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Revenue Review

March 20, 2019



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

March 20, 2019
10:00 a.m.

- Call to order
- Approval meeting minutes from March 7, 2019
- Economic & Revenue Forecast
 - Adoption of the Official Forecast
- Adjournment

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

**Meeting Minutes
Economic Review**

March 7, 2019

John A Cherberg, Senate Hearing Room 3

Economic and Revenue Forecast Council

Staff

Members Present

Ed Orcutt, House of Representatives, Council Chair
John Braun, Senate
Christine Rolfes, Senate
Timm Ormsby, House of Representatives
Duane Davidson, Treasurer
David Schumacher, Office of Financial Management

Steve Lerch, Executive
Director

Call to Order

Representative Orcutt called the meeting to order at 8:58 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 Washington's economic growth, one-time factors inclusion in the forecast, cannabis volatility and housing growth relative to population.

Motion

Representative Ormsby made a motion to approve the meeting minutes from the January 30, 2019 meeting, seconded by Representative Orcutt. Council approved the motion at 9:22 a.m.

Adjournment

Meeting adjourned at 9:22 a.m.

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



Economic & Revenue Review: March 20, 2019

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's March 2019 Control forecast for the U.S. economy. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. The March Blue Chip forecast for real GDP growth in 2019 was 2.4%, down from 2.6% in November. The Blue Chip long-range forecast was updated in March with real GDP growth now expected to be 1.9%, 1.7%, 1.9% and 2.0% in 2020 through 2023. This compares to growth rates of 1.8%, 1.8%, 1.9% and 2.1% for 2020 through 2023 in the November forecast.
- Our oil price forecast reflects the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Friday, March 8, 2019 closing prices for Brent and WTI futures. The latest futures prices are slightly lower than the prices used in the November forecast. The refiner acquisition price of crude oil in 2019 is now expected to average \$59 per barrel compared to \$60 in the November forecast. By 2023, the refiner acquisition price is expected to average \$55 per barrel compared to \$59 in the November forecast.
- The U.S. economy added 20,000 net new jobs in February, well below the average of 253,000 jobs added in the last four months. Employment data for December and January were revised up by 12,000 jobs. Sectors with notable employment gains in February included professional and technical services (+22,000), health care (+21,000), administrative and waste services (+16,000), and wholesale trade (+11,000). Sectors with net employment declines in February included construction (-31,000), educational services (-19,000), state government education (-6,000) and retail trade (-6,000).
- Two key measures of consumer confidence increased this month. Consumers responding to the University of Michigan consumer sentiment survey responded positively to the end of the federal government shutdown and indicated that long-term inflation expectations have dropped to very low levels. This resulted in a 4.3-point increase to 95.5 in the sentiment index in February. The Conference Board index of consumer confidence increased by 9.7 points in February to 131.4. Consumers responding to the Conference Board survey also reacted positively to the end of the government shutdown and indicated they expect the economy to continue expanding albeit at a more moderate pace.
- U.S. housing data continue to be mixed. Housing units authorized by building permits in January were 1.4% (SA) above their December 2018 level but 1.5% below their year-ago level. January housing starts increased by 18.6% (SA) compared to December 2018 but were 7.8% below their January 2018 level. New home sales in January decreased by 6.9% (SA) relative to December 2018 and were 4.1% below their year-ago level. Existing home

sales decreased in January, falling by 1.2% (SA) compared to December. Existing home sales in January were at their slowest pace since November 2015 and are 8.5% below their year-ago level. The seasonally adjusted Case-Shiller national home price index for December was 0.3% above its November level and 4.7% above its year-ago level.

- Major threats to the U.S. and Washington economies remain, including international trade concerns, geopolitical risks and a maturing economic expansion.

Washington

- We have four months of new Washington employment data since the November forecast. Total nonfarm payroll employment rose 24,900 (seasonally adjusted) in November, December, January, and February, which was 1,800 more than the 23,100 expected in the November forecast. Manufacturing added 3,400 jobs, including 1,100 aerospace jobs. Construction added 300 jobs and government payrolls added 800 jobs. Private services-providing sectors added 20,400 jobs in the four-month period.
- 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 October 2018 by 14,100 jobs (0.4%). As a result of the downward revision to history and stronger-than-expected growth, the combined effect is 12,300 (0.4%) fewer jobs in February 2019 than expected in the November forecast.
- Washington's February unemployment rate was 4.5%, unchanged from November, December, and January. A year ago, in February 2018, the Washington unemployment rate stood at 4.6%. The current rate is just slightly higher than the all-time low of 4.4%.
- In December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2018. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) data. Our current estimate of Washington personal income in the third quarter of 2018 is \$0.1 billion (0.0%) lower than assumed in the November forecast. Wages were \$1.1 billion (-0.4%) lower than expected but nonwage income was \$0.9 billion (0.4%) above the forecast.
- In a sign that the local housing market has cooled, seasonally adjusted Seattle area home prices fell 0.1% in December according to the S&P/Case-Shiller Home Price Indices. This was the sixth consecutive monthly decline. In December, the over-the-year growth was 5.1% in Seattle compared to 12.7% a year ago. Seattle home prices are still up 88% since the December 2011 trough and exceed the May 2007 peak by 31%.
- Seattle area consumer price inflation remains above the national average. Over the last year, from February 2018 to February 2019, consumer prices in the Seattle area rose 2.7% (seasonally adjusted) compared to 1.5% for the U.S. city average. Core prices, which exclude food and energy, increased 3.0% in Seattle compared to 2.1% for the nation.

- A huge reduction in agricultural exports caused the first decline in overall Washington exports in more than a year. Washington exports decreased 2.7% in the fourth quarter of 2018 compared to the fourth quarter of 2017. Exports of agricultural products fell 29.5% over the year. Transportation equipment exports (mostly Boeing planes) increased 1.8% and exports of all other commodities (mostly manufacturing) increased 3.6%.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased in February and remained in positive territory. The index, which measures conditions in the manufacturing sector, increased from 54.5 in January to 61.1 in February (index values above 50 indicate growth while values below 50 indicate contraction). The index has exceeded 50 in each of the last 19 months. The production, orders, employment, and inventory components all indicated expansion in February while the deliveries component indicated contraction.
- Car and truck sales plummeted in February to the lowest level in nearly five years but unusually severe winter weather may have held down sales. Seasonally adjusted new vehicle registrations fell 11.0% to 268,200 (SAAR) in February. Sales are down 11.9% over the year and 19.9% since the November 2017 post-recession peak.
- We expect 2.2% Washington employment growth this year, the same rate we expected in the November forecast. As in November, we expect growth to decelerate. We expect employment growth to average 1.1% per year in 2020 through 2023, which is also the same rate as in the November forecast. Our forecast for nominal personal income growth this year is 4.6%, down from 4.7% in the November forecast. Our new forecast for nominal personal income growth in 2020 through 2023 averages 4.8% per year, the same rate as in the November forecast.

Revenue

- Cumulative major General Fund-State (GF-S) revenue collections from November 11, 2018 through March 10, 2019 were \$245 million (3.7%) higher than forecasted in November. About 30% of the extra revenue, however, came from non-economic factors such as one-time large payments and early payment of taxes which were expected to arrive later. Adjusted for these factors, \$172 million of the forecast variance arose from higher-than-expected economic activity, a variance of 2.6% from the November forecast.
- Revenue Act taxes (retail sales and use, business and occupation, public utility and non-cigarette tobacco products taxes), which make up the bulk of GF-S revenue, have come in \$174 million (3.2%) higher than forecasted in November. Though the changes to the economic forecast were slight, the stronger-than-expected taxable activity has resulted in increases to forecasted Revenue Act receipts of \$182 million for the current biennium, \$288 million for the 2019-21 biennium and \$222 million for the 2019-21 biennium.
- Senate Substitute Bill 5581, signed into law during the current legislative session, facilitates the collection of state taxes on online sales by out-of-state vendors. This bill is expected to increase GF-S revenue by \$115 million in the

- 2019-21 biennium and \$190 million in the 2021-23 biennium, in addition to the increases described above.
- Cumulative real estate excise taxes (REET) came in \$30 million (11.2%) higher than forecasted. Large commercial sales continued to occur well above forecasted levels while residential sales activity was closer to the forecast. Forecasted REET receipts have been increased by \$52 million in the current biennium, \$20 million in the 2019-21 biennium and \$4 million in the 2021-23 biennium.
 - Since November, the assessed value of state property for the 2019 levy was finalized at a higher level than assumed in the November forecast. The additional assessed value has increased forecasted property tax receipts by \$34 million in the current biennium, \$148 million in the 2019-21 biennium and \$168 million in the 2021-23 biennium.
 - The total forecast increase for GF-S revenue for the current biennium is \$256 million. Forecasted GF-S revenue increased by \$545 million in the 2019-21 biennium and \$559 million in the 2021-23 biennium.
 - Forecasted revenue also increased for the Education Legacy Trust Account (ELTA) and Opportunity Pathways Account (OPA). Adding these increases to the GF-S forecast increases, Near GF-S revenue is forecasted to increase by \$307 million in the current biennium, \$553 million in the 2019-21 biennium and \$564 million in the 2021-23 biennium.
 - Forecasted Near GF-S revenue for the 2017-19 biennium is now \$46.106 billion, 18.1% more than that of the 2015-17 biennium. Forecasted Near GF-S revenue for the 2019-21 biennium is now \$50.555 billion, 9.6% higher than expected 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$54.358 billion, an increase of 7.5% over expected 2019-21 biennial revenue.

