

EMBARGOED

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Revenue Review Meeting

June 20, 2017



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

June 20, 2017
10:00 a.m.

- Call to order
- Approval meeting minutes from June 7, 2017
- Economic & Revenue Forecast
- Adoption of the Official Forecast

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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**

June 7, 2017

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Members Present

John Braun, Senate
Terry Nealey, House of Representatives (via phone)
Timm Ormsby, House of Representatives
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue
Duane Davidson, Treasurer

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

Director Schumacher called the meeting to order at 10:07 a.m.

Motion

Director Smith made a motion to approve the meeting minutes from the March 16, 2017 meeting, seconded by Representative Ormsby. Council approved the motion at 10:08 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.

Adjournment

Meeting adjourned at 10:21 a.m.

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



Economic & Revenue Review: June 20, 2017

Executive Summary

United States

- The final U.S. economic forecast is based on the June IHS Markit (formerly Global Insight) and Blue Chip consensus forecasts, both of which were released prior to the June meeting of the Federal Reserve. IHS Markit had correctly assumed that the Federal Reserve would raise the federal funds rate from a range of 0.75% - 1.0% to 1.0% - 1.25%. Our final economic forecast also assumes one additional 0.25% rate increase will occur this year.
- As in March, 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.
- The June Blue Chip forecast of real GDP growth was largely unchanged from March. Real GDP growth for 2017 decreased from 2.3% to 2.2%; 2018, 2019, 2020 and 2021 growth remained unchanged at 2.4%, 2.1%, 2.0% and 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 Friday, June 9, 2017 closing prices for Brent and WTI futures. Futures prices are slightly lower throughout the forecast period compared to the March forecast. The price paid by refiners in 2017 is expected to average \$47 per barrel, down from an average of \$49 in the March forecast. Oil prices are expected to rise gradually to \$49 per barrel in 2021, down from an average 2021 price of \$50 per barrel in the March forecast.
- The U.S. economy added 138,000 net new jobs in May. Employment gains in March and April were revised down by a total of 66,000 jobs. Sectors with notable employment gains in May included accommodation and food services (+33,000), health care (+32,000), educational services (+15,000), employment services (+14,000), construction (+11,000), financial activities (+11,000), and professional and technical services (+11,000). Industries with net employment declines in May included local government (-9,000), state government (-8,000), general merchandise stores (-6,000), and nondurable manufacturing (-3,000).
- Two key measures of consumer confidence have been moving in opposite directions recently. The University of Michigan (UM) index of consumer sentiment increased for a second consecutive month, rising by 0.1 points in May to 97.1. The Conference Board index of consumer confidence fell for a

second straight month, decreasing 1.5 points in May to 117.9. However, both indexes are at or above pre-recession readings, suggesting that optimism remains relatively strong in May.

- U.S. housing data weakened this month but remained above their year-ago levels. Housing units authorized by building permits in April were 2.5% (SA) below their March level but 5.7% above their year-ago level. April housing starts decreased by 2.6% (SA) compared to March but were 0.7% above their April 2016 level. Existing home sales in April fell 2.3% (SA) compared to March but were 1.6% above their year-ago level. New single-family home sales decreased from a revised 642,000 (SAAR) in March to 569,000 in April, a decline of 11.4% but still 0.5% above their year-ago level. The seasonally adjusted Case-Shiller national home price index for March was 0.3% above its February level and 5.7% above its year-ago level.
- Major threats to the U.S. and Washington economies remain, including a slowing U.S. economy, international trade concerns, and slow growth in labor productivity.

Washington

- We have three months of new Washington employment data since the March forecast was released. Total nonfarm payroll employment rose 17,200 (seasonally adjusted) in March, April, and May, which was just 200 less than the 17,400 in the forecast. As is usually the case, most of the net new jobs were in private, service-providing sectors, which added 13,200 jobs in the three-month period. Manufacturing lost 1,800 jobs due to a decline of 2,100 jobs in aerospace. Construction employment increased 2,600 in the three-month period and government payrolls expanded by 3,100 jobs.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions lowered the estimated level of total employment in February 2017 by 2,200 jobs (0.1%). As a result of the downward revision to history and slightly weaker-than-expected growth, the total effect is 2,400 (0.1%), fewer jobs in May 2017 than expected in the March forecast.
- Washington's unemployment rate declined to 4.5% in May from 4.6% in April and 5.6% in May 2016. May's unemployment rate was the lowest in the series that extends back to 1976.
- In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2016. We have incorporated the new BEA estimates as well as additional Washington QCEW and other wage data. Our current estimate of Washington personal income in the fourth quarter of 2016 is \$393.6 billion, which is \$3.5 billion (0.9%) lower than assumed in the March forecast. The variance was in wages and salaries which were \$3.6 billion lower than believed in March.
- As expected in the March forecast, Washington housing construction came down to earth in the first quarter of 2017 after a fourth quarter spike. The number of housing units authorized by building permits fell from 51,900 units

(SAAR) in the fourth quarter of 2016 to an average of 40,800 units (SAAR) in January, February, and March. The first quarter results were almost exactly on target. The March forecast had assumed 40,800 units (SAAR) in the first quarter. Washington housing construction got off to a very strong start in the second quarter of 2017, though mostly as a result of another surge in multi-family permits. In April, 52,300 units (SAAR) were permitted. The March forecast assumed an average rate of 41,300 units for the second quarter as a whole (SAAR)

- Seattle home prices continue to rise very rapidly. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 1.1% in March following increases of 1.8% in both January and February. 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 12.2% increase in prices since the previous March, more than double the 5.8% increase in the Composite-20 index. Seattle home prices are up 66% since the November 2011 trough and now exceed the May 2007 peak by 15%.
- Seattle area consumer price inflation remains well above the national average. Over the last year, from April 2016 to April 2017, consumer prices in the Seattle area rose 3.0% compared to 2.2% for the U.S. city average. Core prices, which exclude food and energy, were up 2.6% in Seattle compared to 1.9% for the nation. The higher Seattle inflation is due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 6.5% compared to 3.5% for the nation. Excluding shelter, Seattle inflation was slightly lower than the national average at 1.2% compared to 1.6%. This in spite of the fact that Seattle energy inflation was higher than U.S. city average energy inflation.
- The Institute of Supply Management - Western Washington Index (ISM-WW) moved sharply back into negative territory in May following expansionary readings in March and April. The index, which measures conditions in the manufacturing sector, declined from 59.2 in both March and April to 45.0 in May (index values above 50 indicate growth while values below 50 indicate contraction). The orders component indicated expansion while the inventory and deliveries components indicated contraction in May. The production and employment components were neutral at 50.
- Washington car and truck sales declined in April after an uptick in March. Seasonally adjusted new vehicle registrations fell 6.5% in April following an increase of 4.7% in March. Car and truck sales are down 14.6% since the post-recession peak in January 2016 and 3.9% over the year.
- First quarter 2017 Washington exports were down 5.5% from the first quarter of 2016 because of a 14.7% decline in transportation equipment exports (mostly Boeing planes). Exports of agricultural products increased 14.0% over the year and exports of all other commodities rose 4.3% over the year. This was the first year-over-year increase in the "other" category, which consists mainly of manufactured goods, in nearly three years.
- We expect Washington employment to grow 2.4% this year, up slightly from 2.3% in the March forecast. As in March, 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 the same rate we assumed in March. Our preliminary forecast for nominal personal income growth this year is 4.7%, down from 5.0% in the March forecast. Our new forecast for nominal personal income growth in 2018 through 2021 averages 5.1% per year, which is the same rate we assumed in March.

