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Revenue Review  
& Budget Outlook

November 20, 2019



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

# **REVENUE REVIEW & BUDGET OUTLOOK MEETING**

November 20, 2019  
10:00 a.m.

- Call to order
- Approval meeting minutes:
  - November 4, 2019
- Economic & Revenue Forecast
  - Adoption of official state economic and revenue forecast and unofficial optimistic and pessimistic alternative forecasts
- Budget Outlook Adoption
- Adjournment

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

**Meeting Minutes**  
**Economic Review & Budget Outlook**

November 4, 2019  
John L O'Brien, Hearing Room C

**Economic and Revenue Forecast Council**

*Members Present*

Ed Orcutt, House of Representatives, ERFC Chair  
Christine Rolfes, Senate (via phone)  
Timm Ormsby, House of Representatives  
Duane Davidson, State Treasurer  
David Schumacher, Office of Financial Management  
Vikki Smith, Department of Revenue

*Staff*

Steve Lerch, Executive Director  
Andy Toulon, House  
Rachel Knutson, OFM  
Sarian Scott, Senate

**Call to Order**

Representative Orcutt called the meeting to order at 10:00 a.m.

**Motion**

Treasurer Davidson moved, seconded by Representative Ormsby, to adopt the September 25 meeting minutes. Council approved the motion unanimously at 10:01 a.m.

**Budget Outlook Presentation**

Andy Toulon and the Budget Outlook Work Group discussed the resource and maintenance level updates, which would form the basis of the November 2019 budget outlook. In addition, Work Group members sought guidance from the Council on how to address fire costs and statewide initiatives in the outlook.

**Motion**

Representative Ormsby, seconded by Treasurer Davidson, moved to include fire suppression costs in the current outlook and to review the estimate annually in future November outlooks. Council approved the motion unanimously at 10:09 a.m.

**Motion**

Representative Ormsby, seconded by Senator Rolfes, moved to exclude statewide measures on the November 2019 ballot in this outlook; and to include annual review of incorporating the quantifiable fiscal impact of initiatives, referendums, and resolutions in future November outlooks. Council approved the motion unanimously at 10:14 a.m.

**Forecast Presentation**

Dr. Lerch presented information on the economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding exports, housing permits, oil prices, and the yield curve.

**Motion**

Representative Ormsby moved, seconded by Representative Orcutt to adopt the economic forecast. The council approved the motion unanimously at 10:39 a.m.

**Adjournment**

With no further business, the meeting adjourned at 10:39 a.m.

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



**Economic & Revenue Review: November 20, 2019**

**Executive Summary**

**United States**

- This forecast is based on a modified version of IHS Markit's November 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 November Blue Chip forecast for real GDP growth is 2.3% in 2019 and 1.8% in 2020, unchanged from September. For 2021, the forecast of real GDP growth is 1.8%, up from 1.7% in the September 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 November 08, 2019 closing prices for Brent and WTI futures. The latest futures prices are slightly higher compared to the prices used in the September forecast. The refiner acquisition price of crude oil in 2019 is now expected to average \$59 per barrel compared to \$58 per barrel in the September forecast, dropping to \$55 next year and to \$52 by 2023.
- The U.S. economy added 128,000 net new jobs in October, below the average monthly increase of 167,000 jobs per month so far this year. However, employment in motor vehicles and parts manufacturing declined by 42,000 due to strike activity; most of that decline should be reversed in next month's data with the conclusion of the strike. Employment data for August and September were revised up by 95,000 jobs. Sectors with notable employment gains in October included accommodation and food service (+53,000), social assistance (+20,000), professional and technical services (+17,000), financial activities (+16,000), amusement, gambling and recreation (+15,000) and health care (+15,000). Sectors with net employment declines in October (in addition to the strike-related losses in motor vehicles and parts) included the Federal government (-17,000, reflecting a decline in temporary Census-related positions), performing arts and spectator sports (-10,000), clothing and accessories stores (-8,000), motion picture and sound recording industries (-6,000) and membership associations and organizations (-3,000).
- Two key measures of consumer confidence diverged again this month. The University of Michigan (UM) consumer sentiment survey increased by 2.3 points to 95.5 in October. Despite the high levels of confidence, one quarter of consumers in the UM survey spontaneously expressed concerns about the impact of tariffs. The Conference Board index of consumer confidence declined slightly, falling 0.4 points in October to 125.9. Despite the drop, survey respondents gave no indications that they planned to curtail holiday spending.
- Residential construction and sales data weakened this month but remain above year-ago levels. Housing units authorized by building permits in September were 2.7% (SA) below their August level but 7.7% above their

year-ago level. September housing starts decreased by 9.4% (SA) compared to August but were 1.6% above their September 2018 level. New home sales in September decreased by 0.7% (SA) compared to August but were 15.5% above their year-ago level. Existing home sales in September decreased by 2.2% (SA) compared to August but were up 3.9% compared to September 2018. The seasonally adjusted Case-Shiller national home price index for August was 0.3% above its July level and 3.2% above its year-ago level.

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

## Washington

- We have two months of new Washington employment data since the September forecast was released. Total nonfarm payroll employment rose 2,600 (seasonally adjusted) in September and October, which was 6,600 less than expected in the September forecast. The difference was partly due to government employment which declined by 2,500 compared to an expected increase of 1,400. We believe the drop in government was due to a seasonal adjustment problem with state government education, which artificially increased the level of employment in August. Private services-providing sectors added 3,800 jobs in September and October. The manufacturing sector lost 800 jobs of which 500 were aerospace jobs. The construction sector added 2,100 jobs in September and October.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in August 2019 by 4,300 jobs (0.1%). As a result of the upward revision to history and weaker-than-expected growth, the combined effect is 2,200 (0.1%) fewer jobs in October 2019 than expected in the September forecast.
- Washington's unemployment rate declined to 4.5% in October from 4.6% in September. The state's unemployment rate remains near its all-time low of 4.4% last reached in October 2018.
- While Boeing has suspended deliveries of the 737 Max, production continues though at a reduced rate. We assume deliveries will remain on hold through December and then jump early next year, when we assume Boeing is cleared to resume deliveries. We do not have any information on the impact on employment or hours worked but do not believe they are large at this point. Boeing has issued no worker adjustment and retraining notifications (WARNs) since the grounding of the 737 Max and overall aerospace employment is slightly up.
- In September, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the second quarter of 2019. According to these estimates, Washington personal income rose from \$485.9 billion (SAAR) in the first quarter to \$494.2 billion in the second quarter. The reported 7.0% growth rate (SAAR) in Washington personal income was the third largest among the states and District of Columbia and exceeded the 5.4% growth rate for the U.S. as a whole.

- The September state personal income release also incorporated the results of the BEA's annual update of state personal income. The update revised annual estimates of state personal income for 1998 to 2018. The BEA revised its 2018 personal income estimate up \$9.9 billion (2.1%). Our revision was less, \$8.6 billion (1.8%) because we had already benchmarked our estimate for wages and salaries to the Quarterly Census of Employment and Wages (QCEW). We use the published BEA estimates for all other components of personal income. The \$8.6 billion revision in our estimate was mostly due to a \$7.8 billion revision to property income (dividends, interest, and rent). Washington personal income growth was the fastest among the states and District of Columbia in 2018 and has exceeded the national average growth rate for the last seven years.
- Washington housing construction declined slightly in the third quarter of 2019 but exceeded the September forecast. The number of housing units authorized by building permits decreased to 48,000 (SAAR) in the third quarter from 48,600 units in the second quarter. Third quarter permits were made up of 23,700 single-family units and 24,300 multi-family units. The September forecast assumed 45,400 units (SAAR) in the third quarter, consisting of 22,600 single-family units and 22,800 multi-family units.
- Seattle area home prices rose over the year for the first time in five months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 0.5% in August while the composite-20 index declined 0.2%. Seattle home prices increased 0.5% in July as well. Because of the growth in the last two months, Seattle home prices are up 0.7% over the year. The composite-20 index was up 2.1% over the year. Seattle home prices are up 90% since the December 2011 trough and exceed the May 2007 peak by 32%.
- Seattle area consumer price inflation slightly outpaced the national average in October. From October 2018 to October 2019, the Seattle CPI rose 2.2% compared to a 1.8% increase in the U.S. City Average. Core prices, which exclude food and energy, increased 2.6% over the year in Seattle compared to 2.3% for the U.S. City Average. In part, the above-average Seattle inflation was due to shelter costs. Over-the-year shelter-cost inflation in Seattle was 3.8% compared to the national rate of 3.3%. However, Seattle inflation excluding shelter still exceeded the national average at 1.2% compared to 1.0%.
- Washington exports declined sharply over the year for the second consecutive quarter. Year-over-year exports decreased 33.4% in the third quarter of 2019 following a 27.6% decline in the second quarter. The large declines were mostly because of transportation equipment exports (mostly Boeing planes) which fell 41.9% in the second quarter and 53.1% in the third quarter. Boeing suspended deliveries of the 737 Max in March, which clearly affected second and third quarter exports. However, third quarter exports of agricultural products also declined 8.3% over the year and exports of all other commodities (mostly manufacturing) declined 8.2% over the year.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased in October and remained in positive territory. The index, which measures conditions in the manufacturing sector, increased from 54.0 in September to 58.2 in October (index values above 50 indicate growth while values below 50 indicate contraction). The index has exceeded 50 in each of

the last 27 months. The production, orders, and employment components indicated expansion in October while the deliveries component indicated contraction. The inventory component was neutral at 50 in October.

- Washington car and truck sales increased in October following a dip in September. Seasonally adjusted new vehicle registrations increased 1.6% in October after a 1.5% decrease in September. October sales were down 5.5% over the year and 15.6% since the November 2017 post-recession peak. Monthly sales are erratic but have been trending down since mid-2016.
- We expect 1.9% Washington employment growth this year, which is the same rate expected in the September forecast. As in September, we expect growth to decelerate. We expect employment growth to average 1.1% per year in 2020 through 2023, which is slightly slower than the 1.2% rate expected in September. Our forecast for nominal personal income growth this year is 5.1%, down from 5.6% in the September forecast. Our new forecast for nominal personal income growth in 2020 through 2023 averages 4.5% per year, which is down from the 4.8% rate expected in the September forecast. While personal income growth is lower than in September, the level is higher throughout the forecast due to the upward revision to history.

## Revenue

- Revenue collections have been higher than forecasted in September. Cumulative major General Fund-State (GF-S) revenue collections from September 11 through November 10, 2019 were \$135 million above the forecast. Much of this surplus, however, came from transfers of unclaimed property into the GF-S, which were \$47 million higher than forecasted in October. Due to the size of the October transfer, the forecast of transfers in November has been lowered.
- Cumulative Revenue Act taxes (retail sales and use, business and occupation, public utility and non-cigarette tobacco products taxes), which make up the bulk of General Fund-State (GF-S) revenue, were \$50 million (1.7%) higher than forecasted.
- Cumulative real estate excise taxes (REET) came in \$22 million (11.8%) higher than forecasted. Large commercial sales spiked while residential sales activity remained close to forecasted levels.
- The final tabulation of GF-S revenue for the 2017-19 biennium, which ended June 30, 2019, is \$44.143 billion, which is \$1 million lower than estimated in September.
- The November economic forecast was very similar to the September forecast, producing modest increases in forecasted Revenue Act collections for the current and ensuing biennia. The REET forecast was increased slightly in the current biennium and decreased slightly in the next biennium. The forecasted increase in REET was concentrated in the remainder of calendar year 2019, which has experienced an increase in large commercial property sales ahead of the January 2020 increase in REET rates for properties worth more than \$1.5 million. The acceleration of these sales have decreased expected sales for the rest of 2020, with slight decreases continuing through 2023 due to changes in the economic forecast.

