measure is the over-the-year growth, which shows a 10.8% increase in prices since the previous December, nearly double the 5.6% increase in the Composite-20 index. Seattle home prices are up 58.0% since the November 2011 trough and now exceed the May 2007 peak by 9.8%.
- Seattle area consumer price inflation remains well above the national average. Over the last year, from February 2016 to February 2017, consumer prices in the Seattle area rose 3.4% compared to 2.8% for the U.S. city average. Core prices, which exclude food and energy, were up 2.9% in Seattle compared to 2.2% for the nation. The higher Seattle inflation is due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 6.9% compared to 3.5% for the nation.
- The Institute of Supply Management - Western Washington Index (ISM-WW) moved back into negative territory in February. The index, which measures conditions in the manufacturing sector, decreased from 54.2 in January to 48.6 in February (index values above 50 indicate growth while values below 50 indicate contraction). Only the orders component indicated expansion in February while the employment, inventory, and deliveries components indicated contraction. The production index was neutral at 50. The overall manufacturing index has fluctuated around the 50 mark since mid-2015.
- Fourth quarter 2016 Washington exports were down 4.7% from the fourth quarter of 2015. Transportation equipment exports (mostly Boeing planes) declined 12.4% over the year but exports of agricultural products increased 19.9%. Exports of all other commodities declined 0.1% over the year.
- Washington employment is expected to grow 2.3% this year, up from 1.9% in the November forecast. As in November, we expect growth to decelerate

gradually as the recovery matures. We expect employment growth to average 1.4% per year in 2018 through 2021, which is slightly higher than the 1.3% rate assumed in November. Our forecast for nominal personal income growth this year is 5.0%, up from 4.5% in the November forecast. Our new forecast for nominal personal income growth in 2018 through 2021 averages 5.1% per year, also up slightly from the 5.0% rate in the November forecast.

Revenue

- Cumulative General Fund-State (GF-S) revenue collections from November 11, 2016 through March 10, 2017 were \$163 million (2.6%) higher than forecasted in September.
- Cumulative Revenue Act tax collections were \$99 million (2.1%) higher than forecasted. Part of the surplus was due to \$11 million in forecasted large refunds that have yet to occur but are still expected by the end of the fiscal year. Large one-time payments of past-due taxes also added \$18 million to collections. Adjusted for the payments and postponed refunds, Revenue Act taxes would have been only \$70 million (1.5%) higher than forecasted over the 4 months of collections. Forecasted Revenue Act collections have increased only slightly due to the small changes in the economic forecast and the relatively small amount of collections above the previous forecast.
- Cumulative real estate excise taxes (REET) came in \$63 million (27%) higher than forecasted. Most of the surplus collections occurred in November and December, which saw almost \$4 billion in sales of large commercial properties. Large commercial sales continue to occur above forecasted levels. Residential sales have also been stronger than forecasted, driven by increases in price more than increases in the number of sales. While the forecasted volume of large commercial sales is expected to diminish somewhat, other sales are expected to remain strong, resulting in an increase in forecasted REET collections.
- Forecasted revenue for the current (2015-17) biennium was increased by \$247 million, due mainly to increases in retail sales tax and REET collections. Forecasted GF-S revenue for the 2015-17 biennium is now \$38.227 billion, an increase of 13.5% above that of the 2013-15 biennium.
- Forecasted revenue for the 2017-19 biennium was increased by \$303 million, also mostly due to increases in retail sales tax and REET collections. Forecasted GF-S revenue for the 2017-19 biennium is now \$40.817 billion, 6.8% more than that of the 2015-17 biennium.
- Forecasted GF-S revenue for the 2019-21 biennium is \$43.842 billion, \$186 million more than projected in November. This is a 7.4% increase from forecasted 2017-19 biennial revenue.

Revenue Review

Presented to The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

March 16, 2017
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

This page left intentionally blank.



Summary

- The WA economic forecast is somewhat stronger than in November, with personal income and employment both slightly higher
- Risks to the baseline include slow global and U.S. economic growth, weak labor productivity growth and uncertainty regarding fiscal and trade policy
- The revenue collection variance since the November forecast is \$163 million; \$28 million of the variance is due to unexpected audit payments and delayed refunds
- The GF-S revenue forecast has been increased by \$247 million for the 2015-17 biennium and increased by \$303 million for the 2017-19 biennium

Revenue Review
March 16, 2017

Slide 1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Few updates since March preliminary economic forecast

March Blue Chip

- 2017, 2018 & 2019 real GDP growth unchanged from February; 2020 real GDP growth decreased from 2.1% to 2.0%

March U.S. forecast update

- IHS-Markit (formerly Global Insight) correctly assumed the Federal Reserve would increase interest rates in March instead of waiting until June

WA employment data

- Employment up by 5,500 net new jobs in January; unemployment rate remains at 5.1%

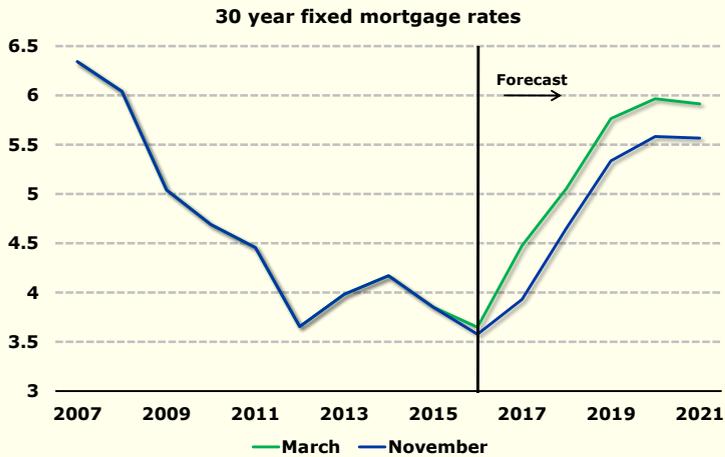
Revenue Review
March 16, 2017

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Higher interest rates could slow residential and commercial real estate sales...



Revenue Review
March 16, 2017

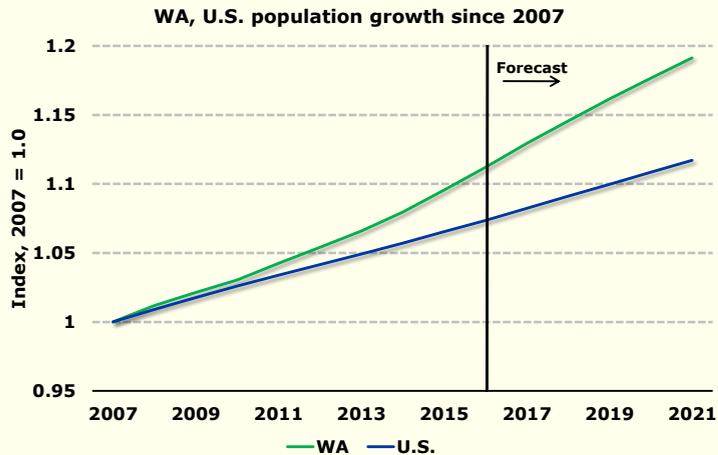
Source: ERFC March 2017 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 3



...but rising population should increase the demand for homes



Revenue Review
March 16, 2017

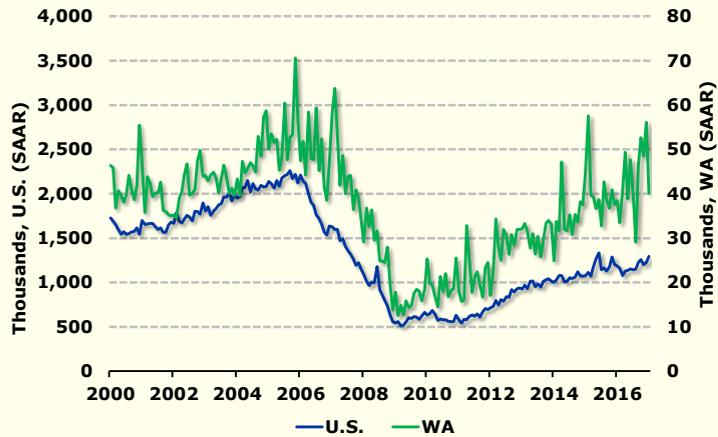
Sources: ERFC March 2017 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 4