Revenue

- Cumulative General Fund-State (GF-S) revenue collections from March 11, 2017 through June 10, 2017 were \$67 million (1.4%) higher than forecasted in March.
- Cumulative real estate excise taxes (REET) came in \$18 million (8.2%) higher than forecasted. Large commercial sales, while slowing, continue to occur above forecasted levels. Residential sales have also been stronger than forecasted. These factors have once again resulted in an increase in forecasted REET receipts, up \$23 million in the current biennium and \$41 million in the next biennium.
- Other than REET, net collections from most other major revenue sources came in just slightly above the March forecast. Coupled with the small changes to the economic forecast, the net result has been a very slight increase in forecasted revenue for the current and ensuing biennia.
- Forecasted revenue for the current (2015-17) biennium was increased by \$81 million. As there is only one month of collections remaining in the biennium, most of the increase stemmed from the \$67 million in cumulative surplus already collected. Forecasted GF-S revenue for the 2015-17 biennium is now \$38.308 billion, an increase of 13.8% above that of the 2013-15 biennium.
- Forecasted revenue for the 2017-19 biennium was increased by \$87 million, mostly due to increases in expected retail sales tax and REET collections. Forecasted GF-S revenue for the 2017-19 biennium is now \$40.903 billion, 6.8% more than that of the 2015-17 biennium.
- Forecasted GF-S revenue for the 2019-21 biennium is \$43.875 billion, \$34 million more than projected in March. This is a 7.3% increase from forecasted 2017-19 biennial revenue.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

June 20, 2017
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The WA economic forecast is similar to the March forecast, with slightly lower personal income and slightly higher residential building permits
- Risks to the baseline include slow U.S. economic growth, weak labor productivity growth, and international trade concerns
- The revenue collection variance since the March forecast is \$67 million; \$11 million of the variance is due to delayed refunds
- The GF-S revenue forecast has been increased by \$81 million for the 2015-17 biennium and increased by \$87 million for the 2017-19 biennium

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June 20, 2017

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New data since preliminary June economic forecast

June Blue Chip

- 2017 real GDP growth increased from 2.1% to 2.2%; 2018 - 2021 real GDP growth unchanged

U.S. employment data

- Employment up by 138,000 net new jobs in May; unemployment rate drops from 4.4% to 4.3%

Washington employment data

- Employment up by 5,100 net new jobs in May; unemployment rate drops from 4.6% to 4.5%

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U.S. Leading Economic Index (LEI) continues to trend up

The LEI is an index of economic indicators that tend to indicate the direction of economic growth



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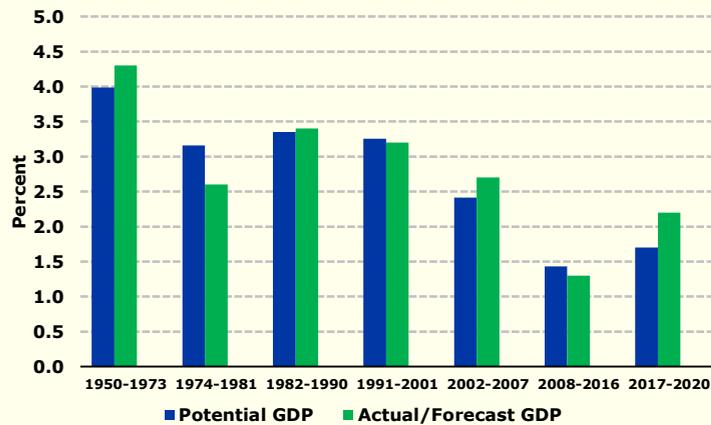
Source: Conference Board, data through April 2017

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Average annual growth rates – potential and actual real GDP



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Source: Congressional Budget Office, U.S. Bureau of Economic Analysis, ERFC June 2017 forecast

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In 2016, average weekly wages grew faster in WA than in the U.S.



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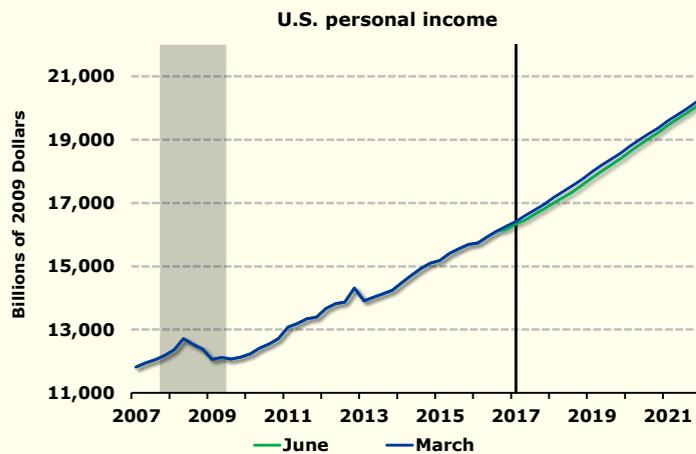
Source: U.S. Bureau of Labor Statistics, data through 2016

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U.S. personal income is slightly weaker than in the March forecast



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Source: IHS-Markit, ERFC June 2017 forecast; historical data through 2017Q1

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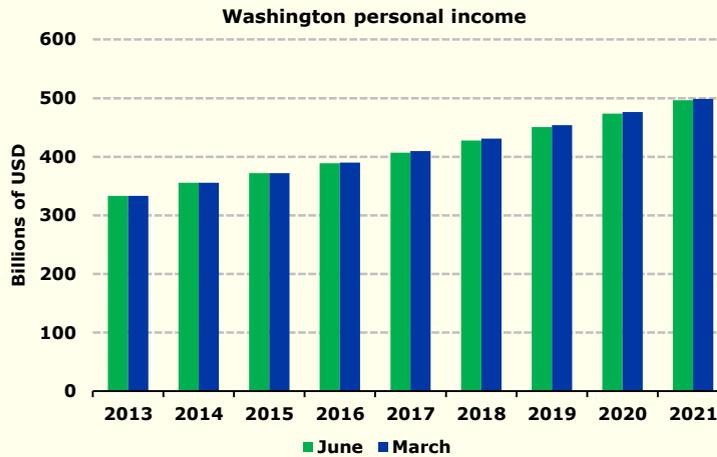


Washington personal income is slightly lower than in March

2016 data were revised slightly lower. WA personal income is 0.5% lower in 2021 compared to the March forecast.

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Source: ERFC June 2017 forecast; historical data through 2016

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Washington employment forecast is almost unchanged from March

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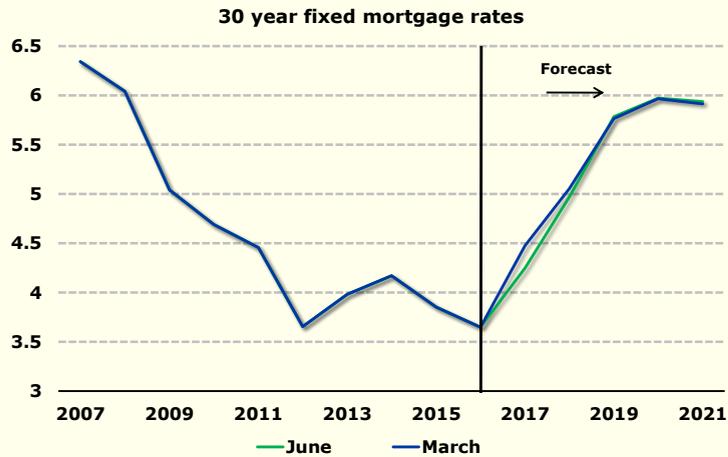
Source: ERFC June 2017 forecast; historical data through Q1 2017

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As in March, mortgage rates are expected to gradually increase

The Federal Reserve did raise interest rates this month, as expected in both the March and June forecasts.



