

EMBARGOED

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Revenue Review Meeting

February 20, 2015



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

February 20, 2015
10:00 a.m.

- Call to order
- Approval meeting minutes from January 28, 2015
- Economic Forecast
- Revenue Forecast
- Adoption of the Official Forecast

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes Budget Outlook

January 28, 2015

John A. Cherberg Building, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Jim Hargrove, Senator
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives
Vikki Smith, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:

Jim Crawford
Melissa Palmer
Richard Ramsey

Call to Order

The meeting was called to order by Director Schumacher at 10:06 am.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the January 2015 outlook for the Governor's proposed 2015 Current Law (Book 1) and New Law (Book 2) budgets. Director Schumacher clarified that Book 1 is a statutory requirement while Book 2 is the proposal that the Governor and the Office of Financial Management refer to when discussing the Governor's budget. The Budget Outlook Work Group confirmed that both options balance over 4 years.

Motion

Senator Hargrove made a motion to adopt the budget outlook as presented, seconded by Representative Hunter. The motion passed unanimously at 10:21 a.m.

Motion

Representative Hunter made a motion to approve the meeting minutes from January 15, 2015, seconded by Senator Hargrove. Council approved the motion at 10:21 am.

Adjournment

Meeting adjourned at 10:22 am.

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



Revenue Review: February 20, 2015

Executive Summary

United States

- The U.S. economic forecast is based on the February release of the Global Insight forecast. As was the case in November for our previous forecast, Global Insight assumes that the Federal Reserve will start to raise short-term interest rates around June 2015.
- The economic forecast uses the advance estimate of fourth quarter 2014 real GDP growth (+2.6%), which gives a 2.4% growth rate for all of 2014. In November, we had assumed a 2.2% real GDP growth rate. It also incorporates the February Blue Chip consensus forecast of real GDP growth, which has a growth rate of 3.2% for 2015 compared to the 3.0% rate assumed in the November forecast.
- Our oil price forecast continues to rely on the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Tuesday, February 10, 2015 closing prices for Brent and WTI futures. Prices for both have declined since the November forecast. The refiner's acquisition price of crude oil in the first quarter of 2015 is now expected to be \$49 per barrel compared to \$77 in the November forecast. Oil prices are expected to rise slightly faster during the remainder of the forecast than assumed in November. By the end of 2019, the refiner's acquisition price is expected to increase to \$71 compared to \$83 in the November forecast.
- Factors outside the state account for the high level of risk to the forecast. A slowing Chinese economy, the potential for a Greek exit from the Eurozone, and geopolitical instability in the Middle East and Eastern Europe all remain major threats to the U.S. and Washington economies. Continued strength in employment and job openings data and lower oil prices suggest potential upside risks to the forecast.
- U.S. payroll employment averaged 140.2 million jobs in the fourth quarter of 2014. This was nearly 300,000 jobs higher than expected in the November forecast.
- The two major consumer confidence measures both suggest consumers are more optimistic regarding the state of the economy. The Conference Board index of consumer confidence increased for a second straight month, rising 9.8 points to 102.9 in January. This is its highest reading since August 2007. After increasing for six straight months, the University of Michigan consumer sentiment index declined 4.5 points to 93.6 in February. However, this is still the second highest reading for the index since January 2007.
- Home sales and residential construction activity continue to display mixed signs, but overall data for 2014 were stronger than in 2013. Housing units

authorized by building permits in January decreased by 0.7% (SAAR) compared to their December level. For all of 2014, 1,039,600 housing units were authorized by building permits, a 4.9% increase over 2013. January housing starts decreased by 2.0% (SAAR) compared to December; total 2014 housing starts were 8.4% above their 2013 level. After declining in November, seasonally adjusted new single family home sales increased by 11.6% to 481,000 (SAAR) in December. An estimated 435,000 new homes were sold in 2014, up 1.2% from 2013. Although existing home sales were up by 2.4% (SAAR) in December, they declined by 3.1% for all of 2014. The seasonally-adjusted Case-Shiller national home price index has increased for a fourth consecutive month. The November index was 0.8% above its October level and 4.7% above its year-ago level.

Washington

- The Washington economy added 31,600 jobs in the three months since the November forecast was adopted, 13,300 more than the 18,300 expected in the forecast. We believe that unusually mild weather accounted for some of the strong growth. Construction employment grew 7,700 in the three-month period which was much better than the 2,200 increase expected in the forecast. Manufacturing employment rose 3,600 which was also better than the 100 increase expected in the forecast. Private services-providing employment grew 18,800 compared to a forecast of 14,700 and public sector employment growth slightly exceeded the forecast with 1,400 net new jobs compared to a forecast of 1,200 net new jobs.
- As in November, we assume a gradual decline in aerospace employment throughout the forecast. We continue to believe that this downturn will be relatively mild due to the large and increasing backlog of orders. The current reductions are due to improvements in productivity rather than reductions in production.
- The forecast incorporates the Microsoft layoffs first announced in July. The company-wide impact is estimated to be 18,000 of which we assume about 2,700 will be in the Puget Sound region. After these layoffs are complete, we expect moderate software employment growth.
- The Institute of Supply Management - Western Washington Index (ISM-WW) rebounded to 66.6 in January from a barely positive 53.3 in December (index values above 50 indicate positive growth while values below 50 indicate contractions). The production, orders, employment, and inventory components all increased in January. Only the deliveries component declined. The last time the ISM-WW index was below 50 was July 2009.
- In late December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2014. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) and other wage data also through the third quarter. Our current estimate of Washington personal income in the third quarter of 2014 is \$350.2 billion which is \$1.2 billion (0.3%) lower than assumed in November.
- Housing construction improved in the fourth quarter of 2014. The number of housing units authorized by building permits increased to 35,000 (SAAR) in the fourth quarter from 32,600 in the third quarter. The November forecast

predicted 34,100 units. The number of single-family units increased from 17,700 to 18,800, exceeding the forecast of 17,600 units. The number of multi-family units also increased, from 14,900 to 16,200, but fell slightly short of the 16,500 units forecasted in November.