U.S., WA housing permits trending up; U.S. remains below historical averages



Revenue Review
March 16, 2017

Source: U.S. Census Bureau, data through January 2017

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 5



Homebuilder confidence remains fairly strong



Revenue Review
March 16, 2017

Source: National Association of Home Builders, data through Feb. 2017

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 6



Inflation-adjusted U.S. wage growth is positive but remains slow



Revenue Review
March 16, 2017

Source: U.S. Bureau of Labor Statistics; wage data through Jan. 2017, hours data through Feb. 2017

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 7



Consumer confidence is at or above pre-recession levels



Revenue Review
March 16, 2017

Sources: University of Michigan, Conference Board; data through Feb. 2017

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 8



Real U.S. personal income is slightly stronger than in the November forecast



Revenue Review
March 16, 2017

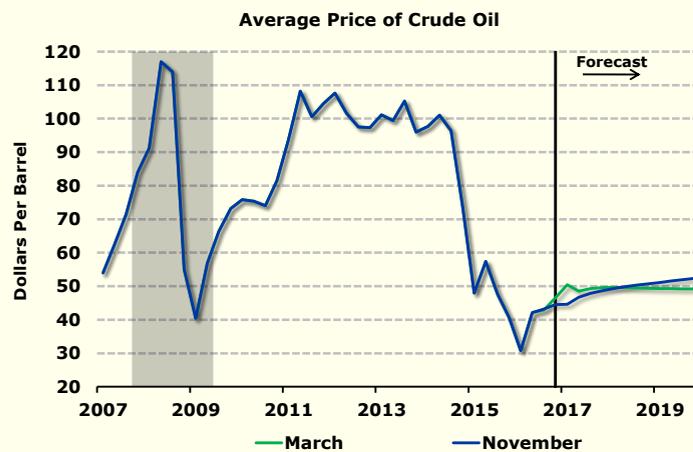
Source: IHS-Markit, ERFC March 2017 forecast; historical data through 2016Q4

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 9



Oil prices are slightly lower in 2018-2021 compared to November



Revenue Review
March 16, 2017

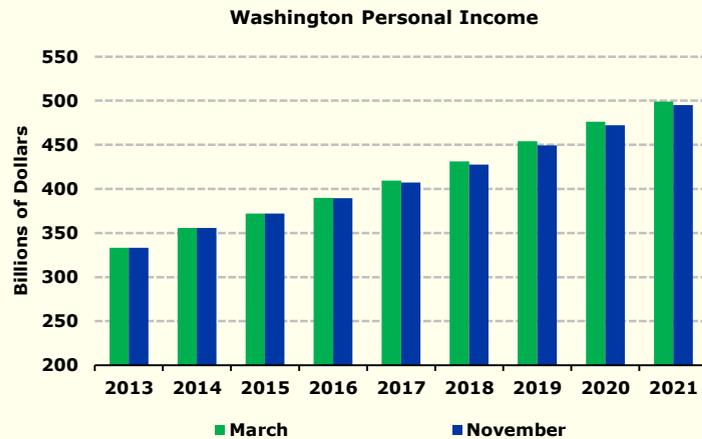
Source: DOE, ERFC March 2017 forecast; historical data through 2016Q4

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 10



Washington personal income is slightly higher compared to the November forecast



Revenue Review
March 16, 2017

Source: ERFC March 2017 forecast; historical data through 2015

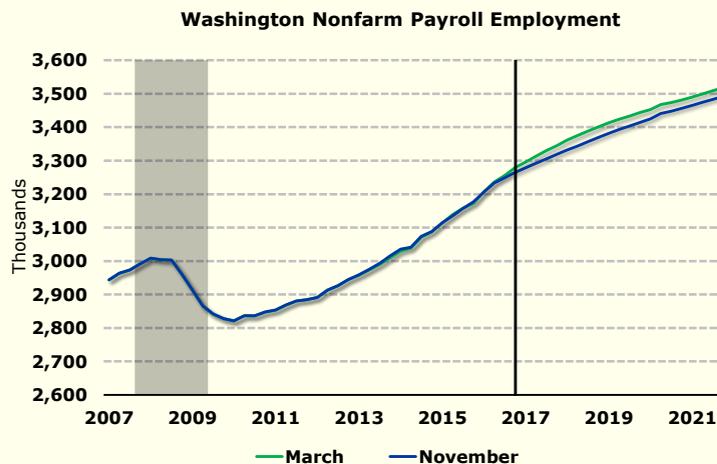
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 11



Washington employment forecast is slightly higher than in November

The WA nonfarm employment forecast is 26,000 jobs higher by 2021 compared to November



Revenue Review
March 16, 2017

Source: ERFC March 2017 Preliminary forecast; historical data through 2016

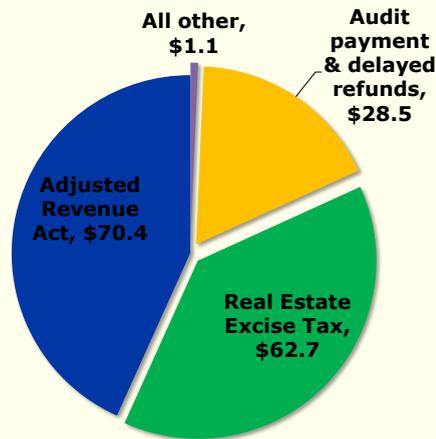
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 12



Components of revenue collection variance since November forecast

The cumulative GF-S variance is \$163 million since November



\$ millions

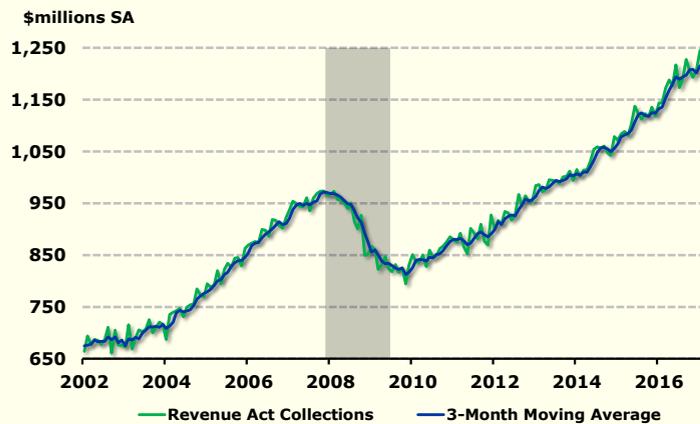
Revenue Review
March 16, 2017

Slide 13

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



After slowing slightly in the last half of 2016, Revenue Act collections for January activity were strong



Revenue Review
March 16, 2017

Slide 14

* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act
Source: DOR and ERFC; monthly data through estimated January 2017 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

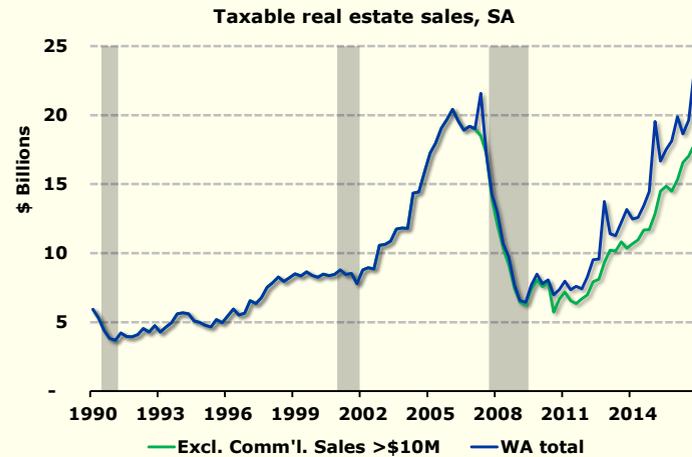


Large commercial property sales continue to have major impact on REET collections

Large commercial property sales over \$10 million totaled \$563 billion in January and \$573 million in February.