Revenue Review

Presented to
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

March 20, 2019
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- U.S., WA forecasts similar to the November forecast
- Baseline forecast has slowing growth but no recession
- Potential impact of 737 MAX grounding adds a new downside risk
- The Near General Fund-State forecast is increased by \$307 million for the 2017-19 biennium and by \$554 million for 2019-21 biennium

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Data updates since preliminary forecast

U.S.

- February employment: +20,000 jobs
- February unemployment rate: dropped from 4.0% to 3.8%
- 2018 Q4 GDP: 0.05% higher than preliminary
- March Blue Chip GDP forecast: slightly lower than preliminary

Washington

- February employment: -4,700 jobs

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Selected forecast risks

Labor markets

- Unemployment rate, initial UI claims low
- Job growth has been strong until February

737 MAX

- Currently, impact on WA employment and personal income unclear

International trade policy

- Late March China – U.S. trade deal seems less likely

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U.S. retail sales growth has slowed recently



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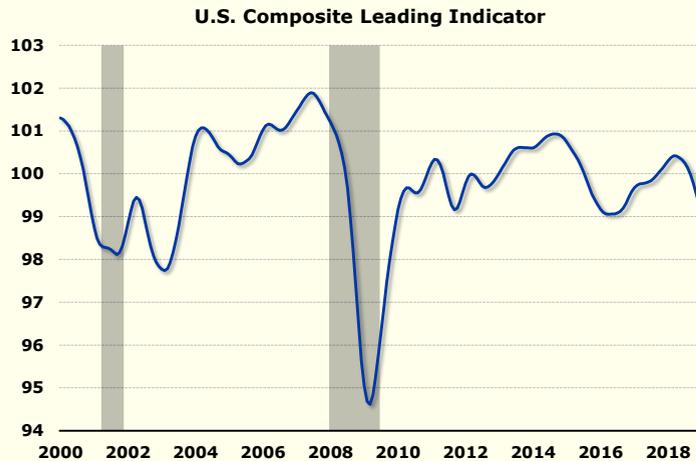
Source: U.S. Census Bureau data through January 2019

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OECD leading index suggests slowing growth in next 6 – 9 months

The index is designed so the long-term average is 100.



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Source: Organization for Economic Cooperation and Development, data through Jan. 2019

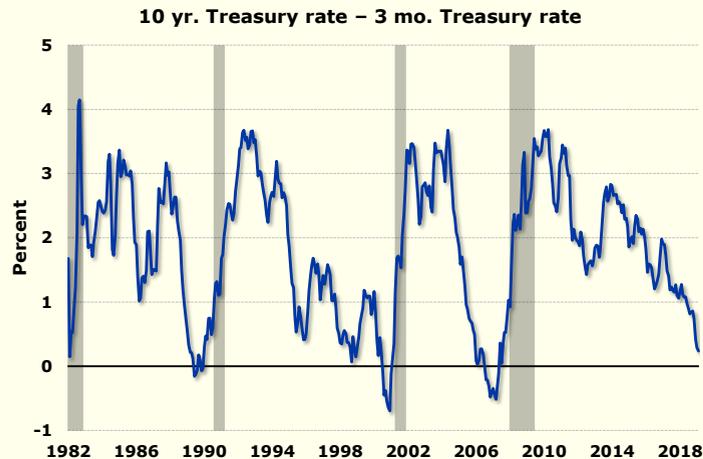
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An inverted yield curve (short-term interest rates > long-term rates) is a consistent recession predictor

As of February 2019, 10 year Treasury bond yields were 0.24% above three month Treasury bill yields



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Source: Federal Reserve Bank of St. Louis, data through Feb. 2019

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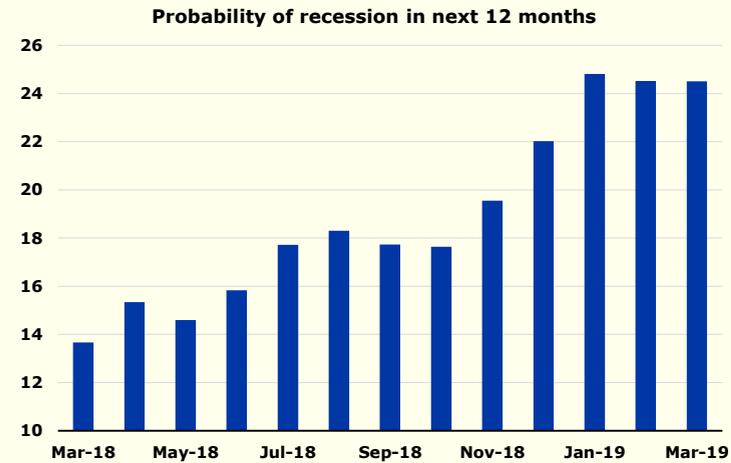
Wall Street Journal economists' survey shows recession probability rising but below 25%

GCEA members:

Average probability of recession in next 12 months = 36%

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Source: Wall Street Journal economists' survey, data through Mar. 2019

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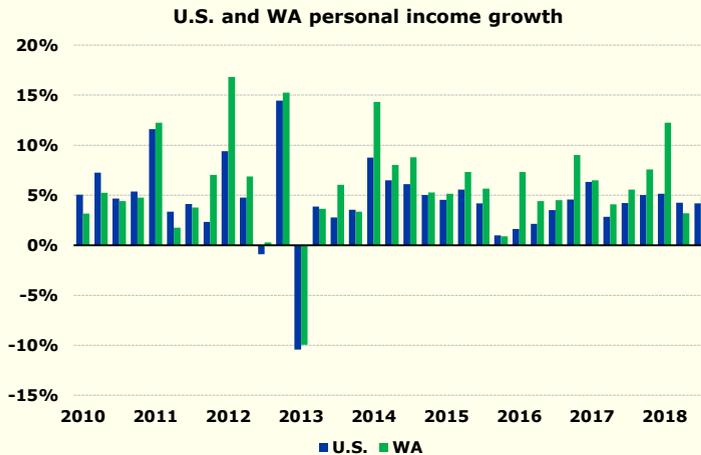


WA personal income growth has outpaced the U.S. in 26 of last 35 quarters

WA personal income growth is expected to average 4.8% per year for 2019 - 2023

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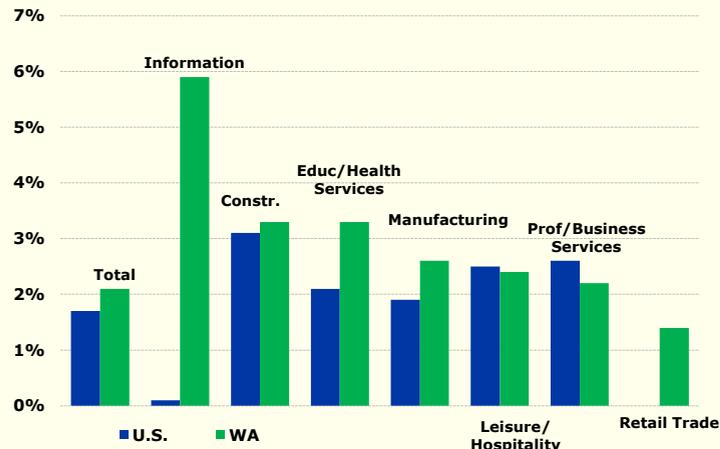


Source: U.S. Bureau of Economic Analysis, data through 2018 Q3

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Washington vs U.S. employment growth: Feb. 2018 to Feb. 2019



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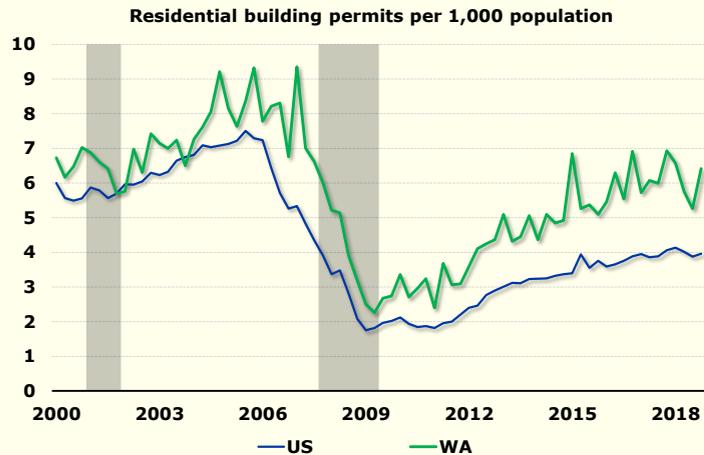
Source: U.S. Bureau of Labor Statistics, Employment Security Dept., ERFC; data through Feb. 2019

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



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Source: U.S. Census Bureau, ERFC; data through 2018 Q4

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After four consecutive quarters of growth, WA exports declined in the fourth quarter of 2018

Total Export Growth

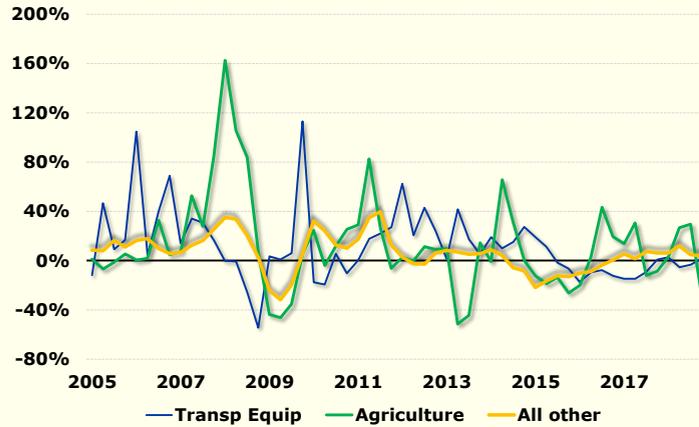
2017Q4: 0.6%
2018Q1: 3.9%
2018Q2: 3.7%
2018Q3: 2.6%