- According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 0.4% in November, following a 0.8% increase in October. Seattle area home prices have declined only once (last May) in the last three years. Prices are up 6.1% over the previous November and are 28.3% higher than the November 2011 trough. The steady gains in the Seattle area index have brought local home prices to within 11% of the pre-recession peak.
- Washington car and truck sales declined 5.0% in January 2015 following an 8.7% increase in December. New vehicle registrations totaled 284,400 (SAAR) in January compared to a post-recession high of 299,200 in December. January registrations were still up 3.0 percent over the year.
- Washington exports reached an all-time high of \$25.2 billion in the fourth quarter of 2014 thanks mainly to aerospace. Fourth quarter exports were up 11.6% over the year due to a 27.0% increase in transportation equipment exports (mostly Boeing planes) which also reached an all-time high of \$14.3 billion in the quarter. Agricultural exports managed a 1.7% increase over the year but exports of commodities other than transportation equipment and agricultural products fell 7.1% over the year.
- Seattle area consumer price inflation remains tame thanks mainly to falling energy costs. Over the last year, from December 2013 to December 2014, consumer prices in the Seattle area rose 1.7% compared to 0.7% for the nation. The reason Seattle inflation was so much higher than the national rate is much more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 5.2% compared to 2.9% for the nation. Excluding shelter costs, Seattle inflation was -0.1% over the year which is only slightly higher than the national rate of -0.4%.
- Overall, our February forecast for Washington State is similar to the forecast adopted in November. Washington employment is expected to grow 2.9% this year compared to 2.3% expected in the November forecast. The upward revision to growth in 2015 is mostly due to higher employment data through January. The February forecast for average annual employment growth from 2016 through 2019 is now 1.6% per year, up slightly from the 1.4% growth rate forecasted in November. Our February forecast for nominal personal income growth this year of 4.8% is unchanged since the November forecast, however, our new forecast for nominal personal income growth from 2016 through 2019 averages 5.7% per year, down slightly from 5.8% in the November forecast.

Revenue

- Cumulative General Fund-State (GF-S) revenue collections through February 10th were \$69 million (1.5%) higher than forecasted. Of this amount, \$52 million came from Revenue Act sources (retail sales and use, business and occupation, public utility, and tobacco products taxes). Most of the Revenue Act surplus, however, was due to special factors. Large one-time audit payments added \$21 million to collections and a refund of \$21 million that

was forecasted to occur in December was postponed. Excluding these factors, the surplus from economic activity was only \$10 million (0.3%). While the \$21 million refund is now expected to occur in March, it will be partially offset by an expected \$13 million audit payment.

- Because collections excluding special factors were only slightly higher than forecasted, and changes to the economic forecast were slight, the total forecast increase for Revenue Act collections in the current biennium is only \$60 million. Forecasted Revenue Act receipts for the next two biennia were also increased slightly; increases of \$115 million in the 2015-17 biennium and \$137 million in the 2017-19 biennium.
- Real estate excise taxes since the November forecast came in \$11 million higher than forecasted. Most of the positive variance was once again the result of strong sales of commercial property valued at \$10 million or more. A further increase in forecasted large sales plus some forecasted strengthening in the residential market resulted in a forecast increase of \$16 million in the current biennium. Forecasted real estate excise taxes were also increased slightly in the 2015-17 and 2017-19 biennia.
- By law, the property tax levy on existing property can only increase by the lesser of 1% or the rate of inflation as measured by the U.S. Implicit Price Deflator (IPD) in the second quarter. Due to a decrease in oil prices since the November forecast, the forecasted year-over-year increase in the IPD for the second quarter of 2015 is only 0.14%. The levy on existing property for taxes due in 2016 is therefore only forecasted to increase by that amount, down from a forecasted 1% increase in November. This caused a net \$24.5 million decrease in forecasted collections in the 2015-17 biennium. While the lowered levy base could have potentially decreased the 2017-19 forecast by \$36 million, an offsetting increase in forecasted new construction and other factors brought the total forecast decrease to \$23 million for the biennium.
- Overall adjustments to the revenue forecast were small, reflecting the slight changes in the state's economic forecast. Changes for each biennium amounted to less than half of one percent.
- The net forecast change for the 2013-15 biennium was an increase of \$106.8 million. Forecasted GF-S revenue for the biennium is now \$33.547 billion, which is 9.4% higher than collections in the 2011-13 biennium.
- The net forecast change for the 2015-17 biennium was an increase of \$129.4 million. Forecasted GF-S revenue for the biennium is now \$36.449 billion, which is 8.7% higher than forecasted revenue in the current biennium. Forecasted revenue for the 2017-19 biennium is \$39.757 billion, an increase of \$154 million.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

February 20, 2015
Olympia, Washington



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Summary

- Oil prices have declined further since the November forecast
- 2014 and 2015 GDP growth are slightly stronger than in the November forecast
- Employment gains indicate a strengthening labor market, but the number of long-term unemployed remains elevated
- Risks to the baseline include the potential for slower Chinese economic growth, a Greek exit from the Eurozone, disruptions to the housing recovery and geopolitical unrest
- The GF-S revenue forecast has been increased by \$107 million for the 2013-15 biennium and by \$129 million for the 2015-17 biennium

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New information since November economic forecast

GDP growth data and forecast

- 2014 first estimate: 2.6% (2.2% in November forecast)
- 2015 Blue Chip increased from 3.0% to 3.2%

U.S. employment data for November - January

- Average monthly increase of 336,000 net new jobs

Washington employment data for November & December

- Average monthly increase of 7,000 net new jobs

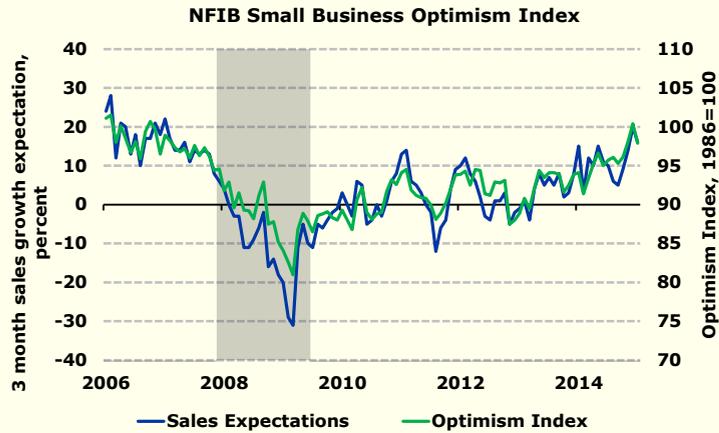
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Small business optimism and sales expectations getting back to pre-recession levels