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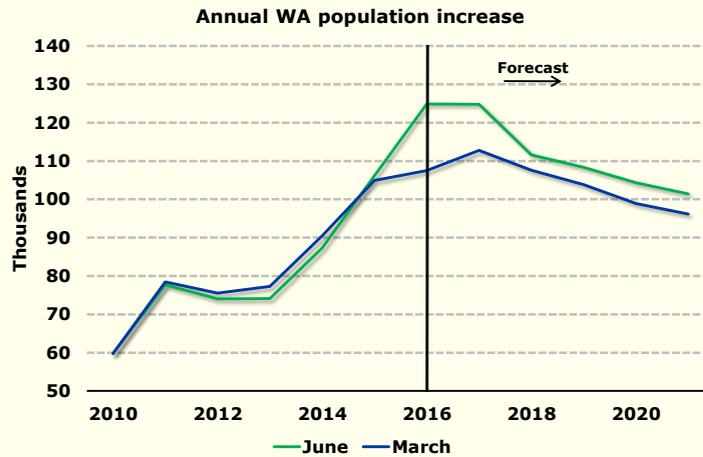
Source: IHS-Markit, ERFC June 2017 forecast

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Washington population is growing faster than expected in March



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Sources: ERFC June 2017 forecast

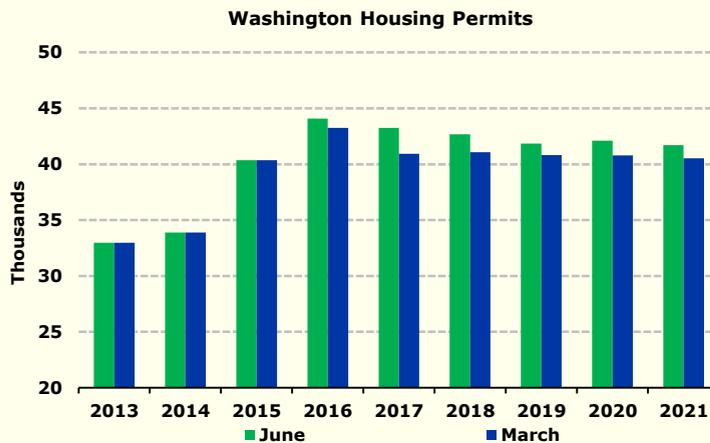
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Washington housing permits forecast is slightly higher compared to March

Fourth quarter 2016 saw a spike in multi-family building permits. After moderating in Q1, permits again picked up during 2017 Q2.



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Source: ERFC June 2017 forecast; historical data through 2016

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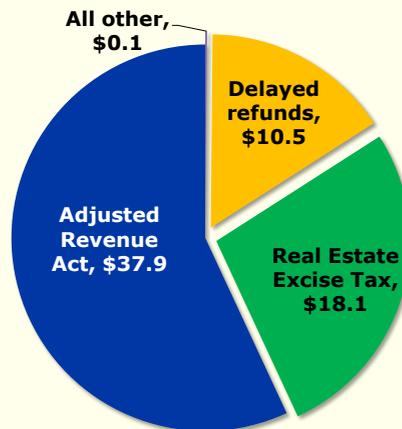
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Components of revenue collection variance since March forecast

The cumulative GF-S variance is \$67 million since March

\$ millions



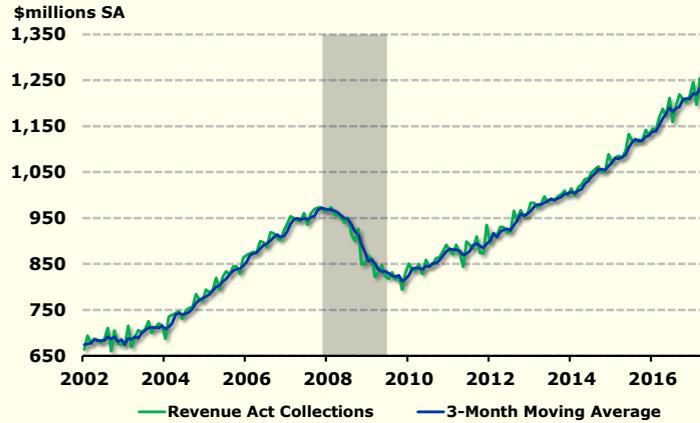
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Rev Act growth (3-month moving average) has slowed from 7.3% for January activity to 4.9% for April activity



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

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Large commercial property sales have slowed as other activity grows

Large commercial sales (>\$10 million) averaged \$3.4 billion per quarter in 2016

Large commercial sales totaled \$1.8 billion in the first quarter of 2017 and \$1.1 billion in April and May.

Seasonally Adjusted Taxable Real Estate Excise Activity



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Source: ERFC; Monthly data through May 2017 preliminary

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Cannabis excise tax and license fee estimates

General Fund change since March forecast:

+2015-17
+\$4.4 M

+2017-19
+\$4.9 M

+2019-21
-\$4.0 M

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\$Millions

June Forecast

	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21</u>
GF-S share of excise tax and license fees	\$148	\$220	\$245
Non-GF	\$321	\$464	\$494
Total	\$469	\$685	\$739

* Detail may not add to total due to rounding

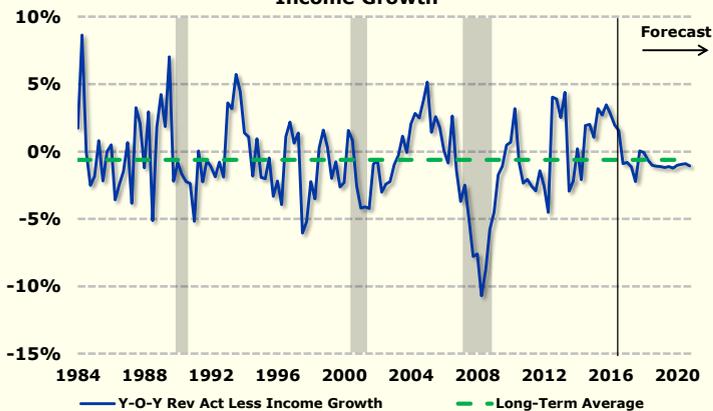
Source: ERFC June 2017 forecast

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

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



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*Adjusted for large one-time payments and refunds and payments under the amnesty program
Source: ERFC; Quarterly revenue data through Q1 2017, June 2017 income estimates

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Forecast changes: General Fund State, 2015-2017 Biennium

March Forecast:
\$38,227 million

\$Millions	June Forecast				Total Change*
	Collection Experience	Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	\$66	\$0	\$4	\$36,377	\$70
All other agencies	\$1	\$0	\$11	\$1,932	\$12
Total GF-S	\$67	\$0	\$15	\$38,308	\$81

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* Detail may not add to total due to rounding

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Forecast changes: General Fund State, 2017-2019 Biennium

March Forecast:
\$40,817 million

\$Millions	June Forecast			Total Change*
	Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	\$0	\$84	\$38,793	\$84
All other agencies	\$0	\$3	\$2,111	\$3
Total GF-S	\$0	\$87	\$40,903	\$87

