

Revenue Review

February 19, 2020



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW

February 19, 2020
9:00 a.m.

- Call to order
- Approval meeting minutes:
 - January 30, 2020
- Economic & Revenue Forecast
 - Adoption of official state economic and revenue forecast and unofficial optimistic and pessimistic alternative forecasts
- 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
Budget Outlook Methodology & Adoption
January 30, 2020
John A. Cherberg, Hearing Room 2

Economic and Revenue Forecast Council

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

Staff

Steve Lerch, Executive Director

*Budget Outlook Work Group
representatives:*

Sarian Scott, Senate
Andy Toulon, House
Rachel Knutson, OFM

Call to Order

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

Approval of the Minutes

Director Schumacher moved, seconded by Treasurer Davidson, to adopt the meeting minutes from November 20, 2019. Motion passed unanimously at 10:01 a.m.

Presentation on Budget Outlook

Rachel Knutson, Andy Toulon, and Sarian Scott provided an overview of the methodology for the state budget outlook. Discussion ensued regarding the Workforce Education Investment Account (WEIA), excluded in the Outlook by statute. Staff were asked how the Outlook would have differed if the WEIA were included in the Outlook statute. Staff indicated that a formal Outlook including WEIA has not been prepared by the technical workgroup but that based on projected resources and expenditures in the Governor's proposed budget, an Outlook including WEIA would show a negative ending balance in state funds (NGF-O plus WEIA) at the end of fiscal year 2023 of roughly -\$265 million dollars and estimated total reserves (NGF-O plus WEIA plus Budget Stabilization Account) at the end of fiscal year 2023 would be roughly \$2.2 billion dollars.

Motion

Treasurer Davidson, seconded by Representative Orcutt, moved to include the percentage of the total reserves to current revenues on the Budget Outlook document. Discussion ensued among members. The council agreed to table the motion for further review. The Council requested that the Budget Outlook Work Group review the request and provide recommendations to the Council in June.

Motion to Adopt the Budget Outlook

Senator Braun, seconded by Representative Orcutt, to adopt the outlook on the Governor's proposed budget. Motion unanimously passed at 10:27 a.m. The Budget Outlook is adopted.

Forecast Presentation

Dr. Lerch presented information on the economic and revenue forecast. Dr. Lerch summarized the forecast changes.

Adjournment

With no further business, the meeting adjourned at 10:47 a.m.

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



Economic & Revenue Review: February 19, 2020

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's February 2020 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 forecast for GDP growth in 2020 now 1.9%, up from 1.8% in the November forecast. For 2021, real GDP growth is now 2.0%, up from 1.8% in November. The Blue Chip long-range forecast has not changed since November and calls for growth rates of 1.9% in 2022 and 2.0% in 2023. February 2020 is our first forecast for 2024 and 2025. We assume real GDP will grow 2.0% in each year as in the latest Blue Chip long-range 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, February 7, 2020 closing prices for Brent and WTI futures. The latest futures prices indicate a slightly steeper decline in oil prices than in the November forecast. The refiner acquisition price of crude is \$53 per barrel in the first quarter of 2020, down from \$57 in the November forecast. As in November, we expect oil prices of approximately \$52 in 2023.
- The U.S. economy added 225,000 net new jobs in January. Employment data for November and December were revised up by 7,000 jobs. Sectors with notable employment gains in January included construction (+44,000), health care (+36,000), educational services (+25,000), food services and drinking places (+24,000), local government excluding education (+15,000) and couriers and messengers (+14,000). Sectors with net employment declines in January included state government education (-16,000), manufacturing (-12,000), retail trade (-8,000), other support services (-5,000), and accounting and bookkeeping services (-4,000).
- Two key measures of consumer confidence both improved this month. The University of Michigan (UM) consumer sentiment survey increased by 0.5 points to 99.8 in January. Low unemployment, inflation and interest rates were all seen as contributing positively to consumers' outlook. The Conference Board index of consumer confidence increased 3.4 points in January to 131.6. Consumers had a more positive outlook regarding both the current labor market and future employment prospects.
- Residential construction and home sales data improved this month. Housing units authorized by building permits in December were 3.9% (SA) below their November level but 5.8% above their year-ago level. Total 2019 building permits were 3.9% above their 2018 level. December housing starts increased by 16.9% (SA) compared to November and were 40.8% above their December 2018 level. Total 2019 housing starts were 3.2% above their 2018 level (see figure). New home sales in December decreased by 0.4% (SA) compared to November but were 23.0% above their year-ago level.

Total 2019 new homes sales were 10.3% above their 2018 level. Existing home sales in December increased by 3.6% (SA) compared to November and were up 10.8% compared to December 2018. For the full year, total existing home sales equaled 5.34 million, the same level as in 2018. The seasonally adjusted Case-Shiller national home price index for November was 0.5% above its October level and 3.5% above its year-ago level.

- Major threats to the U.S. and Washington economies remain, including international trade concerns, uncertainty regarding the 737 MAX production schedule, potential Covid-19 impacts, geopolitical risks and a maturing economic expansion.

Washington

- We have two months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 13,700 (seasonally adjusted) in November and December, which was 500 more than expected in the November forecast. Private services-providing sectors added 7,700 jobs in the two-month period. The manufacturing sector added 1,700 jobs of which 900 were aerospace jobs. Construction employment increased by 800 jobs and government employment rose by 3,600 jobs.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions did not change the estimated level of total employment in October 2019. December employment is 500 (0.0%) higher than expected in the November forecast because of stronger growth from October to December.
- Washington's unemployment rate declined to 4.3% in December from 4.4% in November. The December unemployment rate was a new all-time low in the series that dates back to 1974.
- Boeing suspended production of the 737 MAX jet in January. We assume the suspension continues through the first half of 2020. The suspension is assumed to reduce first-quarter U.S GDP growth by about 0.5 percentage points and second quarter growth by about 0.3 percentage points (SAAR). The eventual resumption of production is assumed to add a similar amount to growth in the third and fourth quarters. Boeing has indicated that affected employees will be reassigned and that there will be no layoffs or furloughs due to the shutdown.
- In December, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the third quarter of 2019. According to these estimates, Washington personal income rose from \$493.1 billion (SAAR) in the second quarter to \$498.2 billion in the third quarter. The reported 4.2% growth rate (SAAR) in Washington personal income was the 16th largest among the states and District of Columbia and exceeded the 3.8% growth rate for the U.S. as a whole. Washington personal income growth was boosted by strong information earnings growth in the third quarter but was restrained by below average farm earnings growth.

- Washington housing permits increased from 48,000 units (SAAR) in the third quarter of 2019 to 54,300 units in the fourth quarter. Fourth quarter permits consisted of 26,600 single-family units and 27,600 multi-family units. The November forecast assumed an average rate of 43,200 (SAAR) units for the fourth quarter as a whole consisting of 22,500 single-family units and 20,700 multi-family units.
- Seattle-area home prices rose over the year for a fourth consecutive month in November following year-over-year declines in the previous four months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle home prices increased 0.8% in November following monthly growth rates of 0.5%, 0.6%, 0.8%, and 0.7% in July, August, September, and October. Because of the strong growth in the last five months, November Seattle home prices were up 3.3% over the year. In comparison, the composite-20 index was up 2.5% over the year. Seattle home prices are up 95% since the December 2011 trough and exceed the May 2007 peak by 35%.
- Seattle-area consumer price inflation slightly trailed the national average in December despite above average shelter cost inflation. From December 2018 to December 2019, the Seattle CPI rose 2.2% compared to a 2.3% increase in the U.S. City Average. Core prices, which exclude food and energy, increased 2.4% over the year in Seattle compared to 2.2% for the U.S. City Average. Over-the-year shelter-cost inflation in Seattle was 3.6% compared to the national rate of 3.2%. Seattle inflation excluding shelter trailed the national average at 1.3% compared to 1.8%.
- Washington exports declined sharply over the year for a third consecutive quarter. Year-over-year exports decreased 23.8% in the fourth quarter of 2019 following a 27.6% decline in the second quarter and a 33.4% decline in the third quarter. The large declines were mostly because of transportation equipment exports (mostly Boeing planes) which fell 41.9%, 53.1%, and 41.4% in the last three quarters. Boeing suspended deliveries of the 737 Max in March 2019, which clearly affected second, third, and fourth quarter exports. Fourth quarter exports of agricultural products increased 25.0% over the year but exports of all other commodities (mostly manufacturing) declined 8.7% over the year.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased slightly in January and remained in slightly positive territory. The index, which measures conditions in the manufacturing sector, increased from 52.5 in December to 53.0 in January (index values above 50 indicate growth while values below 50 indicate contraction). The orders and employment components indicated expansion in January while the inventory component indicated contraction. The production and deliveries components were neutral at 50 in January.
- Washington car and truck sales increased slightly in January following declines in November and December. Seasonally adjusted new vehicle registrations increased 2.1% in January following a 1.0% decline in November and a 1.5% decline in December. January sales were down 5.7% over the year and 16.9% since the November 2017 post-recession peak. Monthly sales are erratic but have been trending down since mid-2016.
- We expect 1.8% Washington employment growth this year, up slightly from the 1.6% rate in the November forecast. As in November, we expect growth