Revenue Review
March 16, 2017

Slide 15



Source: ERFC, data through 2016 Q4

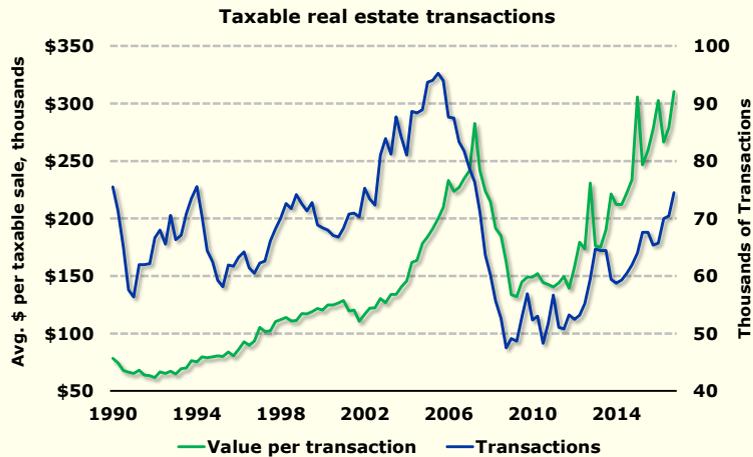
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Both the number of real estate transactions and the average value per transaction are trending up

Revenue Review
March 16, 2017

Slide 16



Source: ERFC, data through 2016 Q4

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Cannabis excise tax and license fee estimates

General Fund change since November forecast:

- 2015-17
-\$5.9 M
- 2017-19
-\$25.5 M

Revenue Review
March 16, 2017

Slide 17

\$Millions

March Forecast

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
GF-S share of excise tax and license fees	\$15	\$143	\$215
Non-GF	\$52	\$317	\$458
Total	\$67	\$460	\$674

* Detail may not add to total due to rounding

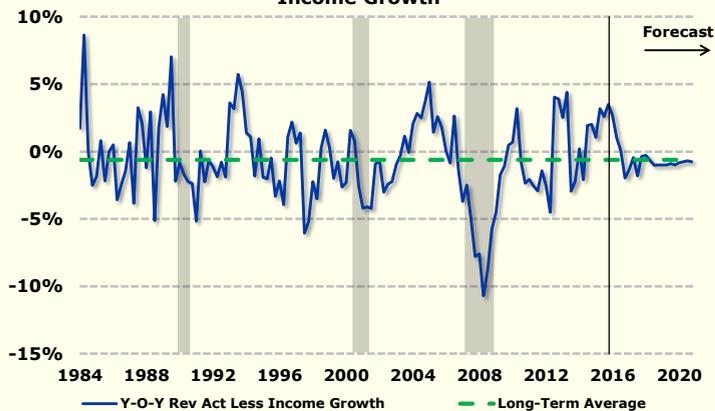
Source: ERFC March 2017 forecast, LCB, BOTEC Analysis

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Rev Act growth relative to income is projected to return to average level

Year-Over-Year Rev Act* Growth Less State Personal Income Growth



Revenue Review
March 16, 2017

Slide 18

*Adjusted for large one-time payments and refunds and payments under the amnesty program
Source: ERFC; Quarterly revenue data through Q4 2016, March 2017 income estimates

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2015-2017 Biennium

November Forecast:
\$37,980 million

\$Millions	March Forecast				
	Collection Experience	Non-economic Change	Forecast Change	Forecast	Total Change*
Dept. of Revenue	\$164	\$0	\$46	\$36,307	\$210
All other agencies	(\$1)	\$0	\$39	\$1,920	\$38
Total GF-S	\$163	\$0	\$85	\$38,227	\$247

Revenue Review
March 16, 2017

* Detail may not add to total due to rounding

Slide 19

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2015-17 Biennium alternative forecasts – cash basis

\$Millions	2015-17 Biennium	Difference From the baseline
March 2017 Baseline (60%)	\$38,227	
<u>March 2017 Alternative Forecasts</u>		
Optimistic (15%)	\$38,502	\$275
Pessimistic (25%)	\$37,790	(\$437)
Probability Weighted Average	\$38,159	(\$68)
GCEA*	\$38,206	(\$21)

Revenue Review
March 16, 2017

*Based on the Governor's Council of Economic Advisors' economic assumptions

Slide 20

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2017-2019 Biennium

November Forecast:
\$40,514 million

	\$Millions	March Forecast		
		Non-economic Change	Forecast Change	Forecast
Dept. of Revenue	\$0	\$281	\$38,709	\$281
All other agencies	\$0	\$22	\$2,107	\$22
Total GF-S	\$0	\$303	\$40,817	\$303

Revenue Review
March 16, 2017

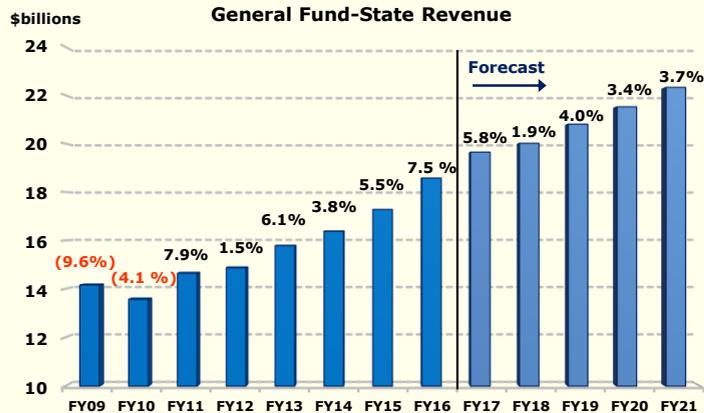
* Detail may not add to total due to rounding

Slide 21

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



General Fund-State* forecast by fiscal year



Revenue Review
March 16, 2017

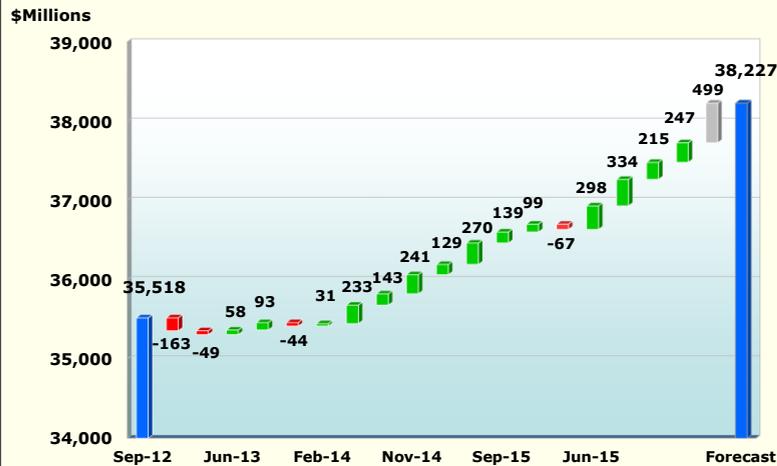
*General Fund-State & Related Funds for FY 09, General Fund-State current definition for FY 10-21
Source: ERFC forecast, March 2017

Slide 22

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



GF-S forecast revisions to the 2015-17 biennium



Revenue Review
March 16, 2017

Source: ERFEC November 2012 – March 2017 forecasts
Gray area indicates total noneconomic change

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 23



Conclusion

- WA personal income and employment forecasts are slightly higher than in November; WA and U.S. housing are lower
- As has been the case for some time, Washington's economy is continuing to outperform the nation
- GF-S revenues are expected to grow 13.5% between the 2013-15 and 2015-17 biennia and 6.8% between the 2015-17 and 2017-19 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

Revenue Review
March 16, 2017

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 24



Questions

Revenue Review
March 16, 2017

Slide 25



Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912
www.erc.wa.gov
360-534-1560

This page left intentionally blank.