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* Detail may not add to total due to rounding

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2017-19 Biennium alternative forecasts – cash basis

\$Millions	2017-19 Biennium	Difference From the baseline
June 2017 Baseline (60%)	\$40,903	
<u>June 2017 Alternative Forecasts</u>		
Optimistic (15%)	\$42,678	\$1,775
Pessimistic (25%)	\$38,867	(\$2,037)
Probability Weighted Average	\$40,660	(\$243)
GCEA*	\$40,617	(\$286)

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June 20, 2017

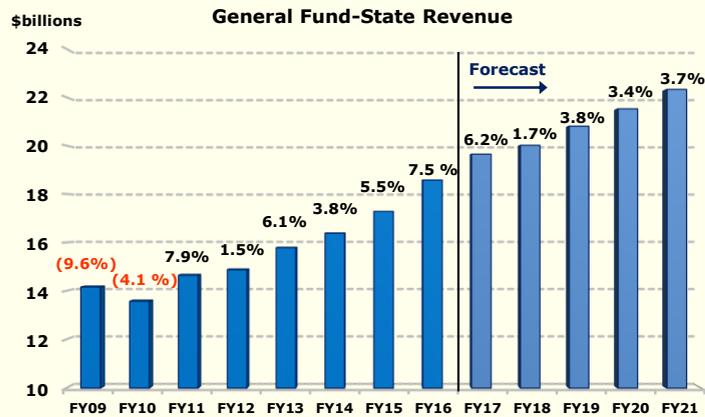
*Based on the Governor's Council of Economic Advisors' economic assumptions

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General Fund-State* forecast by fiscal year



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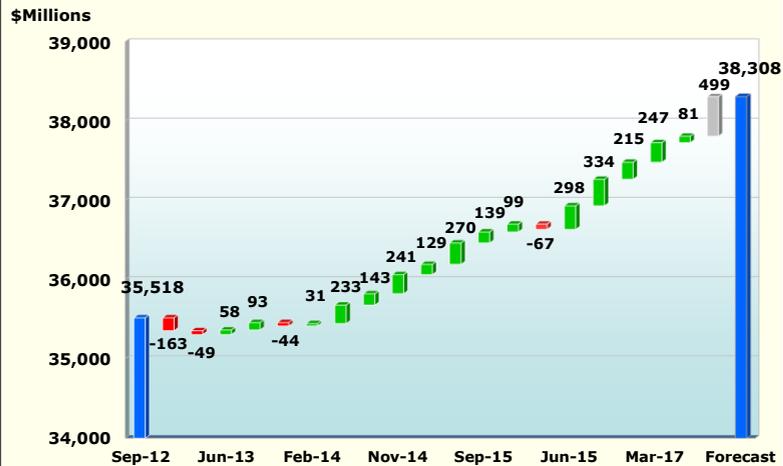
*General Fund-State & Related Funds for FY 09, General Fund-State current definition for FY 10-21
Source: ERFC forecast, June 2017

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GF-S forecast revisions to the 2015-17 biennium



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Conclusion

- U.S. and WA personal income forecasts are slightly lower than in March; WA housing is higher
- As has been the case for some time, Washington's economy is continuing to outperform the nation
- GF-S revenues are expected to grow 13.8% 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

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Questions

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Economic & Revenue Forecast Council
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Changes to the General Fund-State Cash Forecast-by Agency

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

	<u>March 2017 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>June 2017 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$36,306.9	\$65.9	\$0.0	\$3.7	\$36,376.5	\$69.6
All other Agencies	\$1,920.3	\$0.7	\$0.0	\$10.9	\$1,931.9	\$11.6
Total General Fund-State	\$38,227.1	\$66.6	\$0.0	\$14.6	\$38,308.3	\$81.2

*Forecast for GF-S for the 2015-17 biennium adopted March 16, 2017

[#]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 June 2017 to the March 2017 Forecast
 2015-17 Biennium
 Cash Forecast; Millions of Dollars

	<u>March 2017 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>June 2017 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$38,227.1	\$0.0	\$81.2	\$38,308.3	\$81.2
Education Legacy Trust Account	\$471.2	\$0.0	(\$4.7)	\$466.5	(\$4.7)
WA Opportunity Pathways Account	\$264.1	\$0.0	\$2.2	\$266.3	\$2.2
Total	\$38,962.5	\$0.0	\$78.7	\$39,041.1	\$78.7

*Forecast for GF-S for the 2015-17 biennium adopted March 16, 2017

[#]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 June 2017 to the March 2017 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	<u>March 2017 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2017 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$40,816.7	(\$0.5)	\$87.0	\$40,903.2	\$86.5
Education Legacy Trust Account	\$525.0	\$0.0	(\$7.3)	\$517.7	(\$7.3)
WA Opportunity Pathways Account	\$255.7	\$0.0	\$0.6	\$256.3	\$0.6
Total	\$41,597.3	(\$0.5)	\$80.3	\$41,677.1	\$79.8

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

**Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

[#]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 June 2017 to the March 2017 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	<u>March 2017 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2017 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$43,841.6	(\$0.5)	\$34.0	\$43,875.2	\$33.5
Education Legacy Trust Account	\$361.2	\$0.0	(\$11.4)	\$349.8	(\$11.4)
WA Opportunity Pathways Account	\$251.4	\$0.0	\$5.2	\$256.6	\$5.2
Total	\$44,454.2	(\$0.5)	\$27.8	\$44,481.5	\$27.3

*Forecast for GF-S for the 2019-21 biennium adopted March 16, 2017

**Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

[#]Details may not add due to rounding

Track Record for the 2015-17 General Fund-State Cash Forecast
September 2012 through June 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
June 2017	70	12	81	0 ^{#11}	81	38,308
Total change***:						
From September 2012	1,957	333	2,291	499	2,790	
Percent change	5.7	23.5	6.4	1.4	7.9	

Track Record for the 2017-19 General Fund-State Cash Forecast
February 2014 through June 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
June 2017	84	3	87	(1) ^{#11}	87	40,903
Total change***:						
From February 2014	1,673	121	1,795	399	2,193	
Percent change	4.5	6.7	4.6	1.0	5.7	

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

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

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

[#] First official forecast for the 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

^{#11} Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 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	4.2	2.0
2017	5.8	4.6	1.3
2018	3.5	5.0	0.7
2019	4.3	5.2	0.8
2020	3.8	5.3	0.7
2021	3.6	5.0	0.7
Average 2000-2016:	3.3	4.5	0.8
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	4.2	0.7
2017	3.3	4.6	0.7
2018	5.1	5.0	1.0
2019	5.1	5.2	1.0
2020	4.6	5.3	0.9
2021	4.5	5.0	0.9
Average 2000-2016:	3.7	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
June 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	4.2	0.5
2017	2.6	4.6	0.6
2018	1.5	5.0	0.3
2019	3.4	5.2	0.7
2020	4.0	5.3	0.7
2021	4.0	5.0	0.8
Average 2000-2016:	3.3	4.5	0.7

Total Revenue Act Receipts

June 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	4.2	2.0
2017	6.3	4.6	1.4
2018	2.9	5.0	0.6
2019	4.5	5.2	0.9
2020	4.2	5.3	0.8
2021	4.1	5.0	0.8
Average 2000-2016:	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)