- Over half of the increase in forecasted GF-S revenue for the current biennium and the bulk of the increase for the next biennium came from property tax collections. These increases stemmed from a revised estimate of the market value of the existing stock of taxable property, which will determine the level of the calendar year 2020 levy. The increase in estimated market value will increase the levy for next year as well as the following years. The revised valuation, combined with other forecast changes, has resulted in a forecast increase of \$147 million for the current biennium and \$177 million for the 2021-23 biennium.
- The GF-S forecast for the current biennium has been increased by \$274 million. The forecast for the 2021-23 biennium has been increased by \$175 million. Forecasted total GF-S revenue is now \$50.304 billion for the 2019-21 biennium and \$53.779 billion for the 2021-23 biennium.
- The final tabulation of revenue dedicated to the Education Legacy Trust Account (ELTA) for the 2017-19 biennium was \$1.654 billion, the same as estimated in September. Forecasted revenue for the 2019-21 biennium increased by \$19 million while that of the 2021-23 biennium decreased by \$2 million. Forecasted ELTA revenue is now \$1.137 billion for the 2019-21 biennium and \$1.062 billion for the 2021-23 biennium.
- The final tabulation of revenue dedicated to the Opportunity Pathways Account (OPA) for the 2017-19 biennium was \$284 million, \$4 million less than estimated in September. Forecasted revenue increased by \$5 million in the 2019-21 biennium and \$8 million in the 2021-23 biennium. Forecasted OPA revenue is now \$292 million for the 2019-21 biennium and \$313 million for the 2021-23 biennium.
- The final tabulation of Near GF-S revenue for the 2017-19 biennium was \$46.081 billion, \$5 million less than estimated in September. Summing the changes to the GF-S, ELTA and OPA forecasts, Near GF-S revenue is forecasted to increase by \$299 million in the 2019-21 biennium and \$181 million in the 2021-23 biennium.
- Forecasted Near GF-S revenue for the 2019-21 biennium is now \$51.733 billion, 12.3% higher than 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$55.154 billion, an increase of 6.6% over expected 2019-21 biennial revenue.

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# Revenue Review

Presented to  
Economic and Revenue Forecast Council

Steve Lerch  
Executive Director

November 20, 2019  
Olympia, Washington



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## Summary

- U.S., WA forecasts similar to the September forecast
- Baseline forecast has slowing growth but no recession; pessimistic forecast assumes a 3 quarter recession starting in 2020 Q4
- Forecast risks include the impact of trade disputes and a slowing global economy
- The Near General Fund-State forecast is decreased by \$5 million for the 2017-19 biennium and increased by \$299 million for 2019-21 biennium

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November 20, 2019

Slide 1

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## Data updates since preliminary forecast

### U.S.

- October employment: +128,000 jobs
- October unemployment rate increased from 3.5% to 3.6%
- November Blue Chip GDP forecast: 2019 unchanged, 2020 increased from 1.7% to 1.8%

### Washington

- October employment: +3,500 jobs
- October unemployment rate dropped from 4.6% to 4.5%

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November 20, 2019

Slide 2

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## Selected forecast risks

### Labor markets

- Unemployment rate, initial UI claims remain low
- Job growth slower than in 2018

### 737 MAX

- Currently, no impact on WA employment; forecast assumes gradual production increase over 2020 Q1 and Q2

### International trade policy

- China – no agreement yet
- Europe – no agreement yet; potential for aircraft tariffs

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November 20, 2019

Slide 3

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## Potential recession indicators

These factors *could* precede a recession or indicate a recession has started:

- Inverted yield curve
- Consistent declines in consumer, business sentiment
- Sharp increase in the unemployment rate
- Sharp increase in initial claims for unemployment insurance
- Consistent decline in ISM manufacturing index

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November 20, 2019

Slide 4

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## The 10 year – 3 month yield curve is no longer inverted

The yield curve has inverted before the last three recessions but is not always a recession signal



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November 20, 2019

Source: Federal Reserve Bank of St. Louis, daily data through Nov. 13, 2019

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Slide 5



## Consumer confidence has dipped recently but remains at high levels

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



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November 20, 2019

Sources: University of Michigan, Conference Board; data through Oct. 2019

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Slide 6



## Business expectations about growth of sales, employment and investment are on a downward trend this year

Business Expectations Index – Atlanta Federal Reserve



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November 20, 2019

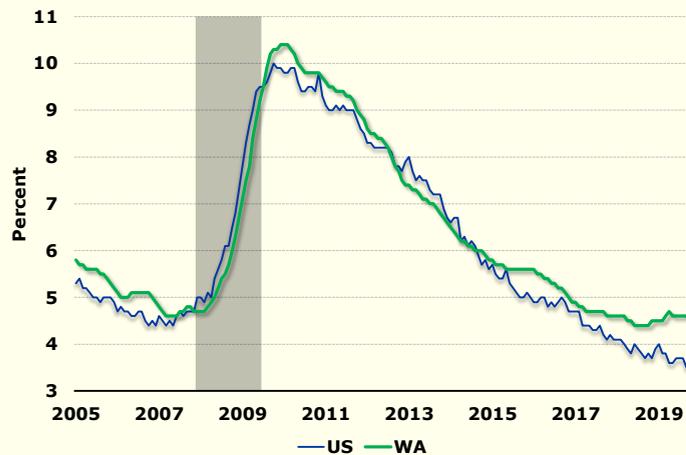
Source: Atlanta Federal Reserve Bank, data through Oct. 2019

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Slide 7



## Unemployment rates remain low



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November 20, 2019

Sources: Employment Security Dept., U.S. Bureau of Labor Statistics; data through October 2019

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Slide 8



# WA initial claims for unemployment insurance are below pre-recession levels



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November 20, 2019

Sources: Employment Security Dept., data through October 2019

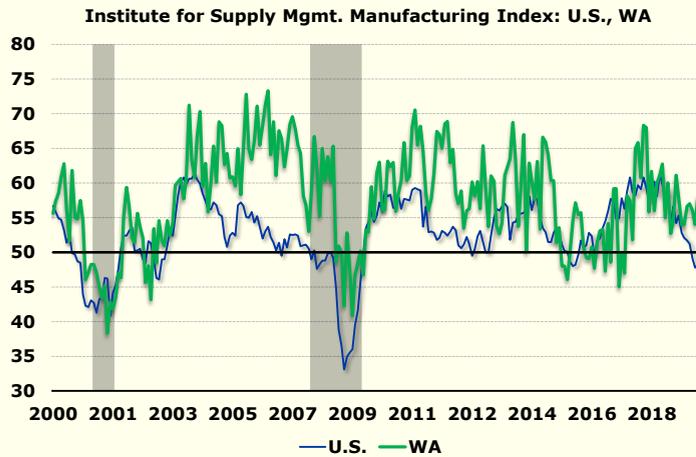
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Slide 9



# Manufacturing has slowed nationally but continues to expand in WA

Values above 50 indicate expansion, below 50 indicate contraction.



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November 20, 2019

Source: ISM, data through Oct. 2019

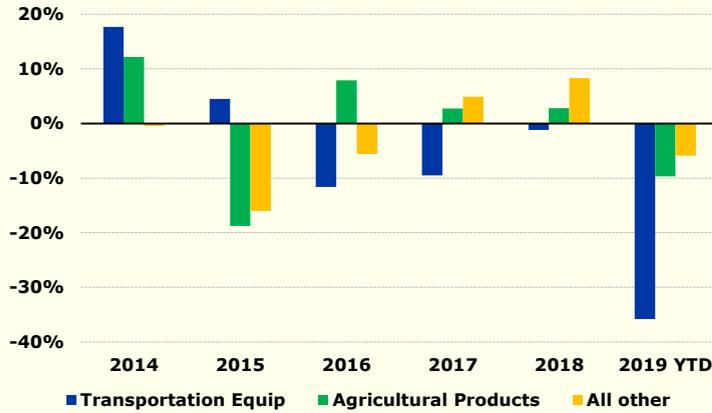
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Slide 10



## So far this year, WA exports are down by 23% compared to last year

WA exports by industry, year over year growth



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November 20, 2019

Source: WISERTrade, data through September 2019

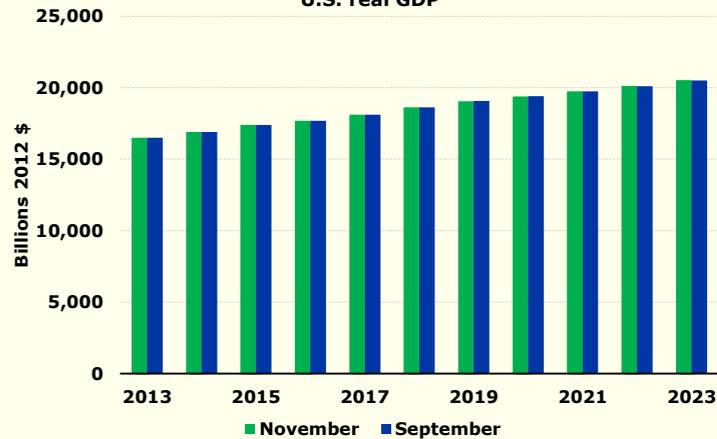
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Slide 11



## GDP is very similar to the September forecast

U.S. real GDP



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November 20, 2019

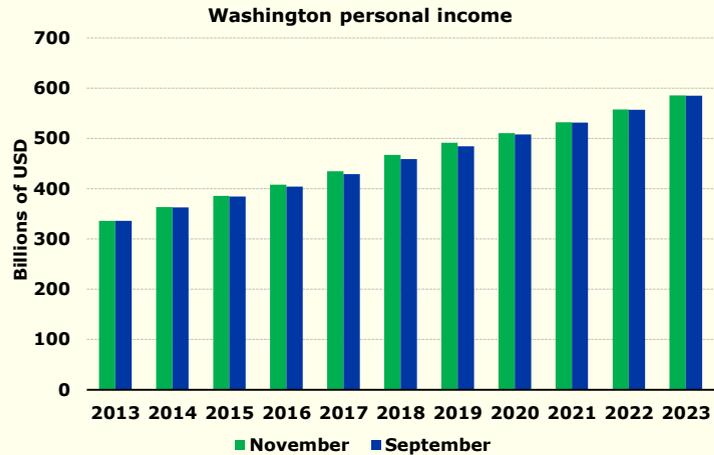
Source: ERFC November 2019 forecast; historical data through 2018

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Slide 12



## Washington personal income was revised up in 2014-2018; forecast slightly higher than in September



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November 20, 2019

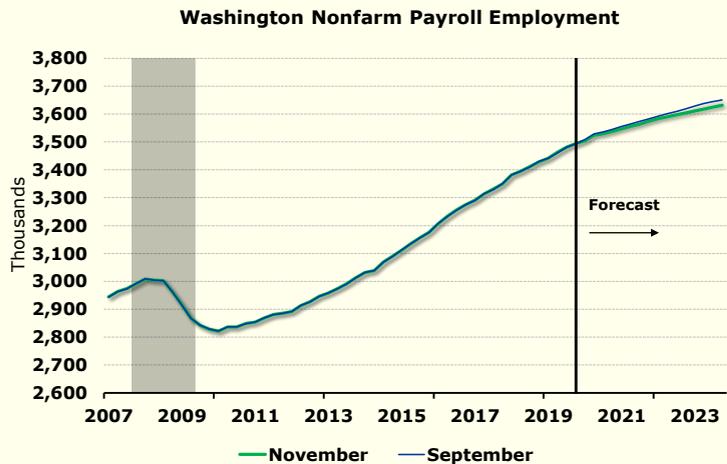
Source: ERFC November 2019 forecast; historical data through 2018

