

EMBARGOED

*until November 18, 2022, 2:00 pm PDT when it will be published at
www.erfc.wa.gov*

Revenue Review

November 18, 2022



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

This page left intentionally blank.



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

November 18, 2022
2:00 p.m.

- Call to order
- Approval of meeting minutes from November 4, 2022
- Economic & Revenue Forecast
 - Adoption of official state economic and revenue forecast and unofficial optimistic and pessimistic alternative forecasts.
- Fiscal Growth Factor adoption
- Adjournment

This page left intentionally blank.



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

Meeting Minutes
Economic Review
November 4, 2022
Conference Call

Economic and Revenue Forecast Council

Tim Ormsby, House of Representatives, Chair
Christine Rolfes, Senate
Ed Orcutt, House of Representatives
Mike Pellicciotti, Treasurer
John Ryser, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director
Rachel Knutson, OFM
Corban Nemeth, Senate Ways and Means
Andy Toulon, House Appropriations

Call to Order

Representative Ormsby called the meeting to order at 10:02 a.m.

Approval of the Minutes

Representative Orcutt moved, seconded by Representative Ormsby, to adopt the meeting minutes from September 21, 2022. Motion passed at 10:02 a.m.

Budget Outlook Methodology Presentation

The Budget Outlook group presented on the Budget Outlook Growth Factor.

Motion

Senator Rolfes moved, seconded by Representative Ormsby, to maintain the 2020 outlook growth factor rates. Motion passed at 10:17 with 5 yes votes and 1 no vote.

Economic Forecast Presentation

Dr. Lerch presented information on the preliminary economic.

Administrative

Renewal of the ERFC Forecast Supervisor contract was put forth for a vote by the council.

Motion

Representative Orcutt moved, seconded by Representative Ormsby, to renew the Forecast Supervisor's contract for an additional year. Motion passed at 10:36

Adjournment

With no further business, the meeting adjourned at 10:40 a.m.

This page left intentionally blank.

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



Economic & Revenue Review: November 18, 2022

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's November 2022 Control forecast for the U.S. economy. We have adjusted real gross domestic product (GDP) to match the November 2022 Blue Chip "Consensus" GDP forecast for 2022 and 2023. The forecast for GDP growth in 2022 is now 1.8%, up from 1.6% the September forecast. For 2023, real GDP growth is 0.2%, down from 0.6% in the September forecast. For 2024-27, we assume the same growth rates as in the October Blue Chip long term forecast. We expect growth rates of 1.5%, 2.1%, 2.1%, and 1.9% in 2024 through 2027 compared to 2.1%, 2.0%, 2.0% and 1.9% 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 14th closing prices for Brent and WTI futures. Oil prices are very similar to the September forecast and are expected to decline gradually over the forecast period. The latest futures prices indicate that the refiner acquisition price of crude will average \$88 per barrel in the fourth quarter of 2022, unchanged from the September forecast. The refiner acquisition price of crude in 2023 is expected to average \$82 per barrel, declining to \$66 in 2027. The September forecast also expected a 2023 average price of \$82 per barrel, declining to \$66 in 2027.
- National employment in October increased by 261,000 net jobs. Employment in August and September were revised up by a combined 29,000 jobs. Sectors with the largest job gains in October included health care (+53,000), professional and technical services (+43,000), manufacturing (+32,000), accommodation (+20,000), social assistance (+19,000), local government excluding education (+16,000) and local government education (+14,000). Sectors with declining employment in October included warehousing and storage (-20,000), rental and leasing services (-8,000), services to buildings and dwellings (-6,000), electronics and appliance stores (-6,000), department stores (-5,000) and state government excluding education (-5,000).
- Two key measures of consumer confidence moved in opposite directions this month. The University of Michigan (UM) consumer sentiment survey showed a small increase of 1.2 points to 59.8 in October. Consumers expressed concerns about inflation and financial markets. The Conference Board index of consumer confidence decreased by 5.3 points to 102.5 in October. Survey results indicated that expectations regarding the short-term economic outlook remained dismal.
- Residential construction activity and home sales were both weaker in the most recent monthly data. October housing starts decreased by 4.2% (SA) compared to September and were 8.8% below their October 2021 level. Housing units authorized by building permits in October were 2.4% (SA)

below their September level but 10.1% below their year-ago level. New home sales in September decreased by 10.9% (SA) compared to August and were 17.6% below their year-ago level. Existing home sales declined for an eighth straight month in September, falling by 1.5% (SA) compared to August and were down 23.8% compared to September 2021. The seasonally adjusted Case-Shiller national home price index for August was 0.9% below its July level, the second consecutive monthly decline in the index. The home price index was 13.0% (SA) above its year-ago level.

- Threats to the U.S. and Washington economies include the risk of recession, potential for inflation to remain elevated, the impacts of the Russia-Ukraine conflict and the declining employment in the technology sector.

Washington

- We have two months of new Washington employment data since the September forecast was released. Total seasonally adjusted nonfarm payroll employment increased 14,600 in September and October which was 8,000 more than the forecasted increase of 6,600. Private services-providing sectors added 19,200 jobs in in the two-month period. The manufacturing sector added 1,300 jobs, including 1,200 jobs in aerospace manufacturing, and construction employment increased by 3,000 jobs. We expected a decline of 3,200 state and local government jobs due to seasonality issues, but the actual loss of 8,500 jobs was more severe. The federal government lost 300 jobs in September and October.
- Revisions to employment data added 6,600 (0.2%) to the estimated level of total employment in August 2022. The combined effect of the upward revision to historical data and the stronger employment growth in September and October is that October employment is 14,600 (0.4%) higher than expected in the September forecast.
- Washington's unemployment rate edged up to 3.8% in October from 3.7% in September. The September rate matched a record low in the series that dates to 1976. The unemployment rate is down significantly from the 16.8% rate reached in April 2020 which was an all-time high.
- After the grounding of the 737 Max and then the pandemic, Washington's aerospace employment declined from 89,600 at end of 2019 to a low of 66,800 in August 2021, a loss of 22,800 jobs. Since August 2021, the industry added back 6,100 jobs, bringing the level to 72,800 in October 2022. We expect aerospace employment to continue to expand in Washington, adding 5,000 jobs from the third quarter of 2022 to the fourth quarter of 2024 and another 700 jobs by the end of 2027.
- 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 2022. Washington personal income increased from \$574.8 billion (SAAR) in the first quarter of 2022 to \$583.2 billion in the second quarter of 2022. The 6.0% increase (SAAR) in Washington personal income was the 16th highest among the states and District of Columbia and exceeded the 5.8% rate of increase for the U.S. as a whole. At 4.8% (SAAR), growth in Washington net earnings trailed the 6.3% national average rate, however, both property income (dividends, interest, and rent) and transfer receipts grew faster in Washington than in the U.S.

- Washington housing construction continued to slow in the third quarter of 2022. The number of housing units authorized by building permits declined from 60,500 (SAAR) in the first quarter to 56,300 in the second quarter and to 44,500 units in the third quarter. Third quarter permits consisted of 18,400 single-family units and 26,100 multi-family units. The September forecast expected 50,500 units (SAAR) for the third quarter consisting of 20,300 single-family units and 30,200 multi-family units.
- Seattle-area home prices may have peaked. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle home prices fell 2.9% in August following a 2.4% decline in July and a 1.8% decline in June. The composite-20 index declined 1.3% in August following a 0.7% decline in July. August Seattle home prices were still up 9.9% over the year, however. In comparison, the composite-20 index was up 13.1% over the year.
- Seattle-area consumer price inflation outpaced the national average in the year ending in October 2022. From October 2021 to October 2022, the seasonally adjusted Seattle CPI rose 8.9% compared to the 7.8% increase in the U.S. City Average index. These relatively high rates were partially due to much higher food and energy prices this year compared to last year. However, core prices, which exclude food and energy, still increased 7.7% in Seattle and 6.3% in the national index. Seattle shelter cost inflation exceeded the national average at 9.0% compared to 6.9%. Seattle inflation excluding shelter slightly exceeded the national average at 8.9% compared to 8.2%.
- According to the World Institute for Strategic Economic Research (WISER), Washington exports increased 14% from the third quarter of 2021 to the third quarter of 2022. After more than two years of year-over-year declines, Washington exports of transportation equipment (mostly Boeing planes) increased over the year for a sixth consecutive quarter, rising 19%. Agricultural exports increased 18% over the year but this could be misleading as the data include soybean and corn exports which receive only minimal processing in Washington. Exports from all other sectors (mostly manufacturing) increased 11% over the year.
- Washington car and truck sales surged in October. The seasonally adjusted number of new vehicle registrations increased 16.0% in October following a 4.4% decrease in August and a 10.7% decrease in September. The number of registrations was up 10.7% over the year in October. This was the first over-the-year increase in Washington car and truck sales in more than a year.
- We expect a 5.2% increase in Washington employment this year up slightly from the 5.0% growth rate expected in the September forecast. The increase in growth this year is due to stronger than previously expected employment growth through October. We expect slower growth during the remainder of the forecast as the U.S economy slows. We expect employment growth to average 0.9% per year in 2023 through 2027 which is the same average rate as in the September forecast. Our forecast for nominal personal income growth this year is 3.0%, which is the same rate as in the September forecast. Real personal income is expected to decline 3.2% this year, which is weaker than the 3.0% decline in the September forecast. Real personal income growth this year will be undermined by the surge in inflation and the withdrawal of the extraordinary stimulus of the previous two years. Our new

forecast for nominal personal income growth in 2023 through 2027 averages 5.2% per year which is slightly more than the 5.0% average rate in the September forecast.