to continue to decelerate. We expect employment growth to average 1.0% per year in 2021 through 2023, which is slightly faster than the 0.9% rate expected in November. Our forecast for nominal personal income growth this year is 4.7%, up from 3.9% in the November forecast. Our new forecast for nominal personal income growth in 2021 through 2023 averages 4.4% per year, which is down from the 4.7% rate expected in the November forecast. While personal income growth is lower than in November, the level is higher due to an upward revision to history.

Revenue

- Revenue collections have been higher than forecasted in November. Cumulative major General Fund-State (GF-S) revenue collections from November 11, 2019 through February 10, 2020 were \$162 million above the forecast.
- About \$90 million of the collections surplus came from a larger-than-expected spike in real estate activity ahead of the January 1st increase in real estate excise tax (REET) rates on property worth more than \$1.56 million. These accelerated sales have decreased forecasted future sales, resulting in a slightly decreased REET forecast for the biennium.
- 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 \$64 million (1.4%) higher than forecasted.
- The February economic forecast was very similar to the November 2019 forecast, producing modest increases in forecasted Revenue Act collections for the current and ensuing biennia. Much of the increase stemmed from increased construction employment and housing activity. While the level of state personal income was revised upward from the previous forecast, the forecasted growth rate was lower, which was a drag on revenue growth.
- Much of the increase in forecasted GF-S revenue for the current biennium and over half 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 \$137 million for the current biennium and \$277 million for the 2021-23 biennium.
- The GF-S forecast for the current biennium has been increased by \$307 million. The forecast for the 2021-23 biennium has been increased by \$512 million. Forecasted total GF-S revenue is now \$50.611 billion for the 2019-21 biennium and \$54.291 billion for the 2021-23 biennium. The initial forecast of GF-S revenue for the 2023-25 biennium is \$57.930 billion.
- Forecasted Education Legacy Trust Account (ELTA) revenue for the 2019-21 biennium increased by \$310 million, mainly due to higher-than-forecasted estate tax receipts. The forecast for the 2021-23 biennium increased by \$25

million. Forecasted ELTA revenue is now \$1.447 billion for the 2019-21 biennium and \$1.086 billion for the 2021-23 biennium. The initial forecast of ELTA revenue for the 2023-25 biennium is \$925 million.

- Forecasted revenue dedicated to the Opportunity Pathways Account (OPA) for the 2017-19 biennium was decreased by \$11 million in the 2019-21 biennium and \$1 million in the 2021-23 biennium. Forecasted OPA revenue is now \$281 million for the 2019-21 biennium and \$312 million for the 2021-23 biennium. The initial forecast of OPA revenue for the 2023-25 biennium is \$321 million.
- Summing the changes to the GF-S, ELTA and OPA forecasts, Near GF-S revenue is forecasted to increase by \$606 million in the 2019-21 biennium and \$536 million in the 2021-23 biennium.
- Forecasted Near GF-S revenue for the 2019-21 biennium is now \$52.339 billion, 13.6% higher than 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$55.690 billion, an increase of 6.4% over expected 2019-21 biennial revenue. Forecasted Near GF-S revenue for the 2023-25 biennium is \$59.176 billion, an increase of 6.3% over expected 2021-23 biennial revenue.

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Revenue Review

Presented to the
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

February 19, 2020
Olympia, Washington

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Summary

- U.S. economic forecast very similar to the November forecast
- WA economic forecast has slightly higher personal income and housing permits than in November
- Forecast risks include the impact of trade disputes and a slowing global economy
- The Near General Fund-State forecast is increased by \$606 million for the 2019-21 biennium and increased by \$536 million for 2021-23 biennium

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Data updates since preliminary forecast

U.S.

- January employment: +225,000 jobs
- January unemployment rate increased from 3.5% to 3.6%
- February Blue Chip GDP forecast: 2020 unchanged, 2021 increased from 1.9% to 2.0%

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Selected forecast risks

Labor markets

- Unemployment rate remains low; 2019 job growth slower than in 2018

737 MAX

- Currently, no impact on WA employment; forecast assumes gradual production increase in 2020 Q3 and Q4

International trade policy

- China “phase one” agreement signed; “phase two” in discussion

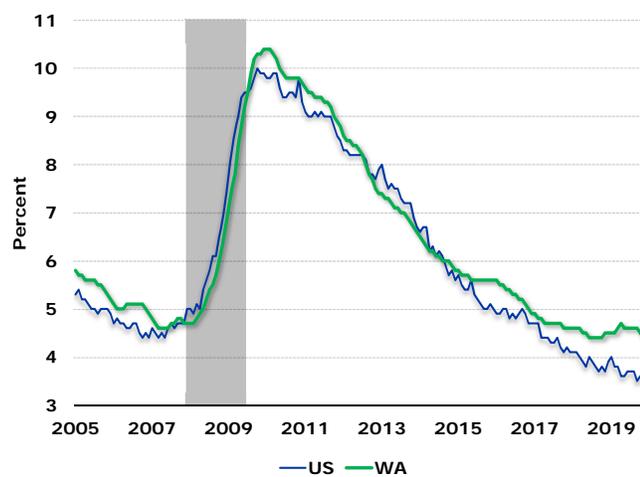
Coronavirus

- Potential negative impact on global supply chain, airlines, tourism

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Unemployment rates remain low

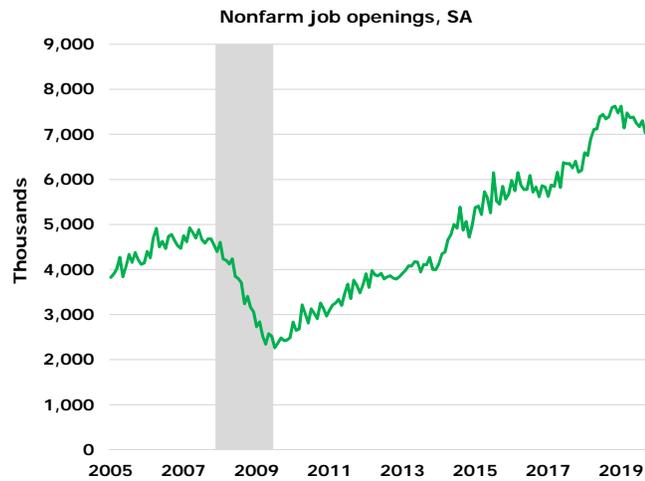


Sources: Employment Security Dept., U.S. Bureau of Labor Statistics; WA data through Dec. 2019; U.S. data through Jan. 2020

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U.S. job openings have dipped recently



Source: U.S. Bureau of Labor Statistics; data through Dec. 2019

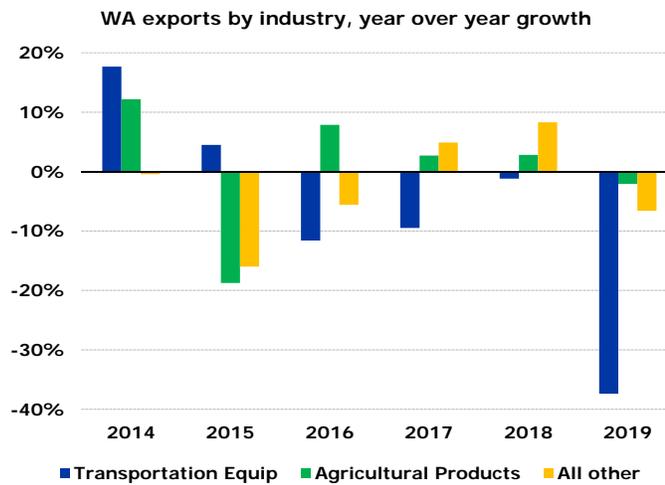
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Exports