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Slide 13



## Washington employment forecast is slightly lower than in September



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November 20, 2019

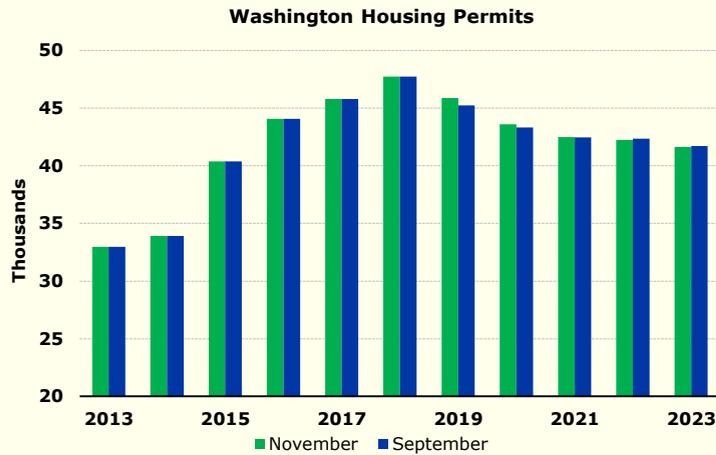
Source: ERFC November 2019 forecast; historical data through Q3 2019

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Slide 14



## Washington housing permits forecast slightly higher in 2019 & 2020 compared to September



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November 20, 2019

Source: ERFC November 2019 forecast; historical data through 2018

Slide 15

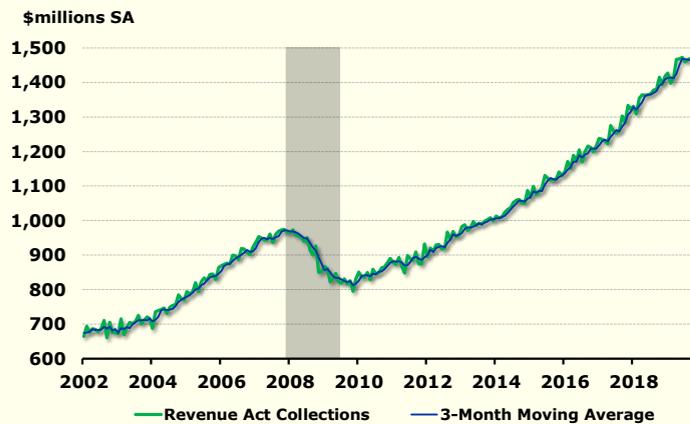
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## Revenue Act collections remain strong after second quarter jump

Adjusted collections for second quarter activity grew at 8.1% year over year (6.3% excluding extra-strong growth in remittances).

Adjusted collections for third quarter activity grew at 6.6% year over year.



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November 20, 2019

\* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act  
Source: DOR and ERFC; monthly data through September 2019 activity

Slide 16

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## Large commercial sales have increased ahead of January REET hike

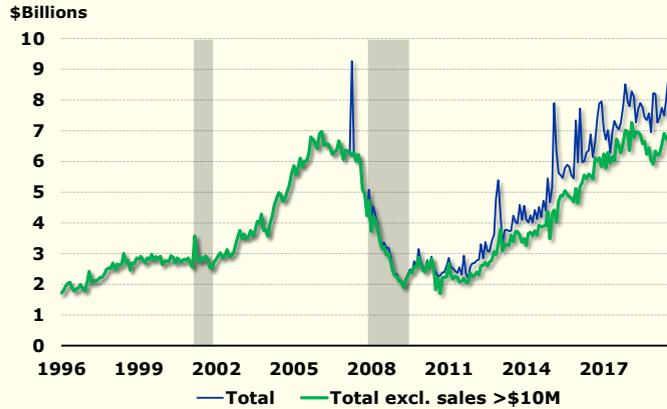
Large commercial sales (>\$10 million) jumped to \$1.8 billion in September and \$2.2 billion in October, possibly in response to the REET rate increase that takes effect January 1, 2020.

Residential sales are down from their May peak but still strong.

Revenue Review  
November 20, 2019

Slide 17

### Seasonally Adjusted Taxable Real Estate Excise Activity



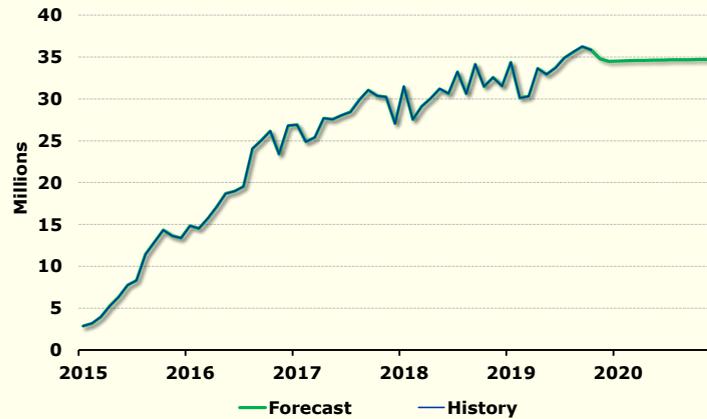
Source: ERFC; Monthly data through October 2019

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## Cannabis revenue growth is expected to moderate

### Retail Cannabis Collections



Revenue Review  
November 20, 2019

Slide 18

Source: ERFC November 2019 forecast; historical data through October 2019

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## Cannabis excise tax and license fee estimates

Total change since September forecast:

- 2017-19 +\$0.0M
- 2019-21 +\$20.7M
- 2021-23 +\$20.7M

Revenue Review  
November 20, 2019

Slide 19

**\$Millions**

### Cannabis Forecast

	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>
GF-S share of excise tax and license fees	\$249	\$290	\$305
Non-GF	\$503	\$557	\$574
<b>Total</b>	<b>\$752</b>	<b>\$847</b>	<b>\$878</b>

Detail may not add to total due to rounding  
Source: ERFC November 2019 forecast; historical data through October 2019

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

Near GF-S revenue for the 2017-19 biennium is now final.

<b>\$Millions</b>	<u>September 2019 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>November 2019 Final</u>	<u>Total Change#</u>
General Fund-State	\$44,144	\$0	(\$1)	\$44,143	(\$1)
Education Legacy Trust Account	\$1,654	\$0	\$0	\$1,654	\$0
WA Opportunity Pathways Account	\$288	\$0	(\$4)	\$284	(\$4)
<b>Total Near GF-S</b>	<b>\$46,086</b>	<b>\$0</b>	<b>(\$5)</b>	<b>\$46,081</b>	<b>(\$5)</b>

Revenue Review  
November 20, 2019

Slide 20

\*Forecast for the 2017-19 biennium adopted September 25, 2019  
# Detail may not add to total due to rounding

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

<b>\$Millions</b>	<u>September 2019 Forecast*</u>	<u>Non-economic Change**</u>	<u>Forecast Change</u>	<u>November 2019 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$50,030	\$0	\$274	\$50,304	\$274
Education Legacy Trust Account	\$1,118	\$0	\$19	\$1,137	\$19
WA Opportunity Pathways Account	\$286	\$0	\$5	\$286	\$5
<b>Total Near GF-S</b>	<b>\$51,435</b>	<b>\$0</b>	<b>\$299</b>	<b>\$51,733</b>	<b>\$299</b>

Revenue Review  
November 20, 2019

\*Forecast for the 2019-21 biennium adopted September 25, 2019  
# Detail may not add to total due to rounding

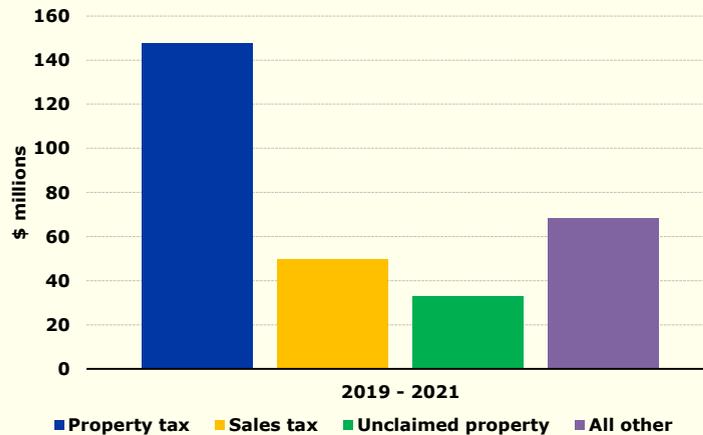
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Slide 21



## Components of change in November NGF-S revenue forecast for 2019 – 2021 biennium

Sept. forecast assumed 5.3% growth in assessed value for CY 2020 property taxes. With most county assessors having reported, assessed value growth for 2020 property taxes now assumed to be 7.9%.



Revenue Review  
November 20, 2019

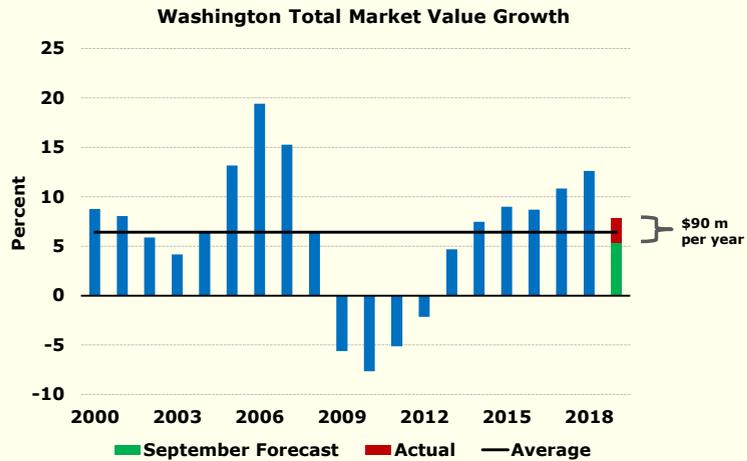
Source: ERFC November 2019 forecast

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Slide 22



## Actual market value came in higher than anticipated in September



Revenue Review  
November 20, 2019

Source: ERFC November 2019 forecast; historical data through 2019

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Slide 23



## 2019-21 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2019-21 Biennium	Difference From the baseline <sup>#</sup>
<b>November 2019 Baseline (50%)</b>	<b>\$50,304</b>	
<b>November 2019 Alternative Forecasts</b>		
<b>Optimistic (15%)</b>	<b>\$51,865</b>	<b>\$1,560</b>
<b>Pessimistic (35%)</b>	<b>\$48,468</b>	<b>(\$1,836)</b>
<b>Probability Weighted Average</b>	<b>\$49,896</b>	<b>(\$409)</b>
<b>GCEA*</b>	<b>\$50,453</b>	<b>\$148</b>