Revenue

- Cumulative major General Fund-State revenue (GF-S) since the September forecast has come in \$282.8 million (6.5%) higher than forecasted. The surplus was due to Revenue Act taxes (the main category of GF-S taxes including retail sales and use, business and occupation (B&O), public utility and non-cigarette tobacco products), which were \$313.8 million (8.5%) higher than forecasted. Non-Revenue Act revenue was \$30.9 million (4.7%) lower than forecasted.
- While the November state economic forecast is similar to September's, the surplus in Revenue Act collections indicates that the current level of taxable activity is higher than previously estimated. Because the current Revenue Act forecast is starting from a higher initial level of activity than September's, estimated revenue has increased throughout the forecast period. Forecasted Revenue Act collections have been increased by \$637 million in the current biennium and \$741 million in the 2023-25 biennium, increases of 1.5% and 1.6% respectively.
- While real estate excise tax (REET) collections have come in only slightly lower than forecasted, increases in forecasted mortgage rates have lowered expected taxable real estate activity. Forecasted REET collections have been decreased by \$104 million in the current biennium and \$228 million in the 2023-25 biennium.
- Including the changes in Revenue Act taxes, REET and other sources, the GF-S forecast has been increased by \$545 million in the 2021-23 biennium and \$684 million in the 2023-25 biennium.
- Forecasted GF-S revenue is now \$60.779 billion for the 2021-23 biennium and \$62.966 billion for the 2023-25 biennium. Forecasted GF-S revenue is \$67.308 billion for the 2025-27 biennium.
- Despite lower expected REET collections, the forecast of Education Legacy Trust Account (ELTA) revenue was increased by \$196 million in the 2021-23 biennium due to increased estate tax collections. A forecasted increase in estate taxes was outweighed by lower expected REET collections in the 2023-25 biennium, resulting in a forecast decrease of \$2 million. Forecasted ELTA revenue is now \$2.045 billion for the 2021-23 biennium, \$2.085 billion for the 2023-25 biennium and \$2.386 billion for the 2025-27 biennium.
- The forecast of revenue dedicated to the Opportunity Pathways Account (OPA) was increased by \$16 million in the 2021-23 biennium but decreased by \$6 million in the 2023-25 biennium. Forecasted OPA revenue is now \$376 million for the 2021-23 biennium, \$340 million for the 2023-25 biennium and \$345 million for the 2025-27 biennium.
- Forecasted revenue dedicated to the Workforce Education Investment Account (WEIA) has been increased by \$5 million in the 2021-23 biennium and \$6

million in the 2023-25 biennium. Forecasted WEIA revenue is now \$751 million for the 2021-23 biennium, \$794 million for the 2023-25 biennium and \$844 million for the 2025-27 biennium.

- Summing the changes to the GF-S, ELTA, OPA and WEIA forecasts, total state revenue subject to the budget outlook process is expected to increase by \$762 million in the 2021-23 biennium and \$681 million in the 2023-25 biennium.
- The forecasted total of GF-S, ELTA, OPA and WEIA revenue for the 2021-23 biennium is \$63.952 billion, an increase of 20.4% over 2019-21 biennial revenue, and forecasted total revenue for the 2023-25 biennium is \$66.185 billion, an increase of 3.5% over expected 2021-23 biennial revenue. Forecasted total revenue for the 2025-27 biennium is \$70.883 billion, an increase of 7.1% over expected 2023-25 biennial revenue.

Revenue Review

Presented to
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

November 18, 2022



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- U.S. GDP level is slightly higher than September, largely due to revised historical data
- The forecast assumes the Federal Reserve will raise the federal funds interest rate to a range of 4.75 – 5.00% by March 2023
- WA personal income is higher, building permits are lower than in the September forecast
- The forecast of funds subject to the budget outlook is increased by \$762 million for 2021-23 biennium and by \$681 million for the 2023-25 biennium

Revenue Review
November 18, 2022

Slide 1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Since the September forecast...

Positives:

- U.S. employment has increased by 576,000 jobs
- WA employment has increased by 14,600 jobs
- WA revenue collections remain strong overall but REET collections have been slowing

Negatives:

- Inflation decreased slightly but remains high
- Interest rates are higher
- Residential construction and sales are slowing

Revenue Review
November 18, 2022

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Data updates since preliminary forecast

U.S.

- October employment: +261,000 jobs
- October unemployment rate: increased from 3.5% to 3.7%
- October Consumer Price Index rose by 7.8% (SA) over the last 12 months
- GDP growth: 2022 Q3 grew +2.6%

Washington

- October employment: +7,600 jobs

Revenue Review
November 18, 2022

Slide 3

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast risks

Upside

- Quicker resolution of Russia – Ukraine conflict
- Energy prices decline faster than expected
- Consumer spending and labor productivity growth are stronger than expected

Downside

- Rising interest rates push economy into recession
- Technology sector layoffs are larger than expected
- Inflation remains elevated
- Russia – Ukraine conflict intensifies
- Potential rail, port strikes

Revenue Review
November 18, 2022

Slide 4

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Growth in labor productivity has been quite weak so far in 2022



Revenue Review
November 18, 2022

Source: U.S. Bureau of Labor Statistics, data through 2022 Q3

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 5



Inflation over the year has trended down slightly since June but remains at historically high levels



Revenue Review
November 18, 2022

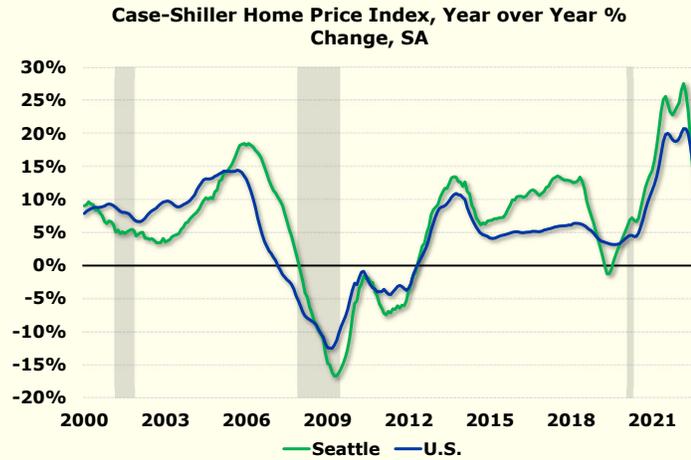
Source: U.S. Bureau of Labor Statistics, data through October 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 6



While still elevated over the year, home prices in Seattle have declined for the last three months



Revenue Review
November 18, 2022

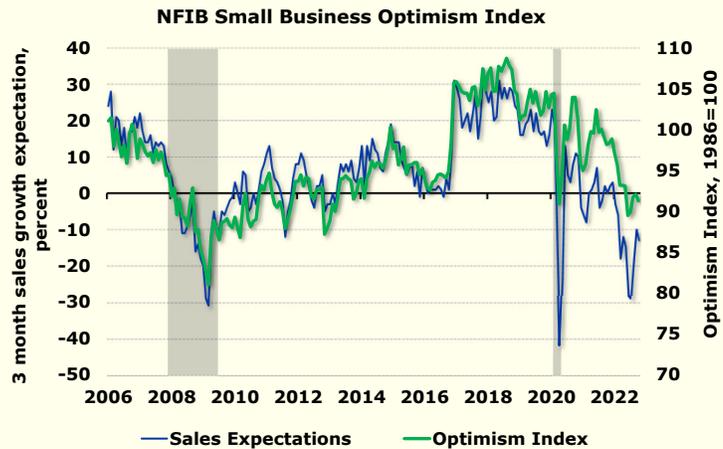
Source: Case-Shiller, data through August 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 7



Optimism, sales expectations remain at low levels as inflation concerns weigh on small businesses



Revenue Review
November 18, 2022

Source: National Federation of Independent Business; data through October 2022

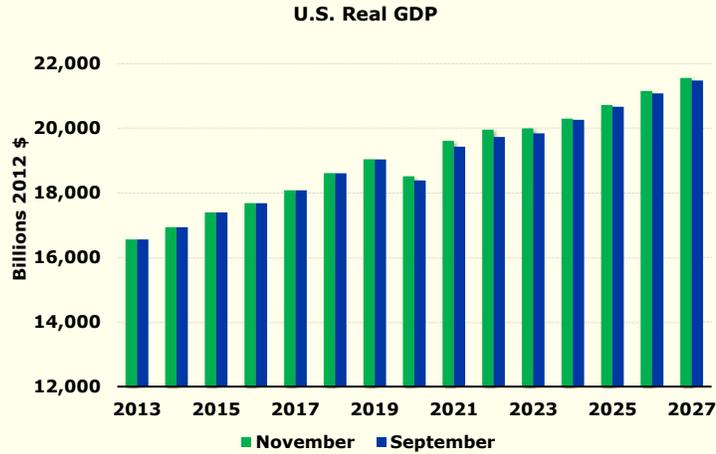
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 8



GDP is similar to the September forecast

GDP data for 2017 Q1 through 2022 Q2 were revised after the September forecast



Revenue Review
November 18, 2022

Source: ERFC November 2022 forecast; historical data through 2021

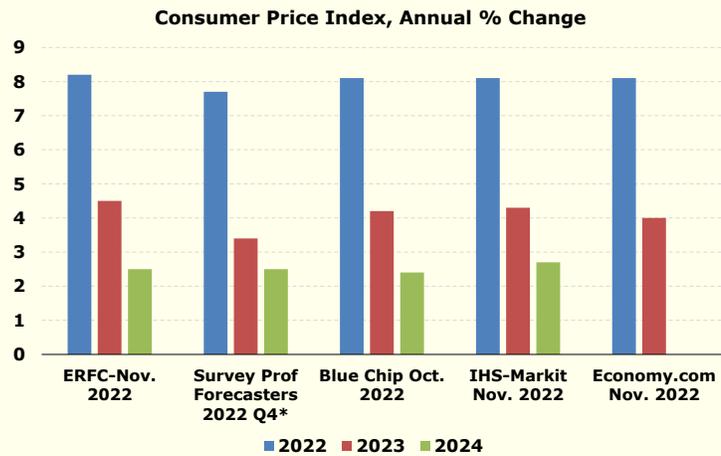
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 9



Inflation forecasts are slightly higher than September, still expected to decrease after this year

The Consumer Price Index increased by 4.7% in 2021



Revenue Review
November 18, 2022

Survey of Professional Forecasters reflects change in price level in 4th quarter compared to 4th quarter of prior year; all others reflect average change over the year compared to prior year.