June 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	\$19,730	6.2%	\$252	17.2%	\$19,981	6.3%	\$127	-8.6%	\$20,109	6.2%
FY 2018	\$20,074	1.7%	\$247	-1.9%	\$20,321	1.7%	\$129	1.1%	\$20,449	1.7%
FY 2019	\$20,829	3.8%	\$271	9.5%	\$21,100	3.8%	\$128	-0.6%	\$21,228	3.8%
FY 2020	\$21,536	3.4%	\$173	-36.0%	\$21,709	2.9%	\$128	0.4%	\$21,837	2.9%
FY 2021	\$22,339	3.7%	\$177	2.1%	\$22,516	3.7%	\$128	0.0%	\$22,644	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	\$38,308	13.8%	\$467	15.3%	\$38,775	13.8%	\$266	13.8%	\$39,041	13.8%
17-19 Biennium	\$40,903	6.8%	\$518	11.0%	\$41,421	6.8%	\$256	-3.8%	\$41,677	6.8%
19-21 Biennium	\$43,875	7.3%	\$350	-32.4%	\$44,225	6.8%	\$257	0.1%	\$44,482	6.7%

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

**Revenue Legislation Affecting General Fund-State Revenues
Passed in the 2017 Legislative Session**

Bill ID Long	Description	Tax Type/Fee	FY18	FY19	FY20	FY21	FY22	FY23	Law	Tax or Fee
SHB 1130	Customized Training Program	B&O	(65,000)	(71,000)	(71,000)	(65,000)	-	-	C21 L17	Participants in the program can earn a business and occupation (B&O) tax credit for 50 percent of the amount paid to the program through July 1, 2017. All credits must be applied to B&O tax returns filed with the Department of Revenue (Department) by July 1, 2021.
SHB 2138	Adapted Housing/Veterans	Retail Sales Tax	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	(122,000)	C176 L17	The bill creates a new sales and use tax exemption for the state portion of the sales and use tax. The exemption is in the form of a remittance (refund) for materials incorporated into and labor to construct adapted housing for disabled veterans who have federal grants to remodel their homes.
SB 5162	Wastewater Operator Account	Transfer	(69,000)	(69,000)	(69,000)	(69,000)	(69,000)	(69,000)	C35 L17	Fees for wastewater treatment plant operators are being deposited into a new account created by this bill verses GF-S (RCW)
Total			(259,000)	(890,000)	(265,000)	(259,000)	(194,000)	(194,000)		
EHB 1595	Public Records Request Costs	Fee	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	C304 L17	Fees from those requesting public records.
SSB5713	Skilled Worker Program	Fee	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate	C225 L17	SSB 5713 creates the skilled worker outreach, recruitment, and career awareness training program account, coupled with the general fund as the recipient of the earnings from investments.

Source: Office of Financial Management 2017

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2017 and March 2017 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.6	\$0.0	\$1.2	\$38.8	\$1.2
Insurance Commissioner Insurance Premiums	\$1,087.5	\$0.0	(\$0.2)	\$1,087.3	(\$0.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$365.4	\$0.0	\$5.5	\$370.9	\$5.5
Lottery Commission Lottery Revenue	\$31.9	\$0.0	\$0.0	\$31.9	\$0.0
State Treasurer Interest Earnings	\$19.3	\$0.0	\$1.5	\$20.8	\$1.5
Office of Financial Management Other Agencies	\$222.8	\$0.0	\$4.9	\$227.7	\$4.9
Administrative Office of the Courts Fines and Forfeitures	\$155.8	\$0.0	(\$1.2)	\$154.6	(\$1.2)
Total General Fund-State	\$1,920.3	\$0.0	\$11.6	\$1,931.9	\$11.6

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2017 and March 2017 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.5	\$0.0	\$1.2	\$38.7	\$1.2
Insurance Commissioner Insurance Premiums	\$1,087.5	\$0.0	(\$0.2)	\$1,087.3	(\$0.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$365.4	\$0.0	\$5.5	\$370.9	\$5.5
Lottery Commission Lottery Revenue	\$43.1	\$0.0	\$0.8	\$43.9	\$0.8
State Treasurer Interest Earnings	\$19.4	\$0.0	\$2.0	\$21.4	\$2.0
Office of Financial Management Other Agencies	\$222.8	\$0.0	\$4.9	\$227.7	\$4.9
Administrative Office of the Courts Fines and Forfeitures	\$155.8	\$0.0	(\$1.2)	\$154.6	(\$1.2)
Total General Fund-State	\$1,931.5	\$0.0	\$12.9	\$1,944.4	\$12.9

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

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

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	\$0.3	\$37.5	\$0.3
Insurance Commissioner Insurance Premiums	\$1,167.4	\$0.0	\$1.4	\$1,168.9	\$1.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$465.4	\$0.0	\$9.3	\$474.7	\$9.3
Lottery Commission Lottery Revenue	\$38.2	\$0.0	(\$8.9)	\$29.4	(\$8.9)
State Treasurer Interest Earnings	\$31.2	\$0.0	\$9.3	\$40.5	\$9.3
Office of Financial Management Other Agencies	\$221.3	(\$0.3)	(\$0.7)	\$220.3	(\$1.0)
Administrative Office of the Courts Fines and Forfeitures	\$146.7	\$0.0	(\$7.3)	\$139.3	(\$7.3)
Total General Fund-State	\$2,107.3	(\$0.3)	\$3.5	\$2,110.6	\$3.3

General Fund-State GAAP Estimates - Other Agencies

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

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	\$0.3	\$37.5	\$0.3
Insurance Commissioner Insurance Premiums	\$1,167.4	\$0.0	\$1.4	\$1,168.9	\$1.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$465.4	\$0.0	\$9.3	\$474.7	\$9.3
Lottery Commission Lottery Revenue	\$39.9	\$0.0	(\$6.4)	\$33.5	(\$6.4)
State Treasurer Interest Earnings	\$32.1	\$0.0	\$9.5	\$41.6	\$9.5
Office of Financial Management Other Agencies	\$221.3	(\$0.3)	(\$0.7)	\$220.3	(\$1.0)
Administrative Office of the Courts Fines and Forfeitures	\$146.7	\$0.0	(\$7.3)	\$139.3	(\$7.3)
Total General Fund-State	\$2,109.9	(\$0.3)	\$6.2	\$2,115.9	\$5.9

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2017 and March 2017 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	\$0.3	\$37.4	\$0.3
Insurance Commissioner Insurance Premiums	\$1,274.4	\$0.0	\$1.9	\$1,276.3	\$1.9
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$516.9	\$0.0	(\$2.0)	\$514.9	(\$2.0)
Lottery Commission Lottery Revenue	\$48.0	\$0.0	(\$5.9)	\$42.1	(\$5.9)
State Treasurer Interest Earnings	\$70.3	\$0.0	(\$0.7)	\$69.7	(\$0.7)
Office of Financial Management Other Agencies	\$104.0	(\$0.3)	\$1.7	\$105.4	\$1.4
Administrative Office of the Courts Fines and Forfeitures	\$151.1	\$0.0	(\$8.7)	\$142.4	(\$8.7)
Total General Fund-State	\$2,201.8	(\$0.3)	(\$13.3)	\$2,188.2	(\$13.6)

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2017 and March 2017 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	March 2017 Baseline	Non-Economic Changes	Economic Changes	June 2017 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.1	\$0.0	\$0.3	\$37.4	\$0.3
Insurance Commissioner Insurance Premiums	\$1,274.4	\$0.0	\$1.9	\$1,276.3	\$1.9
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$516.9	\$0.0	(\$2.0)	\$514.9	(\$2.0)
Lottery Commission Lottery Revenue	\$48.0	\$0.0	(\$5.4)	\$42.5	(\$5.4)
State Treasurer Interest Earnings	\$71.5	\$0.0	(\$1.0)	\$70.5	(\$1.0)
Office of Financial Management Other Agencies	\$104.0	(\$0.3)	\$1.7	\$105.4	\$1.4
Administrative Office of the Courts Fines and Forfeitures	\$151.1	\$0.0	(\$8.7)	\$142.4	(\$8.7)
Total General Fund-State	\$2,203.0	(\$0.3)	(\$13.2)	\$2,189.5	(\$13.5)

* Detail may not total due to rounding.