2018Q4:
-2.7%

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WA exports, year over year growth



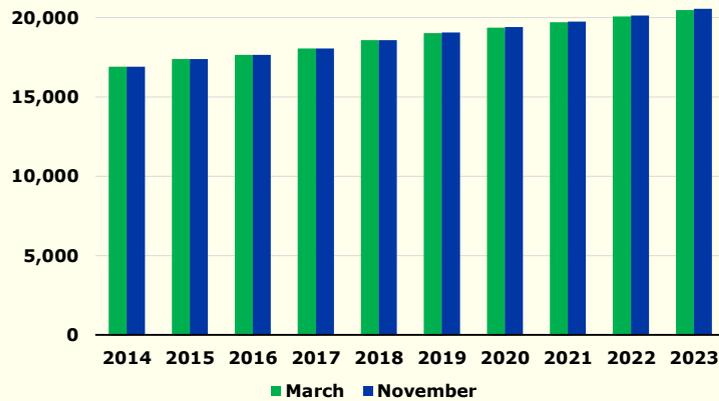
Source: WISERTrade; data through 2018 Q4

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GDP is slightly lower than in November

U.S. GDP



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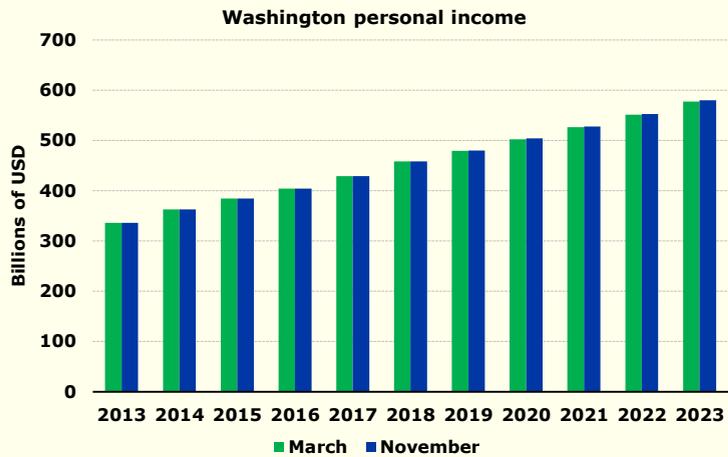
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Source: ERFC March 2019 forecast; historical data through 2018

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Washington personal income is slightly lower than in November



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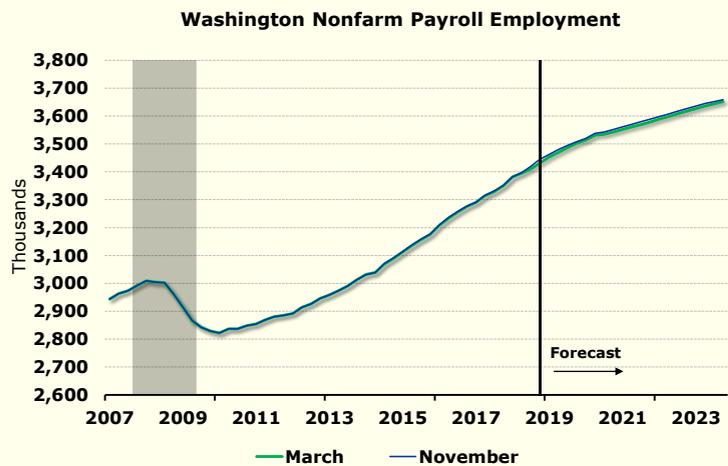
Source: ERFC March 2019 forecast; historical data through 2017

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Washington employment forecast is slightly lower than in November



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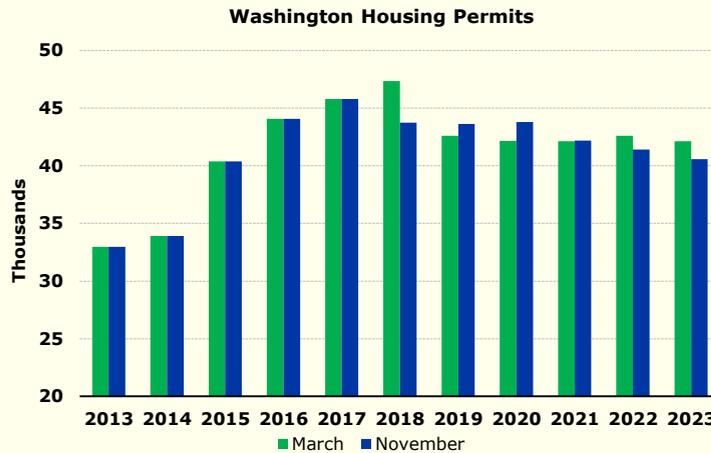
Source: ERFC March 2019 forecast; historical data through Q4 2018

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Permits forecast for 2019 – 2023: average unchanged, timing slightly different compared to November



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Source: ERFC March 2019 forecast; historical data through 2018

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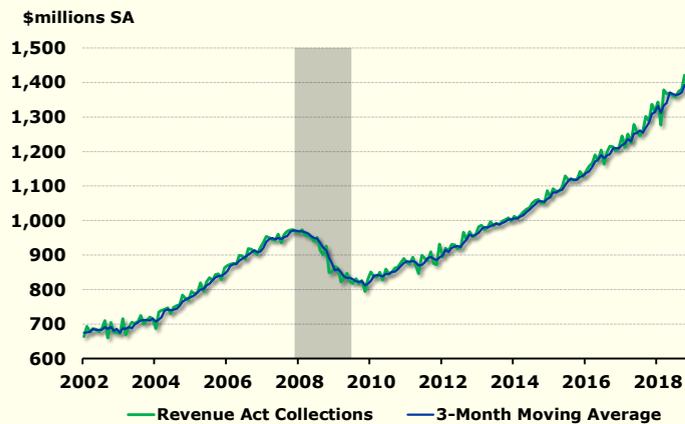
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Revenue Act collections growth has been strong

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

2017Q4: 8.3%
2018Q1: 8.2%
2018Q2: 8.8%
2018Q3: 7.6%
2018Q4: 7.4%



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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 January 2019 activity

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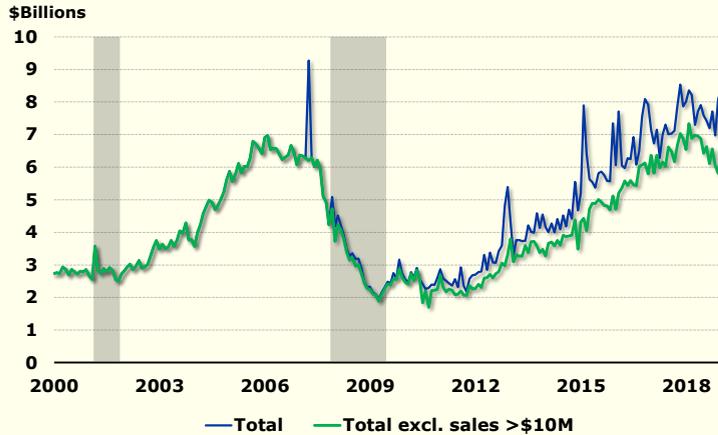
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Taxable REET activity declined in February but remained strong

There were \$1.0 billion in large commercial sales (>\$10 million) in February, down from \$1.87 billion in January.

Seasonally Adjusted Taxable Real Estate Excise Activity



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Source: ERFC; Monthly data through February 2019 preliminary

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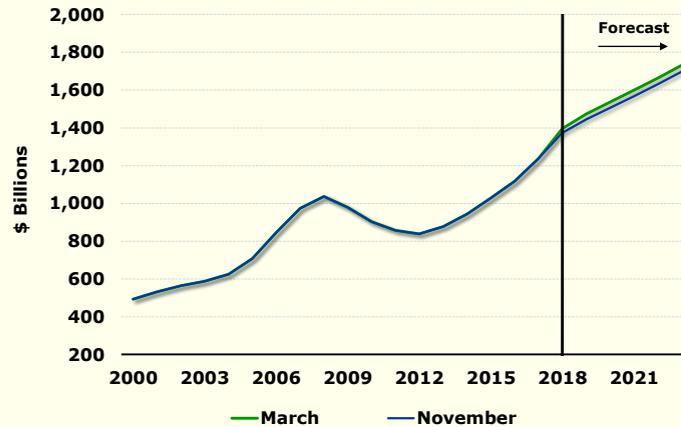


Assessed value on existing properties increased between November, March forecasts

November forecast for growth in Market Value: 10.9%

Actual growth: 12.6%

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



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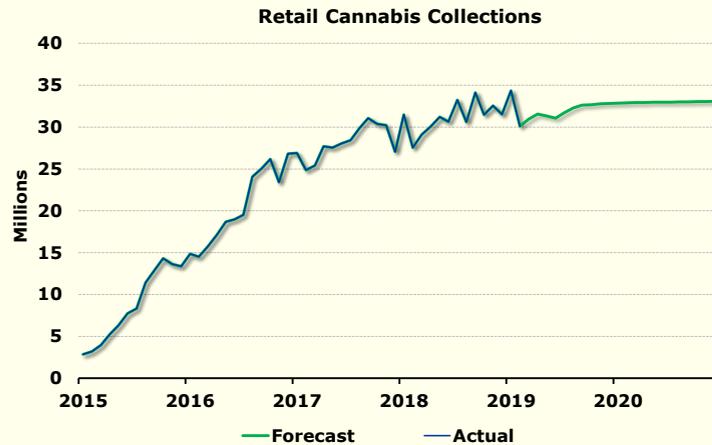
Source: ERFC March 2019 forecast; historical data through 2018

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Cannabis revenue growth is expected to moderate



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Source: ERFC March 2019 forecast; historical data through February 2019

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Cannabis excise tax and license fee estimates

Total change since November forecast:

- 2017-19 +\$0.02M
- 2019-21 +\$1.67M
- 2021-23 -\$2.85M

\$Millions

Cannabis Forecast

	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>
GF-S share of excise tax and license fees	\$247	\$272	\$291
Non-GF	\$501	\$527	\$545
Total	\$749	\$799	\$836

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* Detail may not add to total due to rounding

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

As of March 11, General Fund-State collections were \$245.0 million higher than the November forecast.