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 10



Oil prices are essentially unchanged from September forecast



Revenue Review
November 18, 2022

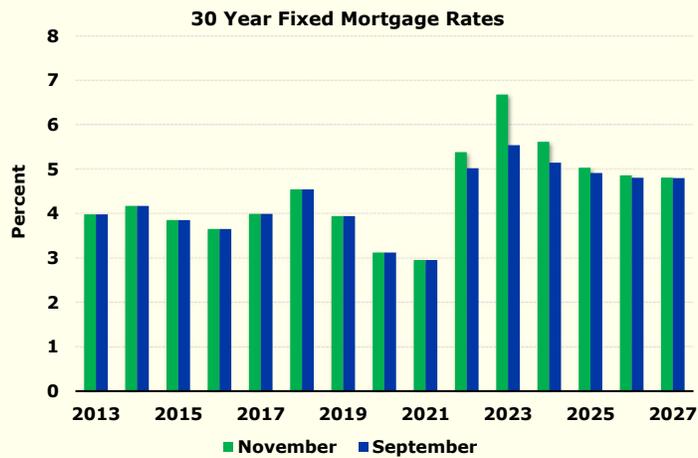
Source: Energy Information Administration, IHS Markit, ERF; data through Q3 2022
Note: Vertical black line indicates last actual

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 11



Interest rates are higher compared to the September forecast



Revenue Review
November 18, 2022

Source: ERF November 2022 forecast; historical data through 2021

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 12



Revisions to historic data mainly responsible for higher WA personal income compared to Sept. forecast

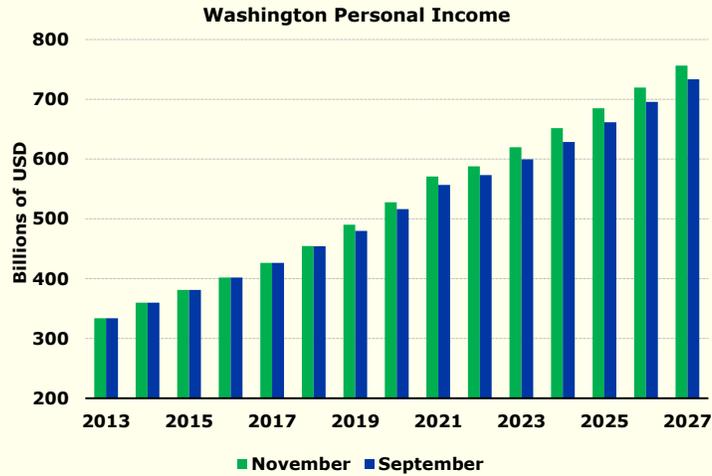
Annual average personal income growth for 2023 to 2027:

Nov. = 5.2%

Sept. = 5.0%

Revenue Review
November 18, 2022

Slide 13



Source: ERFC November 2022 forecast; historical data through 2021

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA employment forecast is very similar to the September forecast

Average annual employment growth, 2023 to 2027:

U.S. = 0.4%

WA = 0.9%

Revenue Review
November 18, 2022

Slide 14

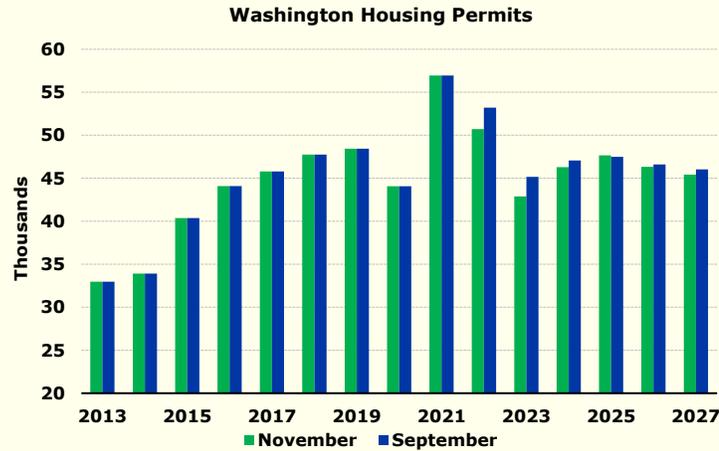


Source: ERFC November 2022 forecast; historical data through Q3 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



WA housing permits for 2023 – 2027 average 800 units per year less than the September forecast



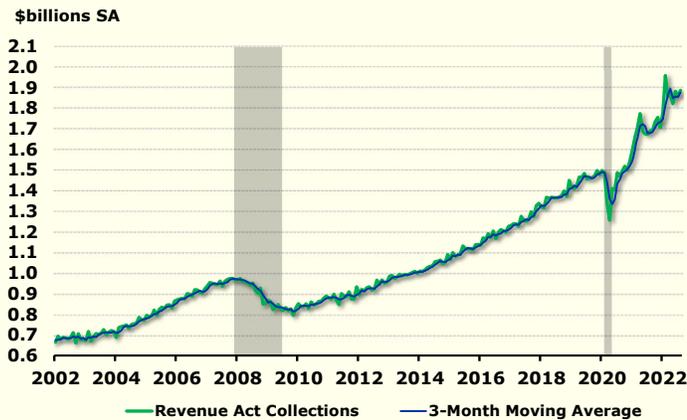
Revenue Review
November 18, 2022
Slide 15

Source: ERFC November 2022 forecast; historical data through 2021

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue Act collections growth was a strong 12.0% for September activity



Revenue Review
November 18, 2022
Slide 16

* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred 2020 payments, current definition of Revenue Act
Source: DOR and ERFC; monthly data through September 2022 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Seasonally adjusted taxable REET activity fell to \$8.8 billion in October; lowest since August 2020

Seasonally Adjusted Taxable Real Estate Excise Activity



Revenue Review
November 18, 2022

Source: ERFC; Monthly data through October 2022 estimate

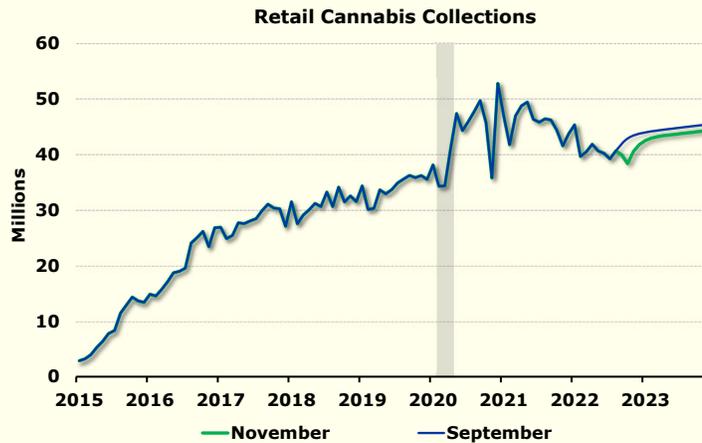
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 17



Cannabis revenues appear to be moderating

Collections have come in 7.7% below the September forecast



Revenue Review
November 18, 2022

Source: ERFC November 2022 forecast; historical data through October 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 18



Cannabis excise tax and license fee estimates

Total change since June forecast:

- 2021-23
-\$17.6 M
- 2023-25
-\$22.0 M
- 2025-27
-\$18.0 M

\$Millions

Cannabis Forecast

	<u>2021-23</u>	<u>2023-25</u>	<u>2025-27</u>
GF-S share of excise tax and license fees	\$327	\$330	\$352
Non-GF	\$701	\$762	\$813
Total	\$1,028	\$1,092	\$1,165

Revenue Review
November 18, 2022

Detail may not add to total due to rounding
Source: ERFC November 2022 forecast; historical data through October 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 19



Forecast changes: all funds, 2021-23 biennium, cash basis

\$Millions	<u>Sept. 2022 Forecast</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Nov. 2022 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$60,235	n/a	\$545	\$60,779	\$545
Education Legacy Trust Account	\$1,849	n/a	\$196	\$2,045	\$196
WA Opportunity Pathways Account	\$360	n/a	\$16	\$376	\$16
Workforce Education Investment Account	\$747	n/a	\$5	\$752	\$5
Total	\$63,191	n/a	\$762	\$63,952	\$762

Revenue Review
November 18, 2022

[#] Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 20



Forecast changes, all funds: 2023-2025 biennium, cash basis

\$Millions	<u>Sept. 2022 Forecast</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Nov. 2022 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$62,283	n/a	\$684	\$62,966	\$684
Education Legacy Trust Account	\$2,087	n/a	(\$2)	\$2,085	(\$2)
WA Opportunity Pathways Account	\$347	n/a	(\$6)	\$341	(\$6)
Workforce Education Investment Account	\$787	n/a	\$6	\$794	\$6
Total	\$65,504	n/a	\$681	\$66,185	\$681

Revenue Review
November 18, 2022

[#] Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 21



What are the major factors that drove the revenue forecast change?