In 2019, total WA exports fell 23% compared to 2018



Source: WISERTrade, data through December 2019

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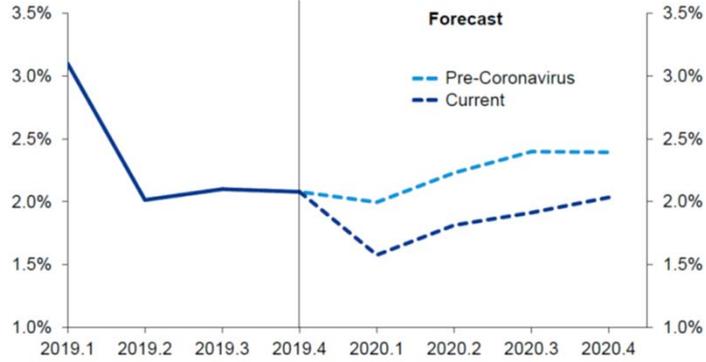


KPMG Economics: Coronavirus reduces 2020 GDP growth

Disruptions of supply chains, financial market volatility, and slowing Chinese demand for U.S. goods contribute to a weaker outlook for 2020

U.S. Real GDP Growth

Seasonally-adjusted Annualized Rate



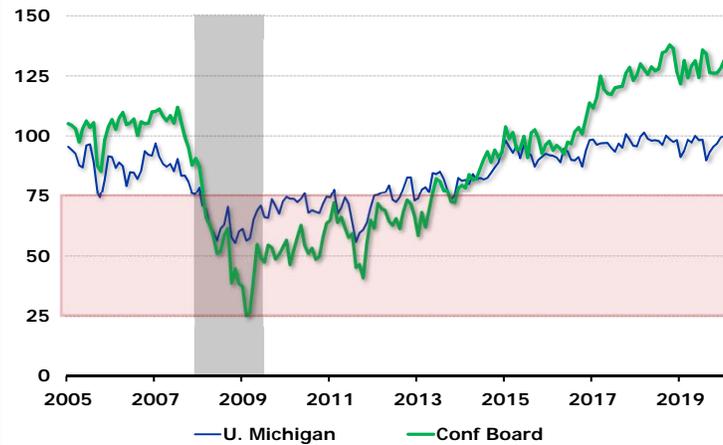
Source: KPMG Economics, Macroeconomic Advisors by IHS Markit

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Despite some volatility, consumer confidence remains at high levels

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



Sources: University of Michigan, Conference Board; data through January 2020

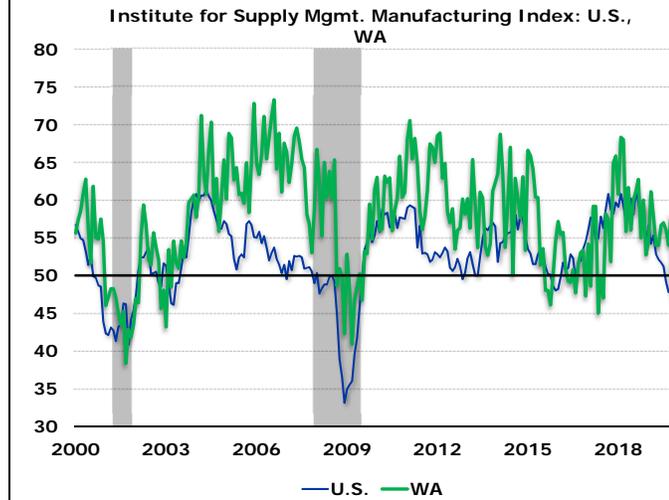
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Manufacturing improved in January

After five months of contraction, U.S. manufacturing expanded in January

Values above 50 indicate expansion, below 50 indicate contraction.

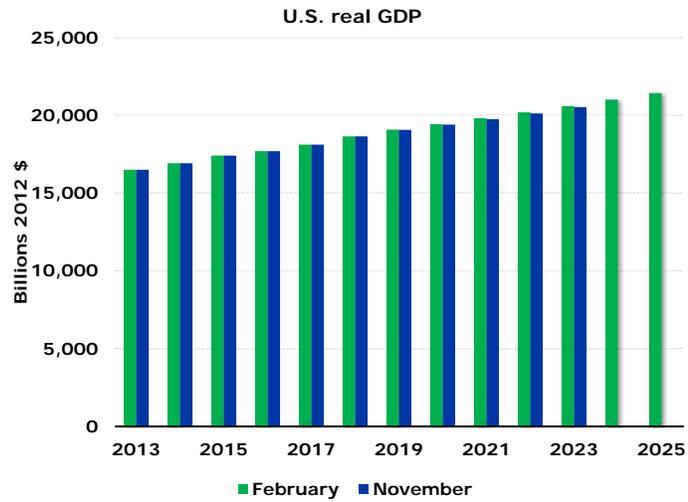


Source: ISM, data through January 2020

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GDP is very similar to the November forecast



Source: ERFC February 2020 forecast; historical data through 2019

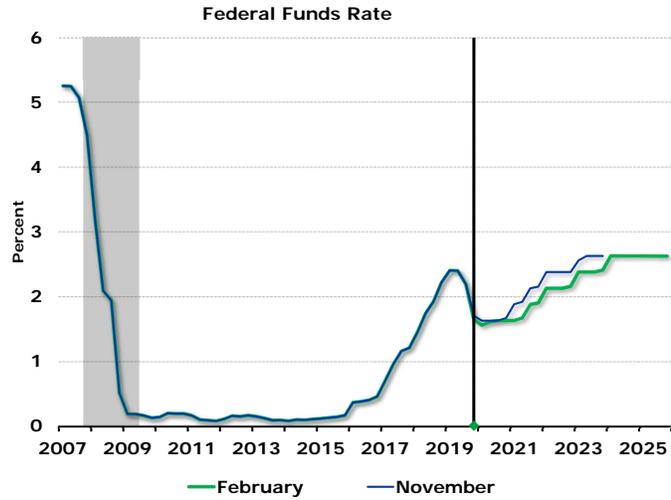
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Longer pause in Fed policy now expected

As we expected, the Fed decided to maintain the target range for the federal funds rate at 1.5 to 1.75% at its January meeting.

We expect the Fed to remain on hold through mid-2021, but then engineer a 100-basis-point rise in the Fed funds rate from mid-2021 through 2023.



Source: IHS Markit, ERF February 2020 forecast; data through Q4 2019
Note: Vertical black line indicates last actual

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WA personal income slightly higher than November



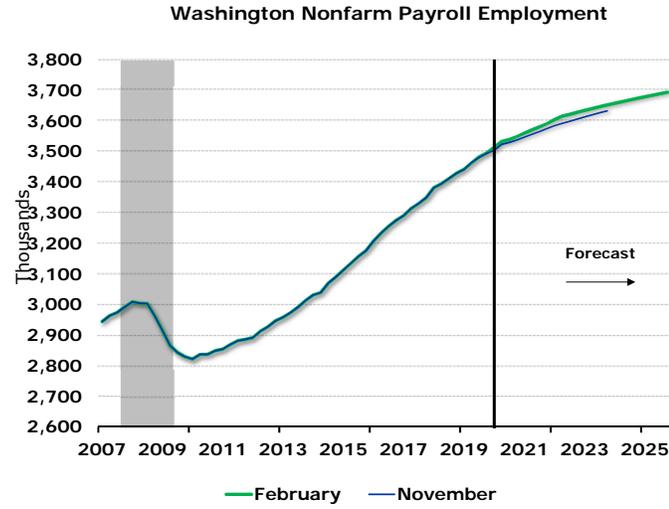
Source: ERF February 2020 forecast; historical data through 2018

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Washington employment forecast