\$Millions	<u>November 2018 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>March 2019 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$43,926	\$0	\$256	\$44,182	\$256
Education Legacy Trust Account	\$1,591	\$0	\$51	\$1,642	\$51
WA Opportunity Pathways Account	\$282	\$0	\$0.2	\$282	\$0.2
Total Near GF-S	\$45,799	\$0	\$307	\$46,106	\$307

* Forecast for the 2017-19 biennium adopted November 20, 2018
Detail may not add to total due to rounding

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

\$Millions	<u>November 2018 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>March 2019 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$49,064	\$115	\$430	\$49,609	\$545
Education Legacy Trust Account	\$672	\$0	\$1	\$673	\$1
WA Opportunity Pathways Account	\$266	\$0	\$8	\$274	\$8
Total Near GF-S	\$50,002	\$115	\$439	\$50,555	\$553

* Forecast for the 2019-21 biennium adopted November 20, 2018
Detail may not add to total due to rounding

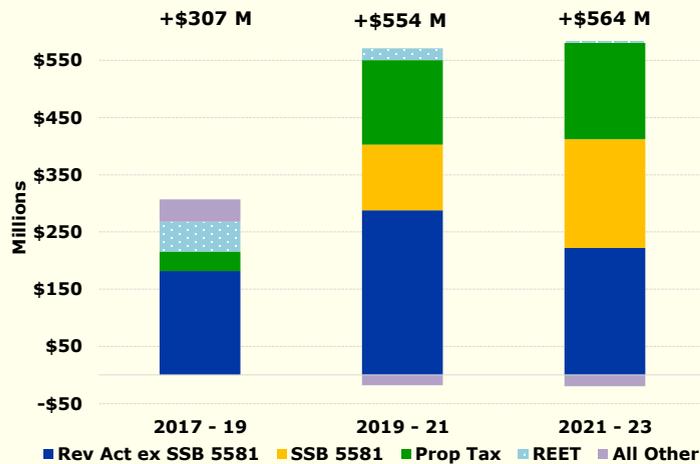
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Near GF-S forecast changes by source



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Source: ERFC March 2019 forecast

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2017-19 Biennium alternative General Fund-State forecasts

	2017-19 Biennium	Difference From the baseline [#]
\$Millions (cash basis)		
March 2019 Baseline (70%)	\$44,182	
March 2019 Alternative Forecasts		
Optimistic (15%)	\$44,413	\$231
Pessimistic (15%)	\$43,938	(\$243)
Probability Weighted Average	\$44,180	(\$2)
GCEA*	\$44,198	\$17

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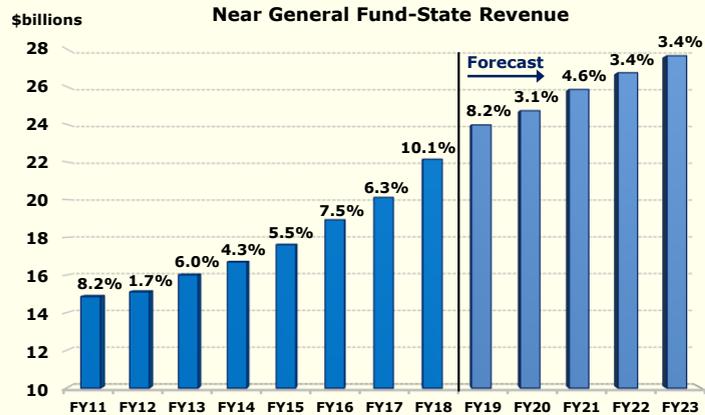
*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

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Near General Fund-State* forecast by fiscal year



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*Near General Fund-State equals General Fund-State plus Education Legacy Trust and Washington Opportunities Pathway Accounts
Source: ERFC forecast, March 2019

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Conclusion

- Economic forecasts are only slightly changed from November
- Washington's economy is continuing to outperform the nation but not as dramatically as in past
- GF-S revenues are expected to grow 15.3% between the 2015-17 and 2017-19 biennia and 12.3% between the 2017-19 and 2019-21 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

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Questions

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Economic & Revenue Forecast Council
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Total Changes to General Fund-State, Education Legacy Trust Account and Washington Opportunity Pathways Account Forecasts

Comparison of the March 2019 to the November 2018 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	November 2018 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	March 2019 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$43,926.1	\$0.0	\$255.7	\$44,181.7	\$255.7
Education Legacy Trust Account	\$1,591.1	\$0.0	\$51.1	\$1,642.2	\$51.1
WA Opportunity Pathways Account	\$282.2	\$0.0	\$0.2	\$282.4	\$0.2
Total	\$45,799.3	\$0.0	\$307.0	\$46,106.4	\$307.0

*Forecast for the 2017-19 biennium adopted November 20, 2018

[#]Details may not add due to rounding

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

Comparison of the March 2019 to the November 2018 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	November 2018 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	March 2019 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$49,063.9	\$114.9	\$429.8	\$49,608.6	\$544.7
Education Legacy Trust Account	\$671.9	\$0.0	\$0.9	\$672.8	\$0.9
WA Opportunity Pathways Account	\$266.0	\$0.0	\$7.9	\$273.9	\$7.9
Total	\$50,001.8	\$114.9	\$438.6	\$50,555.3	\$553.5

*Forecast for the 2019-21 biennium adopted November 20, 2018

[#]Details may not add due to rounding

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

Comparison of the March 2019 to the November 2018 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	November 2018 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	March 2019 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$52,777.6	\$190.0	\$369.0	\$53,336.7	\$559.1
Education Legacy Trust Account	\$714.5	\$0.0	\$0.2	\$714.6	\$0.2
WA Opportunity Pathways Account	\$302.5	\$0.0	\$4.7	\$307.2	\$4.7
Total	\$53,794.5	\$190.0	\$373.9	\$54,358.5	\$563.9

*Forecast for the 2021-23 biennium adopted November 20, 2018

[#]Details may not add due to rounding

Track Record for the 2017-19 General Fund-State Cash Forecast
 February 2014 through March 2019
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2014[#]	\$36,887	\$1,823				\$38,710
Changes to Forecast						
June 2014	265	50	315	(1) ^{#1}	313	39,023
September 2014	227	(63)	164	0	164	39,188
November 2014	388	26	415	0	415	39,602
February 2015	126	28	154	0	154	39,757
June 2015	257	64	321	122 ^{#2}	443	40,200
September 2015	4	47	52	286 ^{#3}	338	40,538
November 2015	35	(5)	30	0	30	40,567
February 2016	(449)	7	(442)	0	(442)	40,125
June 2016	187	(53)	134	(8) ^{#4}	126	40,252
September 2016	135	(10)	125	0	125	40,377
November 2016	131	6	137	0	137	40,514
March 2017	281	22	303	0	303	40,817
June 2017	84	3	87	(1) ^{#5}	87	40,903
September 2017	269	11	279	2,079 ^{#6}	2,359	43,262
November 2017	297	7	304	0	304	43,566
February 2018	631	16	647	0	647	44,213
June 2018	447	46	493	(1,173) ^{#7}	(680)	43,532
September 2018	231	44	275	0	275	43,808
November 2018	118	1	118	0	118	43,926
March 2019	266	(10)	256	0	256	44,182
Total change***:						
From February 2014	3,931	236	4,167	1,304	5,472	
Percent change	10.7	13.0	10.8	3.4	14.1	

Track Record for the 2019-21 General Fund-State Cash Forecast
 February 2016 through March 2019
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2016[#]	\$36,887	\$1,823				\$43,441
Changes to Forecast						
June 2016	172	(31)	141	(7) ^{#4}	134	43,575
September 2016	86	(31)	55	0	55	43,630
November 2016	21	4	26	0	26	43,656
March 2017	241	(55)	186	0	186	43,842
June 2017	47	(13)	34	(1) ^{#5}	34	43,875
September 2017	245	(3)	243	3,278 ^{#6}	3,521	47,396
November 2017	188	(2)	186	0	186	47,582
February 2018	655	16	671	0	671	48,253
June 2018	426	22	448	(181) ^{#7}	267	48,520
September 2018	295	22	317	38 ^{#8}	355	48,875
November 2018	186	3	189	0	189	49,064
March 2019	465	(35)	430	115 ^{#9}	545	49,609
Total change***:						
From February 2016	3,029	(104)	2,925	3,242	6,168	
Percent change	8.2	(5.7)	6.7	7.5	14.2	

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

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

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

[#] First official forecast for the 2017-19 biennium.

[#] First official forecast for the 2019-21 biennium.