- Positive \$283 million variance in last two months indicates September forecast had collections growth slowing too soon
- B&O collections primary driver of forecast increase - have been stronger than expected in September forecast
- Other forecast increases:
 - Large estate tax payments
 - Increase in auto sales
 - OST interest earnings

Revenue Review
November 18, 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 22



2021-23 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2021-23 Biennium	Difference From the baseline*
Nov. 2022 Baseline (50%)	\$60,779	
<u>Nov. 2022 Alternative Forecasts</u>		
Optimistic (15%)	\$61,944	\$1,165
Pessimistic (35%)	\$59,419	(\$1,360)
Probability Weighted Average	\$60,478	(\$301)
GCEA*	\$60,256	(\$524)

Revenue Review
November 18, 2022
Slide 23

*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



2023-25 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2023-25 Biennium	Difference From the baseline*
Nov. 2022 Baseline (50%)	\$62,966	
<u>Nov. 2022 Alternative Forecasts</u>		
Optimistic (15%)	\$67,295	\$4,328
Pessimistic (35%)	\$57,655	(\$5,311)
Probability Weighted Average	\$61,757	(\$1,210)
GCEA*	\$62,470	(\$497)

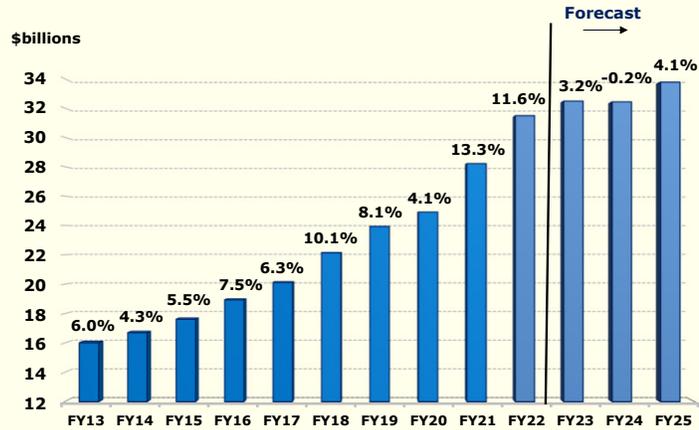
Revenue Review
November 18, 2022
Slide 24

*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



Forecast of funds subject to the budget outlook process* by fiscal year



Revenue Review
November 18, 2022
Slide 25

*Funds subject to the budget outlook process are General Fund-State plus Education Legacy Trust, Washington Opportunities Pathway and Workforce Education Investment Accounts
Source: ERFEC forecast, November 2022

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Conclusion

- U.S. forecast: GDP slightly higher, interest rates higher than September
- WA forecast: personal income higher, building permits lower than September
- Recession, technology sector layoffs, inflation, Ukraine – Russia conflict continue to pose forecast risks
- Total state revenues are expected to grow 20.4% between the 2019-21 and 2021-23 biennia and 3.5% between the 2021-23 and 2023-25 biennia

Revenue Review
November 18, 2022
Slide 26

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Fiscal growth factor

- The fiscal growth factor equals the average growth in personal income for the prior ten fiscal years
- Responsibility for calculating the fiscal growth factor was moved to the ERFC in 2020 (SSB 6660)
- The fiscal growth factor is used for:
 - Determining amounts that specific fees may or must be raised
 - Determining increases to be made for specific transfers and local distributions

Revenue Review
November 18, 2022
Slide 27

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Fiscal growth factor

Fiscal Year	Fiscal Growth Factor	Status
FY 2022	6.00%	Adopted Nov. 2020
FY 2023	5.86%	Adopted Nov. 2021
FY 2024	6.22%	Proposed Nov. 2022
FY 2025	6.30%	Preliminary Nov. 2022
FY 2026	6.02%	Preliminary Nov. 2022

Revenue Review
November 18, 2022
Slide 28

Source: ERFC November 2022 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions

Revenue Review
November 18, 2022

Slide 29



Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912

www.erfc.wa.gov
360-534-1560

This page left intentionally blank.

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

Comparison of the November 2022 to the September 2022 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	<u>September 2022 Forecast</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>November 2022 Forecast</u>	<u>Total Change*</u>
General Fund-State	\$60,234.7	\$0.0	\$544.6	\$60,779.3	\$544.6
Education Legacy Trust Account	\$1,849.1	\$0.0	\$196.3	\$2,045.4	\$196.3
WA Opportunity Pathways Account	\$360.1	\$0.0	\$15.9	\$376.1	\$15.9
Workforce Education Investment Account	\$746.8	\$0.0	\$4.7	\$751.5	\$4.7
Total	\$63,190.8	\$0.0	\$761.5	\$63,952.2	\$761.5

*Details may not add due to rounding

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

Comparison of the November 2022 to the September 2022 Forecast

2023-25 Biennium

Cash Forecast; Millions of Dollars

	<u>September 2022 Forecast</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>November 2022 Forecast</u>	<u>Total Change*</u>
General Fund-State	\$62,282.6	\$0.0	\$683.7	\$62,966.3	\$683.7
Education Legacy Trust Account	\$2,087.0	\$0.0	(\$2.3)	\$2,084.7	(\$2.3)
WA Opportunity Pathways Account	\$346.9	\$0.0	(\$6.4)	\$340.5	(\$6.4)
Workforce Education Investment Account	\$787.3	\$0.0	\$6.2	\$793.5	\$6.2
Total	\$65,503.7	\$0.0	\$681.3	\$66,185.0	\$681.3

*Details may not add due to rounding

Track record for the 2021-23 biennial forecast of funds subject to the budget outlook

February 2018 through November 2022

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>General Fund-State</u>	<u>Education Legacy Trust Acct.</u>	<u>Washington Opportunity Pathways Acct.</u>	<u>Workforce Education Investment Acct.</u>	<u>Subtotal</u>	<u>Non- economic changes</u>	<u>Total change</u>	<u>Total of funds</u>
February 2018*	\$51,932	\$593	\$266	NA				\$52,790
Changes to Forecast								
June 2018	357	26	4	NA	387	-7 #1	380	53,170
September 2018	249	94	27	NA	369	46 #2	415	53,585
November 2018	201	2	7	NA	209	0	209	53,795
March 2019	369	0	5	NA	374	190 #3	564	54,358
June 2019	64	5	3	NA	73	605 #4	678	55,036
September 2019	-79	21	-5	NA	-63	0	-63	54,973
November 2019	175	-2	8	NA	181	0	181	55,154
February 2020	512	25	-1	NA	536	627 #5	1,163	56,317
June 2020	-4,570	6	8	-56	-4,612	213 #6	-4,399	51,919
September 2020	2,246	149	-5	30	2,419	0	2,419	54,338
November 2020	297	22	6	4	328	0	328	54,666
March 2021	1,894	24	10	21	1,949	0	1,949	56,615
June 2021	1,340	6	18	35	1,399	399 #7	1,798	58,413
September 2021	845	73	1	8	927	0	927	59,341
November 2021	994	-179	5	10	829	69 #8	898	60,238
February 2022	1,400	56	-10	6	1,453	0	1,453	61,691
June 2022	1,392	80	-2	83	1,552	-95 #9	1,457	63,147
September 2022	46	27	18	-19	72	-29 #10	43	63,191
November 2022	545	196	16	5	761	0	761	63,952
Total change:								
From February 2018**	8,277	630	111	125	9,144	2,018	11,162	
Percent change	15.9	106.4	41.8	20.0	17.3	3.8	21.1	
Change in forecast since initial 2123 biennial budget***								
	6,562	259	46	127	6,994	-55	6,938	
Percent change	12.1	14.5	13.9	20.2	12.3	-0.1	12.2	

*First official forecast for the 2021-23 biennium

**Change in Workforce Education Investment Account forecast represents change from the initial fiscal note estimate of \$627 million first recorded in February 2020 forecast

***Resources for the initial 2021-23 budget include forecasted March 2021 revenue plus legislative revenue changes from 2021 session subsequent to the March forecast

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

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

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

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

#5 Establishment of Workforce Education Investment Account

#6 Legislative and budget-driven revenue changes from the 2020 legislative session

#7 Legislative and budget-driven revenue changes from the 2021 legislative session

#8 Addition of financial services tax to forecast after court approval and expected refunds from DOR rule change on apportionment

#9 Legislative and budget-driven revenue changes from the 2022 legislative session

#10 July 2022 BTA decision that allows machinery and equipment sales tax exemption for R&D equipment purchases

November 2022Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2021-23 Biennium

	2021-23 <u>Biennium</u>	Difference From the <u>November 2022 Baseline</u>
November 2022 GF-S Baseline (50%)	\$60,779	
November 2022 Alternative GF-S Forecasts		
Optimistic (15%)	\$61,944	\$1,165
Pessimistic (35%)	\$59,419	(\$1,360)
Probability Weighted Average	\$60,478	(\$301)
GCEA*	\$60,256	(\$524)