Washington employment forecast is slightly higher than in November



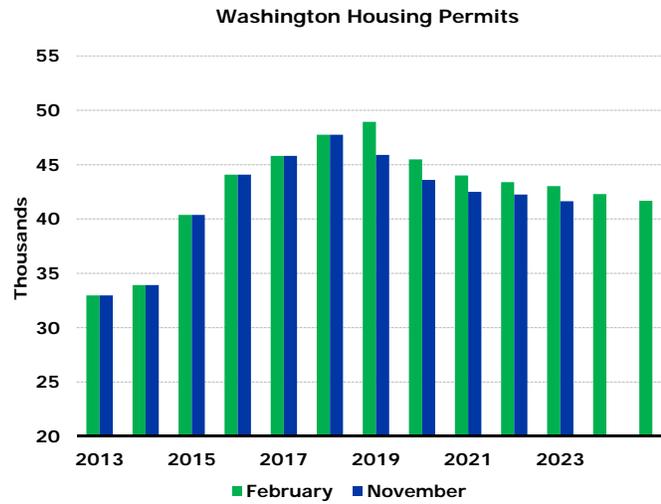
Source: ERFC February 2020 forecast; historical data through Q4 2019

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Washington housing permits forecast

Washington housing permits were very strong in the fourth quarter of 2019; the forecast has been revised up compared to November



Source: ERFC February 2020 forecast; historical data through 2019

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Nonresident sales tax/ESSB 5997

- As of July 2019, residents of any state or Canadian province with a sales tax less than 3% are no longer are exempt from WA sales tax at the point of sale.
- Eligible nonresidents may apply for a sales tax refund for prior year purchases
- As of mid-February:
 - 1,260 applications have been received;
 - 353 refunds have been issued for a total of \$59,479;
 - 11 refund request have been denied in full.
- Distribution of refund requests:
 - Oregon: 66% of requests and \$33,714 in refunds;
 - Alaska: 17% of requests and \$6,746 in refunds;
 - Montana: 9% of requests and \$7,092 in refunds;
 - Alberta: 7% of requests and \$1,533 in refunds.

Source: WA Department of Revenue

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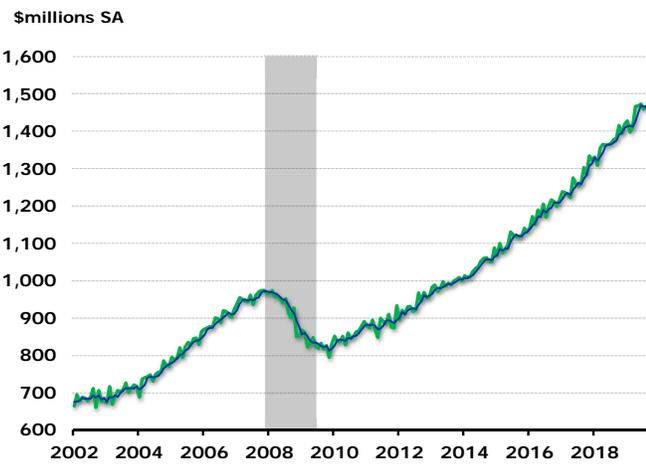
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Revenue Act collections remain strong

Year over year growth in adjusted collections was 6.6% for third quarter activity and 5.5% for fourth quarter activity.

Fourth quarter growth would have been similar third quarter if the due date for annual tax filers hadn't been moved to April.



— Revenue Act Collections — 3-Month Moving Average
 * Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act
 Source: DOR and ERFC; monthly data through December 2019 activity

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December REET activity spiked to beat rate increase

Large commercial sales (>\$10 million) jumped to \$5.4 billion in December to beat the REET rate increase that took effect January 1.

Sales of property valued between \$1.56 million and \$10 million also spiked from \$780 million in November to \$1.45 billion in December.

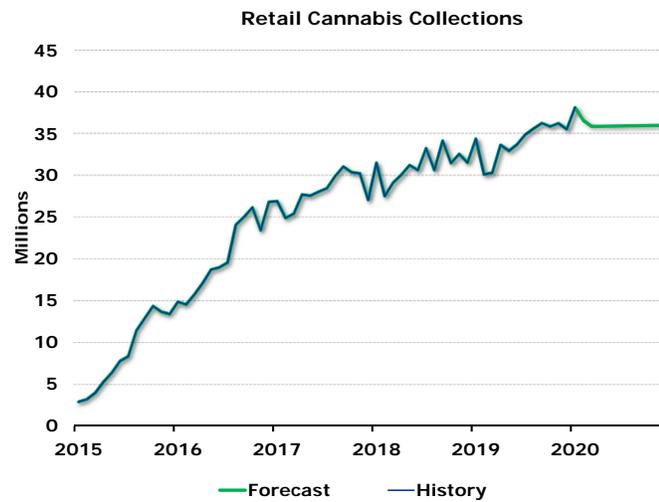


Source: ERFC; Monthly data through December 2019

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Cannabis revenue growth is expected to moderate



Source: ERFC February forecast; historical data through January 2020

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Cannabis excise tax and license fee estimates

	\$Millions	Cannabis Forecast			
		<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
Total change since November forecast:					
• 2019-21 +\$26 M	GF-S share of excise tax and license fees	\$249	\$303	\$321	\$351
• 2021-23 +\$31 M	Non-GF	\$503	\$570	\$588	\$617
	Total	\$752	\$873	\$909	\$968

Detail may not add to total due to rounding
Source: ERFC February 2020 forecast; historical data through January 2020

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

\$Millions	<u>November 2019 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>February 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$50,304	\$0	\$307	\$50,304	\$307
Education Legacy Trust Account	\$1,137	\$0	\$310	\$1,137	\$310
WA Opportunity Pathways Account	\$292	\$0	(\$11)	\$286	(\$11)
Total Near GF-S	\$51,733	\$0	\$606	\$52,339	\$606

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

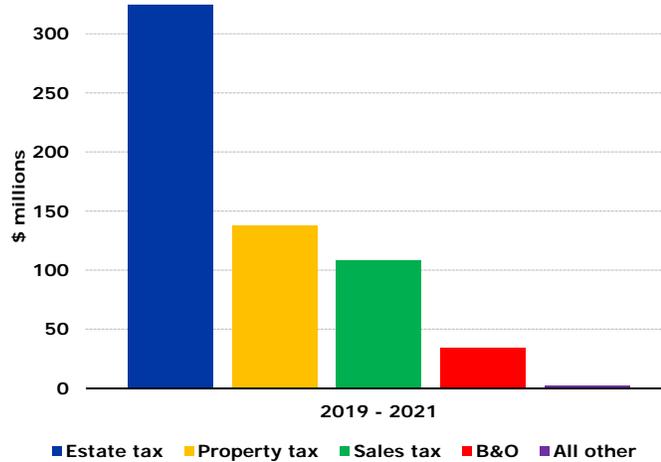
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Components of change in February NGF-S revenue forecast for 2019 – 2021 biennium

Over half of 2019-21 forecast change is due to unexpected estate taxes.

Property tax change due to higher final CY 2020 assessed value growth compared to preliminary assessed value data available in November.



Source: ERFC February 2020 forecast

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2019-21 Biennium alternative General Fund-State forecasts

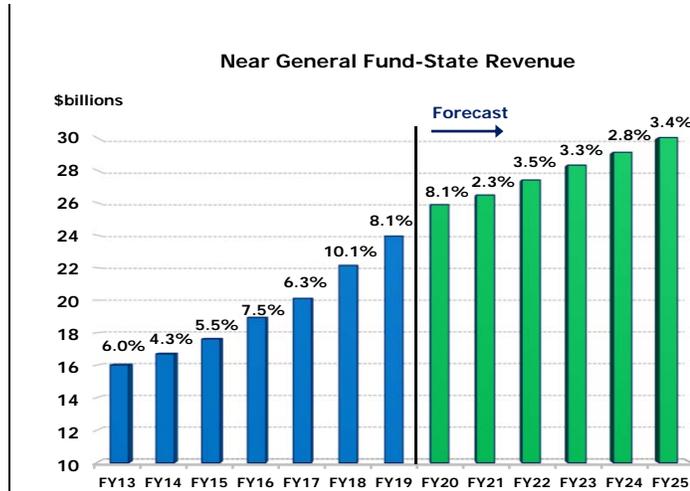
\$Millions (cash basis)	2019-21 Biennium	Difference From the baseline#
February 2020 Baseline (55%)	\$50,611	
February 2020 Alternative Forecasts		
Optimistic (15%)	\$52,043	\$1,432
Pessimistic (30%)	\$48,832	(\$1,780)
Probability Weighted Average	\$50,292	(\$319)
GCEA*	\$50,556	(\$55)

*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



*Near General Fund-State equals General Fund-State plus Education Legacy Trust and Washington Opportunities Pathway Accounts
Source: ERFEC forecast, February 2020

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Workforce Education Investment Account forecast

Millions	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
B&O tax receipts	\$350.4	\$627.4	\$667.3

- ESSB 6492, signed into law on February 10, 2020 and effective immediately, retroactively eliminated the existing advanced computing surcharge and replaced it with a simplified version effective April 1, 2020.
- The bill decreased forecasted revenue for the current biennium by \$68.0 million but increased revenue by \$234.3 million in the 2021-23 biennium and \$216.0 million in the 2023-25 biennium.