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Source: National Federation of Independent Business; data through January 2015

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Consumer confidence is improving



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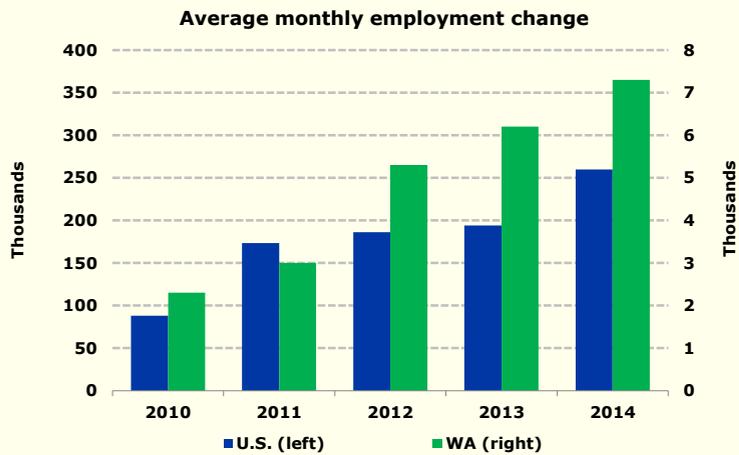
Source: University of Michigan, data through Feb. 2015; Conference Board, data through Jan. 2015

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Job creation continues to strengthen



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Source: Bureau of Labor Statistics, ERFC; data through December 2014

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Number of long-term unemployed workers remains high

Long-term unemployed as share of all unemployed:

Apr. 2010: 46%

Jan. 2015: 32%



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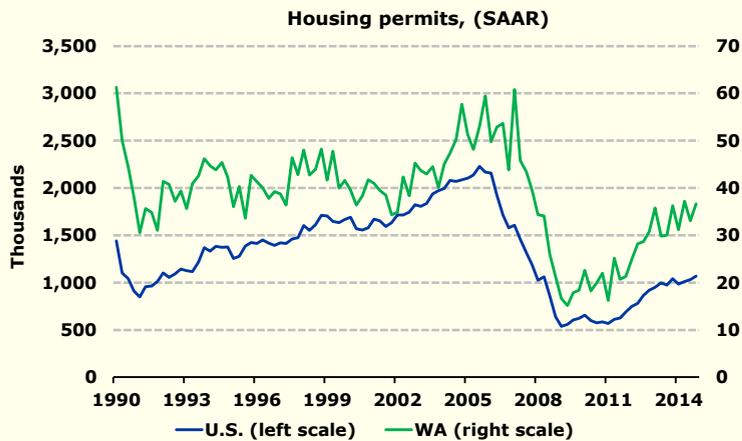
Source: Bureau of Labor Statistics; data through January 2015

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Housing permits – trending up but still below pre-recession levels



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Source: U.S. Census Bureau, data through 2014 Q4

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Non-transportation equipment exports are declining

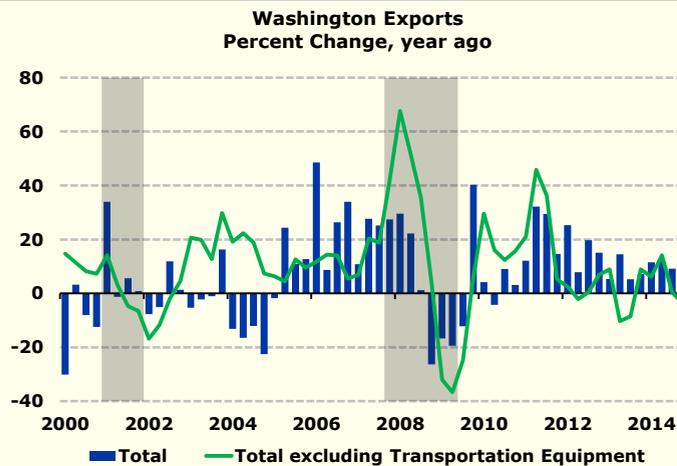
2014Q4
export
growth:

Agricultural
products:
+1.7%

Petrol/coal
products:
-12.4%

Computer &
electronics:
+7.2%

Food
products:
-11.5%



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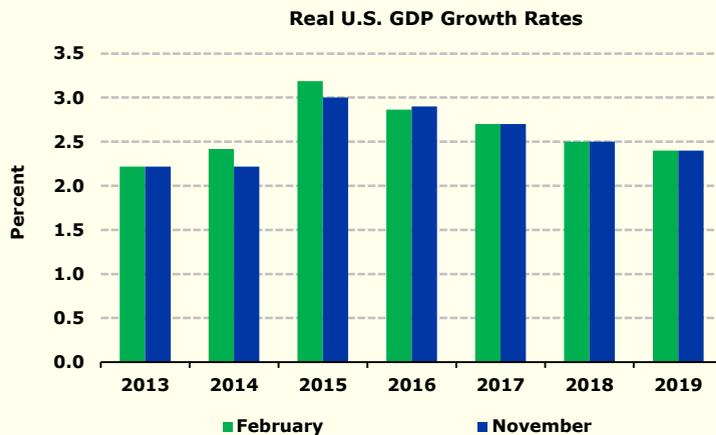
Source: Wisier Trade Data; through 2014Q4

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Real GDP growth rates for 2014-15 are slightly higher than the November forecast



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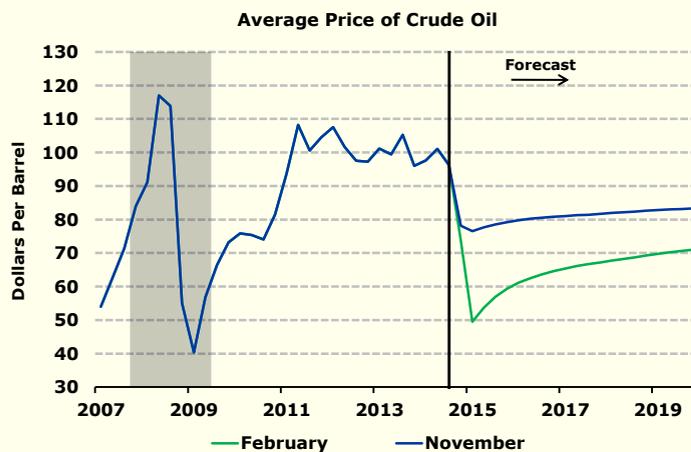
Source: ERFC February 2015 forecast; historical data through 2014