Lottery transfers by fund

(cash basis, millions of dollars)

	Lottery: Total Transfers:*		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	160.0	14.8	0.0	12.2	0.0	0.0	0.3	4.7	127.1	0.0	0.0	1.0
2015-17 Biennium	331.6	31.9	0.0	23.8	0.0	0.0	0.7	7.9	266.3	0.0	0.0	1.0
2018	157.0	11.2	0.0	12.6	0.0	0.0	0.3	3.7	128.5	0.0	0.0	0.5
2019	163.5	18.1	0.0	13.1	0.0	0.0	0.3	3.6	127.7	0.0	0.0	0.5
2017-19 Biennium	320.4	29.4	0.0	25.8	0.0	0.0	0.7	7.4	256.3	0.0	0.0	1.0
2020	166.7	20.3	0.0	13.7	0.0	0.0	0.3	3.6	128.3	0.0	0.0	0.5
2021	168.8	21.8	0.0	14.2	0.0	0.0	0.4	3.6	128.3	0.0	0.0	0.5
2019-21 Biennium	335.5	42.1	0.0	27.9	0.0	0.0	0.7	7.3	256.6	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, ERFC

Lottery transfers by fund

(GAAP basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account	Gambling Revolving Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0	0.0
2017	158.0	12.0	0.0	12.2	0.0	0.0	0.3	4.9	127.6	0.0	0.0	1.0
2015-17 Biennium	333.5	43.9	0.0	23.8	0.0	0.0	0.7	7.8	256.3	0.0	0.0	1.0
2018	159.0	15.5	0.0	12.6	0.0	0.0	0.3	3.6	126.4	0.0	0.0	0.5
2019	163.9	18.1	0.0	13.1	0.0	0.0	0.3	3.6	128.2	0.0	0.0	0.5
2017-19 Biennium	322.9	33.5	0.0	25.8	0.0	0.0	0.7	7.3	254.6	0.0	0.0	1.0
2020	166.9	20.5	0.0	13.7	0.0	0.0	0.3	3.6	128.3	0.0	0.0	0.5
2021	169.0	22.0	0.0	14.2	0.0	0.0	0.4	3.6	128.3	0.0	0.0	0.5
2019-21 Biennium	335.9	42.5	0.0	27.9	0.0	0.0	0.7	7.3	256.6	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, ERFC

June 2017
Alternative Forecasts
Millions of Dollars

Cash Basis

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the June 2017 Baseline</u>
June 2017 Baseline (60%)	\$38,308	
June 2017 Alternative Forecasts		
Optimistic (15%)	\$38,373	\$64
Pessimistic (25%)	\$38,238	(\$71)
Probability Weighted Average	\$38,300	(\$8)
GCEA*	\$38,303	(\$5)

2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the June 2017 Baseline</u>
June 2017 Baseline (60%)	\$40,903	
June 2017 Alternative Forecasts		
Optimistic (15%)	\$42,678	\$1,775
Pessimistic (25%)	\$38,867	(\$2,037)
Probability Weighted Average	\$40,660	(\$243)
GCEA*	\$40,617	(\$286)

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

U.S. Forecast Comparison

2017Q1 2017Q2 2017Q3 2017Q4

Real GDP (Billions of 2009 Dollars)

June Forecast	16,862	16,983	17,083	17,182
Percent Change	1.2%	2.9%	2.4%	2.3%
March Forecast	16,884	16,989	17,090	17,193
Percent Change	1.9%	2.5%	2.4%	2.4%

Real Consumption (Billions of 2009 Dollars)

June Forecast	11,688	11,769	11,841	11,913
Percent Change	0.6%	2.8%	2.5%	2.5%
March Forecast	11,709	11,786	11,859	11,935
Percent Change	1.9%	2.6%	2.5%	2.6%

Implicit Price Deflator, PCE (2009=1.00)

June Forecast	1.121	1.124	1.128	1.133
Percent Change	2.4%	0.8%	1.4%	1.9%
March Forecast	1.121	1.123	1.128	1.132
Percent Change	2.3%	0.9%	1.7%	1.5%

Real Personal Income (Billions of 2009 Dollars)

June Forecast	14,561	14,648	14,764	14,847
Percent Change	1.6%	2.4%	3.2%	2.3%
March Forecast	14,643	14,777	14,874	14,980
Percent Change	1.3%	3.7%	2.6%	2.9%

Nonfarm Payroll Employment (Millions)

June Forecast	145.7	146.1	146.5	146.9
Percent Change	1.5%	1.2%	1.0%	1.0%
March Forecast	145.8	146.4	146.9	147.2
Percent Change	1.8%	1.5%	1.4%	1.0%

Unemployment Rate (Percent of Labor Force)

June Forecast	4.7	4.4	4.3	4.3
March Forecast	4.7	4.6	4.5	4.5

30 Year Fixed Mortgage Rate (Percent, average)

June Forecast	4.2	4.1	4.3	4.5
March Forecast	4.2	4.5	4.6	4.7

3 Month T-Bill Rate (Percent, average)

June Forecast	0.6	0.9	1.1	1.2
March Forecast	0.6	0.8	1.0	1.2

2015 2016 2017 2018 2019 2020 2021

16,397	16,662	17,027	17,437	17,804	18,160	18,523
2.6%	1.6%	2.2%	2.4%	2.1%	2.0%	2.0%
16,397	16,660	17,039	17,447	17,814	18,170	18,533
2.6%	1.6%	2.3%	2.4%	2.1%	2.0%	2.0%

11,215	11,522	11,803	12,097	12,375	12,648	12,913
3.2%	2.7%	2.4%	2.5%	2.3%	2.2%	2.1%
11,215	11,519	11,822	12,126	12,405	12,678	12,945
3.2%	2.7%	2.6%	2.6%	2.3%	2.2%	2.1%

1.095	1.107	1.126	1.143	1.162	1.185	1.209
0.4%	1.1%	1.7%	1.5%	1.7%	1.9%	2.0%
1.095	1.107	1.126	1.143	1.162	1.184	1.207
0.4%	1.1%	1.7%	1.5%	1.7%	1.9%	1.9%

14,113	14,438	14,705	15,110	15,568	15,976	16,332
4.0%	2.3%	1.8%	2.8%	3.0%	2.6%	2.2%
14,113	14,462	14,819	15,276	15,725	16,116	16,471
4.0%	2.5%	2.5%	3.1%	2.9%	2.5%	2.2%

141.8	144.3	146.3	147.7	148.9	150.2	151.0
2.1%	1.8%	1.4%	0.9%	0.9%	0.8%	0.6%
141.8	144.3	146.6	148.2	149.4	150.4	151.1
2.1%	1.8%	1.6%	1.1%	0.8%	0.7%	0.5%