2023-25 Biennium

	2021-23 <u>Biennium</u>	Difference From the <u>November 2022 Baseline</u>
November 2022 GF-S Baseline (50%)	\$62,966	
November 2022 Alternative GF-S Forecasts		
Optimistic (20%)	\$67,295	\$4,328
Pessimistic (30%)	\$57,655	(\$5,311)
Probability Weighted Average	\$61,757	(\$1,210)
GCEA*	\$62,470	(\$497)

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

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

History and Forecast by Fiscal Year (Cash basis)

November 2022 - Millions of Dollars

	General Fund-State (GF-S) (current definition)		Education Legacy Trust Fund* (ELTA)		WA Opportunity Pathways Account (OPA)		Workforce Ed. Investment Acct. (WEIA)		Total GF-S, ELTA, OPA and WEIA	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 2005	\$13,036	5.5%							\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115						\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%					\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%					\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%					\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%					\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$99				\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$118	19.1%			\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$126	5.9%			\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$114	-9.4%			\$16,694	4.3%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$120	5.7%			\$17,611	5.5%
FY 2016	\$18,579	7.5%	\$215	3.6%	\$139	15.7%			\$18,933	7.5%
FY 2017	\$19,739	6.2%	\$252	17.5%	\$127	-9.0%			\$20,118	6.3%
FY 2018	\$21,712	10.0%	\$302	19.6%	\$129	1.5%			\$22,143	10.1%
FY 2019	\$22,430	3.3%	\$1,352	348.1%	\$156	21.1%			\$23,938	8.1%
FY 2020	\$23,817	6.2%	\$913	-32.5%	\$153	-2.0%	\$32		\$24,915	4.1%
FY 2021	\$26,986	13.3%	\$726	-20.5%	\$184	20.9%	\$320	905.5%	\$28,217	13.3%
FY 2022	\$30,030	11.3%	\$890	22.6%	\$190	2.9%	\$369	15.1%	\$31,478	11.6%
Forecast:										
FY 2023	\$30,750	2.4%	\$1,156	29.9%	\$186	-1.7%	\$383	3.8%	\$32,475	3.2%
FY 2024	\$30,895	0.5%	\$965	-16.5%	\$170	-8.8%	\$391	2.1%	\$32,421	-0.2%
FY 2025	\$32,071	3.8%	\$1,120	16.1%	\$170	0.3%	\$403	3.1%	\$33,764	4.1%
FY 2026	\$33,073	3.1%	\$1,163	3.8%	\$172	1.1%	\$415	3.1%	\$34,823	3.1%
FY 2027	\$34,235	3.5%	\$1,223	5.2%	\$173	0.2%	\$428	3.2%	\$36,059	3.5%

Biennial Totals

07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$0	NA	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$99	NA	\$0	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$244	145.2%	\$0	NA	\$31,116	8.8%
13-15 Biennium	\$33,666	9.8%	\$405	88.0%	\$234	-4.1%	\$0	NA	\$34,305	10.2%
15-17 Biennium	\$38,317	13.8%	\$467	15.4%	\$266	13.6%	\$0	NA	\$39,050	13.8%
17-19 Biennium	\$44,143	15.2%	\$1,654	254.1%	\$284	6.9%	\$0	NA	\$46,081	18.0%
19-21 Biennium	\$50,803	15.1%	\$1,639	-0.9%	\$337	18.5%	\$352	NA	\$53,132	15.3%
21-23 Biennium	\$60,779	19.6%	\$2,045	24.8%	\$376	11.6%	\$751	113.3%	\$63,952	20.4%
23-25 Biennium	\$62,966	3.6%	\$2,085	1.9%	\$340	-9.5%	\$794	5.6%	\$66,185	3.5%
25-27 Biennium	\$67,308	6.9%	\$2,386	14.5%	\$345	1.3%	\$844	6.3%	\$70,883	7.1%

*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:		Mariners	Exhibition	Student	School	Problem	Economic	Opportunity	Veteran's	Education	Gambling
	Total Transfers:*	General Fund	Stadium	Center & Stadium	Achievement Account	Construction Account	Gambling Account	Development Account	Pathways Account	VIP Account	Legacy Trust Account	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	186.4	16.7	0.0	13.7	0.0	0.0	0.4	3.1	152.5	0.0	0.0	0.0
2021	231.6	27.7	0.0	14.2	0.0	0.0	0.5	4.8	184.4	0.0	0.0	0.0
2019-21 Biennium	418.0	44.4	0.0	27.9	0.0	0.0	0.8	8.0	336.9	0.0	0.0	0.0
2022	228.9	32.8	0.0	0.0	0.0	0.0	0.4	6.0	189.7	0.0	0.0	0.0
2023	221.2	29.5	0.0	0.0	0.0	0.0	0.4	4.9	186.4	0.0	0.0	0.0
2021-23 Biennium	450.1	62.3	0.0	0.0	0.0	0.0	0.9	10.9	376.1	0.0	0.0	0.0
2024	217.9	42.9	0.0	0.0	0.0	0.0	0.4	4.6	170.0	0.0	0.0	0.0
2025	205.0	29.4	0.0	0.0	0.0	0.0	0.4	4.7	170.5	0.0	0.0	0.0
2023-25 Biennium	422.9	72.3	0.0	0.0	0.0	0.0	0.9	9.3	340.5	0.0	0.0	0.0
2026	207.1	29.6	0.0	0.0	0.0	0.0	0.4	4.7	172.3	0.0	0.0	0.0
2027	208.5	30.7	0.0	0.0	0.0	0.0	0.4	4.7	172.7	0.0	0.0	0.0
2025-27 Biennium	415.6	60.4	0.0	0.0	0.0	0.0	0.9	9.4	345.0	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

General Fund-State Cash Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,566.1	\$0.0	(\$2.1)	\$1,564.0	(\$2.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$670.7	\$0.0	\$4.0	\$674.7	\$4.0
Lottery Commission Lottery Revenue	\$62.1	\$0.0	\$0.2	\$62.3	\$0.2
State Treasurer Interest Earnings	\$177.3	\$0.0	\$29.4	\$206.7	\$29.4
Office of Financial Management Other Agencies	\$98.9	\$0.0	\$7.9	\$106.8	\$7.9
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$79.3	\$0.0	\$1.6	\$80.9	\$1.6
Total General Fund-State	\$2,654.3	\$0.0	\$41.1	\$2,695.4	\$41.1

General Fund-State GAAP Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,566.1	\$0.0	(\$2.1)	\$1,564.0	(\$2.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$670.7	\$0.0	\$4.0	\$674.7	\$4.0
Lottery Commission Lottery Revenue	\$62.7	\$0.0	\$13.9	\$76.6	\$13.9
State Treasurer Interest Earnings	\$187.3	\$0.0	\$33.7	\$221.0	\$33.7
Office of Financial Management Other Agencies	\$98.9	\$0.0	\$7.9	\$106.8	\$7.9
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$79.3	\$0.0	\$1.6	\$80.9	\$1.6
Total General Fund-State	\$2,665.0	\$0.0	\$59.0	\$2,724.0	\$59.0

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2023-25 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,593.5	\$0.0	(\$12.1)	\$1,581.5	(\$12.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$676.4	\$0.0	(\$11.2)	\$665.2	(\$11.2)
Lottery Commission Lottery Revenue	\$58.1	\$0.0	\$14.2	\$72.3	\$14.2
State Treasurer Interest Earnings	\$274.6	\$0.0	\$188.8	\$463.4	\$188.8
Office of Financial Management Other Agencies	\$2.7	\$0.0	\$7.9	\$10.7	\$7.9
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$68.8	\$0.0	\$0.8	\$69.6	\$0.8
Total General Fund-State	\$2,674.2	\$0.0	\$188.5	\$2,862.7	\$188.5

General Fund-State GAAP Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2023-25 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,593.5	\$0.0	(\$12.1)	\$1,581.5	(\$12.1)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$676.4	\$0.0	(\$11.2)	\$665.2	(\$11.2)
Lottery Commission Lottery Revenue	\$58.3	\$0.0	\$0.5	\$58.8	\$0.5
State Treasurer Interest Earnings	\$273.3	\$0.0	\$194.7	\$468.0	\$194.7
Office of Financial Management Other Agencies	\$2.7	\$0.0	\$7.9	\$10.7	\$7.9
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$68.8	\$0.0	\$0.8	\$69.6	\$0.8
Total General Fund-State	\$2,673.1	\$0.0	\$180.8	\$2,853.8	\$180.8

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2025-27 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,659.8	\$0.0	(\$13.6)	\$1,646.1	(\$13.6)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$704.3	\$0.0	(\$9.0)	\$695.3	(\$9.0)
Lottery Commission Lottery Revenue	\$59.7	\$0.0	\$0.7	\$60.4	\$0.7
State Treasurer Interest Earnings	\$221.4	\$0.0	\$132.7	\$354.1	\$132.7
Office of Financial Management Other Agencies	(\$97.6)	\$0.0	\$4.6	(\$93.0)	\$4.6
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$64.8	\$0.0	\$0.0	\$64.8	\$0.0
Total General Fund-State	\$2,612.3	\$0.0	\$115.3	\$2,727.7	\$115.3

General Fund-State GAAP Estimates - Other Agencies
Comparison of the November 2022 and September 2022 forecasts
2025-27 Biennium
(Amounts in Millions)

Source/Agency	September 2022 Baseline	Non-Economic Changes	Economic Changes	November 2022 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,659.8	\$0.0	(\$13.6)	\$1,646.1	(\$13.6)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$704.3	\$0.0	(\$9.0)	\$695.3	(\$9.0)
Lottery Commission Lottery Revenue	\$58.9	\$0.0	\$0.6	\$59.5	\$0.6
State Treasurer Interest Earnings	\$219.4	\$0.0	\$129.0	\$348.4	\$129.0
Office of Financial Management Other Agencies	(\$97.6)	\$0.0	\$4.6	(\$93.0)	\$4.6
Washington Court System GF-S Share of Fines, Fees, and Forfeiture	\$64.8	\$0.0	\$0.0	\$64.8	\$0.0
Total General Fund-State	\$2,609.6	\$0.0	\$111.6	\$2,721.2	\$111.6

* Detail may not total due to rounding.