Revenue Review  
November 20, 2019

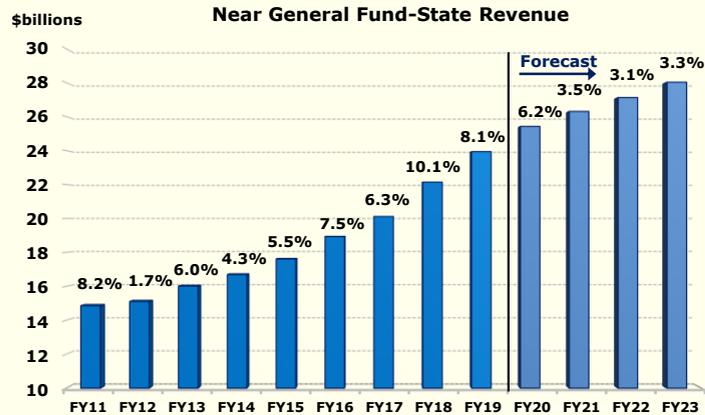
\*Based on the Governor's Council of Economic Advisors' economic assumptions  
#May not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 24



## Near General Fund-State\* forecast by fiscal year



Revenue Review  
November 20, 2019

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 25



## Conclusion

- Economic forecasts are only slightly changed from September
- Washington's economy is continuing to outperform the nation but not as dramatically as in past
- Near GF-S revenues grew 18.0% between the 2015-17 and 2017-19 biennia and are expected to grow 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

Revenue Review  
November 20, 2019

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 26



## Questions

Revenue Review  
November 20, 2019

Slide 27



**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 November 2019 to the September 2019 Forecast

2017-19 Biennium

Cash Forecast; Millions of Dollars

	<u>September 2019 Preliminary Estimate<sup>*</sup></u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>November 2019 Final Revenue</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$44,143.6	\$0.0	(\$1.0)	\$44,142.6	(\$1.0)
Education Legacy Trust Account	\$1,654.1	\$0.0	\$0.0	\$1,654.1	\$0.0
WA Opportunity Pathways Account	\$287.9	\$0.0	(\$3.7)	\$284.2	(\$3.7)
<b>Total</b>	<b>\$46,085.6</b>	<b>\$0.0</b>	<b>(\$4.7)</b>	<b>\$46,080.9</b>	<b>(\$4.7)</b>

<sup>\*</sup>Preliminary estimate for the 2017-19 biennium adopted September 25, 2019

<sup>#</sup>Details may not add due to rounding

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

Comparison of the November 2019 to the September 2019 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	September 2019 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	November 2019 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$50,030.3	\$0.0	\$274.1	\$50,304.5	\$274.1
Education Legacy Trust Account	\$1,117.9	\$0.0	\$19.4	\$1,137.3	\$19.4
WA Opportunity Pathways Account	\$286.3	\$0.0	\$5.3	\$291.6	\$5.3
<b>Total</b>	<b>\$51,434.6</b>	<b>\$0.0</b>	<b>\$298.9</b>	<b>\$51,733.4</b>	<b>\$298.9</b>

\*Forecast for the 2019-21 biennium adopted September 25, 2019

<sup>#</sup>Details may not add due to rounding

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

Comparison of the November 2019 to the September 2019 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	September 2019 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	November 2019 <u>Forecast</u>	Total <u>Change<sup>#</sup></u>
General Fund-State	\$53,604.0	\$0.0	\$175.1	\$53,779.0	\$175.1
Education Legacy Trust Account	\$1,063.4	\$0.0	(\$1.8)	\$1,061.6	(\$1.8)
WA Opportunity Pathways Account	\$305.2	\$0.0	\$8.2	\$313.4	\$8.2
<b>Total</b>	<b>\$54,972.6</b>	<b>\$0.0</b>	<b>\$181.5</b>	<b>\$55,154.0</b>	<b>\$181.5</b>

\*Forecast for the 2021-23 biennium adopted September 25, 2019

<sup>#</sup>Details may not add due to rounding

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

February 2014 through November 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>
<b>February 2014##</b>	\$36,887	\$1,823				\$38,710
<b>Changes to Forecast</b>						
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
June 2019	15	2	17	(157) #8	(140)	44,042
September 2019	22	(4)	18	84 #9	102	44,144
November 2019	0	(1)	(1)	0	(1)	44,143
<b>Total change***:</b>						
From February 2014	3,968	233	4,201	1,231	5,433	
Percent change	10.8	12.8	10.9	3.2	14.0	

\* 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.

#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 Sum of legislative and budget driven revenue changes from the 2019 legislative session plus large expected refund

#9 Later-than-forecasted cash transfer of Property Tax out of GF-S into ELTA

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

February 2016 through November 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>
<b>February 2016 #</b>	\$36,887	\$1,823				\$43,441
<b>Changes to Forecast</b>						
June 2016	172	(31)	141	(7) #1	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) #2	34	43,875
September 2017	245	(3)	243	3,278 #3	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) #4	267	48,520
September 2018	295	22	317	38 #5	355	48,875
November 2018	186	3	189	0	189	49,064
March 2019	465	(35)	430	115 #6	545	49,609
June 2019	57	29	86	109 #7	195	49,804
September 2019	307	3	310	(84) #8	226	50,030
November 2019	283	(8)	274	0	274	50,304
<b>Total change***:</b>						
From February 2016	3,676	(80)	3,596	3,268	6,863	
Percent change	10.0	(4.4)	8.3	7.5	15.8	

\* 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 2019-21 biennium.

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

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

#3 Sum of legislative and budget driven revenue changes from 2017 special legislative sessions since the June 2017 forecast

#4 Sum of legislative and budget driven revenue changes from the 2018 legislative session

#5 Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.

#6 Effects of SSB 5581, passed in March of 2019 legislative session

#7 Sum of legislative and budget driven revenue changes from the 2018 legislative session subsequent to the March 2019 forecast

#8 Later-than-forecasted cash transfer of Property Tax out of GF-S into ELTA

## Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
<b>I. Retail Sales</b>			
2002	(1.4)	1.2	(1.2)
2003	2.1	3.0	0.7
2004	4.6	4.8	1.0
2005	7.9	5.5	1.4
2006	10.1	8.3	1.2
2007	7.9	8.3	0.9
2008	2.7	7.9	0.3
2009	(10.4)	(0.9)	11.3
2010	(5.4)	(1.3)	4.1
2011	1.8	5.2	0.4
2012	4.1	6.7	0.6
2013	6.7	5.2	1.3
2014	5.8	4.6	1.3
2015	8.1	7.9	1.0
2016	8.4	5.4	1.6
2017	6.3	6.3	1.0
2018	7.7	7.3	1.1
2019	5.8	6.3	0.9
2020	4.7	4.4	1.1
2021	2.4	4.0	0.6
2022	3.2	4.6	0.7
2023	3.4	4.9	0.7
Average 2002-2019:	4.2	5.3	0.8
<b>II. Business &amp; Occupation</b>			
2002	(3.5)	1.2	(3.0)
2003	(1.6)	3.0	(0.5)
2004	6.8	4.8	1.4
2005	9.7	5.5	1.8
2006	11.2	8.3	1.3
2007	8.3	8.3	1.0
2008	6.9	7.9	0.9
2009	(8.8)	(0.9)	9.5
2010	(2.9)	(1.3)	2.2
2011	4.4	5.2	0.8
2012	8.0	6.7	1.2
2013	6.8	5.2	1.3
2014	5.4	4.6	1.2
2015	5.4	7.9	0.7
2016	2.9	5.4	0.5
2017	3.6	6.3	0.6
2018	7.4	7.3	1.0
2019	4.6	6.3	0.7
2020	3.2	4.4	0.7
2021	6.7	4.0	1.7
2022	4.3	4.6	0.9
2023	4.1	4.9	0.8
Average 2002-2019:	4.5	5.3	0.8

\* Based on constant base taxable data.

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

<sup>1</sup> Income adjusted to exclude special dividend payment in fy 05.

## Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
III. Use			
2002	(5.8)	1.2	(4.9)
2003	(1.4)	3.0	(0.5)
2004	5.6	4.8	1.2
2005	14.0	5.5	2.5
2006	2.3	8.3	0.3
2007	9.0	8.3	1.1
2008	2.1	7.9	0.3
2009	(13.0)	(0.9)	14.2
2010	(5.9)	(1.3)	4.5
2011	11.4	5.2	2.2
2012	1.9	6.7	0.3
2013	7.4	5.2	1.4
2014	9.7	4.6	2.1
2015	8.9	7.9	1.1
2016	2.0	5.4	0.4
2017	4.6	6.3	0.7
2018	5.5	7.3	0.8
2019	3.5	6.3	0.5
2020	(1.9)	4.4	(0.4)
2021	3.0	4.0	0.8
2022	5.6	4.6	1.2
2023	3.8	4.9	0.8
Average 2002-2019:	3.8	5.3	0.7

## Total Revenue Act Receipts

November 2019 Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Receipts <sup>#</sup>	Personal Income <sup>1</sup>	
Revenue Act			
2002	(1.7)	1.2	(1.4)
2003	1.0	3.0	0.3
2004	4.8	4.8	1.0
2005	7.6	5.5	1.4
2006	10.6	8.3	1.3
2007	8.3	8.3	1.0
2008	4.2	7.9	0.5
2009	(9.5)	(0.9)	10.3
2010	(5.3)	(1.3)	4.0
2011	8.1	5.2	1.6
2012	1.3	6.7	0.2
2013	5.9	5.2	1.1
2014	4.6	4.6	1.0
2015	5.6	7.9	0.7
2016	8.5	5.4	1.6
2017	6.3	6.3	1.0
2018	7.2	7.3	1.0
2019	6.9	6.3	1.1
2020	6.2	4.4	1.4
2021	3.3	4.0	0.8
2022	3.4	4.6	0.7
2023	3.7	4.9	0.8
Average 2002-2019:	4.4	5.3	0.8

\* Based on constant base taxable data.

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

<sup>#</sup> Post-ESSB 5073 definition of Revenue Act

<sup>\*\*</sup> Percent changes in tax receipts divided by percent change in personal income.

<sup>1</sup> Income adjusted to exclude special dividend payment in fy 05.