5.3	4.9	4.4	4.2	4.2	4.2	4.3
5.3	4.9	4.6	4.3	4.3	4.4	4.5

3.9	3.6	4.3	5.0	5.8	6.0	5.9
3.9	3.6	4.5	5.1	5.8	6.0	5.9

0.1	0.3	0.9	1.6	2.5	2.8	2.8
0.1	0.3	0.9	1.6	2.5	2.8	2.8

Washington Forecast Comparison

	2017Q1	2017Q2	2017Q3	2017Q4
Real Personal Income (Billions of 2009 Dollars)				
June Forecast	358.1	360.0	362.2	365.1
Percent Change	5.8%	2.1%	2.5%	3.3%
March Forecast	360.7	362.3	363.7	367.5
Percent Change	5.0%	1.8%	1.6%	4.1%
Personal Income (Billions of Dollars)				
June Forecast	401.6	404.5	408.4	413.6
Percent Change	8.3%	3.0%	3.9%	5.2%
March Forecast	404.3	407.0	410.4	416.1
Percent Change	7.4%	2.7%	3.4%	5.7%
Nonfarm Payroll Employment (Thousands)				
June Forecast	3295	3311	3326	3341
Percent Change	2.8%	2.0%	1.9%	1.8%
March Forecast	3296	3313	3330	3344
Percent Change	2.0%	2.1%	2.1%	1.7%
Unemployment Rate (Percent of Labor Force)				
June Forecast	4.9	4.5	4.5	4.4
March Forecast	5.1	4.9	4.8	4.7
Manufacturing Employment (Thousands)				
June Forecast	285.2	283.5	282.2	281.3
Percent Change	-0.9%	-2.3%	-1.9%	-1.3%
March Forecast	285.8	285.0	284.9	284.2
Percent Change	-0.7%	-1.1%	-0.1%	-1.0%
Construction Employment (Thousands)				
June Forecast	195.5	198.5	200.8	203.6
Percent Change	9.1%	6.4%	4.7%	5.6%
March Forecast	192.8	194.5	196.5	199.1
Percent Change	5.6%	3.6%	4.2%	5.4%
Housing Permits (Thousands)				
June Forecast	40.8	45.3	43.8	43.2
Percent Change	-61.9%	52.1%	-12.9%	-5.3%
March Forecast	40.8	41.3	41.0	40.7
Percent Change	-59.0%	5.3%	-3.0%	-2.4%

	2015	2016	2017	2018	2019	2020	2021
June Forecast	339.7	351.2	361.3	374.1	387.8	400.0	410.9
Percent Change	4.3%	3.4%	2.9%	3.5%	3.7%	3.1%	2.7%
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%
June Forecast	372.1	388.8	407.0	427.6	450.7	473.8	496.6
Percent Change	4.6%	4.5%	4.7%	5.1%	5.4%	5.1%	4.8%
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%
June Forecast	3146	3242	3318	3376	3427	3473	3510
Percent Change	2.9%	3.1%	2.4%	1.7%	1.5%	1.4%	1.1%
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%
June Forecast	5.6	5.4	4.6	4.3	4.3	4.3	4.3
March Forecast	5.6	5.4	4.9	4.5	4.4	4.5	4.6
June Forecast	291.8	289.8	283.0	284.0	289.0	292.9	295.8
Percent Change	1.1%	-0.7%	-2.3%	0.3%	1.8%	1.3%	1.0%
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%
June Forecast	173.3	186.4	199.6	207.4	210.7	211.4	211.2
Percent Change	8.5%	7.6%	7.1%	3.9%	1.6%	0.3%	-0.1%
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%
June Forecast	40.4	44.1	43.3	42.7	41.9	42.1	41.7
Percent Change	19.1%	9.2%	-1.9%	-1.3%	-1.9%	0.6%	-0.9%
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%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2017	2018	2019	2020	2021
U.S.					
Real GDP					
<i>Growth</i>					
ERFC	2.1	2.4	2.1	2.0	2.0
GCEA Average	2.1	2.3	2.0	2.0	1.9
Real Consumption					
<i>Growth</i>					
ERFC	2.4	2.5	2.3	2.2	2.1
GCEA Average	2.4	2.4	2.2	2.2	2.2
Implicit Price Deflator, PCE					
<i>Growth</i>					
ERFC	1.8	1.5	1.5	1.7	1.9
GCEA Average	1.8	1.9	1.9	1.9	1.9
Mortgage Rate					
<i>Percent</i>					
ERFC	4.3	5.1	5.8	6.0	5.9
GCEA Average	4.2	4.5	4.8	5.0	5.2
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	52.1	51.9	51.9	52.3	53.1
GCEA Average	51.6	52.9	53.4	54.1	54.9

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	3.0	3.6	3.8	3.1	2.7
GCEA Average	2.8	2.9	3.0	2.6	2.6

Wage and Salary Employment

<i>Growth</i>					
ERFC	2.4	1.6	1.4	1.2	0.9
GCEA Average	2.3	1.7	1.4	1.2	1.2

Manufacturing Employment

<i>Growth</i>					
ERFC	-2.3	0.2	1.3	1.3	1.1
GCEA Average	-2.4	-0.7	0.1	0.2	0.1

Construction Employment

<i>Growth</i>					
ERFC	7.2	3.8	1.5	0.1	-0.5
GCEA Average	4.4	2.2	1.3	0.3	0.3

Housing Permits

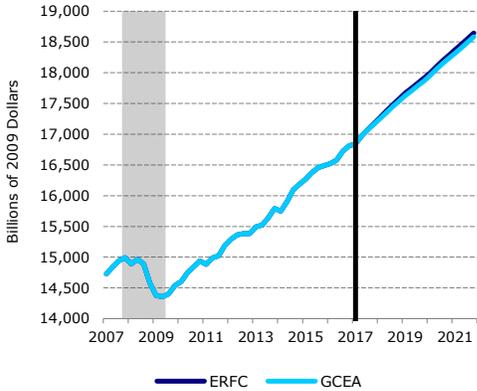
<i>Thousands of authorized units</i>					
ERFC	43.2	42.4	41.5	41.5	41.0
GCEA Average	43.8	44.0	44.2	44.4	44.7

Washington Average Annual Wage

<i>Growth</i>					
ERFC	2.5	3.3	3.4	3.2	3.5
GCEA Average	2.7	3.3	3.4	3.3	3.4

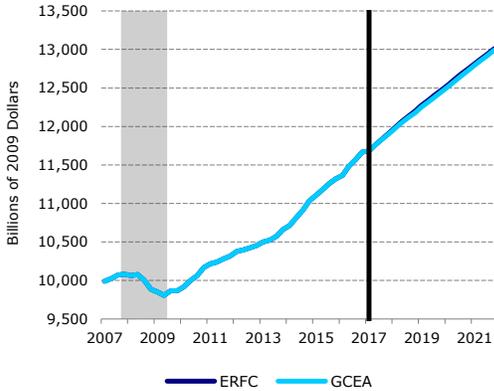
U.S. Forecast Comparison

Real GDP



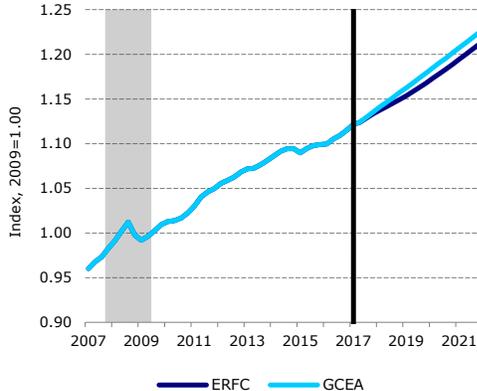
Source: BEA, ERFC, GCEA; data through 2017 Q1