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Oil prices dropped even further than expected in November



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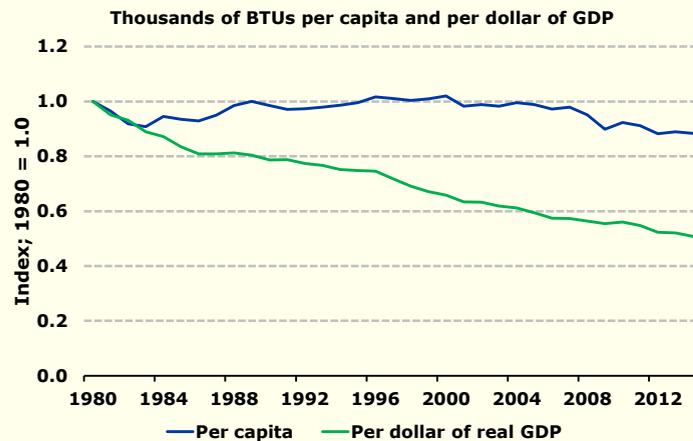
Source: DOE, ERFC February 2015 forecast; historical data through 2014Q4

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U.S. economy has become less energy-intensive over time



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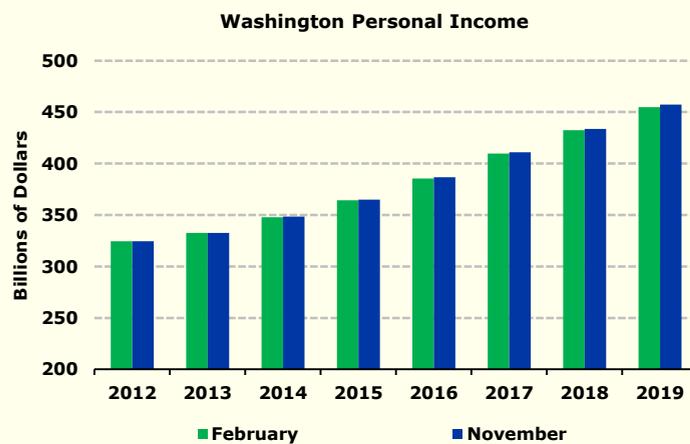
Source: U.S. Dept. of Energy; projections from 2012 - 2014

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Washington personal income forecast is almost identical to November forecast



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Source: ERFC February 2015 forecast; historical data through 2013

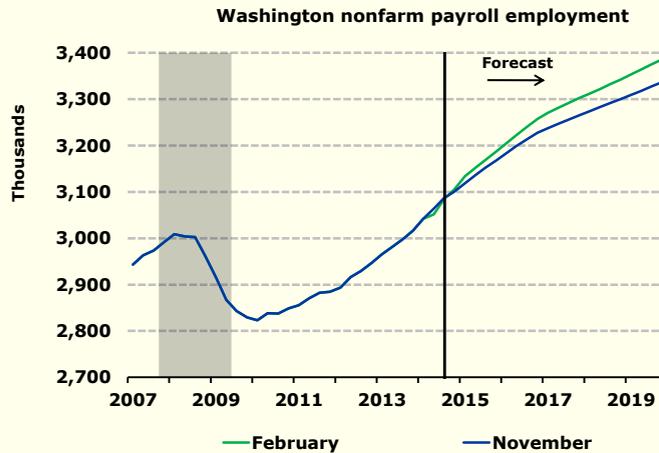
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Washington employment forecast revised up slightly

Average employment growth of 2.0% for 2014 to 2019 is slightly higher than in November



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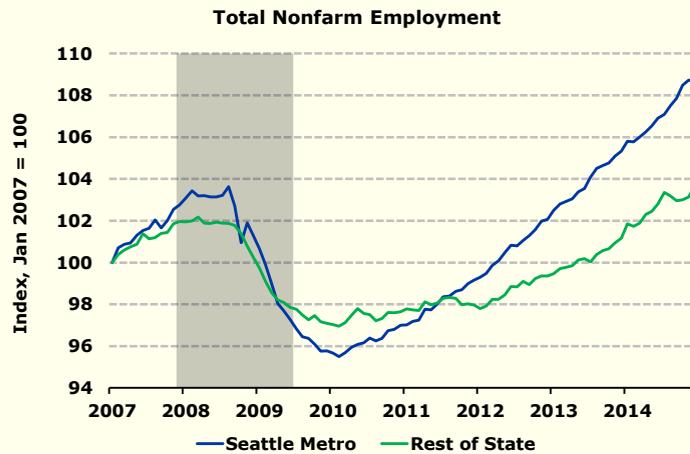
Source: Global Insight, ERFC February 2015 forecast; historical data through 2014Q4

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Seattle area employment is growing much faster than the rest of the state



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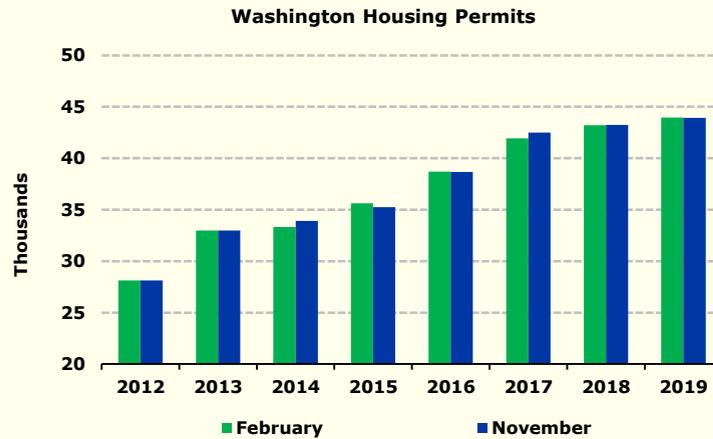
Source: Employment Security Department, ERFC; data through December 2014

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Washington housing permits forecast is similar to the November forecast



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Source: ERFC February 2015 forecast; historical data through 2014