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

History and Forecast by Fiscal Year (Cash basis)

November 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%
FY 2019	\$22,430	3.3%	\$1,352	348.1%	\$23,783	8.0%	\$156	21.1%	\$23,938	8.1%
Forecast:										
FY 2020	\$24,651	9.9%	\$621	-54.1%	\$25,272	6.3%	\$153	-1.7%	\$25,425	6.2%
FY 2021	\$25,654	4.1%	\$517	-16.8%	\$26,170	3.6%	\$139	-9.5%	\$26,309	3.5%
FY 2022	\$26,448	3.1%	\$524	1.4%	\$26,971	3.1%	\$153	10.6%	\$27,125	3.1%
FY 2023	\$27,332	3.3%	\$538	2.7%	\$27,869	3.3%	\$160	4.4%	\$28,029	3.3%
<b>Biennial Totals</b>										
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	\$44,143	15.2%	\$1,654	254.1%	\$45,797	18.1%	\$284	6.9%	\$46,081	18.0%
19-21 Biennium	\$50,304	14.0%	\$1,137	-31.2%	\$51,442	12.3%	\$292	2.6%	\$51,733	12.3%
21-23 Biennium	\$53,779	6.9%	\$1,062	-6.7%	\$54,841	6.6%	\$313	7.5%	\$55,154	6.6%

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

## Lottery Transfers by Fund

(cash basis, millions of dollars)

	Lottery: Total Transfers:*		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	213.8	38.7	0.0	13.1	0.0	0.0	0.4	5.8	155.7	0.0	0.0	0.0
2017-19 Biennium	397.3	77.3	0.0	25.8	0.0	0.0	0.8	9.3	284.2	0.0	0.0	0.0
2020	191.7	20.5	0.0	13.7	0.0	0.0	0.4	4.1	153.1	0.0	0.0	0.0
2021	190.0	32.5	0.0	14.2	0.0	0.0	0.4	4.3	138.6	0.0	0.0	0.0
2019-21 Biennium	381.7	53.0	0.0	27.9	0.0	0.0	0.8	8.4	291.6	0.0	0.0	0.0
2022	192.3	34.3	0.0	0.0	0.0	0.0	0.4	4.3	153.3	0.0	0.0	0.0
2023	194.8	30.0	0.0	0.0	0.0	0.0	0.4	4.3	160.1	0.0	0.0	0.0
2021-23 Biennium	387.1	64.3	0.0	0.0	0.0	0.0	0.8	8.6	313.4	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	215.8	30.9	0.0	13.1	0.0	0.0	0.4	4.6	166.7	0.0	0.0	0.0
2017-19 Biennium	398.8	62.1	0.0	25.8	0.0	0.0	0.8	9.2	300.9	0.0	0.0	0.0
2020	185.4	29.1	0.0	13.7	0.0	0.0	0.4	4.3	138.0	0.0	0.0	0.0
2021	190.1	29.6	0.0	14.2	0.0	0.0	0.4	4.3	141.6	0.0	0.0	0.0
2019-21 Biennium	375.4	58.6	0.0	27.9	0.0	0.0	0.8	8.6	279.6	0.0	0.0	0.0
2022	192.5	29.6	0.0	0.0	0.0	0.0	0.4	4.3	158.2	0.0	0.0	0.0
2023	195.0	29.7	0.0	0.0	0.0	0.0	0.4	4.3	160.6	0.0	0.0	0.0
2021-23 Biennium	387.5	59.3	0.0	0.0	0.0	0.0	0.8	8.6	318.8	0.0	0.0	0.0

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

Source: Lottery Commission, ERFC

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,200.5	\$0.0	\$0.0	\$1,200.5	\$0.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$486.1	\$0.0	\$0.0	\$486.1	\$0.0
Lottery Commission Lottery Revenue	\$77.3	\$0.0	\$0.0	\$77.3	\$0.0
State Treasurer Interest Earnings	\$35.7	\$0.0	\$0.0	\$35.7	\$0.0
Office of Financial Management Other Agencies	\$326.5	\$0.0	(\$1.0)	\$325.5	(\$1.0)
Administrative Office of the Courts Fines and Forfeitures	\$149.1	\$0.0	(\$0.0)	\$149.1	(\$0.0)
<b>Total General Fund-State</b>	<b>\$2,275.2</b>	<b>\$0.0</b>	<b>(\$1.0)</b>	<b>\$2,274.1</b>	<b>(\$1.0)</b>

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,200.5	\$0.0	\$0.0	\$1,200.5	\$0.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$486.1	\$0.0	\$0.0	\$486.1	\$0.0
Lottery Commission Lottery Revenue	\$62.1	\$0.0	\$0.0	\$62.1	\$0.0
State Treasurer Interest Earnings	\$36.4	\$0.0	\$0.0	\$36.4	\$0.0
Office of Financial Management Other Agencies	\$326.5	\$0.0	(\$1.0)	\$325.5	(\$1.0)
Administrative Office of the Courts Fines and Forfeitures	\$149.1	\$0.0	(\$0.0)	\$149.1	(\$0.0)
<b>Total General Fund-State</b>	<b>\$2,260.7</b>	<b>\$0.0</b>	<b>(\$1.0)</b>	<b>\$2,259.7</b>	<b>(\$1.0)</b>

\* Detail may not total due to rounding.

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,303.3	\$0.0	\$5.3	\$1,308.6	\$5.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$549.8	\$0.0	\$9.7	\$559.4	\$9.7
Lottery Commission Lottery Revenue	\$51.6	\$0.0	\$1.5	\$53.0	\$1.5
State Treasurer Interest Earnings	\$39.1	\$0.0	(\$20.5)	\$18.6	(\$20.5)
Office of Financial Management Other Agencies	\$215.2	\$0.0	(\$1.1)	\$214.1	(\$1.1)
Administrative Office of the Courts Fines and Forfeitures	\$137.8	\$0.0	(\$3.3)	\$134.5	(\$3.3)
<b>Total General Fund-State</b>	<b>\$2,296.7</b>	<b>\$0.0</b>	<b>(\$8.5)</b>	<b>\$2,288.2</b>	<b>(\$8.5)</b>

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,303.3	\$0.0	\$5.3	\$1,308.6	\$5.3
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$549.8	\$0.0	\$9.7	\$559.4	\$9.7
Lottery Commission Lottery Revenue	\$59.3	\$0.0	(\$0.7)	\$58.6	(\$0.7)
State Treasurer Interest Earnings	\$38.1	\$0.0	(\$20.7)	\$17.4	(\$20.7)
Office of Financial Management Other Agencies	\$215.2	\$0.0	(\$1.1)	\$214.1	(\$1.1)
Administrative Office of the Courts Fines and Forfeitures	\$137.8	\$0.0	(\$3.3)	\$134.5	(\$3.3)
<b>Total General Fund-State</b>	<b>\$2,303.4</b>	<b>\$0.0</b>	<b>(\$10.8)</b>	<b>\$2,292.6</b>	<b>(\$10.8)</b>

\* Detail may not total due to rounding.

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,415.2	\$0.0	\$6.5	\$1,421.7	\$6.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$592.3	\$0.0	\$7.9	\$600.2	\$7.9
Lottery Commission Lottery Revenue	\$66.8	\$0.0	(\$2.4)	\$64.3	(\$2.4)
State Treasurer Interest Earnings	\$37.0	\$0.0	(\$0.3)	\$36.7	(\$0.3)
Office of Financial Management Other Agencies	\$187.5	\$0.0	(\$1.7)	\$185.8	(\$1.7)
Administrative Office of the Courts Fines and Forfeitures	\$138.0	\$0.0	(\$4.3)	\$133.7	(\$4.3)
<b>Total General Fund-State</b>	<b>\$2,436.8</b>	<b>\$0.0</b>	<b>\$5.7</b>	<b>\$2,442.5</b>	<b>\$5.7</b>

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

Source/Agency	September 2019 Baseline	Non-Economic Changes	Economic Changes	November 2019 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,415.2	\$0.0	\$6.5	\$1,421.7	\$6.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$592.3	\$0.0	\$7.9	\$600.2	\$7.9
Lottery Commission Lottery Revenue	\$59.6	\$0.0	(\$0.3)	\$59.3	(\$0.3)
State Treasurer Interest Earnings	\$37.3	\$0.0	\$0.0	\$37.3	\$0.0
Office of Financial Management Other Agencies	\$187.5	\$0.0	(\$1.7)	\$185.8	(\$1.7)
Administrative Office of the Courts Fines and Forfeitures	\$138.0	\$0.0	(\$4.3)	\$133.7	(\$4.3)
<b>Total General Fund-State</b>	<b>\$2,429.9</b>	<b>\$0.0</b>	<b>\$8.2</b>	<b>\$2,438.1</b>	<b>\$8.2</b>

\* Detail may not total due to rounding.

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**November 2019**Alternative General Fund-State Forecasts  
Millions of Dollars

Cash Basis

**2019-21 Biennium**

	<u>2019-21 Biennium</u>	<u>Difference From the November 2019 Baseline</u>
November 2019 GF-S Baseline (50%)	\$50,304	
November 2019 Alternative GF-S Forecasts		
Optimistic (15%)	\$51,865	\$1,560
Pessimistic (35%)	\$48,468	(\$1,836)
Probability Weighted Average	\$49,896	(\$409)
GCEA*	\$50,453	\$148

**2021-23 Biennium**

	<u>2021-23 Biennium</u>	<u>Difference From the November 2019 Baseline</u>
November 2019 GF-S Baseline (50%)	\$53,779	
November 2019 Alternative GF-S Forecasts		
Optimistic (15%)	\$57,628	\$3,849
Pessimistic (35%)	\$49,001	(\$4,778)
Probability Weighted Average	\$52,684	(\$1,095)
GCEA*	\$54,102	\$323

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

### U.S. Forecast Comparison

	2019Q3	2019Q4	2020Q1	2020Q2
<b>Real GDP (Billions of 2012 Dollars)</b>				
November Forecast	19,113	19,188	19,271	19,358
Percent Change	1.9%	1.6%	1.7%	1.8%
September Forecast	19,117	19,204	19,288	19,370
Percent Change	2.0%	1.8%	1.8%	1.7%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
November Forecast	13,344	13,410	13,479	13,547
Percent Change	2.9%	2.0%	2.1%	2.0%
September Forecast	13,341	13,407	13,477	13,541
Percent Change	2.7%	2.0%	2.1%	1.9%
<b>PCE Price Index (2012=100)</b>				
November Forecast	109.9	110.6	111.1	111.6
Percent Change	1.5%	2.2%	2.0%	1.9%
September Forecast	110.0	110.5	111.2	111.7
Percent Change	1.8%	2.0%	2.3%	2.1%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
November Forecast	17,075	17,139	17,219	17,275
Percent Change	2.2%	1.5%	1.9%	1.3%
September Forecast	17,071	17,187	17,273	17,365
Percent Change	2.0%	2.8%	2.0%	2.2%
<b>Nonfarm Payroll Employment (Millions)</b>				
November Forecast	151.6	152.2	152.6	153.1
Percent Change	1.4%	1.4%	1.1%	1.5%
September Forecast	151.6	152.0	152.5	153.2
Percent Change	1.3%	1.1%	1.4%	1.7%
<b>Unemployment Rate (Percent of Labor Force)</b>				
November Forecast	3.6	3.5	3.5	3.5
September Forecast	3.6	3.5	3.6	3.6
<b>Oil Price, Refiner's Acquisition</b>				
November Forecast	58.6	56.7	57.1	55.8
September Forecast	56.3	55.7	54.5	53.8
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
November Forecast	3.7	3.7	3.8	3.9
September Forecast	3.6	3.5	3.6	3.8
<b>3 Month T-Bill Rate (Percent, average)</b>				
November Forecast	2.0	1.6	1.6	1.5
September Forecast	2.0	1.8	1.7	1.6