Real Consumption



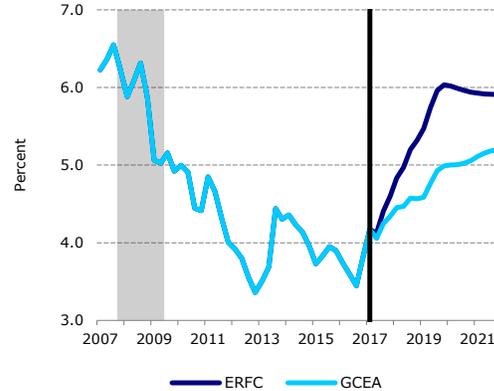
Source: BEA, ERFC, GCEA; data through 2017 Q1

Implicit Price Deflator, PCE



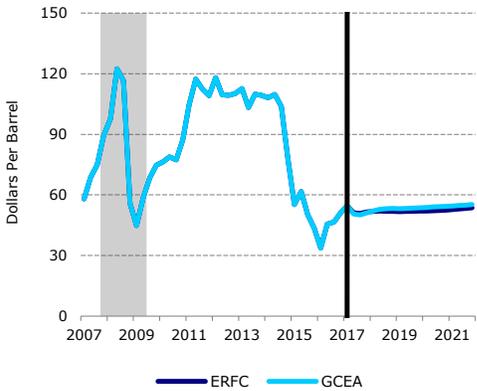
Source: BEA, ERFC, GCEA; data through 2017 Q1

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2017 Q1

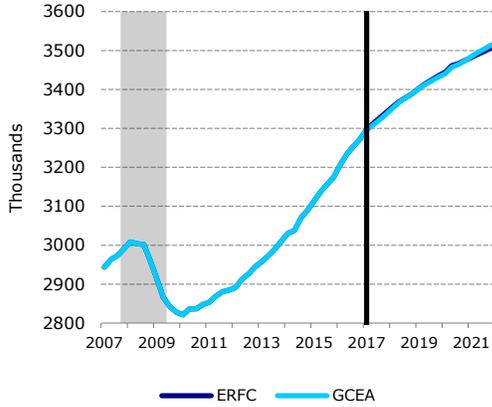
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2017 Q1

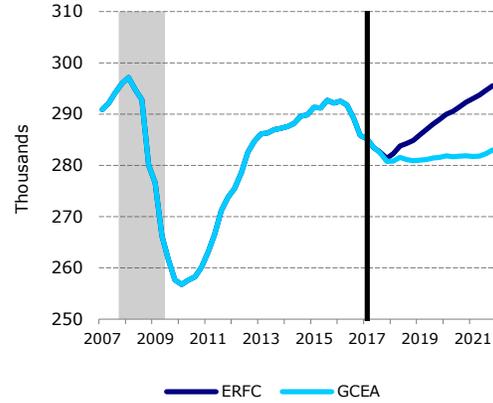
Washington Forecast Comparison

Nonfarm Payroll Employment



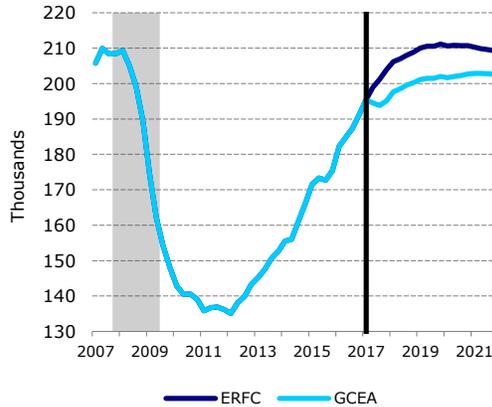
Source: ESD, ERFC, GCEA; data through 2017 Q1

Manufacturing Employment



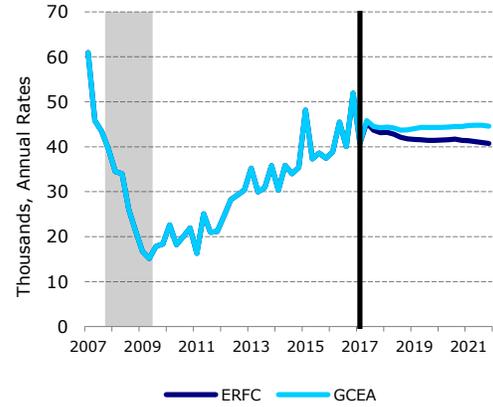
Source: ESD, ERFC, GCEA; data through 2017 Q1

Construction Employment



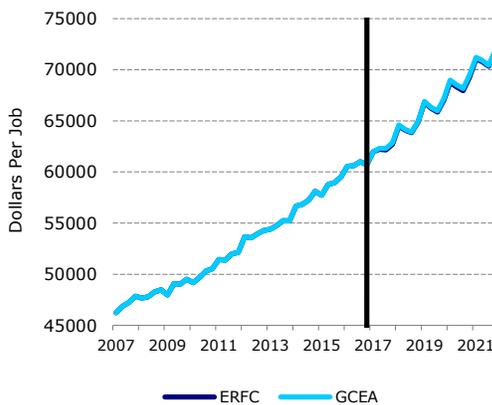
Source: ESD, ERFC, GCEA; data through 2017 Q1

Housing Units Authorized



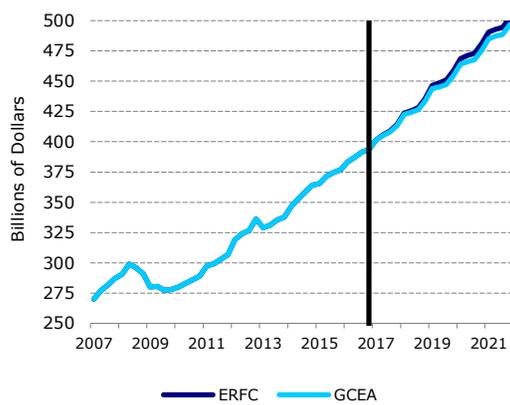
Source: Census, ERFC, GCEA; data through 2017 Q1

Average Annual Wage



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

Personal Income



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

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
March 2017 Revenue Forecast	38,227.1	735.3	38,962.5
June 2017 Revenue Forecast Change	81.2	(2.5)	78.7
Current Revenue Totals	38,308.3	732.8	39,041.1
Transfer to Budget Stabilization Account (1% of GSR)	(382.4)		(382.4)
Transfer to Budget Stabilization Account (EORG)	(868.8)		(868.8)
Transfer from BSA (EORG)	75.0		75.0
CAFR Adjustment	(8.3)	(10.0)	(18.3)
Other Enacted Fund Transfers	208.8		208.8
Actual/Assumed Prior Period Adjustments	87.6		87.6
Total Resources (including beginning fund balance)	38,411.1	743.1	39,154.2
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)	882.2	44.0	926.2
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	513.1		513.1
Plus Transfers from General Fund, Interest Earnings and Adjustments	1,258.2		1,258.2
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	1,543.8		1,543.8
Total Reserves (Near General Fund plus Budget Stabilization)	2,426.1	44.0	2,470.1

Acronyms

GSR- General State Revenues

EORG- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report