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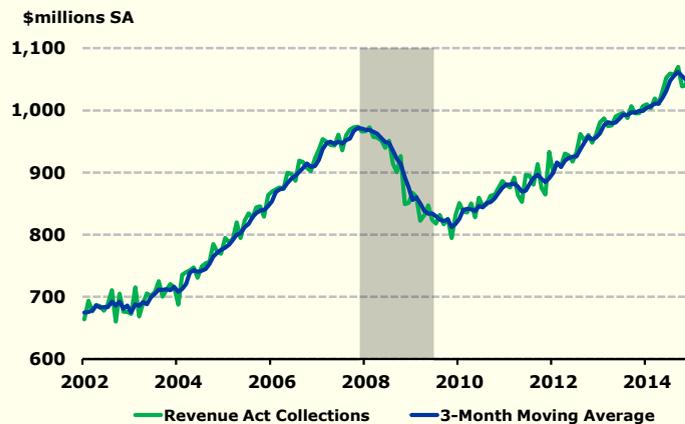
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The Q4 decline in Revenue Act collections was expected after a strong Q3

Adjusted Y-O-Y growth for 4th quarter activity was 5.8%. Third quarter growth was 7.2%.

Adjusted collections for 4th quarter activity came in only 0.3% higher than the November forecast.



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* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through estimated December 2014 activity

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Sales tax growth is strong

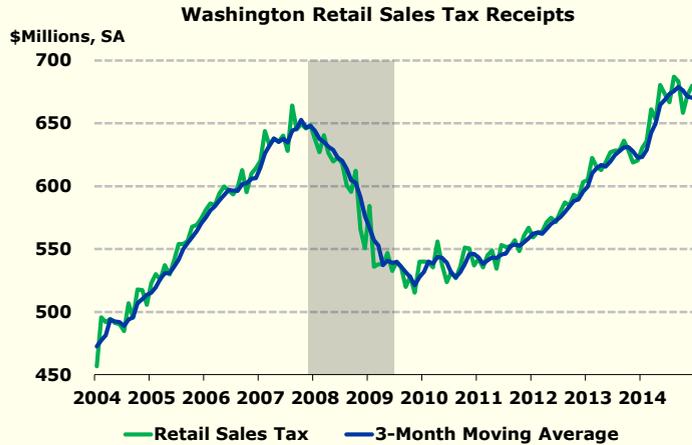
Adjusted sales tax collections were up 8.8% Y-O-Y for 3rd quarter activity and 9.0% for 4th quarter activity.

The decline in activity in the 4th quarter was due to the very strong 3rd quarter; growth is forecasted to resume

Growth is being driven by sales in construction, autos, and building materials.

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Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change
Source: ERFC; Monthly data through December 2014 preliminary activity

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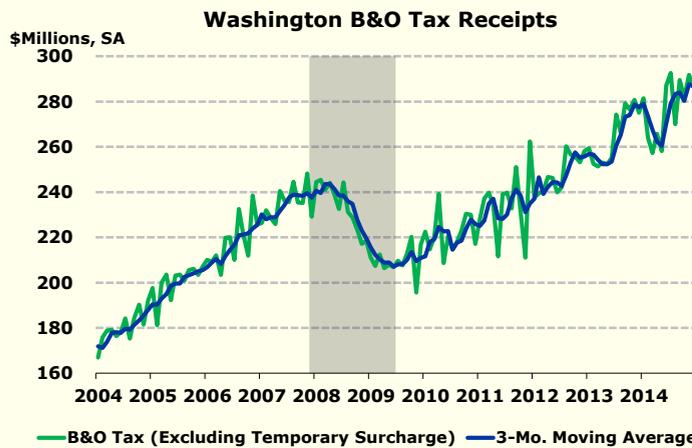
B&O tax collections uneven but growing

Collections grew 6.0% Y-O-Y in the 3rd quarter and 4.1% in the 4th quarter

Growth is expected to slow in the near term due to the effects of lower oil prices on refiners' and gas stations' gross receipts.

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Source: ERFC; Monthly data through December 2014 preliminary activity

Adjusted for taxpayer frequency shift, amnesty payments, and large refunds/payments

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REET continues to benefit from large commercial sales

Residential activity is increasing but is being hampered by lack of inventory.

Large commercial sales (>\$10 million) totaled \$1.07 billion in December and \$557 million in January.

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Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; Monthly data through January 2015 preliminary

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Property tax growth limited to lesser of inflation or 1%

Property tax growth factor for 2015 = 0.1%;

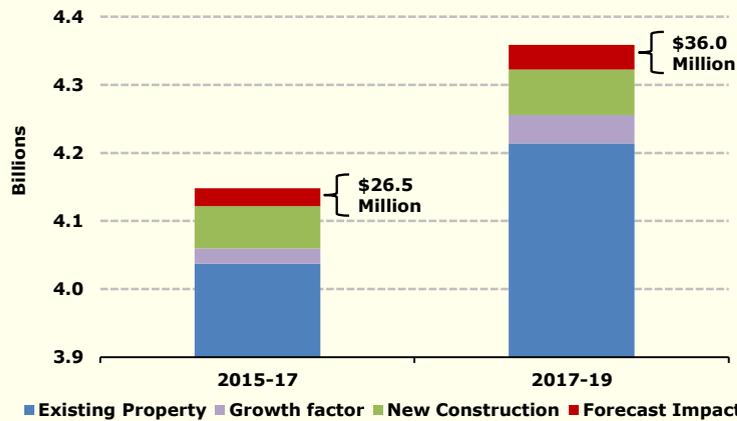
Forecast impact =

2015-17: -\$26.5 M

2017-19: -\$36.0 M

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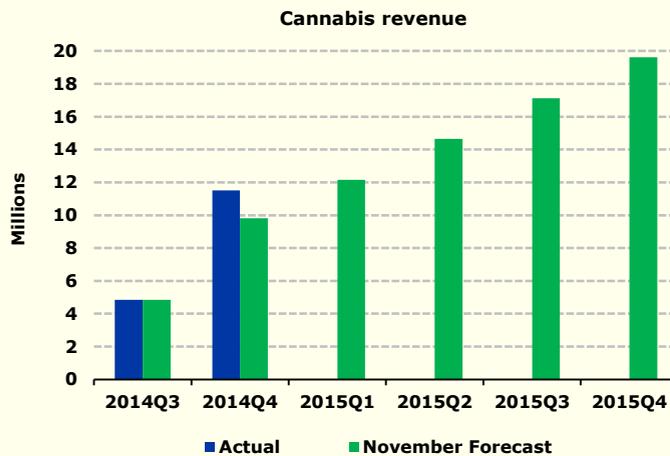