	2017	2018	2019	2020	2021	2022	2023
<b>Real GDP (Billions of 2012 Dollars)</b>							
November Forecast	18,108	18,638	19,063	19,397	19,746	20,121	20,523
Percent Change	2.4%	2.9%	2.3%	1.8%	1.8%	1.9%	2.0%
September Forecast	18,108	18,638	19,068	19,407	19,737	20,112	20,514
Percent Change	2.4%	2.9%	2.3%	1.8%	1.7%	1.9%	2.0%
<b>Real Consumption (Billions of 2012 Dollars)</b>							
November Forecast	12,567	12,945	13,277	13,574	13,832	14,108	14,419
Percent Change	2.6%	3.0%	2.6%	2.2%	1.9%	2.0%	2.2%
September Forecast	12,567	12,945	13,276	13,566	13,824	14,100	14,382
Percent Change	2.6%	3.0%	2.6%	2.2%	1.9%	2.0%	2.0%
<b>PCE Price Index (2012=100)</b>							
November Forecast	105.9	108.1	109.7	111.9	114.0	116.3	118.6
Percent Change	1.8%	2.1%	1.5%	2.0%	1.9%	2.0%	2.0%
September Forecast	105.9	108.1	109.7	112.0	114.3	116.6	118.8
Percent Change	1.8%	2.1%	1.5%	2.1%	2.0%	2.0%	1.9%
<b>Real Personal Income (Billions of 2012 Dollars)</b>							
November Forecast	15,933	16,477	17,014	17,306	17,644	18,063	18,511
Percent Change	2.9%	3.4%	3.3%	1.7%	2.0%	2.4%	2.5%
September Forecast	15,933	16,477	17,026	17,403	17,765	18,165	18,628
Percent Change	2.9%	3.4%	3.3%	2.2%	2.1%	2.3%	2.5%
<b>Nonfarm Payroll Employment (Millions)</b>							
November Forecast	146.6	149.1	151.4	153.1	154.0	154.8	155.4
Percent Change	1.6%	1.7%	1.6%	1.1%	0.6%	0.5%	0.4%
September Forecast	146.6	149.1	151.4	153.1	153.9	154.6	155.4
Percent Change	1.6%	1.7%	1.5%	1.1%	0.5%	0.5%	0.5%
<b>Unemployment Rate (Percent of Labor Force)</b>							
November Forecast	4.4	3.9	3.7	3.5	3.7	3.9	4.1
September Forecast	4.4	3.9	3.7	3.6	3.8	3.9	4.1
<b>Oil Price, Refiner's Acquisition</b>							
November Forecast	50.7	64.5	59.0	55.4	53.0	52.3	52.3
September Forecast	50.7	64.5	58.2	53.6	52.2	51.9	52.2
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>							
November Forecast	4.0	4.5	3.9	3.9	4.4	4.5	4.6
September Forecast	4.0	4.5	3.9	3.8	4.3	4.7	4.8
<b>3 Month T-Bill Rate (Percent, average)</b>							
November Forecast	0.9	1.9	2.1	1.5	1.8	2.2	2.4
September Forecast	0.9	1.9	2.1	1.6	1.8	2.2	2.4

### Washington Forecast Comparison

	2019Q3	2019Q4	2020Q1	2020Q2
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
November Forecast	449.1	451.1	452.8	455.4
Percent Change	2.1%	1.7%	1.5%	2.3%
September Forecast	443.3	446.3	449.0	452.2
Percent Change	2.7%	2.7%	2.4%	2.9%
<b>Personal Income (Billions of Dollars)</b>				
November Forecast	493.7	498.6	503.1	508.3
Percent Change	3.6%	4.1%	3.6%	4.2%
September Forecast	487.7	493.4	499.1	505.4
Percent Change	4.6%	4.8%	4.8%	5.1%
<b>Disposable Personal Income (Billions of Dollars)</b>				
November Forecast	439.9	444.5	448.7	453.4
Percent Change	3.6%	4.3%	3.9%	4.2%
September Forecast	435.9	441.1	446.2	451.8
Percent Change	4.9%	4.9%	4.7%	5.1%
<b>Nonfarm Payroll Employment (Thousands)</b>				
November Forecast	3481	3494	3504	3524
Percent Change	2.0%	1.5%	1.2%	2.3%
September Forecast	3480	3494	3508	3529
Percent Change	2.3%	1.6%	1.7%	2.4%
<b>Unemployment Rate (Percent of Labor Force)</b>				
November Forecast	4.6	4.5	4.5	4.5
September Forecast	4.6	4.5	4.6	4.6
<b>Manufacturing Employment (Thousands)</b>				
November Forecast	296.0	295.0	295.2	294.1
Percent Change	3.0%	-1.3%	0.2%	-1.4%
September Forecast	296.6	296.5	297.0	295.6
Percent Change	3.1%	-0.2%	0.7%	-1.9%
<b>Construction Employment (Thousands)</b>				
November Forecast	219.5	221.4	219.7	218.8
Percent Change	0.8%	3.5%	-3.0%	-1.7%
September Forecast	217.9	217.3	215.8	215.2
Percent Change	-0.4%	-1.1%	-2.6%	-1.1%
<b>Housing Permits (Thousands)</b>				
November Forecast	48.0	43.2	43.9	43.8
Percent Change	-5.1%	-34.4%	6.5%	-0.8%
September Forecast	45.4	43.2	43.3	43.5
Percent Change	-23.8%	-18.2%	0.7%	2.0%

	2017	2018	2019	2020	2021	2022	2023
<b>Real Personal Income (Billions of 2012 Dollars)</b>							
November Forecast	410.4	432.2	447.7	456.1	466.9	479.4	493.8
Percent Change	4.8%	5.3%	3.6%	1.9%	2.3%	2.7%	3.0%
September Forecast	404.8	424.2	441.7	453.4	465.1	477.6	492.5
Percent Change	4.2%	4.8%	4.1%	2.7%	2.6%	2.7%	3.1%
<b>Personal Income (Billions of Dollars)</b>							
November Forecast	434.8	467.4	491.3	510.4	532.5	557.6	585.7
Percent Change	6.6%	7.5%	5.1%	3.9%	4.3%	4.7%	5.0%
September Forecast	428.8	458.8	484.7	508.0	531.7	556.7	585.1
Percent Change	6.1%	7.0%	5.6%	4.8%	4.7%	4.7%	5.1%
<b>Disposable Personal Income (Billions of Dollars)</b>							
November Forecast	387.3	417.9	437.7	455.4	475.7	498.2	522.2
Percent Change	6.9%	7.9%	4.8%	4.0%	4.5%	4.7%	4.8%
September Forecast	380.3	410.0	433.0	454.3	476.0	498.5	522.9
Percent Change	6.0%	7.8%	5.6%	4.9%	4.8%	4.7%	4.9%
<b>Nonfarm Payroll Employment (Thousands)</b>							
November Forecast	3321	3404	3470	3524	3561	3595	3623
Percent Change	2.4%	2.5%	1.9%	1.6%	1.1%	1.0%	0.8%
September Forecast	3321	3404	3469	3530	3569	3605	3640
Percent Change	2.4%	2.5%	1.9%	1.7%	1.1%	1.0%	1.0%
<b>Unemployment Rate (Percent of Labor Force)</b>							
November Forecast	4.7	4.5	4.6	4.5	4.7	4.9	5.1
September Forecast	4.7	4.5	4.6	4.6	4.8	4.9	5.0
<b>Manufacturing Employment (Thousands)</b>							
November Forecast	284.2	287.5	294.5	293.5	291.3	293.0	295.5
Percent Change	-2.1%	1.2%	2.4%	-0.3%	-0.8%	0.6%	0.9%
September Forecast	284.2	287.5	295.3	294.9	293.0	295.0	298.7
Percent Change	-2.1%	1.2%	2.7%	-0.2%	-0.6%	0.7%	1.2%
<b>Construction Employment (Thousands)</b>							
November Forecast	199.8	213.4	218.9	218.2	214.0	212.5	211.8
Percent Change	7.0%	6.8%	2.6%	-0.3%	-1.9%	-0.7%	-0.3%
September Forecast	199.8	213.4	217.3	214.8	211.8	210.5	209.9
Percent Change	7.0%	6.8%	1.9%	-1.2%	-1.4%	-0.6%	-0.3%
<b>Housing Permits (Thousands)</b>							
November Forecast	45.8	47.7	45.9	43.6	42.5	42.2	41.6
Percent Change	3.9%	4.3%	-3.9%	-5.0%	-2.5%	-0.6%	-1.4%
September Forecast	45.8	47.7	45.2	43.3	42.5	42.4	41.7
Percent Change	3.9%	4.3%	-5.3%	-4.2%	-2.0%	-0.2%	-1.5%

**Governor's Council of Economic Advisor's Forecast**

**Calendar Years**

	2019	2020	2021	2022	2023
<b>U.S.</b>					
<b>Real GDP</b>					
<i>Growth</i>					
ERFC	2.3	1.8	1.8	1.9	2.0
GCEA Average	2.2	1.5	1.9	1.9	2.0
<b>Real Consumption</b>					
<i>Growth</i>					
ERFC	2.6	2.2	1.9	2.0	2.2
GCEA Average	2.6	2.1	1.9	2.0	2.0
<b>PCE Price Index</b>					
<i>Growth</i>					
ERFC	1.5	2.0	1.9	2.0	2.0
GCEA Average	1.7	1.8	1.8	1.8	1.8
<b>Mortgage Rate</b>					
<i>Percent</i>					
ERFC	3.9	3.9	4.4	4.5	4.6
GCEA Average	3.9	3.7	4.2	4.6	4.7
<b>Oil Price (Brent)</b>					
<i>Dollars per barrel</i>					
ERFC	63.9	59.8	57.6	56.9	57.1
GCEA Average	63.7	59.6	59.9	60.8	62.1

**Washington State**

**Real Personal Income**

*Growth*

ERFC	3.6	1.9	2.3	2.7	3.0
GCEA Average	3.7	2.5	2.9	2.6	2.8

**Wage and Salary Employment**

*Growth*

ERFC	1.9	1.6	1.1	1.0	0.8
GCEA Average	1.9	1.4	1.2	1.1	1.0

**Manufacturing Employment**

*Growth*

ERFC	2.4	-0.3	-0.8	0.6	0.9
GCEA Average	2.5	0.2	0.3	0.7	0.9

**Construction Employment**

*Growth*

ERFC	2.6	-0.3	-1.9	-0.7	-0.3
GCEA Average	2.1	-0.5	-0.8	-0.2	0.0

**Housing Permits**

*Thousands of authorized units*

ERFC	45.9	43.6	42.5	42.2	41.6
GCEA Average	45.9	43.9	43.2	43.3	42.9

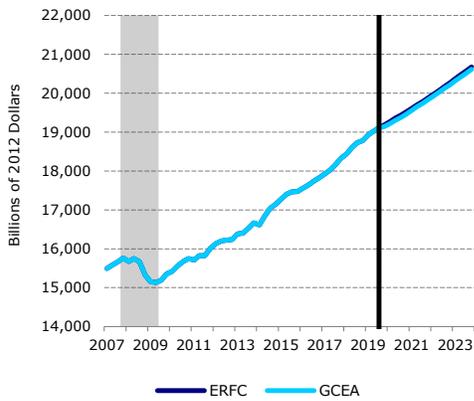
**Washington Average Annual Wage**

*Growth*

ERFC	3.6	2.8	3.4	3.8	4.4
GCEA Average	3.7	3.5	3.6	3.7	3.9

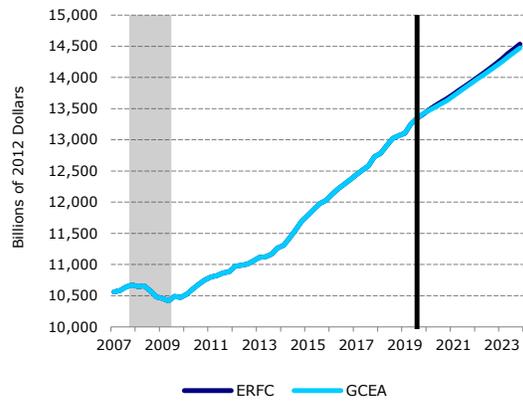
# U.S. Forecast Comparison

### Real GDP



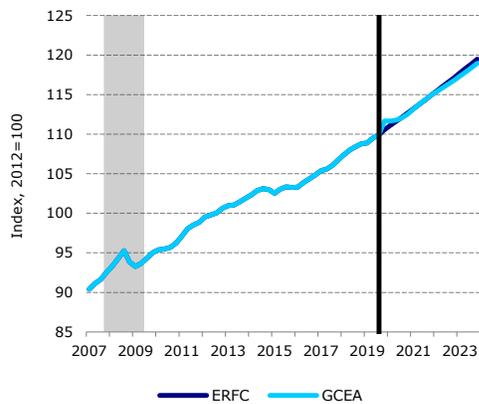
Source: BEA, ERFC, GCEA; data through 2019 Q3