^{#1} Sum of legislative and budget-driven revenue changes from the 2014 regular legislative session

^{#2} Legislative revenue changes from 2015 regular legislative session

^{#3} Legislative and budget driven revenue changes from 2015 special legislative sessions

^{#4} Legislative revenue changes from the 2016 regular and first special legislative sessions

^{#5} Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

^{#6} Sum of legislative and budget driven revenue changes from 2017 special legislative sessions since the June 2017 forecast

^{#7} Sum of legislative and budget driven revenue changes from the 2018 legislative session

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

^{#9} Effects of SSB 5581, passed in March of 2019 legislative session

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
2002	(1.4)	1.3	(1.1)
2003	2.1	3.0	0.7
2004	4.6	4.6	1.0
2005	7.9	5.4	1.5
2006	10.1	8.3	1.2
2007	7.9	8.5	0.9
2008	2.7	8.1	0.3
2009	(10.4)	(1.1)	9.6
2010	(5.4)	(1.5)	3.6
2011	1.8	5.1	0.4
2012	4.1	6.9	0.6
2013	6.7	5.4	1.2
2014	5.8	4.6	1.3
2015	8.1	7.7	1.0
2016	8.4	5.1	1.7
2017	6.3	5.7	1.1
2018	7.7	6.7	1.2
2019	5.1	5.6	0.9
2020	3.9	4.7	0.8
2021	3.3	4.8	0.7
2022	3.5	4.8	0.7
2023	3.4	4.8	0.7
Average 2002-2018:	4.1	5.1	0.8
II. Business & Occupation			
2002	(3.5)	1.3	(2.6)
2003	(1.6)	3.0	(0.5)
2004	6.8	4.6	1.5
2005	9.7	5.4	1.8
2006	11.2	8.3	1.4
2007	8.3	8.5	1.0
2008	6.9	8.1	0.8
2009	(8.8)	(1.1)	8.2
2010	(2.9)	(1.5)	1.9
2011	4.4	5.1	0.9
2012	8.0	6.9	1.2
2013	6.8	5.4	1.3
2014	5.4	4.6	1.2
2015	5.4	7.7	0.7
2016	2.9	5.1	0.6
2017	3.6	5.7	0.6
2018	7.4	6.7	1.1
2019	5.7	5.6	1.0
2020	4.4	4.7	0.9
2021	4.2	4.8	0.9
2022	4.5	4.8	1.0
2023	4.2	4.8	0.9
Average 2002-2018:	4.5	5.1	0.9

* Based on constant base taxable data.

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

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
2002	(5.8)	1.3	(4.3)
2003	(1.4)	3.0	(0.5)
2004	5.6	4.6	1.2
2005	14.0	5.4	2.6
2006	2.3	8.3	0.3
2007	9.0	8.5	1.1
2008	2.1	8.1	0.3
2009	(13.0)	(1.1)	12.1
2010	(5.9)	(1.5)	3.9
2011	11.4	5.1	2.2
2012	1.9	6.9	0.3
2013	7.4	5.4	1.4
2014	9.7	4.6	2.1
2015	8.9	7.7	1.2
2016	2.0	5.1	0.4
2017	4.6	5.7	0.8
2018	5.5	6.7	0.8
2019	3.1	5.6	0.6
2020	0.5	4.7	0.1
2021	3.3	4.8	0.7
2022	5.8	4.8	1.2
2023	4.2	4.8	0.9
Average 2002-2018:	3.8	5.1	0.7

Total Revenue Act Receipts

March 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity##
	Tax Receipts [#]	Personal Income ¹	
Revenue Act			
2002	(1.7)	1.3	(1.2)
2003	1.0	3.0	0.3
2004	4.8	4.6	1.0
2005	7.6	5.4	1.4
2006	10.6	8.3	1.3
2007	8.3	8.5	1.0
2008	4.2	8.1	0.5
2009	(9.5)	(1.1)	8.9
2010	(5.3)	(1.5)	3.5
2011	8.1	5.1	1.6
2012	1.3	6.9	0.2
2013	5.9	5.4	1.1
2014	4.6	4.6	1.0
2015	5.6	7.7	0.7
2016	8.5	5.1	1.7
2017	6.3	5.7	1.1
2018	7.2	6.7	1.1
2019	7.6	5.6	1.4
2020	3.8	4.7	0.8
2021	3.9	4.8	0.8
2022	3.7	4.8	0.8
2023	3.7	4.8	0.8
Average 2002-2018:	4.2	5.1	0.8

* Based on constant base taxable data.

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

Post-ESSB 5073 definition of Revenue Act

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

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

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

History and Forecast by Fiscal Year (Cash basis)

March 2019 - Millions of Dollars

	General Fund-State (GF-S) (current definition)		Education Legacy Trust Fund* (ELTA)		Total GF-S plus ELTA		WA Opportunity Pathways Account (OPA)		Total GF-S plus ELTA and OPA	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1999	\$10,414	3.6%			\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$11,068	6.3%			\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$11,560	4.4%			\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$11,632	0.6%			\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$11,721	0.8%			\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$12,358	5.4%			\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$13,036	5.5%			\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115		\$14,432	10.7%			\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%			\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%			\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%			\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%			\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%	\$99		\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%	\$118	19.1%	\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%	\$126	5.9%	\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$16,580	4.4%	\$114	-9.4%	\$16,694	4.3%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$17,491	5.5%	\$120	5.7%	\$17,611	5.5%
FY 2016	\$18,579	7.5%	\$215	3.6%	\$18,793	7.4%	\$139	15.7%	\$18,933	7.5%
FY 2017	\$19,739	6.2%	\$252	17.5%	\$19,991	6.4%	\$127	-9.0%	\$20,118	6.3%
FY 2018	\$21,712	10.0%	\$302	19.6%	\$22,014	10.1%	\$129	1.5%	\$22,143	10.1%
Forecast:										
FY 2019	\$22,469	3.5%	\$1,340	344.1%	\$23,810	8.2%	\$154	19.7%	\$23,964	8.2%
FY 2020	\$24,247	7.9%	\$331	-75.3%	\$24,578	3.2%	\$137	-10.7%	\$24,715	3.1%
FY 2021	\$25,362	4.6%	\$342	3.2%	\$25,704	4.6%	\$137	-0.6%	\$25,840	4.6%
FY 2022	\$26,228	3.4%	\$352	3.0%	\$26,580	3.4%	\$149	9.5%	\$26,730	3.4%
FY 2023	\$27,108	3.4%	\$363	3.1%	\$27,471	3.4%	\$158	5.5%	\$27,629	3.4%
Biennial Totals										
05-07 Biennium	\$29,785	17.3%	\$381	NA	\$30,166	18.8%	\$0	NA	\$30,166	18.8%
07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%	\$99	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%	\$244	145.2%	\$31,116	8.8%
13-15 Biennium	\$33,666	9.8%	\$405	88.0%	\$34,071	10.4%	\$234	-4.1%	\$34,305	10.2%
15-17 Biennium	\$38,317	13.8%	\$467	15.4%	\$38,785	13.8%	\$266	13.6%	\$39,050	13.8%
17-19 Biennium	\$44,182	15.3%	\$1,642	251.5%	\$45,824	18.1%	\$282	6.3%	\$46,106	18.1%
19-21 Biennium	\$49,609	12.3%	\$673	-59.0%	\$50,281	9.7%	\$274	-3.0%	\$50,555	9.6%
21-23 Biennium	\$53,337	7.5%	\$715	6.2%	\$54,051	7.5%	\$307	12.1%	\$54,358	7.5%

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

Lottery Transfers by Fund

(cash basis, millions of dollars)

	Lottery: Total Transfers:*		Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account	Gambling Revolving Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0	0.0	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0	0.0	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	0.0	0.0
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5	125.5	0.0	0.0	0.0
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9	244.0	0.2	0.0	0.0
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1	0.0
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7	120.2	0.0	6.1	0.0
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4	233.9	0.0	16.1	0.0
2016	171.6	17.1	0.0	11.7	0.0	0.0	0.3	3.3	139.1	0.0	0.0	0.0
2017	159.7	14.8	0.0	12.2	0.0	0.0	0.3	4.8	126.6	0.0	0.0	1.0
2015-17 Biennium	331.2	31.9	0.0	23.8	0.0	0.0	0.7	8.0	265.7	0.0	0.0	1.0
2018	183.6	38.5	0.0	12.6	0.0	0.0	0.3	3.5	128.5	0.0	0.0	0.0
2019	203.3	30.6	0.0	13.1	0.0	0.0	0.4	5.3	153.9	0.0	0.0	0.0
2017-19 Biennium	386.9	69.1	0.0	25.8	0.0	0.0	0.7	8.8	282.4	0.0	0.0	0.0
2020	183.4	27.8	0.0	13.7	0.0	0.0	0.4	4.1	137.4	0.0	0.0	0.0
2021	186.5	31.2	0.0	14.2	0.0	0.0	0.4	4.2	136.5	0.0	0.0	0.0
2019-21 Biennium	369.9	59.0	0.0	27.9	0.0	0.0	0.8	8.3	273.9	0.0	0.0	0.0
2022	189.3	35.2	0.0	0.0	0.0	0.0	0.4	4.2	149.5	0.0	0.0	0.0
2023	192.0	29.7	0.0	0.0	0.0	0.0	0.4	4.2	157.7	0.0	0.0	0.0
2021-23 Biennium	381.3	64.9	0.0	0.0	0.0	0.0	0.8	8.4	307.2	0.0	0.0	0.0