Source: DOR, ERFC February 2015 forecast; historical data through January 2015

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Cannabis revenue is above forecast, but still needs to pick up



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Source: LCB, ERFC November 2014 forecast; historical data through 2014 Q4

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Cannabis excise tax and license fee estimates

Total GF-S
change from
November
forecast:

•2013-15
+\$0.9 M

•2015-17
+\$3.2 M

•2017-19
+\$0.8 M

\$Millions

February Forecast

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
GF-S share of excise tax and license fees	\$6.7	\$39.3	\$65.7
Non-GF	\$36.8	\$182.3	\$297.1
Total	\$43.4	\$221.6	\$362.8

* Detail may not add to total due to rounding
Source: ERFC, LCB, BOTEC Analysis

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Forecast changes: General Fund State, 2013-2015 Biennium

November Forecast:
\$33,440 million

	\$Millions				
			February Forecast		
	Collection Experience	Non-economic Change	Forecast Change	Forecast	Total Change*
Dept. of Revenue	\$68	\$13	(\$3)	\$31,910	\$78
All other agencies	\$1	\$18	\$9	\$1,636	\$28
Total GF-S	\$69	\$31	\$6	\$33,547	\$107

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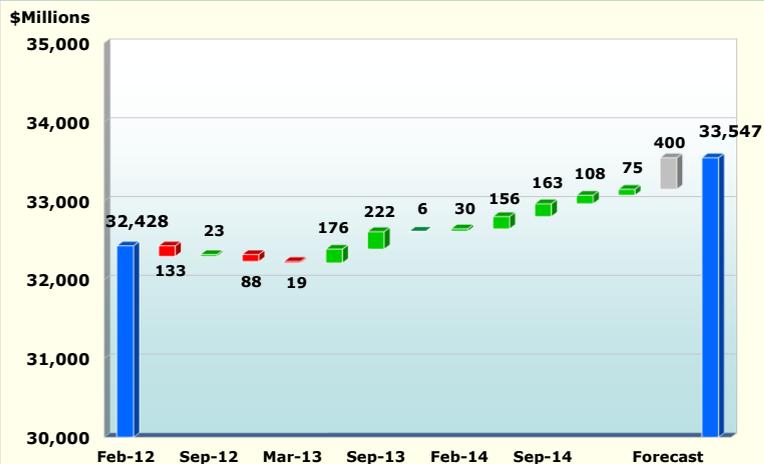
* Detail may not add to total due to rounding

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GF-S forecast revisions to the 2013-15 biennium



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Source: ERFC February 2012 – February 2015 forecasts
Gray area indicates total noneconomic change

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Forecast changes: General Fund State, 2015-2017 Biennium

November Forecast:
\$36,319 million

\$Millions

	February Forecast			
	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$0	\$108	\$34,780	\$108
All other agencies	\$0	\$22	\$1,669	\$22
Total GF-S	\$0	\$129	\$36,449	\$129

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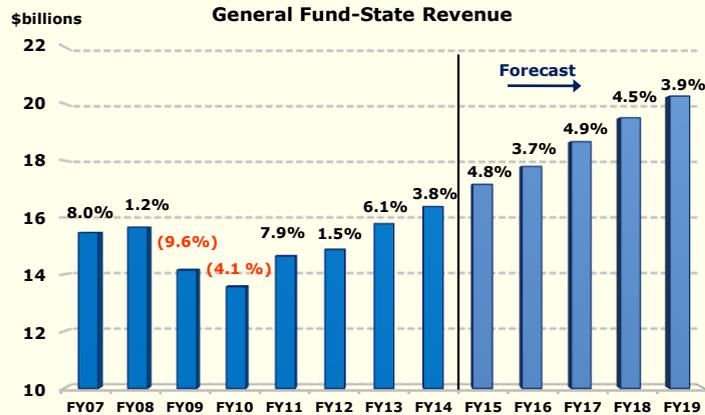
* Detail may not add to total due to rounding

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General Fund-State* forecast by fiscal year



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*General Fund-State & Related Funds for FY 07-09, General Fund-State new definition for FY 10-17
Source: ERFC forecast, February 2015

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2013-15 Biennium alternative forecasts – cash basis

\$Millions	2013-15 Biennium	Difference From the baseline
February 2015 Baseline (60%)	\$33,547	
<u>February 2015 Alternative Forecasts</u>		
Optimistic (20%)	\$33,965	\$418
Pessimistic (20%)	\$33,049	(\$497)
Probability Weighted Average	\$33,531	(\$16)
GCEA*	\$33,517	(\$30)

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*Based on the Governor's Council of Economic Advisors' assumptions

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2015-17 Biennium alternative forecasts – cash basis

\$Millions	2015-17 Biennium	Difference From the baseline
February 2015 Baseline (60%)	\$36,449	
<u>February 2015 Alternative Forecasts</u>		
Optimistic (20%)	\$39,215	\$2,766
Pessimistic (20%)	\$33,392	(\$3,057)
Probability Weighted Average	\$36,391	(\$58)
GCEA*	\$36,223	(\$226)

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*Based on the Governor's Council of Economic Advisors' assumptions

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Conclusion

- The economic forecast is quite similar to November's forecast, with the exception of lower oil prices
- We expect the moderate pace of the economic recovery to continue in both the U.S. and Washington economies
- GF-S revenues are expected to grow 9.4% between the 2011-13 and 2013-15 biennia and 8.7% between the 2013-15 and 2015-17 biennia
- The level of uncertainty in the baseline remains elevated, with risks on both the upside and the downside

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Questions



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Economic & Revenue Forecast Council
1025 E. Union Avenue, Suite 544
Olympia WA 98504-0912

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Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the February 2015 to the November 2014 Forecast