Sources: Department of Revenue, 2158 2S HB PL Fiscal Note, May 2019; 6492 E S SB fiscal note February 2020

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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
- Near GF-S revenues are expected to grow 13.6% between the 2017-19 and 2019-21 biennia and 6.4% between the 2019-21 and 2021-23 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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Total Changes to General Fund-State, Education Legacy Trust Account and Washington Opportunity Pathways Account Forecasts

Comparison of the February 2020 to the November 2019 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	November 2019 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2020 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$50,304.5	\$0.0	\$306.6	\$50,611.1	\$306.6
Education Legacy Trust Account	\$1,137.3	\$0.0	\$310.2	\$1,447.5	\$310.2
WA Opportunity Pathways Account	\$291.6	\$0.0	(\$10.8)	\$280.9	(\$10.8)
Total	\$51,733.4	\$0.0	\$606.0	\$52,339.5	\$606.0

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

[#]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 February 2020 to the November 2019 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	November 2019 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	February 2020 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$53,779.0	\$0.0	\$512.3	\$54,291.3	\$512.3
Education Legacy Trust Account	\$1,061.6	\$0.0	\$24.5	\$1,086.2	\$24.5
WA Opportunity Pathways Account	\$313.4	\$0.0	(\$1.1)	\$312.3	(\$1.1)
Total	\$55,154.0	\$0.0	\$535.7	\$55,689.8	\$535.7

*Forecast for the 2021-23 biennium adopted November 20, 2019

[#]Details may not add due to rounding

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

February 2016 through February 2020

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) #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
February 2020	309	(2)	307	0	307	50,611
Total change***:						
From February 2016	3,984	(82)	3,902	3,268	7,170	
Percent change	10.8	(4.5)	9.0	7.5	16.5	

* 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

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

History and Forecast by Fiscal Year (Cash basis)

February 2020 - 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 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	\$24,781	10.5%	\$940	-30.5%	\$25,721	8.2%	\$153	-1.8%	\$25,874	8.1%
FY 2021	\$25,830	4.2%	\$508	-45.9%	\$26,338	2.4%	\$128	-16.4%	\$26,466	2.3%
FY 2022	\$26,701	3.4%	\$532	4.8%	\$27,233	3.4%	\$155	21.5%	\$27,388	3.5%
FY 2023	\$27,591	3.3%	\$554	4.1%	\$28,145	3.3%	\$157	1.0%	\$28,301	3.3%
FY 2024	\$28,484	3.2%	\$451	-18.5%	\$28,935	2.8%	\$159	1.5%	\$29,094	2.8%
FY 2025	\$29,446	3.4%	\$473	4.9%	\$29,920	3.4%	\$162	1.6%	\$30,082	3.4%

Biennial Totals

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	\$50,611	14.7%	\$1,447	-12.5%	\$52,059	13.7%	\$281	-1.2%	\$52,339	13.6%
21-23 Biennium	\$54,291	7.3%	\$1,086	-25.0%	\$55,377	6.4%	\$312	11.2%	\$55,690	6.4%
23-25 Biennium	\$57,930	6.7%	\$925	-14.9%	\$58,855	6.3%	\$321	2.8%	\$59,176	6.3%

*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

(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	180.4	25.2	0.0	13.7	0.0	0.0	0.4	4.3	136.9	0.0	0.0	0.0
2021	182.9	26.5	0.0	14.2	0.0	0.0	0.4	4.3	137.5	0.0	0.0	0.0
2019-21 Biennium	363.4	51.7	0.0	27.9	0.0	0.0	0.8	8.6	274.4	0.0	0.0	0.0
2022	186.5	27.5	0.0	0.0	0.0	0.0	0.4	4.3	154.3	0.0	0.0	0.0
2023	189.7	27.9	0.0	0.0	0.0	0.0	0.4	4.3	157.1	0.0	0.0	0.0
2021-23 Biennium	376.2	55.4	0.0	0.0	0.0	0.0	0.8	8.6	311.5	0.0	0.0	0.0
2024	192.0	27.9	0.0	0.0	0.0	0.0	0.4	4.3	159.4	0.0	0.0	0.0
2025	194.3	28.0	0.0	0.0	0.0	0.0	0.4	4.3	161.6	0.0	0.0	0.0
2023-25 Biennium	386.3	55.9	0.0	0.0	0.0	0.0	0.8	8.6	321.0	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

Lottery Transfers by Fund

(cash basis, millions of dollars)

	Lottery: <u>Total Transfers:*</u>		<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>	<u>Education Legacy Trust Account</u>	<u>Gambling Revolving Account</u>
	<u>General Fund</u>											
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	186.9	15.9	0.0	13.7	0.0	0.0	0.4	4.0	152.9	0.0	0.0	0.0
2021	183.3	36.4	0.0	14.2	0.0	0.0	0.4	4.3	127.9	0.0	0.0	0.0
2019-21 Biennium	370.2	52.3	0.0	27.9	0.0	0.0	0.8	8.4	280.9	0.0	0.0	0.0
2022	186.2	26.1	0.0	0.0	0.0	0.0	0.4	4.3	155.4	0.0	0.0	0.0
2023	189.4	27.8	0.0	0.0	0.0	0.0	0.4	4.3	156.9	0.0	0.0	0.0
2021-23 Biennium	375.6	54.0	0.0	0.0	0.0	0.0	0.8	8.6	312.3	0.0	0.0	0.0
2024	191.8	27.9	0.0	0.0	0.0	0.0	0.4	4.3	159.2	0.0	0.0	0.0
2025	194.1	27.5	0.0	0.0	0.0	0.0	0.4	4.3	161.8	0.0	0.0	0.0
2023-25 Biennium	385.9	55.5	0.0	0.0	0.0	0.0	0.8	8.6	321.1	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 February 2020 and November 2019 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	November 2019 Baseline	Non-Economic Changes	Economic Changes	February 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,308.6	\$0.0	\$4.0	\$1,312.7	\$4.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$559.4	\$0.0	\$4.2	\$563.6	\$4.2
Lottery Commission Lottery Revenue	\$53.0	\$0.0	(\$0.7)	\$52.3	(\$0.7)
State Treasurer Interest Earnings	\$18.6	\$0.0	(\$1.2)	\$17.4	(\$1.2)
Office of Financial Management Other Agencies	\$214.1	\$0.0	(\$7.7)	\$206.4	(\$7.7)
Administrative Office of the Courts Fines and Forfeitures	\$134.5	\$0.0	(\$0.5)	\$134.0	(\$0.5)
Total General Fund-State	\$2,288.2	\$0.0	(\$1.9)	\$2,286.3	(\$1.9)

General Fund-State GAAP Estimates - Other Agencies
Comparison of the February 2020 and November 2019 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	November 2019 Baseline	Non-Economic Changes	Economic Changes	February 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,308.6	\$0.0	\$4.0	\$1,312.7	\$4.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$559.4	\$0.0	\$4.2	\$563.6	\$4.2
Lottery Commission Lottery Revenue	\$58.6	\$0.0	(\$6.9)	\$51.7	(\$6.9)
State Treasurer Interest Earnings	\$17.4	\$0.0	(\$1.3)	\$16.1	(\$1.3)
Office of Financial Management Other Agencies	\$214.1	\$0.0	(\$7.7)	\$206.4	(\$7.7)
Administrative Office of the Courts Fines and Forfeitures	\$134.5	\$0.0	(\$0.5)	\$134.0	(\$0.5)
Total General Fund-State	\$2,292.6	\$0.0	(\$8.1)	\$2,284.5	(\$8.1)