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

Source: Lottery Commission, ERF

Lottery Transfers by Fund

(GAAP 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	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0	0.0
2017	161.9	16.8	0.0	12.2	0.0	0.0	0.3	4.9	126.8	0.0	0.0	1.0
2015-17 Biennium	337.4	48.7	0.0	23.8	0.0	0.0	0.7	7.7	255.5	0.0	0.0	1.0
2018	183.0	31.2	0.0	12.6	0.0	0.0	0.4	4.6	134.2	0.0	0.0	0.0
2019	198.2	30.3	0.0	13.1	0.0	0.0	0.4	4.2	150.2	0.0	0.0	0.0
2017-19 Biennium	381.1	61.4	0.0	25.8	0.0	0.0	0.8	8.8	284.3	0.0	0.0	0.0
2020	183.8	29.1	0.0	13.7	0.0	0.0	0.4	4.2	136.4	0.0	0.0	0.0
2021	186.8	29.2	0.0	14.2	0.0	0.0	0.4	4.2	138.8	0.0	0.0	0.0
2019-21 Biennium	370.6	58.3	0.0	27.9	0.0	0.0	0.8	8.4	275.2	0.0	0.0	0.0
2022	189.5	29.3	0.0	0.0	0.0	0.0	0.4	4.2	155.6	0.0	0.0	0.0
2023	192.2	29.4	0.0	0.0	0.0	0.0	0.4	4.2	158.3	0.0	0.0	0.0
2021-23 Biennium	381.7	58.7	0.0	0.0	0.0	0.0	0.8	8.4	313.9	0.0	0.0	0.0

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

Source: Lottery Commission, ERFC

General Fund-State Cash Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2017-19 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,224.8	\$0.0	(\$31.0)	\$1,193.8	(\$31.0)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$489.2	\$0.0	\$0.7	\$490.0	\$0.7
Lottery Commission Lottery Revenue	\$61.8	\$0.0	\$7.3	\$69.1	\$7.3
State Treasurer Interest Earnings	\$30.3	\$0.0	\$6.2	\$36.5	\$6.2
Office of Financial Management Other Agencies	\$333.8	\$0.0	\$5.9	\$339.7	\$5.9
Administrative Office of the Courts Fines and Forfeitures	\$147.2	\$0.0	\$1.0	\$148.2	\$1.0
Total General Fund-State	\$2,287.0	\$0.0	(\$9.8)	\$2,277.2	(\$9.8)

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2017-19 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,224.8	\$0.0	(\$31.0)	\$1,193.8	(\$31.0)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$489.2	\$0.0	\$0.7	\$490.0	\$0.7
Lottery Commission Lottery Revenue	\$57.7	\$0.0	\$3.8	\$61.4	\$3.8
State Treasurer Interest Earnings	\$29.3	\$0.0	\$6.1	\$35.4	\$6.1
Office of Financial Management Other Agencies	\$333.8	\$0.0	\$5.9	\$339.7	\$5.9
Administrative Office of the Courts Fines and Forfeitures	\$147.2	\$0.0	\$1.0	\$148.2	\$1.0
Total General Fund-State	\$2,281.9	\$0.0	(\$13.5)	\$2,268.4	(\$13.5)

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2019-21 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,322.0	\$0.0	(\$39.6)	\$1,282.4	(\$39.6)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$545.1	\$0.0	\$5.8	\$550.9	\$5.8
Lottery Commission Lottery Revenue	\$62.5	\$0.0	(\$3.4)	\$59.0	(\$3.4)
State Treasurer Interest Earnings	\$50.0	\$0.0	(\$9.0)	\$41.0	(\$9.0)
Office of Financial Management Other Agencies	\$164.8	\$0.0	\$11.2	\$176.0	\$11.2
Administrative Office of the Courts Fines and Forfeitures	\$137.5	\$0.0	\$0.1	\$137.6	\$0.1
Total General Fund-State	\$2,281.8	\$0.0	(\$34.9)	\$2,246.9	(\$34.9)

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2019-21 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,322.0	\$0.0	(\$39.6)	\$1,282.4	(\$39.6)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$545.1	\$0.0	\$5.8	\$550.9	\$5.8
Lottery Commission Lottery Revenue	\$58.6	\$0.0	(\$0.3)	\$58.3	(\$0.3)
State Treasurer Interest Earnings	\$50.8	\$0.0	(\$10.0)	\$40.8	(\$10.0)
Office of Financial Management Other Agencies	\$164.8	\$0.0	\$11.2	\$176.0	\$11.2
Administrative Office of the Courts Fines and Forfeitures	\$137.5	\$0.0	\$0.1	\$137.6	\$0.1
Total General Fund-State	\$2,278.8	\$0.0	(\$32.7)	\$2,246.0	(\$32.7)

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2021-23 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,427.2	\$0.0	(\$34.5)	\$1,392.7	(\$34.5)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$583.8	\$0.0	\$2.5	\$586.3	\$2.5
Lottery Commission Lottery Revenue	\$65.9	\$0.0	(\$0.9)	\$64.9	(\$0.9)
State Treasurer Interest Earnings	\$51.6	\$0.0	(\$9.6)	\$42.0	(\$9.6)
Office of Financial Management Other Agencies	\$153.3	\$0.0	\$9.3	\$162.6	\$9.3
Administrative Office of the Courts Fines and Forfeitures	\$139.5	\$0.0	(\$0.0)	\$139.5	(\$0.0)
Total General Fund-State	\$2,421.2	\$0.0	(\$33.3)	\$2,388.0	(\$33.3)

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the March 2019 and November 2018 forecasts
 2021-23 Biennium
 (Amounts in Millions)

Source/Agency	November 2018 Baseline	Non-Economic Changes	Economic Changes	March 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,427.2	\$0.0	(\$34.5)	\$1,392.7	(\$34.5)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$583.8	\$0.0	\$2.5	\$586.3	\$2.5
Lottery Commission Lottery Revenue	\$58.9	\$0.0	(\$0.2)	\$58.7	(\$0.2)
State Treasurer Interest Earnings	\$51.5	\$0.0	(\$9.6)	\$41.9	(\$9.6)
Office of Financial Management Other Agencies	\$153.3	\$0.0	\$9.3	\$162.6	\$9.3
Administrative Office of the Courts Fines and Forfeitures	\$139.5	\$0.0	(\$0.0)	\$139.5	(\$0.0)
Total General Fund-State	\$2,414.1	\$0.0	(\$32.5)	\$2,381.6	(\$32.5)

* Detail may not total due to rounding.

March 2019Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2017-19 Biennium

	<u>2017-19 Biennium</u>	<u>Difference From the March 2019 Baseline</u>
March 2019 GF-S Baseline (70%)	\$44,182	

March 2019 Alternative GF-S Forecasts

Optimistic (15%)	\$44,413	\$231
Pessimistic (15%)	\$43,938	(\$243)
Probability Weighted Average	\$44,180	(\$2)
GCEA*	\$44,198	\$17

2019-21 Biennium

	<u>2019-21 Biennium</u>	<u>Difference From the March 2019 Baseline</u>
March 2019 GF-S Baseline (50%)	\$49,609	

March 2019 Alternative GF-S Forecasts

Optimistic (15%)	\$51,784	\$2,176
Pessimistic (35%)	\$47,052	(\$2,557)
Probability Weighted Average	\$49,040	(\$569)
GCEA*	\$49,855	\$246

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

U.S. Forecast Comparison

	2018Q4	2019Q1	2019Q2	2019Q3
Real GDP (Billions of 2012 Dollars)				
March Forecast	18,785	18,852	18,971	19,078
Percent Change	2.6%	1.4%	2.6%	2.3%
November Forecast	18,790	18,905	19,021	19,117
Percent Change	2.6%	2.5%	2.5%	2.0%
Real Consumption (Billions of 2012 Dollars)				
March Forecast	13,044	13,101	13,183	13,259
Percent Change	2.8%	1.7%	2.5%	2.3%
November Forecast	13,036	13,121	13,199	13,267
Percent Change	2.1%	2.6%	2.4%	2.1%
PCE Price Index (2012=100)				
March Forecast	108.9	109.3	109.9	110.4
Percent Change	1.5%	1.4%	2.2%	2.1%
November Forecast	108.9	109.5	110.0	110.5
Percent Change	1.8%	1.9%	2.0%	1.9%
Real Personal Income (Billions of 2012 Dollars)				
March Forecast	16,426	16,520	16,598	16,691
Percent Change	3.7%	2.3%	1.9%	2.3%
November Forecast	16,374	16,472	16,588	16,697
Percent Change	1.9%	2.4%	2.8%	2.7%
Nonfarm Payroll Employment (Millions)				
March Forecast	150.1	150.8	151.4	151.9
Percent Change	1.7%	1.9%	1.5%	1.4%
November Forecast	150.0	150.5	151.0	151.5
Percent Change	1.7%	1.5%	1.4%	1.2%
Unemployment Rate (Percent of Labor Force)				
March Forecast	3.8	3.8	3.5	3.5
November Forecast	3.7	3.5	3.4	3.4
Oil Price, Refiner's Acquisition				
March Forecast	61.2	56.6	59.1	59.4
November Forecast	64.0	59.0	59.7	60.0
30 Year Fixed Mortgage Rate (Percent, average)				
March Forecast	4.8	4.4	4.5	4.6
November Forecast	4.8	4.9	5.0	5.0
3 Month T-Bill Rate (Percent, average)				
March Forecast	2.3	2.4	2.5	2.6
November Forecast	2.4	2.6	2.7	2.8