2013-15 Biennium

Millions of Dollars

	<u>November 2014 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>February 2015 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$31,832.1	\$67.6	\$13.3	(\$2.5)	\$31,910.4	\$78.3
All other Agencies	\$1,607.7	\$1.5	\$18.0	\$9.0	\$1,636.2	\$28.5
Total General Fund-State	\$33,439.8	\$69.0	\$31.3	\$6.4	\$33,546.6	\$106.8

*Forecast for GF-S for the 2013-15 biennium adopted November 2014

**DOR: Large expected audit payment. Other Agencies: Payment from legal settlement

[#]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 2015 to the November 2014 Forecast
 2013-15 Biennium
 Cash Forecast; Millions of Dollars

	<u>November 2014 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>February 2015 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$33,439.8	\$31.3	\$75.5	\$33,546.6	\$106.8
Education Legacy Trust Account***	\$394.8	\$0.0	\$27.6	\$422.4	\$27.6
WA Opportunity Pathways Account	\$232.2	\$0.0	(\$0.1)	\$232.1	(\$0.1)
Total	\$34,066.9	\$31.3	\$102.9	\$34,201.2	\$134.3

*Forecast for GF-S for the 2013-15 biennium adopted November 2014

**Payment from legal settlement plus large expected audit payment

***Revenue only - does not include lottery fund transfers (\$16.1 million in current forecast)

[#]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 2015 to the November 2014 Forecast
 2015-17 Biennium
 Cash Forecast; Millions of Dollars

	November 2014 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2015 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$36,319.5	\$0.0	\$129.4	\$36,448.9	\$129.4
Education Legacy Trust Account	\$428.0	\$0.0	\$10.5	\$438.5	\$10.5
WA Opportunity Pathways Account	\$237.4	\$0.0	(\$0.3)	\$237.1	(\$0.3)
Total	\$36,984.8	\$0.0	\$139.6	\$37,124.4	\$139.6

*Forecast for GF-S for the 2015-17 biennium adopted November 2014

[#]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 2015 to the November 2014 Forecast
 2017-19 Biennium
 Cash Forecast; Millions of Dollars

	November 2014 <u>Forecast*</u>	Non-economic <u>Changes</u>	Forecast <u>Change</u>	February 2015 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$39,602.4	\$0.0	\$154.5	\$39,756.9	\$154.5
Education Legacy Trust Account	\$475.3	\$0.0	\$7.1	\$482.4	\$7.1
WA Opportunity Pathways Account	\$237.5	\$0.0	(\$0.3)	\$237.2	(\$0.3)
Total	\$40,315.2	\$0.0	\$161.3	\$40,476.5	\$161.3

*Forecast for GF-S for the 2017-19 biennium adopted November 2014

[#]Details may not add due to rounding

Track Record for the 2013-15 General Fund-State Cash Forecast

February 2012 through February 2015

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 2012*	\$31,110	\$1,319				\$32,428
Changes to Forecast						
June 2012	(120)	(13)	(133)	330 #1	197	32,626
September 2012	39	(15)	23	0	23	32,649
November 2012	(113)	25	(88)	0	(88)	32,561
March 2013	(38)	18	(19)	0	(19)	32,541
June 2013	156	20	176	(55) #2	121	32,662
September 2013	224	(2)	222	123 #3	345	33,007
November 2013	(22)	27	6	(30) #4	(25)	32,982
February 2014	21	10	30	0	30	33,013
June 2014	160	(5)	156	1 #5	157	33,169
September 2014	144	19	163	0	163	33,332
November 2014	111	(3)	108	0	108	33,440
February 2015	65	10	75	31 #8	107	33,547
Total change***:						
From February 2012	626	91	718	400	1,118	
Percent change	2.0	6.9	2.2	1.2	3.4	

Track Record for the 2015-17 General Fund-State Cash Forecast

September 2012 through February 2015

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>
September 2012**	\$34,102	\$1,416				\$35,518
Changes to Forecast						
November 2012	(196)	33	(163)	0	(163)	35,355
March 2013	(92)	44	(49)	0	(49)	35,306
June 2013	56	2	58	(7) #6	51	35,357
September 2013	95	(2)	93	249 #3	342	35,699
November 2013	(47)	3	(44)	(41) #4	(85)	35,615
February 2014	5	26	31	51 #7	82	35,697
June 2014	194	40	233	5 #5	238	35,935
September 2014	168	(25)	143	0	143	36,078
November 2014	239	3	241	0	241	36,319
February 2015	108	22	129	0	129	36,449
Total change***:						
From September 2012	529	145	674	257	931	
Percent change	1.6	10.2	1.9	0.7	2.6	

* 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 2013-15 biennium.

First official forecast for the 2015-17 biennium.

#1 Effects of legislation from 2012 special sessions subsequent to February forecast

#2 Large expected DOR refund plus effects of legislation from 2013 regular and first special legislative sessions

#3 Legislative and budget-driven revenue changes from 2013 second special session

#4 Re-classification of prior period adjustments as non-revenue resources, tobacco settlement arbitration payment to state.

#5 Sum of legislative and budget-driven revenue changes from the 2014 regular legislative session

#6 Transfer of GF-S funds to Child and Family Reinvestment Account

#7 Cannabis excise taxes and fees plus retail sales and B&O taxes on cannabis production and sales resulting from Initiative 502

#8 Payment from legal settlement plus expected large audit payment

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

February 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
1998	8.0	8.6	0.9
1999	7.1	8.1	0.9
2000	8.0	8.2	1.0
2001	2.8	4.0	0.7
2002	(1.4)	1.4	(1.0)
2003	2.1	3.2	0.6
2004	4.6	4.8	1.0
2005	7.9	5.2	1.5
2006	10.1	8.1	1.3
2007	7.9	7.9	1.0
2008	2.7	7.6	0.4
2009	(10.4)	0.2	(42.2)
2010	(6.0)	(1.5)	3.9
2011	1.8	4.7	0.4
2012	4.1	6.3	0.7
2013	6.7	5.0	1.3
2014	6.4	3.2	2.0
2015	6.5	4.7	1.4
2016	5.3	5.2	1.0
2017	5.5	6.2	0.9
2018	4.9	5.9	0.8
2019	4.3	5.3	0.8
Average 1998-2014:	3.3	4.7	0.7
II. Business & Occupation			
1998	7.3	8.6	0.9
1999	6.6	8.1	0.8
2000	5.6	8.2	0.7
2001	3.0	4.0	0.7
2002	(3.5)	1.4	(2.5)
2003	(1.6)	3.2	(0.5)
2004	6.8	4.8	1.4
2005	9.7	5.2	1.9
2006	11.2	8.1	1.4
2007	8.3	7.9	1.0
2008	6.9	7.6	0.9
2009	(8.8)	0.2	(35.8)
2010	(2.9)	(1.5)	1.9
2011	4.6	4.7	1.0
2012	8.0	6.3	1.3
2013	6.5	5.0	1.3
2014	5.4	3.2	1.7
2015	5.1	4.7	1.1
2016	4.6	5.2	0.9
2017	5.2	6.2	0.8
2018	4.7	5.9	0.8
2019	4.5	5.3	0.9
Average 1998-2014:	4.0	4.7	0.8

* Based on constant base taxable data.