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

Comparison of the March 2017 to the November 2016 Forecast
 2015-17 Biennium
 Millions of Dollars

	<u>November 2016 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>March 2017 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$36,097.2	\$163.8	\$0.0	\$45.8	\$36,306.9	\$209.6
All other Agencies	\$1,882.5	(\$1.1)	\$0.0	\$38.9	\$1,920.3	\$37.7
Total General Fund-State	\$37,979.7	\$162.7	\$0.0	\$84.7	\$38,227.1	\$247.4

*Forecast for GF-S for the 2015-17 biennium adopted November 16, 2016

[#]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 March 2017 to the November 2016 Forecast

2015-17 Biennium

Cash Forecast; Millions of Dollars

	November 2016 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	March 2017 <u>Forecast</u>	Total <u>Change#</u>
General Fund-State	\$37,979.7	\$0.0	\$247.4	\$38,227.1	\$247.4
Education Legacy Trust Account	\$458.3	\$0.0	\$13.0	\$471.2	\$13.0
WA Opportunity Pathways Account	\$266.5	\$0.0	(\$2.4)	\$264.1	(\$2.4)
Total	\$38,704.5	\$0.0	\$257.9	\$38,962.5	\$257.9

*Forecast for GF-S for the 2015-17 biennium adopted November 16, 2016

#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 March 2017 to the November 2016 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	<u>November 2016 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>March 2017 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$40,513.7	\$0.0	\$303.0	\$40,816.7	\$303.0
Education Legacy Trust Account	\$519.3	\$0.0	\$5.7	\$525.0	\$5.7
WA Opportunity Pathways Account	\$251.5	\$0.0	\$4.2	\$255.7	\$4.2
Total	\$41,284.4	\$0.0	\$312.9	\$41,597.3	\$312.9

*Forecast for GF-S for the 2017-19 biennium adopted November 16, 2016

[#]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 March 2017 to the November 2016 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	November 2016 Forecast*	Non-economic Changes	Forecast Change	March 2017 Forecast	Total Change [#]
General Fund-State	\$43,655.6	\$0.0	\$186.0	\$43,841.6	\$186.0
Education Legacy Trust Account	\$357.3	\$0.0	\$3.9	\$361.2	\$3.9
WA Opportunity Pathways Account	\$253.3	\$0.0	(\$1.9)	\$251.4	(\$1.9)
Total	\$44,266.2	\$0.0	\$188.0	\$44,454.2	\$188.0

*Forecast for GF-S for the 2019-21 biennium adopted November 16, 2016

[#]Details may not add due to rounding

Track Record for the 2015-17 General Fund-State Cash Forecast

September 2012 through March 2017

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>
September 2012 #	\$34,102	\$1,416				\$35,518
Changes to Forecast						
November 2012	(196)	33	(163)	0	(163)	35,355
March 2013	(92)	44	(49)	0	(49)	35,306
June 2013	56	2	58	(7) #1	51	35,357
September 2013	95	(2)	93	249 #2	342	35,699
November 2013	(47)	3	(44)	(41) #3	(85)	35,615
February 2014	5	26	31	51 #4	82	35,697
June 2014	194	40	233	5 #5	238	35,935
September 2014	168	(25)	143	0	143	36,078
November 2014	239	3	241	0	241	36,319
February 2015	108	22	129	0	129	36,449
June 2015	201	70	270	39 #6	309	36,758
September 2015	80	60	139	193 #7	333	37,091
November 2015	107	(8)	99	15 #8	113	37,204
February 2016	(101)	33	(67)	0	(67)	37,137
June 2016	330	(32)	298	(5) #9	294	37,431
September 2016	327	8	334	0	334	37,765
November 2016	205	9	215	0	215	37,980
March 2017	210	38	247	0	247	38,227
Total change***:						
From September 2012	1,888	322	2,209	499	2,709	
Percent change	5.5	22.7	6.2	1.4	7.6	

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

February 2014 through March 2017

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) #5	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 #6	443	40,200
September 2015	4	47	52	286 #7	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) #10	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
Total change***:						
From February 2014	1,590	118	1,708	399	2,107	
Percent change	4.3	6.5	4.4	1.0	5.4	

* 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 2015-17 biennium.

First official forecast for the 2017-19 biennium.

#1 Transfer of GF-S funds to Child and Family Reinvestment Account

#2 Legislative and budget-driven revenue changes from 2013 second special session

#3 Re-classification of prior period adjustments as non-revenue resources, tobacco settlement arbitration payment to state.

#4 Cannabis excise taxes and fees plus retail sales and B&O taxes on cannabis production and sales resulting from Initiative 502

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

#6 Legislative revenue changes from 2015 regular legislative session

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

#8 Sum of large expected audit payments

#9 Legislative and budget-driven revenue changes from the 2016 regular and first special legislative sessions plus \$3.3 million AG settlement

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2017 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
2000	8.0	8.3	1.0
2001	2.8	3.9	0.7
2002	(1.4)	1.4	(1.0)
2003	2.1	3.1	0.7
2004	4.6	4.8	1.0
2005	7.9	5.7	1.4
2006	10.1	8.3	1.2
2007	7.9	8.2	1.0
2008	2.7	8.4	0.3
2009	(10.4)	(0.9)	11.0
2010	(5.4)	(2.5)	2.1
2011	1.8	4.7	0.4
2012	4.1	6.9	0.6
2013	6.7	5.6	1.2
2014	5.8	3.8	1.5
2015	8.1	6.4	1.3
2016	8.4	4.3	2.0
2017	4.9	5.1	1.0
2018	4.2	5.1	0.8
2019	4.3	5.3	0.8
2020	3.8	5.1	0.7
2021	3.7	4.8	0.8
Average 2000-2015:	3.0	4.5	0.7
II. Business & Occupation			
2000	5.6	8.3	0.7
2001	3.0	3.9	0.8
2002	(3.5)	1.4	(2.5)
2003	(1.6)	3.1	(0.5)
2004	6.8	4.8	1.4
2005	9.7	5.7	1.7
2006	11.2	8.3	1.3
2007	8.3	8.2	1.0
2008	6.9	8.4	0.8
2009	(8.8)	(0.9)	9.3
2010	(2.9)	(2.5)	1.1
2011	4.4	4.7	0.9
2012	8.0	6.9	1.2
2013	6.8	5.6	1.2
2014	5.4	3.8	1.4
2015	5.4	6.4	0.8
2016	2.9	4.3	0.7
2017	3.7	5.1	0.7
2018	5.3	5.1	1.0
2019	5.0	5.3	0.9
2020	4.6	5.1	0.9
2021	4.4	4.8	0.9
Average 1998-2015:	3.8	4.5	0.8

* 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

March 2017 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
2000	14.4	8.3	1.7
2001	8.4	3.9	2.2
2002	(5.8)	1.4	(4.1)
2003	(1.4)	3.1	(0.4)
2004	5.6	4.8	1.2
2005	14.0	5.7	2.5
2006	2.3	8.3	0.3
2007	9.0	8.2	1.1
2008	2.1	8.4	0.2
2009	(13.0)	(0.9)	13.8
2010	(5.9)	(2.5)	2.3
2011	11.4	4.7	2.4
2012	1.9	6.9	0.3
2013	7.4	5.6	1.3
2014	9.7	3.8	2.6
2015	8.9	6.4	1.4
2016	2.0	4.3	0.5
2017	1.7	5.1	0.3
2018	2.7	5.1	0.5
2019	4.0	5.3	0.7
2020	4.3	5.1	0.8
2021	3.9	4.8	0.8
Average 1998-2015:	3.4	4.5	0.8

Total Revenue Act Receipts

March 2017 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity##
	Tax Receipts [#]	Personal Income ¹	
Revenue Act			
2000	7.4	8.3	0.9
2001	3.9	3.9	1.0
2002	(1.7)	1.4	(1.2)
2003	1.0	3.1	0.3
2004	4.8	4.8	1.0
2005	7.6	5.7	1.3
2006	10.6	8.3	1.3
2007	8.3	8.2	1.0
2008	4.2	8.4	0.5
2009	(9.5)	(0.9)	10.1
2010	(5.3)	(2.5)	2.1
2011	8.1	4.7	1.7
2012	1.3	6.9	0.2
2013	5.9	5.6	1.1
2014	4.6	3.8	1.2
2015	5.6	6.4	0.9
2016	8.5	4.3	2.0
2017	6.0	5.1	1.2
2018	3.0	5.1	0.6
2019	4.6	5.3	0.9
2020	4.2	5.1	0.8
2021	4.1	4.8	0.9
Average 1998-2015:	3.5	4.5	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)