	2017	2018	2019	2020	2021	2022	2023
Real GDP (Billions of 2012 Dollars)							
March Forecast	18,051	18,571	19,018	19,370	19,700	20,074	20,476
Percent Change	2.2%	2.9%	2.4%	1.9%	1.7%	1.9%	2.0%
November Forecast	18,051	18,574	19,060	19,403	19,753	20,128	20,551
Percent Change	2.2%	2.9%	2.6%	1.8%	1.8%	1.9%	2.1%
Real Consumption (Billions of 2012 Dollars)							
March Forecast	12,559	12,891	13,219	13,487	13,744	14,018	14,299
Percent Change	2.5%	2.6%	2.5%	2.0%	1.9%	2.0%	2.0%
November Forecast	12,559	12,892	13,228	13,479	13,749	14,038	14,347
Percent Change	2.5%	2.7%	2.6%	1.9%	2.0%	2.1%	2.2%
PCE Price Index (2012=100)							
March Forecast	106.1	108.2	110.1	112.4	114.7	117.0	119.3
Percent Change	1.8%	2.0%	1.8%	2.1%	2.1%	2.0%	1.9%
November Forecast	106.1	108.3	110.3	112.4	114.7	117.0	119.4
Percent Change	1.8%	2.1%	1.9%	1.9%	2.1%	2.0%	2.0%
Real Personal Income (Billions of 2012 Dollars)							
March Forecast	15,867	16,244	16,648	17,004	17,360	17,744	18,144
Percent Change	2.6%	2.4%	2.5%	2.1%	2.1%	2.2%	2.3%
November Forecast	15,867	16,244	16,639	17,053	17,430	17,819	18,249
Percent Change	2.6%	2.4%	2.4%	2.5%	2.2%	2.2%	2.4%
Nonfarm Payroll Employment (Millions)							
March Forecast	146.6	149.1	151.6	153.0	153.5	154.4	155.3
Percent Change	1.6%	1.7%	1.7%	0.9%	0.4%	0.6%	0.6%
November Forecast	146.6	149.0	151.2	152.6	153.5	154.5	155.6
Percent Change	1.6%	1.6%	1.5%	0.9%	0.6%	0.7%	0.7%
Unemployment Rate (Percent of Labor Force)							
March Forecast	4.4	3.9	3.6	3.7	3.9	4.0	4.1
November Forecast	4.4	3.9	3.5	3.6	3.7	3.8	3.8
Oil Price, Refiner's Acquisition							
March Forecast	50.7	64.9	58.7	58.8	57.1	55.8	55.3
November Forecast	50.7	65.5	59.6	59.8	59.6	59.4	59.0
30 Year Fixed Mortgage Rate (Percent, average)							
March Forecast	4.0	4.5	4.5	4.8	4.9	4.9	4.9
November Forecast	4.0	4.6	5.0	5.2	5.2	5.2	5.1
3 Month T-Bill Rate (Percent, average)							
March Forecast	0.9	1.9	2.5	2.7	2.7	2.7	2.5
November Forecast	0.9	2.0	2.8	3.1	3.2	3.2	3.0

Washington Forecast Comparison

	2018Q4	2019Q1	2019Q2	2019Q3	2017	2018	2019	2020	2021	2022	2023
Real Personal Income (Billions of 2012 Dollars)											
March Forecast	429.0	431.6	433.5	436.5	404.2	423.7	435.3	447.0	458.8	471.3	484.2
Percent Change	4.2%	2.5%	1.7%	2.8%	4.2%	4.8%	2.7%	2.7%	2.6%	2.7%	2.7%
November Forecast	427.6	430.2	433.6	436.9	404.2	423.2	435.2	448.3	460.1	472.4	485.7
Percent Change	2.8%	2.4%	3.3%	3.0%	4.2%	4.7%	2.8%	3.0%	2.6%	2.7%	2.8%
Personal Income (Billions of Dollars)											
March Forecast	467.0	471.6	476.2	482.1	428.8	458.5	479.5	502.5	526.5	551.6	577.6
Percent Change	5.8%	4.0%	4.0%	5.0%	6.1%	6.9%	4.6%	4.8%	4.8%	4.8%	4.7%
November Forecast	465.9	470.9	477.0	482.9	428.8	458.2	479.9	503.8	527.8	552.8	579.8
Percent Change	4.6%	4.4%	5.3%	5.0%	6.1%	6.9%	4.7%	5.0%	4.8%	4.7%	4.9%
Disposable Personal Income (Billions of Dollars)											
March Forecast	415.8	420.0	424.3	429.5	380.3	408.3	427.1	448.1	469.9	491.9	514.3
Percent Change	5.8%	4.1%	4.2%	5.0%	6.0%	7.3%	4.6%	4.9%	4.9%	4.7%	4.6%
November Forecast	414.6	419.2	424.8	430.1	380.3	407.9	427.4	449.3	471.0	492.7	515.6
Percent Change	4.5%	4.5%	5.4%	5.2%	6.0%	7.3%	4.8%	5.1%	4.8%	4.6%	4.6%
Nonfarm Payroll Employment (Thousands)											
March Forecast	3432	3454	3469	3487	3321	3405	3478	3531	3565	3603	3640
Percent Change	2.4%	2.6%	1.8%	2.0%	2.4%	2.5%	2.2%	1.5%	1.0%	1.1%	1.0%
November Forecast	3446	3462	3480	3495	3322	3411	3486	3538	3575	3612	3648
Percent Change	3.0%	2.0%	2.0%	1.7%	2.4%	2.7%	2.2%	1.5%	1.0%	1.0%	1.0%
Unemployment Rate (Percent of Labor Force)											
March Forecast	4.4	4.5	4.4	4.3	4.7	4.5	4.4	4.5	4.7	4.8	4.9
November Forecast	4.3	4.2	4.1	4.1	4.8	4.6	4.1	4.3	4.5	4.6	4.6
Manufacturing Employment (Thousands)											
March Forecast	291.0	292.6	293.0	293.5	284.2	287.4	293.3	293.1	291.7	293.4	296.3
Percent Change	4.3%	2.1%	0.5%	0.7%	-2.1%	1.1%	2.1%	-0.1%	-0.5%	0.6%	1.0%
November Forecast	289.0	289.6	290.0	290.0	283.8	286.4	290.1	290.5	290.2	292.2	295.8
Percent Change	1.9%	0.8%	0.6%	0.0%	-2.1%	0.9%	1.3%	0.1%	-0.1%	0.7%	1.2%
Construction Employment (Thousands)											
March Forecast	216.9	217.7	216.8	215.8	199.8	213.0	216.5	214.7	214.0	215.0	216.6
Percent Change	6.1%	1.6%	-1.6%	-1.9%	7.0%	6.6%	1.6%	-0.8%	-0.3%	0.5%	0.8%
November Forecast	215.9	215.8	215.8	215.6	199.7	212.5	215.8	215.7	214.9	213.8	212.5
Percent Change	4.8%	-0.1%	0.1%	-0.5%	7.0%	6.4%	1.6%	-0.1%	-0.3%	-0.5%	-0.6%
Housing Permits (Thousands)											
March Forecast	48.6	42.9	42.7	42.4	45.8	47.4	42.6	42.2	42.1	42.6	42.1
Percent Change	72.9%	-39.3%	-2.6%	-2.3%	3.9%	3.4%	-10.0%	-1.1%	-0.1%	1.1%	-1.2%
November Forecast	42.8	42.9	43.6	43.9	45.8	43.7	43.6	43.8	42.2	41.4	40.6
Percent Change	35.9%	0.9%	6.7%	2.5%	3.9%	-4.5%	-0.2%	0.4%	-3.7%	-1.9%	-2.0%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2019	2020	2021	2022	2023
U.S.					
Real GDP					
<i>Growth</i>					
ERFC	2.4	1.9	1.7	1.9	2.0
GCEA Average	2.5	2.0	1.9	1.9	2.0
Real Consumption					
<i>Growth</i>					
ERFC	2.5	2.0	1.9	2.0	2.0
GCEA Average	2.6	2.1	2.0	2.0	2.1
PCE Price Index					
<i>Growth</i>					
ERFC	1.8	2.1	2.1	2.0	1.9
GCEA Average	1.8	2.0	2.0	2.0	2.0
Mortgage Rate					
<i>Percent</i>					
ERFC	4.5	4.8	4.9	4.9	4.9
GCEA Average	4.7	4.9	4.9	4.9	5.0
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	64.9	64.4	62.7	61.4	60.9
GCEA Average	65.1	64.7	63.6	62.9	62.7

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	2.7	2.7	2.6	2.7	2.7
GCEA Average	3.2	2.9	2.7	2.8	2.9

Wage and Salary Employment

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

Manufacturing Employment

<i>Growth</i>					
ERFC	2.1	-0.1	-0.5	0.6	1.0
GCEA Average	2.1	0.5	0.0	0.4	1.0

Construction Employment

<i>Growth</i>					
ERFC	1.6	-0.8	-0.3	0.5	0.8
GCEA Average	2.7	0.5	0.1	0.1	0.0

Housing Permits

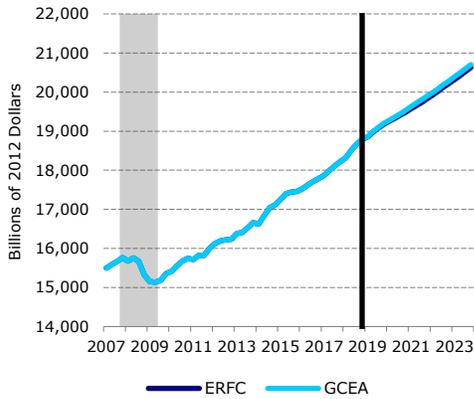
<i>Thousands of authorized units</i>					
ERFC	42.6	42.2	42.1	42.6	42.1
GCEA Average	43.5	43.4	43.3	43.0	42.4