### Real Consumption



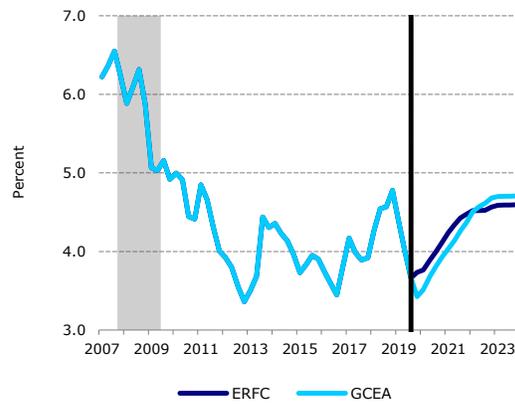
Source: BEA, ERFC, GCEA; data through 2019 Q3

### PCE Price Index



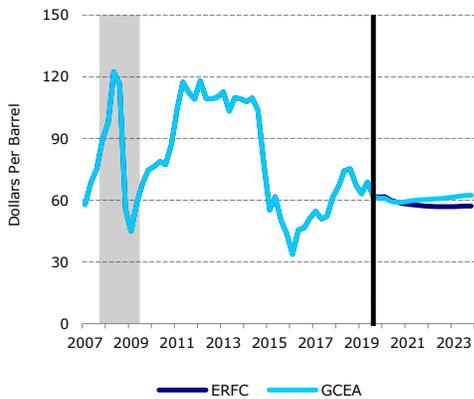
Source: BEA, ERFC, GCEA; data through 2019 Q3

### Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2019 Q3

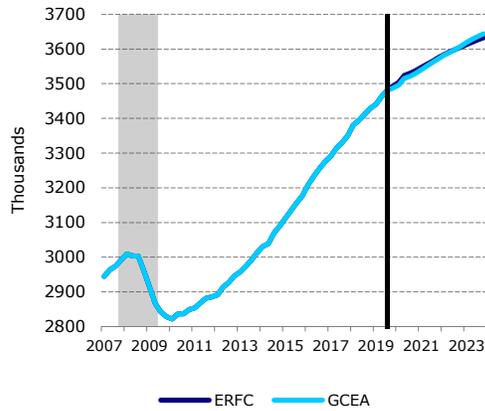
### Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2019 Q3

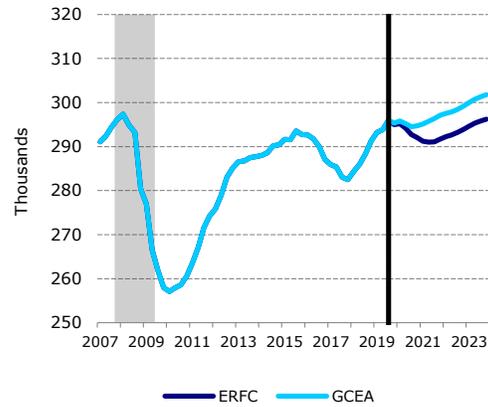
# Washington Forecast Comparison

### Nonfarm Payroll Employment



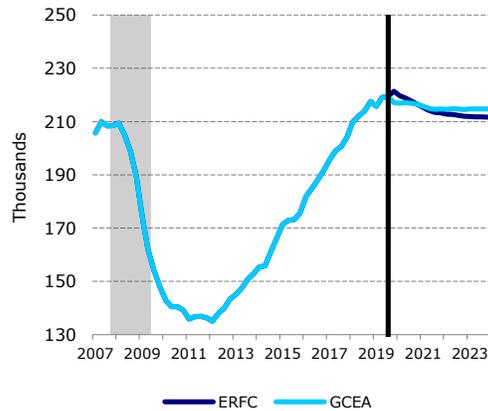
Source: ESD, ERFC, GCEA; data through 2019 Q3

### Manufacturing Employment



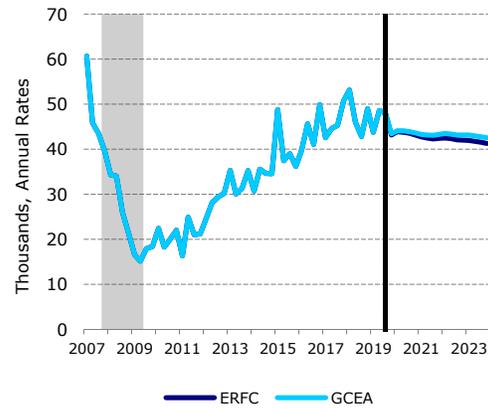
Source: ESD, ERFC, GCEA; data through 2019 Q3

### Construction Employment



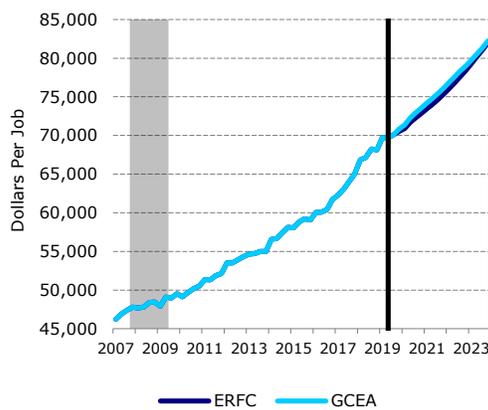
Source: ESD, ERFC, GCEA; data through 2019 Q3

### Housing Units Authorized



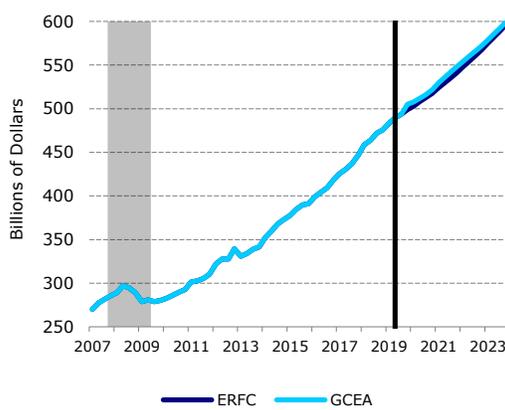
Source: Census, ERFC, GCEA; data through 2019 Q3

### Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2019 Q2

### Personal Income



Source: BEA, ERFC, GCEA; data through 2019 Q2

# 2017-19 with Enacted Supplementals and 2019-21 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			2019-21		
	GFS	ELTA and OPA	TOTAL	GFS	ELTA and OPA	TOTAL
<b>RESOURCES</b>						
Beginning Fund Balance	1,100.6	48.0	1,148.5	999.3	981.9	1,981.2
September 2019 Revenue Forecast change	44,143.6	1,942.1	46,085.6	50,030.3	1,404.2	51,434.6
November 2019 Revenue Forecast change	(1.0)	(3.7)	(4.7)	274.1	24.7	298.9
<b>Current Revenue Totals</b>	<b>44,142.6</b>	<b>1,938.3</b>	<b>46,080.9</b>	<b>50,304.5</b>	<b>1,429.0</b>	<b>51,733.4</b>
Transfer to Budget Stabilization Account (1% of GSR)	(439.1)		(439.1)	(500.0)		(500.0)
Transfer to Budget Stabilization Account (EGSR)	(1,648.1)		(1,648.1)	-		-
Transfer from BSA (EGSR)	1,136.4		1,136.4	-		-
Enacted Fund Transfers	(57.3)	254.0	196.7	49.0	160.0	209.0
CAFR Adjustment	(41.2)	40.0	(1.3)	-	-	-
Actual/Assumed Prior Period Adjustments	190.7		190.7	40.8		40.8
<b>Total Resources (including beginning fund balance)</b>	<b>44,384.5</b>	<b>2,280.3</b>	<b>46,664.8</b>	<b>50,893.6</b>	<b>2,570.9</b>	<b>53,464.5</b>
<b>EXPENDITURES</b>						
Enacted Budgets	43,550.9	1,299.8	44,850.7	50,395.5	2,103.2	52,498.6
Actual/Assumed Reversions	(165.7)	(1.3)	(167.1)	(353.7)	-	(353.7)
<b>Total Expenditures</b>	<b>43,385.2</b>	<b>1,298.4</b>	<b>44,683.6</b>	<b>50,041.8</b>	<b>2,103.2</b>	<b>52,144.9</b>
<b>RESERVES</b>						
Projected Ending Balance (GFS + ELTA + OPA)	999.3	981.9	1,981.2	851.9	467.7	1,319.6
<b>Budget Stabilization Account</b>						
Budget Stabilization Account Beginning Balance	1,638.3		1,638.3	1,618.4		1,618.4
Transfers from General Fund (1% of GSR)	439.1		439.1	500.0		500.0
Transfers from GFS (EGSR)	1,648.1		1,648.1	-		-
Actual/Assumed Interest Earnings and other	38.3		38.3	56.4		56.4
Less 17-19 Appropriations from BSA	(83.8)		(83.8)	-		-
Less 17-19 Transfers to Pension Stabilization Account	(925.2)		(925.2)	-		-
Less Transfers out to GFS (EGSR)	(1,136.4)		(1,136.4)	-		-
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>1,618.4</b>		<b>1,618.4</b>	<b>2,174.9</b>		<b>2,174.9</b>
<b>Total Reserves (Near General Fund plus Budget Stabilization)</b>	<b>2,617.8</b>	<b>981.9</b>	<b>3,599.7</b>	<b>3,026.7</b>	<b>467.7</b>	<b>3,494.4</b>

**Acronyms**

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

### Introduction

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

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

### Resources

The amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

#### Beginning Fund Balance

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

#### Revenue Forecast

Current revenues for the 2019-21, and 2021-23 biennia reflect the November 2019 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). The provisions of Chapter 8, laws of 2012, 1st sp. sess (SSB 6336) call for the ensuing biennium, in this instance, the 2021-23 biennium, to be balanced based on the greater of:

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

Because the November 2019 forecast projects revenue growth of less than 4.5 percent per FY in the 2021-23 biennium, the November 2019 Outlook assumes the 4.5 percent growth rate for the 2021-23 biennium.

#### Transfers to the Budget Stabilization Account

Pursuant to Article VII, section 12(1) of the Constitution, one percent of General State Revenues (GSR) for each FY are transferred to the Budget Stabilization Account (BSA). The transfer amounts are estimates based on the calculation of estimated GSR as defined in Article VIII, section 1(c) of the Constitution. The calculation of estimated GSR based on the November 2019 revenue forecast is not yet complete and therefore this Outlook uses GSR calculations from the September 2019 revenue forecast.

#### Extraordinary Revenue Growth

Pursuant to Article VII, section 12 of the Constitution, three-quarters of extraordinary revenue growth (ERG) is transferred to the BSA. ERG is growth in general state revenues for the fiscal biennium that exceeds the average biennial percentage growth of the prior five fiscal

biennia by one-third. The transfer only occurs to the extent that it exceeds the normal one percent transfer mentioned above. The November 2019 revenue forecast does not project ERG for the 2019-21 nor 2021-23 biennia so no additional BSA transfer is assumed in this Outlook.

### Enacted Fund Transfers

This category reflects the NGF-O impact of previously enacted fund transfers made in the 2019 session after accounting for vetoes. For more information, see the 2019 Legislative Budget Notes at: <http://leap.leg.wa.gov/leap/budget/lbns/2019LBN.pdf>

Transfers for the 2021-23 biennium are included to the extent they are either statutorily required or there is enacted language directing that the legislature intends to maintain the transfer in the 2021-23 biennium.