March 2017 - 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 1997	\$9,449	5.8%			\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$10,057	6.4%			\$10,057	6.4%			\$10,057	6.4%
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%
Forecast:										
FY 2017	\$19,648	5.8%	\$256	19.4%	\$19,905	5.9%	\$125	-10.2%	\$20,030	5.8%
FY 2018	\$20,013	1.9%	\$251	-2.3%	\$20,263	1.8%	\$129	3.2%	\$20,392	1.8%
FY 2019	\$20,804	4.0%	\$274	9.6%	\$21,078	4.0%	\$127	-1.8%	\$21,205	4.0%
FY 2020	\$21,521	3.4%	\$179	-34.9%	\$21,700	2.9%	\$127	0.0%	\$21,826	2.9%
FY 2021	\$22,321	3.7%	\$182	2.0%	\$22,503	3.7%	\$125	-1.5%	\$22,628	3.7%
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	\$38,227	13.5%	\$471	16.4%	\$38,698	13.6%	\$264	12.9%	\$38,962	13.6%
17-19 Biennium	\$40,817	6.8%	\$525	11.4%	\$41,342	6.8%	\$256	-3.2%	\$41,597	6.8%
19-21 Biennium	\$43,842	7.4%	\$361	-31.2%	\$44,203	6.9%	\$251	-1.7%	\$44,454	6.9%

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

General Fund-State Cash Estimates - Other Agencies
Comparison of the March 2017 and November 2016 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.9	\$0.0	(\$0.3)	\$37.6	(\$0.3)
Insurance Commissioner Insurance Premiums	\$1,051.3	\$0.0	\$36.3	\$1,087.5	\$36.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$371.0	\$0.0	(\$5.7)	\$365.4	(\$5.7)
Lottery Commission Lottery Revenue	\$31.4	\$0.0	\$0.5	\$31.9	\$0.5
State Treasurer Interest Earnings	\$17.3	\$0.0	\$2.0	\$19.3	\$2.0
Office of Financial Management Other Agencies	\$216.5	\$0.0	\$6.3	\$222.8	\$6.3
Administrative Office of the Courts Fines and Forfeitures	\$157.2	\$0.0	(\$1.4)	\$155.8	(\$1.4)
Total General Fund-State	\$1,882.5	\$0.0	\$37.7	\$1,920.3	\$37.7

General Fund-State GAAP Estimates - Other Agencies
Comparison of the March 2017 and November 2016 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.8	\$0.0	(\$0.3)	\$37.5	(\$0.3)
Insurance Commissioner Insurance Premiums	\$1,051.3	\$0.0	\$36.3	\$1,087.5	\$36.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$371.0	\$0.0	(\$5.7)	\$365.4	(\$5.7)
Lottery Commission Lottery Revenue	\$46.0	\$0.0	(\$2.9)	\$43.1	(\$2.9)
State Treasurer Interest Earnings	\$17.1	\$0.0	\$2.3	\$19.4	\$2.3
Office of Financial Management Other Agencies	\$216.5	\$0.0	\$6.3	\$222.8	\$6.3
Administrative Office of the Courts Fines and Forfeitures	\$157.2	\$0.0	(\$1.4)	\$155.8	(\$1.4)
Total General Fund-State	\$1,896.9	\$0.0	\$34.6	\$1,931.5	\$34.6

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
Comparison of the March 2017 and November 2016 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.0	\$0.0	\$0.1	\$37.1	\$0.1
Insurance Commissioner Insurance Premiums	\$1,131.9	\$0.0	\$35.6	\$1,167.4	\$35.6
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$487.9	\$0.0	(\$22.5)	\$465.4	(\$22.5)
Lottery Commission Lottery Revenue	\$35.8	\$0.0	\$2.5	\$38.2	\$2.5
State Treasurer Interest Earnings	\$28.8	\$0.0	\$2.4	\$31.2	\$2.4
Office of Financial Management Other Agencies	\$213.3	\$0.0	\$8.0	\$221.3	\$8.0
Administrative Office of the Courts Fines and Forfeitures	\$151.2	\$0.0	(\$4.6)	\$146.7	(\$4.6)
Total General Fund-State	\$2,085.8	\$0.0	\$21.5	\$2,107.3	\$21.5

General Fund-State GAAP Estimates - Other Agencies
Comparison of the March 2017 and November 2016 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.0	\$0.0	\$0.1	\$37.1	\$0.1
Insurance Commissioner Insurance Premiums	\$1,131.9	\$0.0	\$35.6	\$1,167.4	\$35.6
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$487.9	\$0.0	(\$22.5)	\$465.4	(\$22.5)
Lottery Commission Lottery Revenue	\$37.0	\$0.0	\$2.9	\$39.9	\$2.9
State Treasurer Interest Earnings	\$29.8	\$0.0	\$2.4	\$32.1	\$2.4
Office of Financial Management Other Agencies	\$213.3	\$0.0	\$8.0	\$221.3	\$8.0
Administrative Office of the Courts Fines and Forfeitures	\$151.2	\$0.0	(\$4.6)	\$146.7	(\$4.6)
Total General Fund-State	\$2,088.1	\$0.0	\$21.9	\$2,109.9	\$21.9

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the March 2017 and November 2016 forecasts
 2019-21 Biennium
 (Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.9	\$0.0	\$0.2	\$37.1	\$0.2
Insurance Commissioner Insurance Premiums	\$1,210.3	\$0.0	\$64.2	\$1,274.4	\$64.2
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$538.7	\$0.0	(\$21.8)	\$516.9	(\$21.8)
Lottery Commission Lottery Revenue	\$44.9	\$0.0	\$3.0	\$48.0	\$3.0
State Treasurer Interest Earnings	\$64.8	\$0.0	\$5.5	\$70.3	\$5.5
Office of Financial Management Other Agencies	\$205.7	\$0.0	(\$101.7)	\$104.0	(\$101.7)
Administrative Office of the Courts Fines and Forfeitures	\$155.2	\$0.0	(\$4.1)	\$151.1	(\$4.1)
Total General Fund-State	\$2,256.4	\$0.0	(\$54.6)	\$2,201.8	(\$54.6)

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the March 2017 and November 2016 forecasts
 2019-21 Biennium
 (Amounts in Millions)

Source/Agency	November 2016 Baseline	Non-Economic Changes	Economic Changes	March 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.9	\$0.0	\$0.2	\$37.1	\$0.2
Insurance Commissioner Insurance Premiums	\$1,210.3	\$0.0	\$64.2	\$1,274.4	\$64.2
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$538.7	\$0.0	(\$21.8)	\$516.9	(\$21.8)
Lottery Commission Lottery Revenue	\$44.9	\$0.0	\$3.0	\$48.0	\$3.0
State Treasurer Interest Earnings	\$65.9	\$0.0	\$5.6	\$71.5	\$5.6
Office of Financial Management Other Agencies	\$205.7	\$0.0	(\$101.7)	\$104.0	(\$101.7)
Administrative Office of the Courts Fines and Forfeitures	\$155.2	\$0.0	(\$4.1)	\$151.1	(\$4.1)
Total General Fund-State	\$2,257.5	\$0.0	(\$54.5)	\$2,203.0	(\$54.5)

* Detail may not total due to rounding.