General Fund-State Cash Estimates - Other Agencies
Comparison of the February 2020 and November 2019 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	November 2019 Baseline	Non-Economic Changes	Economic Changes	February 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,421.7	\$0.0	\$4.6	\$1,426.3	\$4.6
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$600.2	\$0.0	\$12.7	\$613.0	\$12.7
Lottery Commission Lottery Revenue	\$64.3	\$0.0	(\$10.3)	\$54.0	(\$10.3)
State Treasurer Interest Earnings	\$36.7	\$0.0	(\$5.6)	\$31.1	(\$5.6)
Office of Financial Management Other Agencies	\$185.8	\$0.0	\$12.3	\$198.2	\$12.3
Administrative Office of the Courts Fines and Forfeitures	\$133.7	\$0.0	(\$2.2)	\$131.6	(\$2.2)
Total General Fund-State	\$2,442.5	\$0.0	\$11.6	\$2,454.2	\$11.6

General Fund-State GAAP Estimates - Other Agencies
Comparison of the February 2020 and November 2019 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	November 2019 Baseline	Non-Economic Changes	Economic Changes	February 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,421.7	\$0.0	\$4.6	\$1,426.3	\$4.6
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$600.2	\$0.0	\$12.7	\$613.0	\$12.7
Lottery Commission Lottery Revenue	\$59.3	\$0.0	(\$3.9)	\$55.4	(\$3.9)
State Treasurer Interest Earnings	\$37.3	\$0.0	(\$5.8)	\$31.4	(\$5.8)
Office of Financial Management Other Agencies	\$185.8	\$0.0	\$12.3	\$198.2	\$12.3
Administrative Office of the Courts Fines and Forfeitures	\$133.7	\$0.0	(\$2.2)	\$131.6	(\$2.2)
Total General Fund-State	\$2,438.1	\$0.0	\$17.7	\$2,455.8	\$17.7

February 2020Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2019-21 Biennium

	<u>2019-21 Biennium</u>	<u>Difference From the February 2020 Baseline</u>
February 2020 GF-S Baseline (55%)	\$50,611	
February 2020 Alternative GF-S Forecasts		
Optimistic (15%)	\$52,043	\$1,432
Pessimistic (30%)	\$48,832	(\$1,780)
Probability Weighted Average	\$50,292	(\$319)
GCEA*	\$50,556	(\$55)

2021-23 Biennium

	<u>2021-23 Biennium</u>	<u>Difference From the February 2020 Baseline</u>
February 2020 GF-S Baseline (55%)	\$54,291	
February 2020 Alternative GF-S Forecasts		
Optimistic (15%)	\$57,990	\$3,699
Pessimistic (30%)	\$49,665	(\$4,627)
Probability Weighted Average	\$53,458	(\$833)
GCEA*	\$54,228	(\$63)

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

U.S. Forecast Comparison

	2019Q4	2020Q1	2020Q2	2020Q3
Real GDP (Billions of 2012 Dollars)				
February Forecast	19,220	19,295	19,386	19,477
Percent Change	2.1%	1.6%	1.9%	1.9%
November Forecast	19,188	19,271	19,358	19,440
Percent Change	1.6%	1.7%	1.8%	1.7%
Real Consumption (Billions of 2012 Dollars)				
February Forecast	13,412	13,479	13,550	13,620
Percent Change	1.8%	2.0%	2.1%	2.1%
November Forecast	13,410	13,479	13,547	13,607
Percent Change	2.0%	2.1%	2.0%	1.8%
PCE Price Index (2012=100)				
February Forecast	110.4	110.7	111.1	111.5
Percent Change	1.6%	1.2%	1.5%	1.7%
November Forecast	110.6	111.1	111.6	112.2
Percent Change	2.2%	2.0%	1.9%	1.9%
Real Personal Income (Billions of 2012 Dollars)				
February Forecast	17,097	17,214	17,332	17,399
Percent Change	1.6%	2.8%	2.8%	1.6%
November Forecast	17,139	17,219	17,275	17,331
Percent Change	1.5%	1.9%	1.3%	1.3%
Nonfarm Payroll Employment (Millions)				
February Forecast	152.2	152.7	153.2	153.3
Percent Change	1.5%	1.2%	1.4%	0.3%
November Forecast	152.2	152.6	153.1	153.2
Percent Change	1.4%	1.1%	1.5%	0.3%
Unemployment Rate (Percent of Labor Force)				
February Forecast	3.5	3.5	3.5	3.5
November Forecast	3.5	3.5	3.5	3.5
Oil Price, Refiner's Acquisition				
February Forecast	57.5	53.0	50.7	51.2
November Forecast	56.7	57.1	55.8	54.8
30 Year Fixed Mortgage Rate (Percent, average)				
February Forecast	3.7	3.6	3.7	3.8
November Forecast	3.7	3.8	3.9	4.0
3 Month T-Bill Rate (Percent, average)				
February Forecast	1.6	1.5	1.6	1.5
November Forecast	1.6	1.6	1.5	1.5

	2019	2020	2021	2022	2023	2024	2025
Real GDP (Billions of 2012 Dollars)							
February Forecast	19,073	19,433	19,812	20,189	20,593	21,004	21,424
Percent Change	2.3%	1.9%	2.0%	1.9%	2.0%	2.0%	2.0%
November Forecast	19,063	19,397	19,746	20,121	20,523	NA	NA
Percent Change	2.3%	1.8%	1.8%	1.9%	2.0%	NA	NA
Real Consumption (Billions of 2012 Dollars)							
February Forecast	13,280	13,585	13,869	14,146	14,457	14,761	15,071
Percent Change	2.6%	2.3%	2.1%	2.0%	2.2%	2.1%	2.1%
November Forecast	13,277	13,574	13,832	14,108	14,419	NA	NA
Percent Change	2.6%	2.2%	1.9%	2.0%	2.2%	NA	NA
PCE Price Index (2012=100)							
February Forecast	109.7	111.3	113.3	115.5	117.9	120.4	122.9
Percent Change	1.4%	1.5%	1.8%	1.9%	2.0%	2.1%	2.1%
November Forecast	109.7	111.9	114.0	116.3	118.6	NA	NA
Percent Change	1.5%	2.0%	1.9%	2.0%	2.0%	NA	NA
Real Personal Income (Billions of 2012 Dollars)							
February Forecast	16,982	17,354	17,681	18,043	18,464	18,878	19,312
Percent Change	3.1%	2.2%	1.9%	2.0%	2.3%	2.2%	2.3%
November Forecast	17,014	17,306	17,644	18,063	18,511	NA	NA
Percent Change	3.3%	1.7%	2.0%	2.4%	2.5%	NA	NA
Nonfarm Payroll Employment (Millions)							
February Forecast	151.4	153.2	154.2	155.3	155.7	156.0	156.4
Percent Change	1.6%	1.2%	0.7%	0.7%	0.3%	0.2%	0.3%
November Forecast	151.4	153.1	154.0	154.8	155.4	NA	NA
Percent Change	1.6%	1.1%	0.6%	0.5%	0.4%	NA	NA
Unemployment Rate (Percent of Labor Force)							
February Forecast	3.7	3.5	3.5	3.7	3.9	4.1	4.2
November Forecast	3.7	3.5	3.7	3.9	4.1	NA	NA
Oil Price, Refiner's Acquisition							
February Forecast	59.2	51.5	51.0	51.2	51.6	52.2	52.7
November Forecast	59.0	55.4	53.0	52.3	52.3	NA	NA
30 Year Fixed Mortgage Rate (Percent, average)							
February Forecast	3.9	3.8	4.2	4.4	4.6	4.6	4.7
November Forecast	3.9	3.9	4.4	4.5	4.6	NA	NA
3 Month T-Bill Rate (Percent, average)							
February Forecast	2.1	1.5	1.6	2.0	2.2	2.3	2.4
November Forecast	2.1	1.5	1.8	2.2	2.4	NA	NA