### **Expenditures**

#### Estimating Costs for the 2019-21 and 2021-23 Fiscal Biennia

Estimated NGF-O expenditures for the 2019-21 biennium are based on the enacted budget as well as appropriations made in other legislation. Estimated expenditures for the 2021-23 biennium in the Outlook reflect the cost to continue current programs, entitlement program growth, and actions required by law in the subsequent fiscal biennium. The general approach to estimating the cost to continue current programs and growth in entitlement programs is by applying a historical growth factor to the FY cost or savings associated with a budget item. Information on the growth factors used for this Outlook can be found on the ERFC website at: [https://erfc.wa.gov/sites/default/files/public/documents/budget/20181106\\_MemoToERFC\\_GrowthRates.pdf](https://erfc.wa.gov/sites/default/files/public/documents/budget/20181106_MemoToERFC_GrowthRates.pdf)

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

- **K-12 Education.** K-12 Outlook calculations are derived from the K-12 model, which is updated quarterly based on the caseload forecast for growth and inflationary factors. The K-12 model is periodically updated for other factors such as levy equalization, student transportation, and staff mix.
- **Debt Service.** Debt service calculations are derived from the debt service model. The Outlook statute specifies that "estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature." Pursuant to ERFC guidance on June 6, 2019, the model used for the Outlook assumes enactment of a 2021-23 biennium bond bill and capital budget.
- **Custom adjustments.** Custom adjustments are used when the estimated annual costs are expected to be significantly different from the 2nd FY of the current biennium. This occurs primarily when a policy is being phased in during the second FY of a biennium or may be delayed until the subsequent fiscal biennium. In most cases, the growth factor is applied after a custom adjustment is made to reflect the phase in for the policy item. In a small number of cases, the custom adjustment already accounts for the types of growth captured by the growth factor and so the growth factor is not applied.

## Overview of the Methodology for the State Budget Outlook (November 2019)

- One-Time costs. Certain items in the budget are one-time for the current biennium and therefore the related costs or savings are not carried forward.
- Compensation items. The Outlook statute directs that costs related to future collective bargaining agreements (CBA) not yet approved by the Legislature be excluded as well as future biennia costs for salary and benefit increases unless otherwise directed by statute.

### Initial Starting Point

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget. It is based on the appropriation levels for the 2019-21 biennium. For more information, please see: <http://leap.leg.wa.gov/leap/budget/lbns/2019LBN.pdf>. The Outlook is then adjusted for the preliminary estimates of the FY 2020 supplemental operating budget provided by the Office of Financial Management (OFM) on November 7, 2019.

### Maintenance Level Revisions

In this section, additional adjustments are made to reflect the NGF-O costs of continuing to comply with current law provisions. This is often referred to as Maintenance Level (ML). Pursuant to the provisions of Chapter 8, Laws of 2012, 1st sp.s. (SSB 6636), this excludes the costs of legislation not enacted by the Legislature, including new CBAs not approved by the Legislature, other proposed compensation increases, and costs of any adverse court rulings within 90 days of each respective legislative session. OFM's statewide preliminary ML estimate, by biennial period, follows:

- 2019-21 biennial estimate: \$517 million, and
- 2021-23 biennial estimate: \$386 million.

### *Kindergarten – Grade 12 (K-12 Education)*

The updates are based on the most recent enrollment forecast and budget driver information for required K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model, which updates the growth and inflationary factors with each forecast. The K-12 model is also periodically updated for other factors such as levy equalization, student transportation, and staff mix.

K-12 education ML adjustments include \$138 million in the 2019-21 biennium and savings of \$67 million in the 2021-23 biennium. The larger increases are related primarily to enrollment, workload and transportation funding adjustments. The largest savings in this category are related primarily to the most recent actuarial projections of employer pension contributions rates by state actuaries and reductions in the estimated costs for local effort assistance payments. In addition, there is a budget savings associated with a technical correction to the state Learning Assistance Program (LAP) high-poverty calculations to better align with amounts actually allocated to school districts for this purpose.

### *Low-Income Health Care & Community Behavioral Health*

The amounts depicted reflect caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory ML changes. Some

of the major cost components include utilization, caseload, and medical inflation. The growth factor for the 2021-23 biennium is estimated at 2.89 percent per year from FY 2021 levels.

ML adjustments include \$287 million in the 2019-21 biennium and \$420 million in the 2021-23 biennium. The larger state costs are related primarily to increases in physical and behavioral health managed care rates, which are required under federal law to be actuarially sound and required increases in hold harmless payments for Certified Public Expenditure hospitals. Larger state savings are related to declining Medicaid caseloads and reductions in medical utilization across some populations.

### *Social and Health Services*

The amounts depicted reflect caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory ML changes. Some of the major cost components include caseload, utilization and severity of client needs. The growth factor for the 2021-23 biennium is estimated at 3.27 percent per year from FY 2021 levels.

ML adjustments include \$54 million in the 2019-21 biennium and \$131 million in the 2021-23 biennium. The larger increases are related to state hospital operations, and an estimated loss of federal revenues used to support the state hospitals. The larger savings include forecasted reductions in caseloads and utilization. The preliminary maintenance level submitted by the OFM does not assume further delays in the reduction in federal Disproportionate Share Hospital (DSH) grants beyond the 2021-23 biennium as was assumed in the enacted Outlook.

### *Department of Corrections*

The amounts depicted reflect caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory ML changes. A major cost component is the community supervision and institution populations. The growth factor for the 2021-23 biennium is estimated at 1.33 percent per year from FY 2021 levels.

ML adjustments include \$39 million in the 2019-21 biennium and \$70 million in the 2021-23 biennium. The larger adjustments are related to capital projects operating costs and changes in the community supervision and community violator caseloads.

### *Higher Education*

Higher Education adjustments are generally related to Initiative 732 cost of living adjustments, the College Bound Scholarship program, and to maintenance, operations and lease adjustments. The growth factor for the 2021-23 biennium is estimated at 0.1 percent per year from FY 2021 levels.

ML adjustments include \$2 million in the 2019-21 biennium and \$2 million in the 2021-23 biennium.

### *Debt Service*

The amounts depicted reflect estimated savings on the cost of the debt on all capital budget bonds that were authorized through the 2019 session using the bond model to calculate estimated costs for the 2021-23 biennium. In accordance with direction from the ERFC, this includes estimated costs of adopting a capital budget in the 2021-23 biennium.

ML adjustments include savings of \$40 million in the 2019-21 biennium and savings of \$45 million in the 2021-23 biennium.

### *Other*

This area includes all other agencies not reflected in the preceding Outlook groups. Many are general government agencies, smaller human service agencies, natural resource agencies, legislative agencies and judicial agencies. The growth factor for the 2021-23 biennium is estimated at 0.42 percent per year from FY 2021 levels.

ML adjustments include savings of \$2 million in the 2019-21 biennium and savings of \$124 million in the 2021-23 biennium. The larger increases are related to forecasted increases for early learning tiered reimbursement and some child welfare programs. The larger savings are related to the most recent actuarial projections of employer pension contributions rates by state actuaries and changes in the forecast for the Working Connections Child Care program.

## **Other Outlook Items**

### *2019 Fire Suppression Costs*

This adjustment reflects the November 4th, 2019 ERFC decision to include the estimated costs of the 2019 fire season, which exceeds the amount built into agency base budgets for fire suppression.

ML adjustments include \$38 million for FY 2020.

**2019-21 Omnibus Operating Budget -- 2020 Supplemental**  
**November 2019 Outlook- Proposed**  
**Funds Subject to Outlook**  
(Dollars in Millions)

	2019-21			2021-23		
	FY 2020	FY 2021	2019-21	FY 2022	FY 2023	2021-23
<b>Beginning Balance</b>	<b>1,981</b>	<b>1,705</b>	<b>1,981</b>	<b>802</b>	<b>379</b>	<b>802</b>
<b>Current Revenues</b>	<b>25,425</b>	<b>26,309</b>	<b>51,733</b>	<b>27,493</b>	<b>28,730</b>	<b>56,222</b>
November 2019 Revenue Forecast (NGF-O)	25,425	26,309	51,733	27,125	28,029	55,154
Addtl Revenue Based on 4.5% Growth Rate Assumption	0	0	0	368	700	1,068
<b>Other Resource Changes</b>	<b>-133</b>	<b>-117</b>	<b>-250</b>	<b>-96</b>	<b>-184</b>	<b>-280</b>
GF-S Transfer to BSA (1%)	-245	-255	-500	-263	-272	-536
Prior Period Adjustments	20	20	41	20	20	41
Proposed Fund Transfers	0	0	0	0	0	0
Enacted Fund Transfers	91	118	209	147	68	215
<b>Total Revenues and Resources</b>	<b>27,273</b>	<b>27,897</b>	<b>53,464</b>	<b>28,199</b>	<b>28,925</b>	<b>56,745</b>
<b>Enacted Appropriations</b>	<b>25,571</b>	<b>26,928</b>	<b>52,499</b>	<b>27,789</b>	<b>28,482</b>	<b>56,271</b>
<b>Maintenance Level Total</b>	<b>163</b>	<b>354</b>	<b>517</b>	<b>187</b>	<b>199</b>	<b>386</b>
K-12 Education	54	84	138	-24	-43	-67
Low Income Health Care & Comm Behavioral Health	81	206	287	209	211	420
Social & Health Services	18	36	54	64	66	131
Higher Education	1	1	2	1	1	2
Corrections	12	27	39	33	37	70
All Other	9	-11	-2	-69	-55	-124
Debt Service	-12	-28	-40	-27	-18	-45
2019 Emergency Fire Suppression	0	38	38	0	0	0
<b>Reversions</b>	<b>-166</b>	<b>-187</b>	<b>-354</b>	<b>-155</b>	<b>-140</b>	<b>-295</b>
<b>Revised Appropriations</b>	<b>25,568</b>	<b>27,094</b>	<b>52,662</b>	<b>27,820</b>	<b>28,541</b>	<b>56,361</b>
<b>Projected Ending Balance</b>	<b>1,705</b>	<b>802</b>	<b>802</b>	<b>379</b>	<b>383</b>	<b>383</b>
<b>Budget Stabilization Account</b>						
Beginning Balance	1,618	1,891	1,618	2,175	2,480	2,175
GF-S Transfer to BSA (1%)	245	255	500	263	272	536
Interest Earnings	28	29	56	41	56	97
<b>Budget Stabilization Account Ending Balance</b>	<b>1,891</b>	<b>2,175</b>	<b>2,175</b>	<b>2,480</b>	<b>2,808</b>	<b>2,808</b>
<b>Total Reserves</b>	<b>3,596</b>	<b>2,977</b>	<b>2,977</b>	<b>2,858</b>	<b>3,191</b>	<b>3,191</b>

**Notes:**

1. Disproportionate Share Hospital (DSH) - The federal Affordable Care Act directed reductions in DSH Medicaid grants to states, beginning in 2014. Subsequent federal legislation has delayed the reductions several times and under current law they are scheduled to take effect during fiscal year 2020. The preliminary maintenance level included in this Outlook does not assume further delay in DSH reductions.

2. Fire Suppression incremental costs for the 2019 fire season are not expected to be in the ML budget but are added to the November Outlook at the direction of the ERFC. The amount included is a preliminary estimate of the additional cost of the 2019 fire season above the amounts currently appropriated.