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	157.7	14.8	0.0	12.2	0.0	0.0	0.3	4.5	124.9	0.0	0.0	1.0
2015-17 Biennium	329.3	31.9	0.0	23.8	0.0	0.0	0.7	7.8	264.1	0.0	0.0	1.0
2018	163.8	17.7	0.0	12.6	0.0	0.0	0.3	3.6	129.0	0.0	0.0	0.5
2019	164.9	20.6	0.0	13.1	0.0	0.0	0.3	3.6	126.7	0.0	0.0	0.5
2017-19 Biennium	328.6	38.2	0.0	25.8	0.0	0.0	0.7	7.3	255.7	0.0	0.0	1.0
2020	168.0	23.2	0.0	13.7	0.0	0.0	0.3	3.6	126.6	0.0	0.0	0.5
2021	167.7	24.7	0.0	14.2	0.0	0.0	0.4	3.6	124.7	0.0	0.0	0.0
2019-21 Biennium	335.7	48.0	0.0	27.9	0.0	0.0	0.7	7.3	251.4	0.0	0.0	0.5

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

Source: Lottery Commission, ERFCC

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	156.9	11.2	0.0	12.2	0.0	0.0	0.3	4.4	127.8	0.0	0.0	1.0
2015-17 Biennium	332.4	43.1	0.0	23.8	0.0	0.0	0.7	7.3	256.6	0.0	0.0	1.0
2018	161.8	19.3	0.0	12.6	0.0	0.0	0.3	3.6	125.4	0.0	0.0	0.5
2019	163.7	20.6	0.0	13.1	0.0	0.0	0.3	3.6	125.5	0.0	0.0	0.5
2017-19 Biennium	325.5	39.9	0.0	25.8	0.0	0.0	0.7	7.3	250.9	0.0	0.0	1.0
2020	166.9	23.2	0.0	13.7	0.0	0.0	0.3	3.6	125.6	0.0	0.0	0.5
2021	170.1	24.7	0.0	14.2	0.0	0.0	0.4	3.6	126.7	0.0	0.0	0.5
2019-21 Biennium	337.0	48.0	0.0	27.9	0.0	0.0	0.7	7.3	252.2	0.0	0.0	1.0

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

Source: Lottery Commission, ERFCC

March 2017Alternative Forecasts
Millions of Dollars

Cash Basis

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the March 2017 Baseline</u>
March 2017 Baseline (60%)	\$38,227	
March 2017 Alternative Forecasts		
Optimistic (15%)	\$38,502	\$275
Pessimistic (25%)	\$37,790	(\$437)
Probability Weighted Average	\$38,159	(\$68)
GCEA*	\$38,206	(\$21)

2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the March 2017 Baseline</u>
March 2017 Baseline (60%)	\$40,817	
March 2017 Alternative Forecasts		
Optimistic (15%)	\$42,801	\$1,985
Pessimistic (25%)	\$38,192	(\$2,625)
Probability Weighted Average	\$40,458	(\$358)
GCEA*	\$40,523	(\$294)

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

U.S. Forecast Comparison

	2016Q4	2017Q1	2017Q2	2017Q3
Real GDP (Billions of 2009 Dollars)				
March Forecast	16,804	16,884	16,989	17,090
Percent Change	1.9%	1.9%	2.5%	2.4%
November Forecast	16,789	16,882	16,977	17,067
Percent Change	2.1%	2.2%	2.3%	2.1%
Real Consumption (Billions of 2009 Dollars)				
March Forecast	11,655	11,709	11,786	11,859
Percent Change	3.0%	1.9%	2.6%	2.5%
November Forecast	11,620	11,687	11,754	11,817
Percent Change	2.6%	2.3%	2.3%	2.1%
Implicit Price Deflator, PCE (2009=1.00)				
March Forecast	1.115	1.121	1.123	1.128
Percent Change	1.9%	2.3%	0.9%	1.7%
November Forecast	1.115	1.119	1.124	1.130
Percent Change	2.3%	1.4%	1.7%	2.1%
Real Personal Income (Billions of 2009 Dollars)				
March Forecast	14,595	14,643	14,777	14,874
Percent Change	2.0%	1.3%	3.7%	2.6%
November Forecast	14,510	14,603	14,698	14,770
Percent Change	1.2%	2.6%	2.6%	2.0%
Nonfarm Payroll Employment (Millions)				
March Forecast	145.2	145.8	146.4	146.9
Percent Change	1.4%	1.8%	1.5%	1.4%
November Forecast	145.1	145.6	145.9	146.2
Percent Change	1.4%	1.3%	1.0%	0.9%
Unemployment Rate (Percent of Labor Force)				
March Forecast	4.7	4.7	4.6	4.5
November Forecast	4.9	4.8	4.7	4.7
30 Year Fixed Mortgage Rate (Percent, average)				
March Forecast	3.8	4.2	4.5	4.6
November Forecast	3.5	3.7	3.8	3.9
3 Month T-Bill Rate (Percent, average)				
March Forecast	0.4	0.6	0.8	1.0
November Forecast	0.4	0.6	0.6	0.7

	2015	2016	2017	2018	2019	2020	2021
Real GDP (Billions of 2009 Dollars)							
March Forecast	16,397	16,660	17,039	17,447	17,814	18,170	18,533
Percent Change	2.6%	1.6%	2.3%	2.4%	2.1%	2.0%	2.0%
November Forecast	16,397	16,650	17,019	17,376	17,741	18,114	18,476
Percent Change	2.6%	1.5%	2.2%	2.1%	2.1%	2.1%	2.0%
Real Consumption (Billions of 2009 Dollars)							
March Forecast	11,215	11,519	11,822	12,126	12,405	12,678	12,945
Percent Change	3.2%	2.7%	2.6%	2.6%	2.3%	2.2%	2.1%
November Forecast	11,215	11,504	11,783	12,042	12,307	12,565	12,829
Percent Change	3.2%	2.6%	2.4%	2.2%	2.2%	2.1%	2.1%
Implicit Price Deflator, PCE (2009=1.00)							
March Forecast	1.095	1.107	1.126	1.143	1.162	1.184	1.207
Percent Change	0.4%	1.1%	1.7%	1.5%	1.7%	1.9%	1.9%
November Forecast	1.095	1.107	1.127	1.148	1.168	1.191	1.215
Percent Change	0.4%	1.1%	1.8%	1.8%	1.8%	1.9%	2.0%
Real Personal Income (Billions of 2009 Dollars)							
March Forecast	14,113	14,462	14,819	15,276	15,725	16,116	16,471
Percent Change	4.0%	2.5%	2.5%	3.1%	2.9%	2.5%	2.2%
November Forecast	14,113	14,418	14,732	15,121	15,535	15,947	16,336
Percent Change	4.0%	2.2%	2.2%	2.6%	2.7%	2.7%	2.4%
Nonfarm Payroll Employment (Millions)							
March Forecast	141.8	144.3	146.6	148.2	149.4	150.4	151.1
Percent Change	2.1%	1.8%	1.6%	1.1%	0.8%	0.7%	0.5%
November Forecast	141.8	144.3	146.1	147.2	148.4	149.7	150.7
Percent Change	2.1%	1.7%	1.2%	0.8%	0.8%	0.8%	0.7%
Unemployment Rate (Percent of Labor Force)							
March Forecast	5.3	4.9	4.6	4.3	4.3	4.4	4.5
November Forecast	5.3	4.9	4.7	4.6	4.7	4.7	4.8
30 Year Fixed Mortgage Rate (Percent, average)							
March Forecast	3.9	3.6	4.5	5.1	5.8	6.0	5.9
November Forecast	3.9	3.6	3.9	4.7	5.3	5.6	5.6
3 Month T-Bill Rate (Percent, average)							
March Forecast	0.1	0.3	0.9	1.6	2.5	2.8	2.8
November Forecast	0.1	0.3	0.7	1.4	2.2	2.6	2.6

