



Economic and Revenue Forecast Council

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Modest increase to revenue forecast

OLYMPIA, May 18, 2015 –The GF-S revenue forecast has been increased by \$106 million for the 2013-15 biennium and by \$309 million for the 2015-17 biennium.

The forecast is similar to February’s forecast, although 2015 GDP is weaker, oil prices are slightly higher and Washington construction activity a bit stronger. We expect the moderate pace of the economic recovery to continue in both the U.S. and Washington economies. Downside risks to the forecast include declines in labor productivity, a reduction in exports due to a stronger dollar and a slowing Chinese economy, and weak consumer spending due to lackluster wage growth.

Revenue Act taxes have been coming in close to the forecast, but real estate excise taxes have come in stronger than expected. Forecasted real estate excise taxes have been increased, along with sales taxes, the result of an increase in forecasted construction activity. Most other forecast changes were slight. The forecast has also been adjusted to account for legislation from the 2015 regular legislative session, which added \$39 million to forecasted revenue in the 2015-17 biennium. Most of the increases were the result of 2SSB 5052, which regulates sales of medical cannabis. The bill is expected to result in increased cannabis excise, sales, and B&O taxes.

Forecast of GF-S Revenue (probabilities in parenthesis): 2013-15

Baseline (60%): \$33.653 billion; \$106 million higher than the previous forecast.

Optimistic (15%): \$33.899 billion; \$247 million more than the baseline forecast.

Pessimistic (25%): \$33.349 billion; \$304 million less than the baseline forecast.

Forecast of GF-S Revenue (probabilities in parenthesis): 2015-17

Baseline (60%): \$36.758 billion; \$309 million higher than the previous forecast.

Optimistic (15%): \$39.533 billion; \$2775 million more than the baseline forecast.

Pessimistic (25%): \$33.736 billion; \$3022 million less than the baseline forecast.

Please see our full report for more information. You can access this report at:
http://www.erfc.wa.gov/forecast/documents/rev20150518_color.pdf

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About the ERFC:

The ERFC was established under RCW 82.33 to provide the Governor and the Legislature with official independent and professional forecasts of the state economy and revenues.