Washington Average Annual Wage

<i>Growth</i>					
ERFC	2.4	3.2	3.6	3.8	4.0
GCEA Average	3.0	3.5	3.6	3.8	3.8

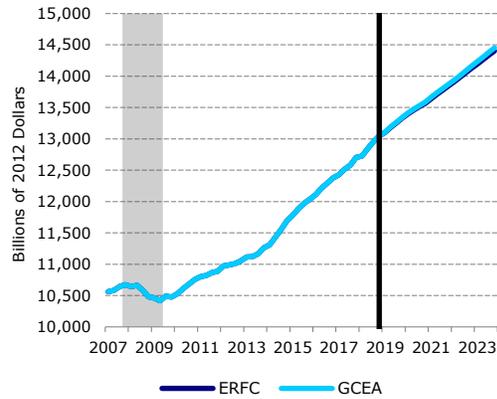
U.S. Forecast Comparison

Real GDP



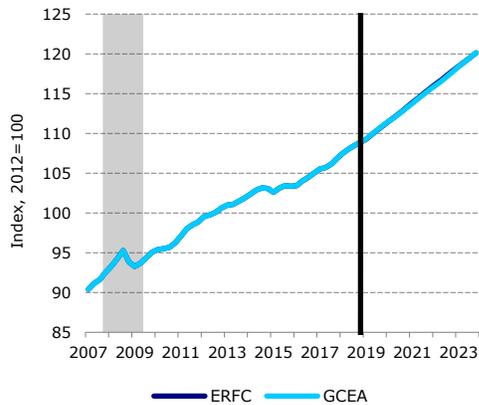
Source: BEA, ERFC, GCEA; data through 2018 Q4

Real Consumption



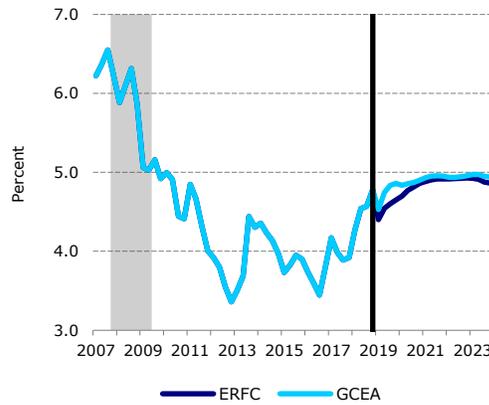
Source: BEA, ERFC, GCEA; data through 2018 Q4

PCE Price Index



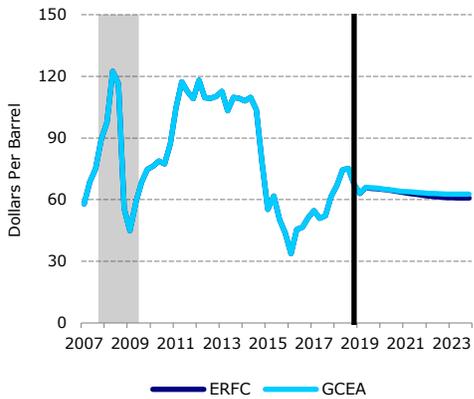
Source: BEA, ERFC, GCEA; data through 2018 Q4

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2018 Q4

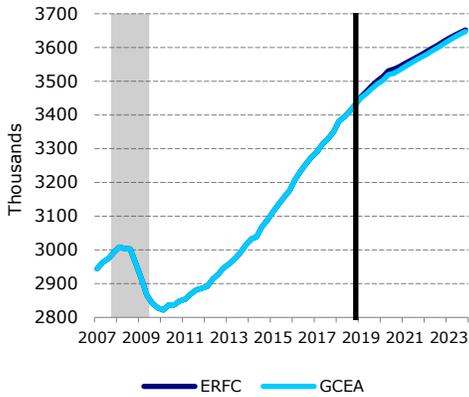
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2018 Q4

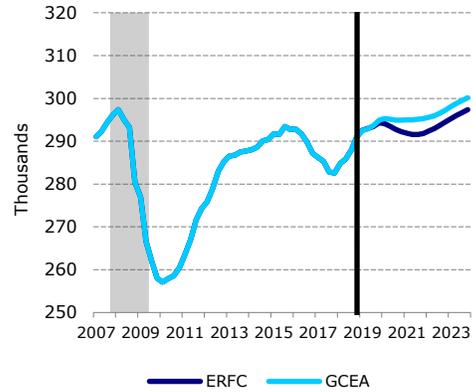
Washington Forecast Comparison

Nonfarm Payroll Employment



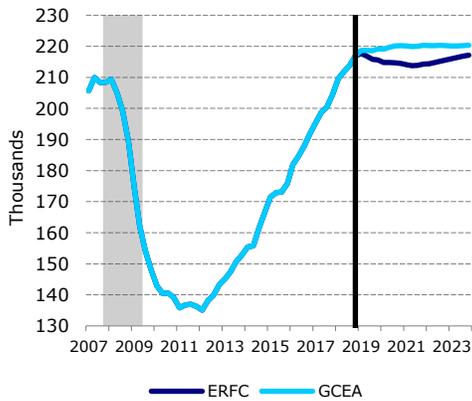
Source: ESD, ERFC, GCEA; data through 2018 Q4

Manufacturing Employment



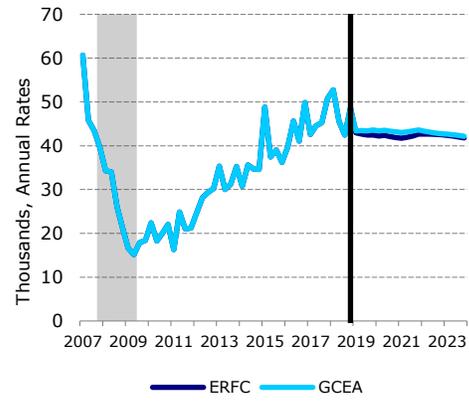
Source: ESD, ERFC, GCEA; data through 2018 Q4

Construction Employment



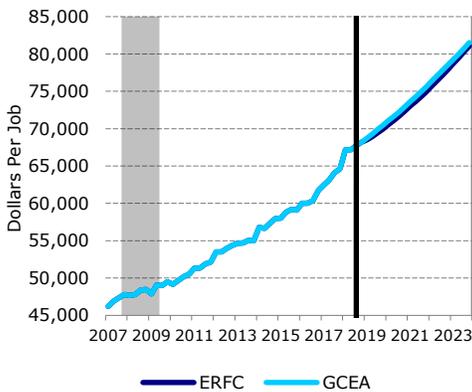
Source: ESD, ERFC, GCEA; data through 2018 Q4

Housing Units Authorized



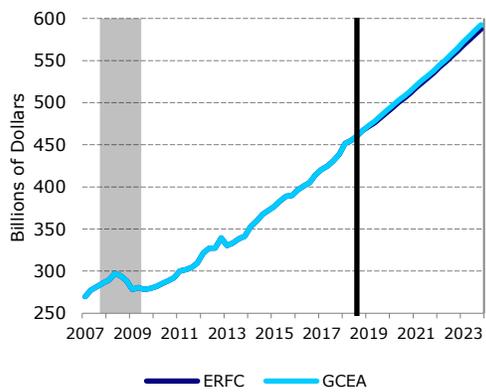
Source: Census, ERFC, GCEA; data through 2018 Q4

Average Annual Wage



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

Personal Income



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

2017-19 Enacted Budget Balance Sheet

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

	2017-19		
	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	1,100.6	48.0	1,148.5
November 2018 Revenue Forecast	43,926.1	1,873.3	45,799.3
March 2019 Revenue Forecast change	255.7	51.4	307.0
Current Revenue Totals	44,181.7	1,924.6	46,106.4
Transfer to Budget Stabilization Account (1% of GSR)	(438.1)		(438.1)
Transfer to Budget Stabilization Account (EGSR)	(1,575.2)		(1,575.2)
Transfer from BSA (EGSR)	1,078.0		1,078.0
Enacted Fund Transfers	(92.3)	254.0	161.7
CAFR Adjustment	(39.5)	13.9	(25.6)
Actual/Assumed Prior Period Adjustments	111.2		111.2
Total Resources (including beginning fund balance)	44,326.3	2,240.6	46,566.9
EXPENDITURES			
Enacted Budgets			
2017-19 Biennium (includes 2018 Supplemental budget)	43,360.7	1,300.5	44,661.2
Actual/Assumed Reversions	(192.0)	-	(192.0)
Total Expenditures	43,168.8	1,300.5	44,469.3
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	1,157.5	940.1	2,097.6
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,638.3		1,638.3
Transfers from General Fund (1% of GSR)	438.1		438.1
Actual/Assumed Interest Earnings and other	41.3		41.3
Transfers from GFS (EGSR)	1,575.2		1,575.2
Less 17-19 Appropriations from BSA	(41.5)		(41.5)
Less 17-19 Transfers to Pension Stabilization Account	(925.2)		(925.2)
Less Transfers out to GFS (EGSR)	(1,078.0)		(1,078.0)
Projected Budget Stabilization Account Ending Balance	1,648.4		1,648.4
Total Reserves (Near General Fund plus Budget Stabilization)	2,805.9	940.1	3,746.0

Acronyms

GSR- General State Revenues
EGSR- Extraordinary General State Revenues
CAFR- Comprehensive Annual Financial Report