Washington Forecast Comparison

	2016Q4	2017Q1	2017Q2	2017Q3
Real Personal Income (Billions of 2009 Dollars)				
March Forecast	356.3	360.7	362.3	363.7
Percent Change	3.7%	5.0%	1.8%	1.6%
November Forecast	353.9	359.9	360.5	360.5
Percent Change	1.3%	6.9%	0.7%	0.0%
Personal Income (Billions of Dollars)				
March Forecast	397.1	404.3	407.0	410.4
Percent Change	5.7%	7.4%	2.7%	3.4%
November Forecast	394.7	402.8	405.2	407.4
Percent Change	3.6%	8.4%	2.5%	2.1%
Nonfarm Payroll Employment (Thousands)				
March Forecast	3280	3296	3313	3330
Percent Change	3.0%	2.0%	2.1%	2.1%
November Forecast	3265	3278	3291	3305
Percent Change	2.0%	1.6%	1.6%	1.6%
Unemployment Rate (Percent of Labor Force)				
March Forecast	5.2	5.1	4.9	4.8
November Forecast	5.4	5.3	5.2	5.1
Manufacturing Employment (Thousands)				
March Forecast	286.3	285.8	285.0	284.9
Percent Change	-3.9%	-0.7%	-1.1%	-0.1%
November Forecast	282.6	281.2	281.8	282.2
Percent Change	-6.8%	-2.0%	0.9%	0.5%
Construction Employment (Thousands)				
March Forecast	190.1	192.8	194.5	196.5
Percent Change	7.3%	5.6%	3.6%	4.2%
November Forecast	185.6	185.4	186.2	187.6
Percent Change	3.2%	-0.4%	1.8%	3.0%
Housing Permits (Thousands)				
March Forecast	50.9	40.8	41.3	41.0
Percent Change	183.5%	-59.0%	5.3%	-3.0%
November Forecast	39.2	39.4	39.8	40.2
Percent Change	8.6%	1.7%	4.7%	3.6%

	2015	2016	2017	2018	2019	2020	2021
March Forecast	339.7	352.1	363.5	377.1	390.6	402.3	413.3
Percent Change	4.3%	3.6%	3.3%	3.7%	3.6%	3.0%	2.7%
November Forecast	339.7	351.7	361.2	372.7	384.8	396.5	407.5
Percent Change	4.3%	3.5%	2.7%	3.2%	3.2%	3.1%	2.8%
March Forecast	372.1	389.8	409.4	431.1	454.0	476.4	498.9
Percent Change	4.6%	4.8%	5.0%	5.3%	5.3%	4.9%	4.7%
November Forecast	372.1	389.4	407.1	427.7	449.5	472.1	495.0
Percent Change	4.6%	4.7%	4.5%	5.1%	5.1%	5.0%	4.8%
March Forecast	3146	3244	3321	3382	3428	3469	3504
Percent Change	2.9%	3.1%	2.3%	1.8%	1.4%	1.2%	1.0%
November Forecast	3146	3238	3298	3350	3398	3442	3479
Percent Change	2.8%	2.9%	1.9%	1.6%	1.4%	1.3%	1.1%
March Forecast	5.6	5.4	4.9	4.5	4.4	4.5	4.6
November Forecast	5.7	5.7	5.2	4.9	4.9	4.9	4.9
March Forecast	291.8	290.0	285.0	287.2	290.9	293.2	295.3
Percent Change	1.1%	-0.6%	-1.7%	0.8%	1.3%	0.8%	0.7%
November Forecast	290.7	287.8	281.9	283.9	286.5	290.0	293.5
Percent Change	0.7%	-1.0%	-2.0%	0.7%	0.9%	1.2%	1.2%
March Forecast	173.3	186.2	195.7	203.2	206.5	208.1	211.3
Percent Change	8.5%	7.5%	5.1%	3.8%	1.6%	0.8%	1.6%
November Forecast	173.2	183.6	187.3	194.5	199.2	202.1	204.5
Percent Change	8.5%	6.0%	2.0%	3.8%	2.4%	1.4%	1.2%
March Forecast	40.4	43.2	40.9	41.1	40.8	40.8	40.5
Percent Change	19.1%	7.1%	-5.3%	0.3%	-0.6%	-0.1%	-0.6%
November Forecast	40.4	40.1	40.0	41.1	41.4	41.5	41.6
Percent Change	19.1%	-0.6%	-0.3%	2.9%	0.6%	0.2%	0.4%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2017	2018	2019	2020	2021
U.S.					
Real GDP					
<i>Growth</i>					
ERFC	2.3	2.4	2.1	2.0	2.0
GCEA Average	2.3	2.2	2.1	2.1	2.0
Real Consumption					
<i>Growth</i>					
ERFC	2.6	2.6	2.3	2.2	2.1
GCEA Average	2.5	2.3	2.2	2.1	2.1
Implicit Price Deflator, PCE					
<i>Growth</i>					
ERFC	1.7	1.5	1.7	1.9	1.9
GCEA Average	1.9	2.0	1.9	1.9	1.9
Mortgage Rate					
<i>Percent</i>					
ERFC	4.5	5.1	5.8	6.0	5.9
GCEA Average	4.4	4.8	5.3	5.6	5.7
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	53.0	53.0	52.6	52.9	53.8
GCEA Average	54.9	55.1	55.1	55.6	56.6

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	3.3	3.7	3.6	3.0	2.7
GCEA Average	3.1	3.1	3.1	2.8	2.8

Wage and Salary Employment

<i>Growth</i>					
ERFC	2.3	1.8	1.4	1.2	1.0
GCEA Average	2.0	1.7	1.2	1.1	1.1

Manufacturing Employment

<i>Growth</i>					
ERFC	-1.7	0.8	1.3	0.8	0.7
GCEA Average	-1.6	0.0	0.3	0.4	0.4

Construction Employment

<i>Growth</i>					
ERFC	5.1	3.8	1.6	0.8	1.6
GCEA Average	2.9	2.9	2.1	1.7	1.9

Housing Permits

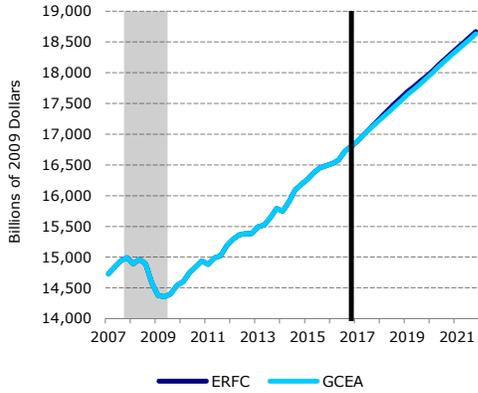
<i>Thousands of authorized units</i>					
ERFC	40.9	41.1	40.8	40.8	40.5
GCEA Average	41.9	42.5	43.5	44.2	43.8

Washington Average Annual Wage

<i>Growth</i>					
ERFC	3.0	3.3	3.4	3.3	3.6
GCEA Average	3.0	3.1	3.3	3.2	3.3

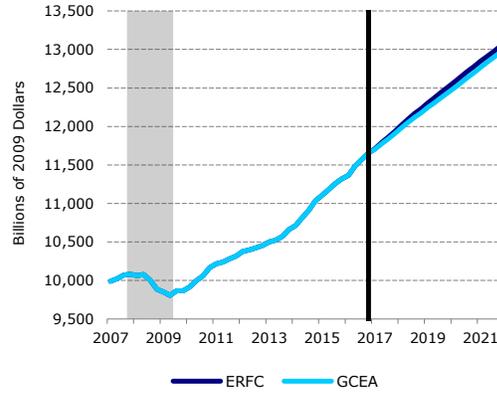
U.S. Forecast Comparison

Real GDP



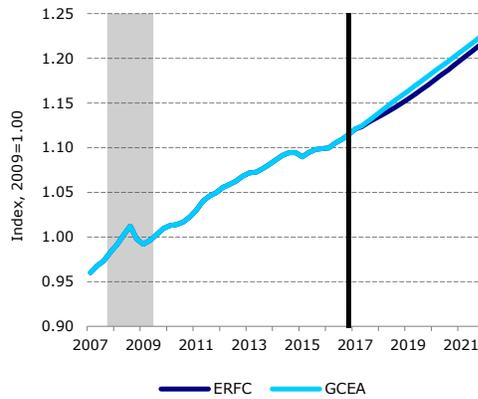
Source: BEA, ERFC, GCEA; data through 2016 Q4

Real Consumption



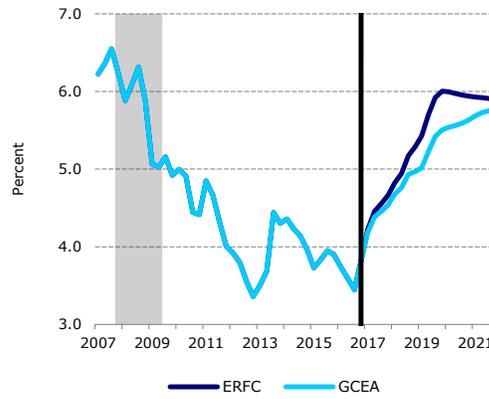
Source: BEA, ERFC, GCEA; data through 2016 Q4