Washington Forecast Comparison

	2019Q4	2020Q1	2020Q2	2020Q3
Real Personal Income (Billions of 2012 Dollars)				
February Forecast	456.5	460.4	464.8	466.8
Percent Change	2.7%	3.4%	3.8%	1.8%
November Forecast	451.1	452.8	455.4	457.1
Percent Change	1.7%	1.5%	2.3%	1.5%
Personal Income (Billions of Dollars)				
February Forecast	503.8	509.6	516.3	520.7
Percent Change	4.3%	4.7%	5.4%	3.5%
November Forecast	498.6	503.1	508.3	512.7
Percent Change	4.1%	3.6%	4.2%	3.5%
Disposable Personal Income (Billions of Dollars)				
February Forecast	447.7	452.5	458.3	462.4
Percent Change	3.9%	4.4%	5.2%	3.7%
November Forecast	444.5	448.7	453.4	457.5
Percent Change	4.3%	3.9%	4.2%	3.6%
Nonfarm Payroll Employment (Thousands)				
February Forecast	3495	3513	3533	3539
Percent Change	1.5%	2.1%	2.2%	0.7%
November Forecast	3494	3504	3524	3530
Percent Change	1.5%	1.2%	2.3%	0.7%
Unemployment Rate (Percent of Labor Force)				
February Forecast	4.4	4.3	4.3	4.3
November Forecast	4.5	4.5	4.5	4.5
Manufacturing Employment (Thousands)				
February Forecast	293.2	294.3	293.6	292.3
Percent Change	-1.4%	1.6%	-1.0%	-1.7%
November Forecast	295.0	295.2	294.1	292.8
Percent Change	-1.3%	0.2%	-1.4%	-1.9%
Construction Employment (Thousands)				
February Forecast	221.9	222.5	222.3	221.3
Percent Change	4.1%	1.1%	-0.3%	-1.8%
November Forecast	221.4	219.7	218.8	217.6
Percent Change	3.5%	-3.0%	-1.7%	-2.0%
Housing Permits (Thousands)				
February Forecast	54.4	44.9	45.9	45.8
Percent Change	52.7%	-53.8%	9.7%	-0.7%
November Forecast	43.2	43.9	43.8	43.5
Percent Change	-34.4%	6.5%	-0.8%	-2.2%

	2019	2020	2021	2022	2023	2024	2025
Real Personal Income (Billions of 2012 Dollars)							
February Forecast	451.0	465.2	475.4	486.7	500.7	514.9	529.3
Percent Change	4.3%	3.2%	2.2%	2.4%	2.9%	2.9%	2.8%
November Forecast	447.7	456.1	466.9	479.4	493.8	NA	NA
Percent Change	3.6%	1.9%	2.3%	2.7%	3.0%	NA	NA
Personal Income (Billions of Dollars)							
February Forecast	494.6	517.9	538.6	562.1	590.1	619.8	650.3
Percent Change	5.8%	4.7%	4.0%	4.4%	5.0%	5.0%	4.9%
November Forecast	491.3	510.4	532.5	557.6	585.7	NA	NA
Percent Change	5.1%	3.9%	4.3%	4.7%	5.0%	NA	NA
Disposable Personal Income (Billions of Dollars)							
February Forecast	440.0	460.0	479.1	500.0	523.2	547.7	573.8
Percent Change	5.3%	4.5%	4.2%	4.4%	4.6%	4.7%	4.8%
November Forecast	437.7	455.4	475.7	498.2	522.2	NA	NA
Percent Change	4.8%	4.0%	4.5%	4.7%	4.8%	NA	NA
Nonfarm Payroll Employment (Thousands)							
February Forecast	3470	3533	3575	3617	3644	3665	3686
Percent Change	1.9%	1.8%	1.2%	1.2%	0.7%	0.6%	0.6%
November Forecast	3470	3524	3561	3595	3623	NA	NA
Percent Change	1.9%	1.6%	1.1%	1.0%	0.8%	NA	NA
Unemployment Rate (Percent of Labor Force)							
February Forecast	4.6	4.3	4.4	4.6	4.8	5.0	5.1
November Forecast	4.6	4.5	4.7	4.9	5.1	NA	NA
Manufacturing Employment (Thousands)							
February Forecast	293.5	293.0	291.4	293.3	295.7	296.7	296.1
Percent Change	2.1%	-0.2%	-0.6%	0.7%	0.8%	0.3%	-0.2%
November Forecast	294.5	293.5	291.3	293.0	295.5	NA	NA
Percent Change	2.4%	-0.3%	-0.8%	0.6%	0.9%	NA	NA
Construction Employment (Thousands)							
February Forecast	219.1	221.6	217.8	215.6	213.5	213.3	213.4
Percent Change	2.7%	1.2%	-1.7%	-1.0%	-1.0%	-0.1%	0.1%
November Forecast	218.9	218.2	214.0	212.5	211.8	NA	NA
Percent Change	2.6%	-0.3%	-1.9%	-0.7%	-0.3%	NA	NA
Housing Permits (Thousands)							
February Forecast	48.9	45.5	44.0	43.4	43.0	42.3	41.7
Percent Change	2.5%	-7.0%	-3.3%	-1.4%	-0.9%	-1.7%	-1.4%
November Forecast	45.9	43.6	42.5	42.2	41.6	NA	NA
Percent Change	-3.9%	-5.0%	-2.5%	-0.6%	-1.4%	NA	NA

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2020	2021	2022	2023	2024
U.S.					
Real GDP					
<i>Growth</i>					
ERFC	1.9	2.0	1.9	2.0	2.0
GCEA Average	1.8	1.9	1.8	1.9	1.9
Real Consumption					
<i>Growth</i>					
ERFC	2.3	2.1	2.0	2.2	2.1
GCEA Average	2.3	2.0	1.9	2.0	2.0
PCE Price Index					
<i>Growth</i>					
ERFC	1.5	1.8	1.9	2.0	2.1
GCEA Average	1.7	1.7	1.8	1.8	1.7
Mortgage Rate					
<i>Percent</i>					
ERFC	3.8	4.2	4.4	4.6	4.6
GCEA Average	3.9	4.1	4.2	4.4	4.5
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	55.8	55.2	55.5	56.0	56.7
GCEA Average	59.6	58.5	58.8	60.2	60.8

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	3.2	2.2	2.4	2.9	2.9
GCEA Average	2.8	2.5	2.4	2.5	2.7

Wage and Salary Employment

<i>Growth</i>					
ERFC	1.8	1.2	1.2	0.7	0.6
GCEA Average	1.7	1.2	1.0	0.9	0.8

Manufacturing Employment

<i>Growth</i>					
ERFC	-0.2	-0.6	0.7	0.8	0.3
GCEA Average	-0.1	-0.3	0.5	0.4	0.4

Construction Employment

<i>Growth</i>					
ERFC	1.2	-1.7	-1.0	-1.0	-0.1
GCEA Average	1.1	-1.2	-0.6	-0.2	0.2

Housing Permits

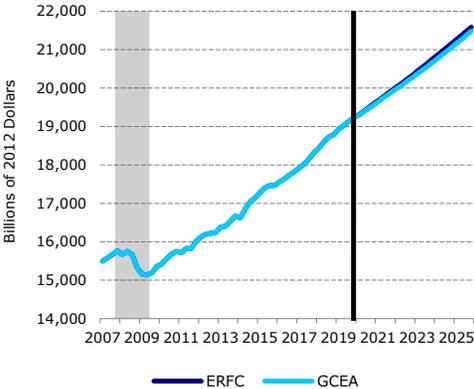
<i>Thousands of authorized units</i>					
ERFC	45.5	44.0	43.4	43.0	42.3
GCEA Average	44.6	43.4	43.2	42.7	42.4