U.S. Forecast Comparison

	2022Q3	2022Q4	2023Q1	2023Q2
Real GDP (Billions of 2012 Dollars)				
November Forecast	20,022	19,987	19,964	19,959
Percent Change	2.6%	-0.7%	-0.5%	-0.1%
September Forecast	19,737	19,751	19,758	19,785
Percent Change	0.8%	0.3%	0.1%	0.6%
Real Consumption (Billions of 2012 Dollars)				
November Forecast	14,149	14,156	14,157	14,168
Percent Change	1.4%	0.2%	0.0%	0.3%
September Forecast	13,980	14,008	14,015	14,047
Percent Change	1.4%	0.8%	0.2%	0.9%
PCE Price Index (2012=100)				
November Forecast	123.7	125.2	126.3	126.9
Percent Change	4.2%	4.8%	3.5%	2.2%
September Forecast	123.5	124.7	125.7	126.3
Percent Change	4.4%	4.0%	3.1%	1.8%
Real Personal Income (Billions of 2012 Dollars)				
November Forecast	17,715	17,789	17,828	17,878
Percent Change	1.3%	1.7%	0.9%	1.1%
September Forecast	17,678	17,754	17,839	17,800
Percent Change	-0.2%	1.7%	1.9%	-0.9%
Nonfarm Payroll Employment (Millions)				
November Forecast	152.7	153.4	153.4	152.6
Percent Change	3.1%	1.7%	0.0%	-2.0%
September Forecast	152.7	153.3	153.3	153.1
Percent Change	3.1%	1.5%	0.0%	-0.6%
Unemployment Rate (Percent of Labor Force)				
November Forecast	3.5	3.7	4.0	4.5
September Forecast	3.6	3.7	3.8	3.9
Oil Price, Refiner's Acquisition				
November Forecast	95.5	87.7	85.8	82.9
September Forecast	95.4	88.3	85.5	82.9
30 Year Fixed Mortgage Rate (Percent, average)				
November Forecast	5.6	7.0	7.0	6.8
September Forecast	5.5	5.7	5.7	5.6
3 Month T-Bill Rate (Percent, average)				
November Forecast	2.7	3.9	4.5	4.7
September Forecast	2.6	3.5	3.8	3.7

	2021	2022	2023	2024	2025	2026	2027
19,610	19,957	19,993	20,293	20,719	21,154	21,556	
5.9%	1.8%	0.2%	1.5%	2.1%	2.1%	1.9%	
19,427	19,729	19,843	20,260	20,665	21,078	21,479	
5.7%	1.6%	0.6%	2.1%	2.0%	2.0%	1.9%	
13,754	14,108	14,194	14,407	14,724	15,048	15,364	
8.3%	2.6%	0.6%	1.5%	2.2%	2.2%	2.1%	
13,625	13,950	14,089	14,413	14,730	15,039	15,355	
7.9%	2.4%	1.0%	2.3%	2.2%	2.1%	2.1%	
115.6	122.9	127.3	130.1	132.5	134.9	137.4	
4.0%	6.3%	3.6%	2.2%	1.8%	1.8%	1.9%	
115.5	122.6	126.6	128.9	131.3	133.8	136.4	
3.9%	6.1%	3.2%	1.8%	1.9%	1.9%	2.0%	
18,427	17,721	17,921	18,330	18,837	19,354	19,868	
3.3%	-3.8%	1.1%	2.3%	2.8%	2.7%	2.7%	
18,266	17,704	17,868	18,277	18,780	19,268	19,841	
3.5%	-3.1%	0.9%	2.3%	2.8%	2.6%	3.0%	
146.1	152.0	152.3	152.0	153.2	154.2	154.8	
2.8%	4.0%	0.2%	-0.2%	0.8%	0.6%	0.4%	
146.1	152.0	153.0	153.2	153.5	154.0	154.6	
2.8%	4.0%	0.7%	0.1%	0.2%	0.3%	0.4%	
5.4	3.7	4.7	5.0	4.5	4.2	4.1	
5.4	3.7	4.0	4.5	4.6	4.4	4.2	
67.5	96.4	82.0	75.1	71.2	68.4	66.2	
67.5	96.5	82.1	75.7	71.3	68.1	65.8	
3.0	5.4	6.7	5.6	5.0	4.9	4.8	
3.0	5.0	5.5	5.1	4.9	4.8	4.8	
0.0	2.0	4.6	4.0	2.7	2.4	2.3	
0.0	1.9	3.7	3.1	2.5	2.4	2.4	

Washington Forecast Comparison

	2022Q3	2022Q4	2023Q1	2023Q2
Real Personal Income (Billions of 2012 Dollars)				
November Forecast	478.2	481.3	483.0	485.3
Percent Change	1.6%	2.6%	1.5%	1.9%
September Forecast	468.0	469.1	471.3	471.9
Percent Change	0.9%	0.9%	1.9%	0.5%
Personal Income (Billions of Dollars)				
November Forecast	591.5	602.4	609.9	616.0
Percent Change	5.8%	7.6%	5.0%	4.1%
September Forecast	578.0	585.1	592.3	595.7
Percent Change	5.4%	5.0%	5.0%	2.4%
Disposable Personal Income (Billions of Dollars)				
November Forecast	503.9	515.3	527.2	535.0
Percent Change	5.3%	9.3%	9.6%	6.1%
September Forecast	499.9	507.5	524.3	528.9
Percent Change	5.4%	6.2%	14.0%	3.5%
Nonfarm Payroll Employment (Thousands)				
November Forecast	3560	3584	3586	3574
Percent Change	4.6%	2.7%	0.2%	-1.3%
September Forecast	3555	3565	3569	3571
Percent Change	4.1%	1.2%	0.4%	0.2%
Unemployment Rate (Percent of Labor Force)				
November Forecast	3.7	3.9	4.2	4.7
September Forecast	3.7	3.9	4.0	4.2
Manufacturing Employment (Thousands)				
November Forecast	274.4	276.7	278.6	278.2
Percent Change	6.5%	3.4%	2.8%	-0.6%
September Forecast	274.6	276.3	273.4	271.5
Percent Change	6.9%	2.4%	-4.1%	-2.8%
Construction Employment (Thousands)				
November Forecast	236.7	240.1	237.6	233.1
Percent Change	3.3%	5.8%	-4.2%	-7.3%
September Forecast	237.0	234.8	229.4	227.3
Percent Change	3.7%	-3.5%	-9.0%	-3.5%
Housing Permits (Thousands)				
November Forecast	44.5	41.5	42.4	42.5
Percent Change	-60.9%	-24.5%	8.6%	1.3%
September Forecast	50.5	45.5	45.0	45.0
Percent Change	-35.2%	-34.1%	-4.3%	-0.2%

	2021	2022	2023	2024	2025	2026	2027
November Forecast	494.1	478.4	486.9	500.8	516.9	533.6	550.5
Percent Change	4.1%	-3.2%	1.8%	2.9%	3.2%	3.2%	3.2%
September Forecast	482.1	467.6	473.9	487.8	503.9	519.9	537.7
Percent Change	3.8%	-3.0%	1.3%	2.9%	3.3%	3.2%	3.4%
November Forecast	570.9	588.0	619.9	651.6	684.9	719.6	756.3
Percent Change	8.2%	3.0%	5.4%	5.1%	5.1%	5.1%	5.1%
September Forecast	556.7	573.3	599.7	628.6	661.7	695.6	733.5
Percent Change	7.8%	3.0%	4.6%	4.8%	5.3%	5.1%	5.4%
November Forecast	504.4	502.0	540.3	575.8	605.6	636.3	669.4
Percent Change	6.5%	-0.5%	7.6%	6.6%	5.2%	5.1%	5.2%
September Forecast	494.3	496.4	533.9	566.6	594.8	622.1	653.3
Percent Change	6.2%	0.4%	7.6%	6.1%	5.0%	4.6%	5.0%
November Forecast	3363	3538	3570	3585	3628	3667	3701
Percent Change	2.4%	5.2%	0.9%	0.4%	1.2%	1.1%	0.9%
September Forecast	3363	3532	3572	3597	3627	3663	3697
Percent Change	2.4%	5.0%	1.1%	0.7%	0.8%	1.0%	0.9%
November Forecast	5.3	4.0	4.9	5.2	4.8	4.5	4.4
September Forecast	5.3	4.0	4.3	4.8	4.9	4.7	4.5
November Forecast	259.2	271.9	276.7	271.8	271.4	271.9	272.5
Percent Change	-4.6%	4.9%	1.8%	-1.8%	-0.1%	0.2%	0.2%
September Forecast	259.2	271.8	270.8	266.7	267.5	268.7	270.0
Percent Change	-4.6%	4.9%	-0.4%	-1.5%	0.3%	0.5%	0.5%
November Forecast	223.4	236.1	232.8	230.5	229.6	230.3	232.2
Percent Change	4.5%	5.7%	-1.4%	-1.0%	-0.4%	0.3%	0.9%
September Forecast	223.4	234.8	226.6	224.6	225.7	229.4	233.1
Percent Change	4.5%	5.1%	-3.5%	-0.9%	0.5%	1.7%	1.6%
November Forecast	56.9	50.7	42.8	46.1	47.5	46.2	45.3
Percent Change	29.2%	-11.0%	-15.6%	7.8%	2.9%	-2.8%	-2.0%
September Forecast	56.9	53.2	45.2	47.1	47.5	46.6	46.0
Percent Change	29.2%	-6.6%	-15.1%	4.2%	0.9%	-1.9%	-1.2%