Implicit Price Deflator, PCE



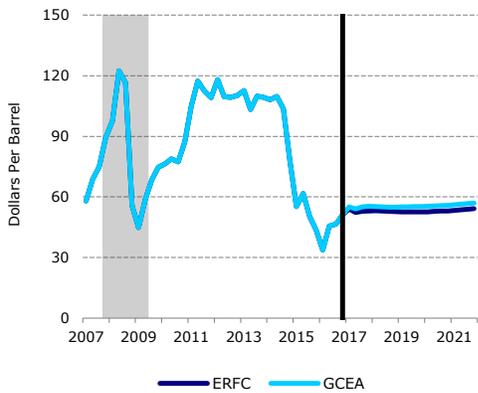
Source: BEA, ERFC, GCEA; data through 2016 Q4

Mortgage Rate



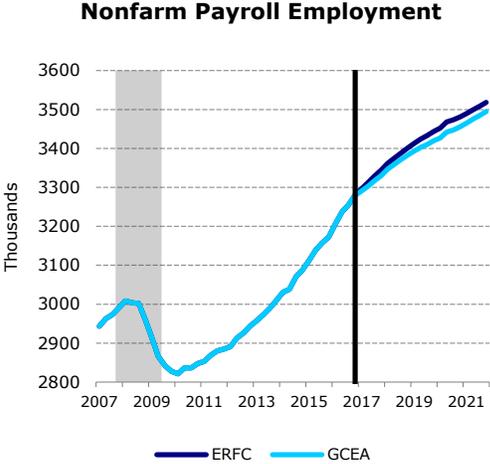
Source: Freddie Mac, ERFC, GCEA; data through 2016 Q4

Brent Oil Price

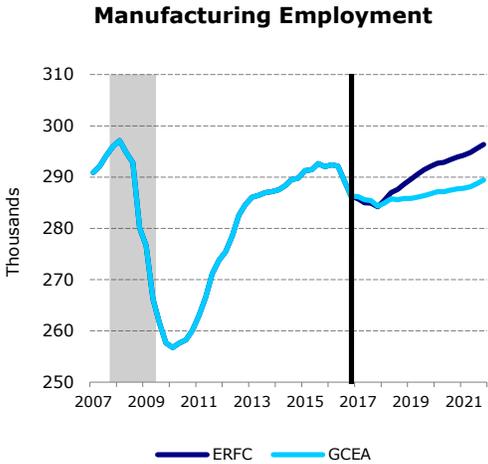


Source: EIA, ERFC, GCEA; data through 2016 Q4

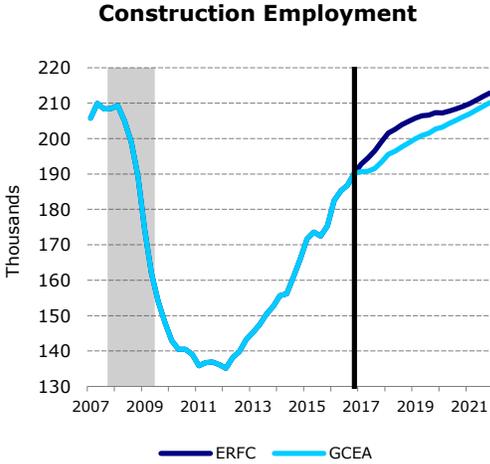
Washington Forecast Comparison



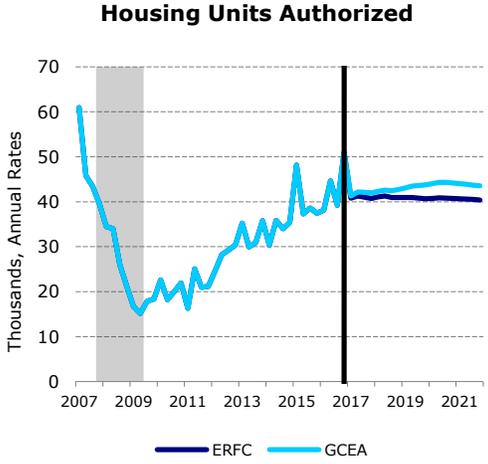
Source: ESD, ERFC, GCEA; data through 2016 Q4



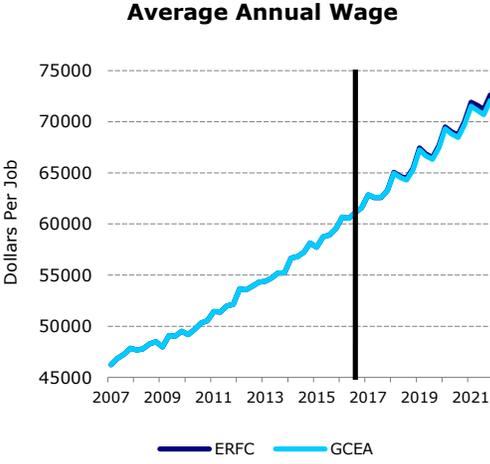
Source: ESD, ERFC, GCEA; data through 2016 Q4



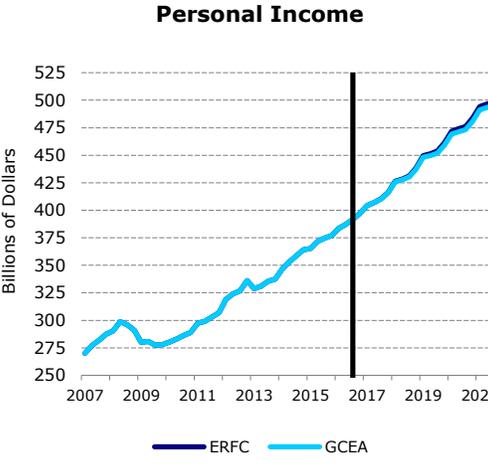
Source: ESD, ERFC, GCEA; data through 2016 Q4



Source: Census, ERFC, GCEA; data through 2016 Q4



Source: BEA, ERFC, GCEA; data through 2016 Q3



Source: BEA, ERFC, GCEA; data through 2016 Q3

2015-17 Enacted Budget Balance Sheet

General Fund-State (GFS), Education Legacy Trust Account (ELTA),
Opportunity Pathways Account (OPA) and Budget Stabilization Account (BSA)
Dollars in Millions

	2015-17		
	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	990.9	20.3	1,011.2
November 2016 Revenue Forecast	37,979.7	724.8	38,704.5
March 2017 Revenue Forecast Change	247.4	10.5	257.9
Current Revenue Totals	38,227.1	735.3	38,962.5
Transfer to Budget Stabilization Account (1% of GSR)	(379.9)		(379.9)
Transfer to Budget Stabilization Account (EORG)	(680.5)		(680.5)
Transfer from BSA (EORG)	75.0		75.0
CAFR Adjustment	(8.3)	(10.0)	(18.3)
Other Enacted Fund Transfers	207.4		207.4
Actual/Assumed Prior Period Adjustments	87.6		87.6
Total Resources (including beginning fund balance)	38,519.4	745.6	39,265.0
EXPENDITURES			
2015-17 Biennium			
Enacted Budget	37,754.4	699.1	38,453.5
Actual/Assumed Reversions	(225.5)	-	(225.5)
	-		-
Total Expenditures	37,528.9	699.1	38,228.0
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	990.5	46.5	1,037.0
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	513.1		513.1
Plus Transfers from General Fund, Interest Earnings and Adjustments	1,067.4		1,067.4
Less 2016 Appropriations and Reversions From BSA: Fires	(152.5)		(152.5)
Less Transfers Out to GFS (EORG)	(75.0)		(75.0)
Projected Budget Stabilization Account Ending Balance	1,353.0		1,353.0
Total Reserves (Near General Fund plus Budget Stabilization)	2,343.5	46.5	2,390.0

Acronyms

GSR- General State Revenues

EORG- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report