Washington Average Annual Wage

<i>Growth</i>					
ERFC	3.5	2.7	3.0	4.2	4.0
GCEA Average	3.4	3.1	3.0	3.1	3.3

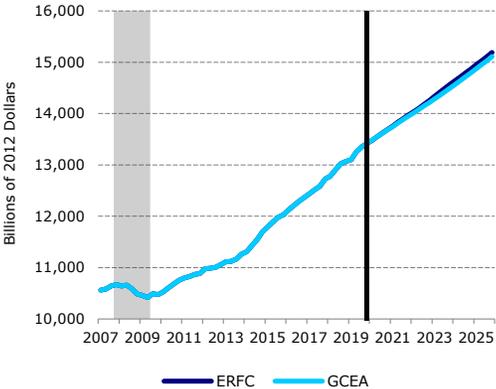
U.S. Forecast Comparison

Real GDP



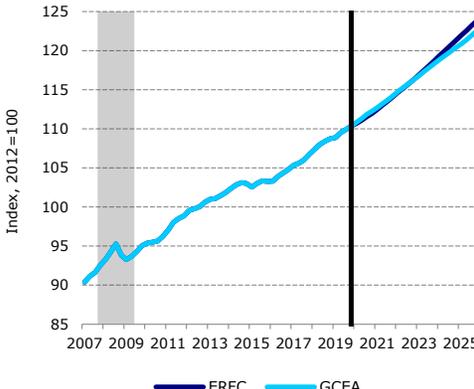
Source: BEA, ERFC, GCEA; data through 2019 Q4

Real Consumption



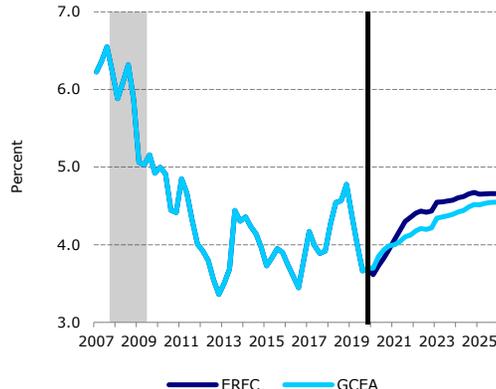
Source: BEA, ERFC, GCEA; data through 2019 Q4

PCE Price Index



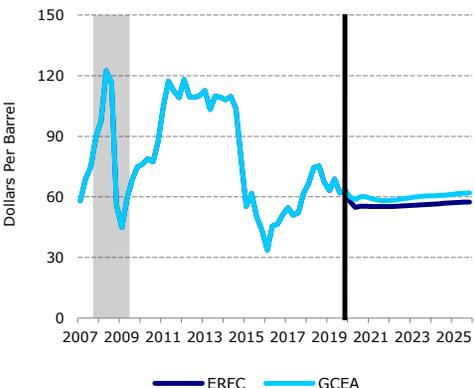
Source: BEA, ERFC, GCEA; data through 2019 Q4

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2019 Q4

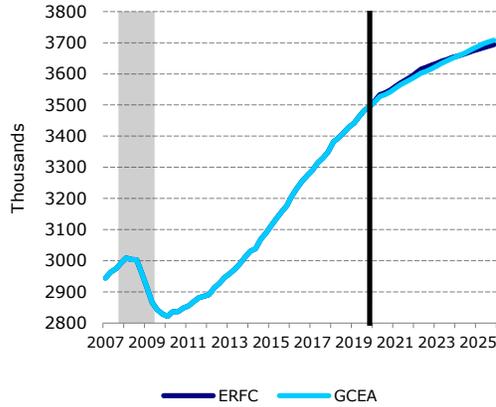
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2019 Q4

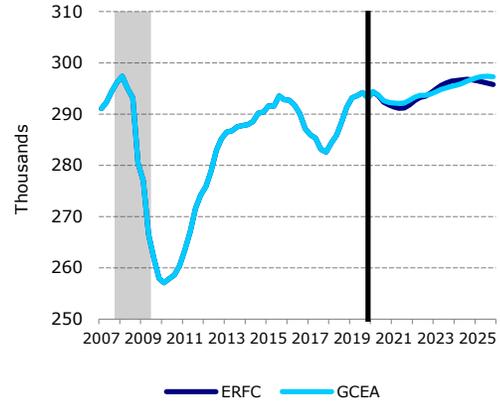
Washington Forecast Comparison

Nonfarm Payroll Employment



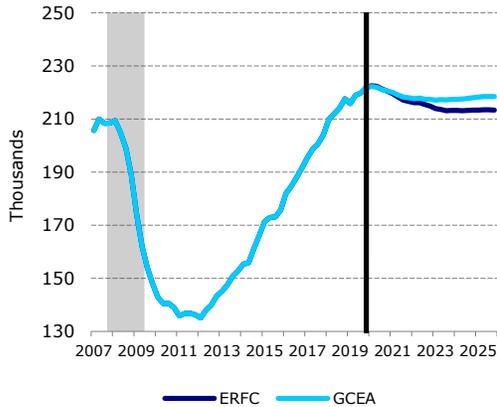
Source: ESD, ERFC, GCEA; data through 2019 Q4

Manufacturing Employment



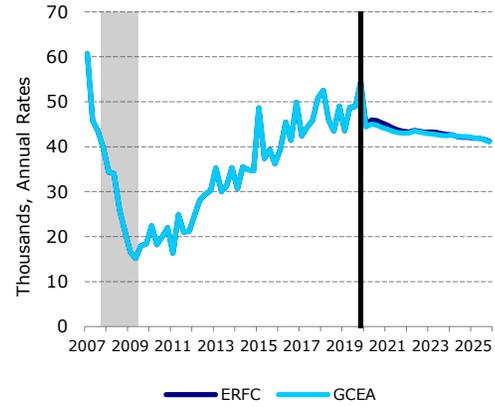
Source: ESD, ERFC, GCEA; data through 2019 Q4

Construction Employment



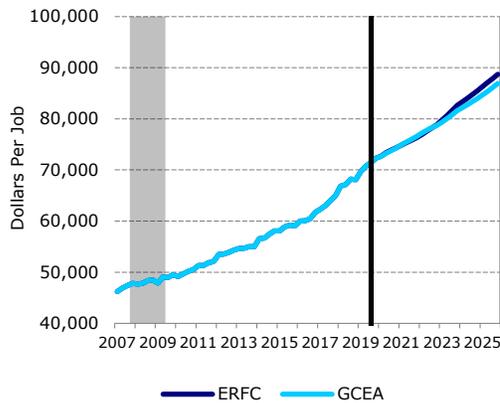
Source: ESD, ERFC, GCEA; data through 2019 Q4

Housing Units Authorized



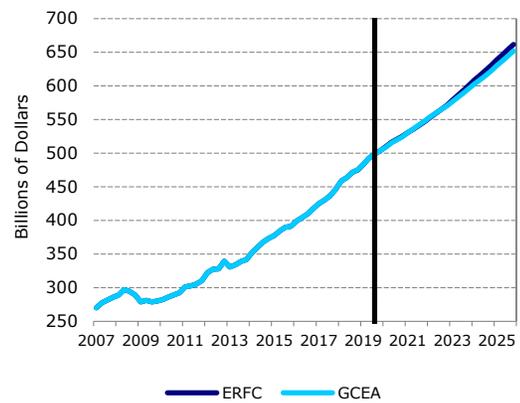
Source: Census, ERFC, GCEA; data through 2019 Q4

Average Annual Wage



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

Personal Income



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

2019-21 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

	2019-21		
	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	999.3	981.9	1,981.2
November 2019 Revenue Forecast change	50,304.5	1,429.0	51,733.4
February 2020 Revenue Forecast change	306.6	299.4	606.0
Current Revenue Totals	50,611.1	1,728.4	52,339.5
Transfer to Budget Stabilization Account (1% of GSR)	(502.6)		(502.6)
Transfer to Budget Stabilization Account (EGSR)	-		-
Enacted Fund Transfers	49.0	160.0	209.0
Assumed Prior Period Adjustments	40.8		40.8
Total Resources (including beginning fund balance)	51,197.6	2,870.2	54,067.9
EXPENDITURES			
Enacted Budgets	50,395.5	2,103.2	52,498.6
Assumed Reversions	(353.7)	-	(353.7)
Total Expenditures	50,041.8	2,103.2	52,144.9
RESERVES			
Projected Ending Balance (GFS + ELTA + OPA)	1,155.9	767.1	1,922.9
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,618.4		1,618.4
Transfers from General Fund (1% of GSR)	502.6		502.6
Transfers from GFS (EGSR)	-		-
Assumed Interest Earnings	56.5		56.5
Projected Budget Stabilization Account Ending Balance	2,177.5		2,177.5
Total Reserves (Near General Fund plus Budget Stabilization)	3,333.4	767.1	4,100.5

Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report