U.S. Forecast Comparison	Fiscal Years					
	2022	2023	2024	2025	2026	2027
Real GDP						
Billions of 2012 dollars						
November Forecast	19,875	19,983	20,107	20,502	20,939	21,357
<i>Growth</i>	4.0%	0.5%	0.6%	2.0%	2.1%	2.0%
September Forecast	19,678	19,758	20,031	20,467	20,872	21,277
<i>Growth</i>	3.9%	0.4%	1.4%	2.2%	2.0%	1.9%
Difference in level	196	225	76	34	67	80
<i>Difference in growth forecast</i>	0.1%	0.1%	-0.8%	-0.2%	0.2%	0.1%
Real Consumption						
Billions of 2012 dollars						
November Forecast	13,996	14,158	14,279	14,560	14,886	15,208
<i>Growth</i>	5.4%	1.2%	0.9%	2.0%	2.2%	2.2%
September Forecast	13,841	14,012	14,235	14,577	14,884	15,197
<i>Growth</i>	5.1%	1.2%	1.6%	2.4%	2.1%	2.1%
Difference in level	155	145	44	-17	2	11
<i>Difference in growth forecast</i>	0.3%	-0.1%	-0.7%	-0.4%	0.1%	0.1%
PCE Price Index						
2012 = 100						
November Forecast	119.3	125.5	128.8	131.3	133.7	136.1
<i>Growth</i>	5.8%	5.2%	2.6%	2.0%	1.8%	1.8%
September Forecast	119.2	125.0	127.7	130.1	132.5	135.1
<i>Growth</i>	5.6%	4.9%	2.1%	1.8%	1.9%	1.9%
Difference in level	0.2	0.5	1.0	1.3	1.1	1.0
<i>Difference in growth forecast</i>	0.2%	0.2%	0.4%	0.1%	-0.1%	-0.1%
Unemployment Rate						
Percent of Labor Force						
November Forecast	4.2%	3.9%	5.2%	4.7%	4.3%	4.2%
September Forecast	4.2%	3.7%	4.3%	4.6%	4.5%	4.3%
<i>Difference in forecast</i>	0.0%	0.2%	0.9%	0.1%	-0.2%	-0.2%
30 Year Fixed Mortgage Rate						
Annual Average						
November Forecast	3.7%	6.6%	6.1%	5.3%	4.9%	4.8%
September Forecast	3.7%	5.6%	5.3%	5.0%	4.8%	4.8%
<i>Difference in forecast</i>	0.0%	1.0%	0.8%	0.2%	0.1%	0.0%
3 Month T-Bill Rate						
Annual Average						
November Forecast	0.4%	4.0%	4.5%	3.2%	2.4%	2.4%
September Forecast	0.4%	3.4%	3.4%	2.8%	2.4%	2.4%
<i>Difference in forecast</i>	0.0%	0.6%	1.1%	0.5%	0.1%	0.0%

Washington Forecast Comparison

Fiscal Years

	2022	2023	2024	2025	2026	2027
Real Personal Income						
Billions of 2012 dollars						
November Forecast	480.6	482.0	493.4	508.6	525.2	542.0
<i>Growth</i>	-1.8%	0.3%	2.4%	3.1%	3.3%	3.2%
September Forecast	469.6	470.1	480.0	495.8	511.8	528.8
<i>Growth</i>	-1.7%	0.1%	2.1%	3.3%	3.2%	3.3%
Difference in level	11.0	11.9	13.3	12.8	13.4	13.3
<i>Difference in growth forecast</i>	-0.1%	0.2%	0.2%	-0.2%	0.1%	-0.1%
Nominal Personal Income						
Billions of dollars						
November Forecast	573.3	604.9	635.3	668.0	702.1	737.7
<i>Growth</i>	3.9%	5.5%	5.0%	5.1%	5.1%	5.1%
September Forecast	559.4	587.8	613.1	645.0	678.4	714.3
<i>Growth</i>	3.8%	5.1%	4.3%	5.2%	5.2%	5.3%
Difference in level	13.9	17.2	22.2	23.0	23.7	23.5
<i>Difference in growth forecast</i>	0.0%	0.4%	0.7%	-0.1%	-0.1%	-0.2%
Nonfarm Payroll Employment						
Thousands						
November Forecast	3,461.7	3,575.9	3,566.8	3,607.5	3,647.6	3,684.7
<i>Growth</i>	5.5%	3.3%	-0.3%	1.1%	1.1%	1.0%
September Forecast	3,461.7	3,565.1	3,581.7	3,611.7	3,644.9	3,680.0
<i>Growth</i>	5.5%	3.0%	0.5%	0.8%	0.9%	1.0%
Difference in level	0.0	10.8	-14.9	-4.2	2.7	4.8
<i>Difference in growth forecast</i>	0.0%	0.3%	-0.7%	0.3%	0.2%	0.1%
Housing Permits						
Units Authorized, Thousands						
November Forecast	58.3	42.7	44.3	47.5	46.8	45.6
<i>Growth</i>	17.1%	-26.7%	3.6%	7.4%	-1.6%	-2.4%
September Forecast	58.3	46.5	46.0	47.7	47.0	46.2
<i>Growth</i>	17.1%	-20.2%	-1.1%	3.8%	-1.4%	-1.7%
Difference in level	0.0	-3.8	-1.7	-0.2	-0.3	-0.6
<i>Difference in growth forecast</i>	0.0%	-6.5%	4.7%	3.6%	-0.2%	-0.7%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2022	2023	2024	2025	2026	2027
U.S.						
Real GDP						
<i>Growth</i>						
ERFC	1.8	0.2	1.5	2.1	2.1	1.9
GCEA Average	1.4	0.3	2.0	2.3	2.1	1.9
Real Consumption						
<i>Growth</i>						
ERFC	2.6	0.6	1.5	2.2	2.2	2.1
GCEA Average	2.3	0.7	1.8	2.4	2.3	2.1
PCE Price Index						
<i>Growth</i>						
ERFC	6.3	3.6	2.2	1.8	1.8	1.9
GCEA Average	6.1	3.7	2.3	2.2	2.2	1.9
Mortgage Rate						
<i>Percent</i>						
ERFC	5.4	6.7	5.6	5.0	4.9	4.8
GCEA Average	5.7	6.4	5.5	5.1	4.8	4.7
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	101.9	87.6	80.2	76.2	73.5	71.6
GCEA Average	101.4	90.2	83.7	81.4	79.1	77.7

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	-3.2	1.8	2.9	3.2	3.2	3.2
GCEA Average	-3.3	1.1	3.3	3.4	3.3	3.3

Wage and Salary Employment

<i>Growth</i>						
ERFC	5.2	0.9	0.4	1.2	1.1	0.9
GCEA Average	4.6	0.3	1.1	1.4	1.2	1.1

Manufacturing Employment

<i>Growth</i>						
ERFC	4.9	1.8	-1.8	-0.1	0.2	0.2
GCEA Average	4.4	0.4	0.1	0.3	0.3	0.4

Construction Employment

<i>Growth</i>						
ERFC	5.7	-1.4	-1.0	-0.4	0.3	0.9
GCEA Average	4.6	-2.2	0.1	0.5	0.7	0.9

Housing Permits

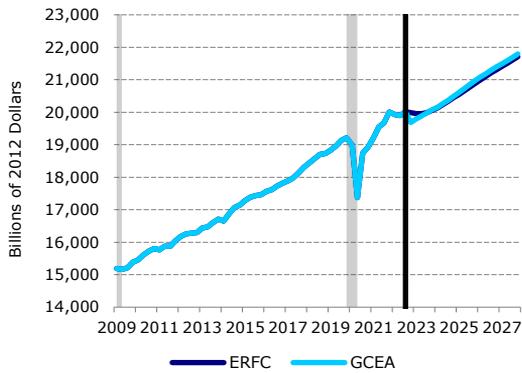
<i>Thousands of authorized units</i>						
ERFC	50.7	42.8	46.1	47.5	46.2	45.3
GCEA Average	47.6	41.7	47.7	47.7	47.1	46.7

Washington Average Annual Wage

<i>Growth</i>						
ERFC	2.1	3.5	4.5	4.1	4.1	4.1
GCEA Average	2.8	4.0	5.0	4.3	4.2	4.2

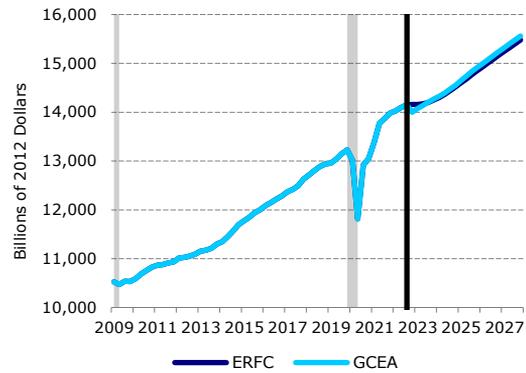
U.S. Forecast Comparison

Real GDP



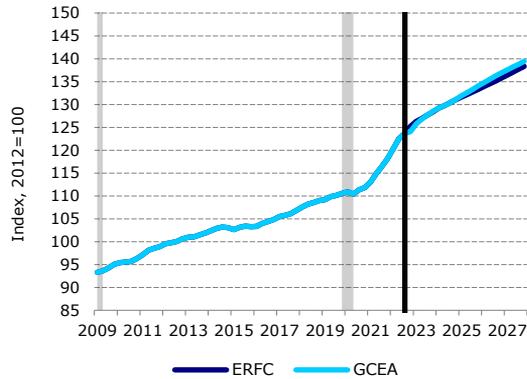
Source: BEA, ERFC, GCEA; data through 2022 Q3

Real Consumption



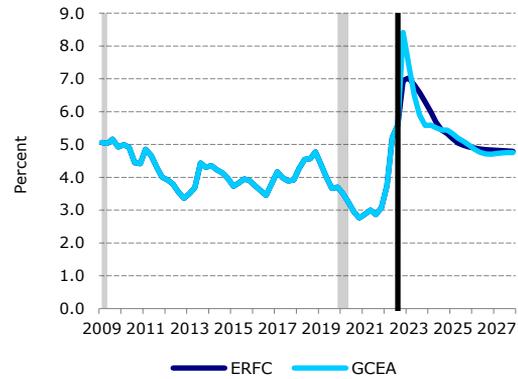
Source: BEA, ERFC, GCEA; data through 2022 Q3

PCE Price Index



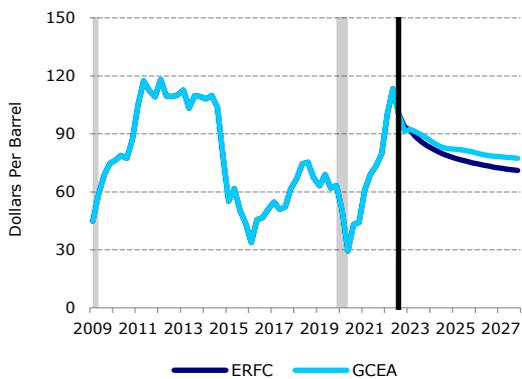
Source: BEA, ERFC, GCEA; data through 2022 Q3

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2022 Q3

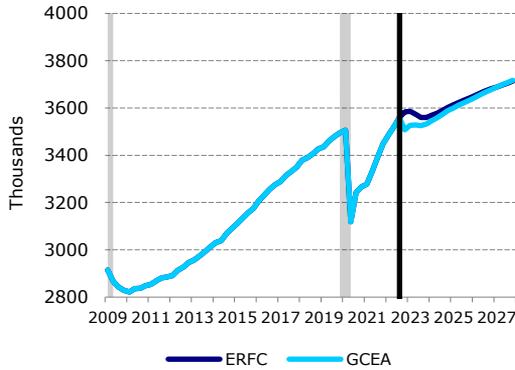
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2022 Q3

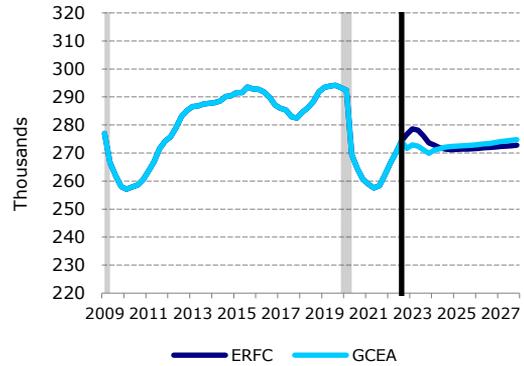
Washington Forecast Comparison

Nonfarm Payroll Employment



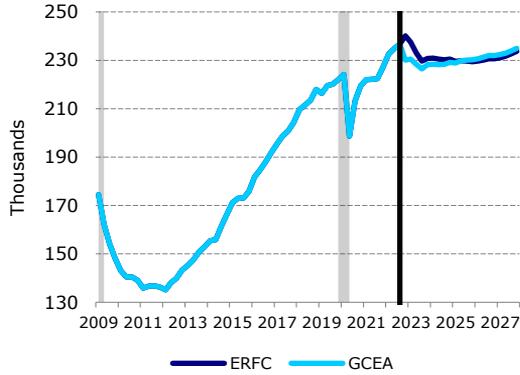
Source: ESD, ERFC, GCEA; data through 2022 Q3

Manufacturing Employment



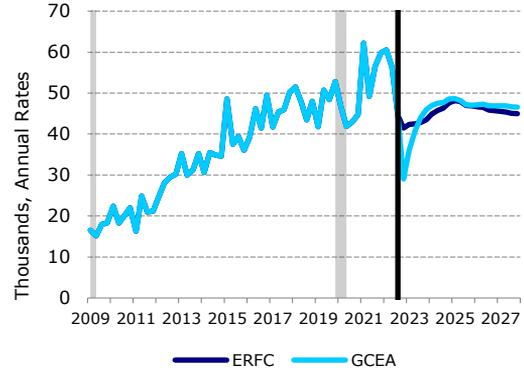
Source: ESD, ERFC, GCEA; data through 2022 Q3

Construction Employment



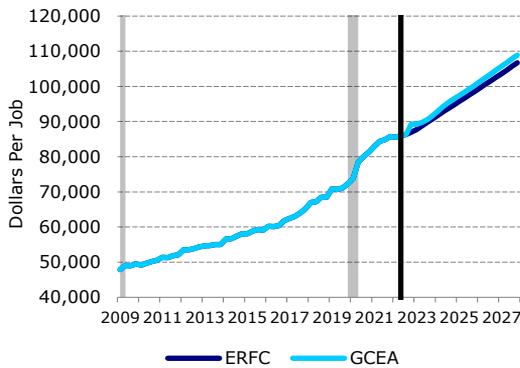
Source: ESD, ERFC, GCEA; data through 2022 Q3

Housing Units Authorized



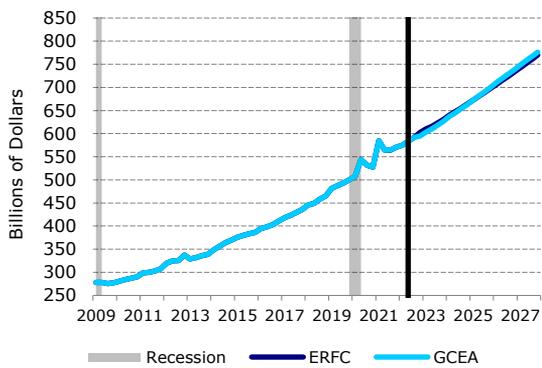
Source: Census, ERFC, GCEA; data through 2022 Q3

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2022 Q2

Personal Income



Source: BEA, ERFC, GCEA; data through 2022 Q2

2021-23 Enacted Budget Balance Sheet

General Fund-State (GFS), Education Legacy Trust Account (ELTA),
Washington Opportunity Pathways Account (OPA),
Workforce Education Investment Account (WEIA), Fair Start for Kids Account (FSKA),
Budget Stabilization Account (BSA) and Washington Rescue Plan Transition Account
Dollars in Millions

	2021-23		
	GFS	ELTA , OPA, WEIA, FSKA*	TOTAL
RESOURCES			
Beginning Fund Balance	3,673.7	487.0	4,160.7
September 2022 Revenue Forecast	60,234.7	2,956.0	63,190.8
November 2022 Revenue Forecast Change	544.6	216.8	761.5
Current Revenue Totals	60,779.3	3,172.9	63,952.2
Transfer to Budget Stabilization Account (1% of GSR)	(603.8)		(603.8)
Transfer to Budget Stabilization Account (EGSR)**	-		-
Enacted Fund Transfers	(1,181.6)	-	(1,181.6)
ACFR Adjustments	9.4	(33.7)	(24.3)
Actual/Assumed Prior Period Adjustments	79.8	0.2	80.0
Total Resources (Including Beginning Fund Balance)	62,757.0	3,626.3	66,383.3
EXPENDITURES			
Enacted Budgets			
2021-23 Biennium	56,187.8	2,878.8	59,066.6
2022 Supplemental Budget	4,738.0	320.1	5,058.0
Actual/Assumed Reversions	(575.1)	-	(575.1)
Total Expenditures	60,350.6	3,198.9	63,549.5
RESERVES			
Projected Ending Balance	2,406.4	427.4	2,833.8
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	19.2		19.2
Transfers from General Fund (1% of GSR)	603.8		603.8
Transfers from GFS (EGSR)**	-		-
Transfers from Disaster Response Acct (05H)- FY 22	4.8		4.8
Prior Period Adjustments-Actual FY 22	10.3		10.3
Actual/Assumed 21-23 Biennium-Interest Earnings	7.2		7.2
Projected Budget Stabilization Account Ending Balance	645.3		645.3
Washington Rescue Plan Transition Account			
Beginning Balance	1,000.0		1,000.0
Transfer from General Fund	1,100.0		1,100.0
Projected Wash Rescue Plan Transition Account Ending Balance	2,100.0		2,100.0
Total Reserves Including Budget Stabilization and Wa Rescue Plan	5,151.7	427.4	5,579.1

* No revenue or expenditures for 25H-Fair Start for Kids Account (FSKA).

** Based on the state constitution, no transfer of extraordinary revenue will occur in the 21-23 biennium because annual average state employment growth averaged less than one percent per fiscal year in the 19-21 biennium.

Acronyms

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