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

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

February 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
1998	4.4	8.6	0.5
1999	(0.1)	8.1	(0.0)
2000	14.4	8.2	1.8
2001	8.4	4.0	2.1
2002	(5.8)	1.4	(4.1)
2003	(1.4)	3.2	(0.4)
2004	5.6	4.8	1.2
2005	14.0	5.2	2.7
2006	2.3	8.1	0.3
2007	9.0	7.9	1.1
2008	2.1	7.6	0.3
2009	(13.0)	0.2	(53.1)
2010	(5.9)	(1.5)	3.8
2011	11.4	4.7	2.4
2012	1.9	6.3	0.3
2013	7.4	5.0	1.5
2014	9.7	3.2	3.1
2015	5.6	4.7	1.2
2016	0.3	5.2	0.1
2017	5.2	6.2	0.8
2018	5.1	5.9	0.9
2019	4.7	5.3	0.9
Average 1998-2014:	3.5	4.7	0.7

Total Revenue Act Receipts

February 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Receipts [#]	Personal Income ¹	
Revenue Act			
1998	6.3	8.6	0.7
1999	4.2	8.1	0.5
2000	7.4	8.2	0.9
2001	3.9	4.0	1.0
2002	(1.7)	1.4	(1.2)
2003	1.0	3.2	0.3
2004	4.8	4.8	1.0
2005	7.6	5.2	1.5
2006	10.6	8.1	1.3
2007	8.3	7.9	1.1
2008	4.2	7.6	0.6
2009	(9.5)	0.2	(38.8)
2010	(5.3)	(1.5)	3.5
2011	8.1	4.7	1.7
2012	1.3	6.3	0.2
2013	5.9	5.0	1.2
2014	4.6	3.2	1.4
2015	6.1	4.7	1.3
2016	5.0	5.2	1.0
2017	5.6	6.2	0.9
2018	5.0	5.9	0.8
2019	4.5	5.3	0.8
Average 1998-2014:	3.3	4.7	0.7

* Based on constant base taxable data.

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

Post-ESSB 5073 definition of Revenue Act

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

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

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

History and Forecast by Fiscal Year (Cash basis)

February 2015 - 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 1995	\$8,799				\$8,799				\$8,799	
FY 1996	\$8,934	1.5%			\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,449	5.8%			\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$10,057	6.4%			\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$10,414	3.6%			\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$11,068	6.3%			\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$11,560	4.4%			\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$11,632	0.6%			\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$11,721	0.8%			\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$12,358	5.4%			\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$13,036	5.5%			\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115		\$14,432	10.7%			\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%			\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%			\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%			\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%			\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%	\$99		\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%	\$118	19.1%	\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%	\$126	5.9%	\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$16,580	4.4%	\$114	-9.4%	\$16,694	4.3%
Forecast:										
FY 2015	\$17,164	4.8%	\$225	14.0%	\$17,389	4.9%	\$118	4.1%	\$17,507	4.9%
FY 2016	\$17,791	3.7%	\$216	-3.8%	\$18,007	3.6%	\$119	0.1%	\$18,125	3.5%
FY 2017	\$18,658	4.9%	\$222	2.7%	\$18,880	4.9%	\$119	0.0%	\$18,999	4.8%
FY 2018	\$19,497	4.5%	\$228	2.5%	\$19,725	4.5%	\$119	0.0%	\$19,844	4.4%
FY 2019	\$20,260	3.9%	\$255	11.8%	\$20,514	4.0%	\$119	0.0%	\$20,633	4.0%
Biennial Totals										
03-05 Biennium	\$25,395	8.7%	\$0	NA	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$29,785	17.3%	\$381	NA	\$30,166	18.8%	\$0	NA	\$30,166	18.8%
07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%	\$99	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%	\$244	145.2%	\$31,116	8.8%
13-15 Biennium	\$33,547	9.4%	\$422	96.2%	\$33,969	10.0%	\$232	-4.9%	\$34,201	9.9%
15-17 Biennium	\$36,449	8.7%	\$438	3.8%	\$36,887	8.6%	\$237	2.1%	\$37,124	8.5%
17-19 Biennium	\$39,757	9.1%	\$482	10.0%	\$40,239	9.1%	\$237	0.0%	\$40,476	9.0%

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

General Fund-State Cash Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2013-15 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.3	\$0.0	\$0.2	\$35.5	\$0.2
Insurance Commissioner Insurance Premiums	\$943.7	\$0.0	\$1.8	\$945.5	\$1.8
Liquor Control Board Taxes, Licenses, and Fees	\$258.5	\$0.0	\$4.1	\$262.6	\$4.1
Lottery Commission Lottery Revenue	\$9.9	\$0.0	\$0.0	\$9.9	\$0.0
State Treasurer Interest Earnings	(\$4.2)	\$0.0	\$1.1	(\$3.1)	\$1.1
Office of Financial Management Other Agencies	\$197.0	\$18.0	\$2.1	\$217.2	\$20.2
Administrative Office of the Courts Fines and Forfeitures	\$167.4	\$0.0	\$1.2	\$168.6	\$1.2
Total General Fund-State	\$1,607.7	\$18.0	\$10.5	\$1,636.2	\$28.5

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2013-15 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.3	\$0.0	\$0.2	\$35.5	\$0.2
Insurance Commissioner Insurance Premiums	\$943.7	\$0.0	\$1.8	\$945.5	\$1.8
Liquor Control Board Taxes, Licenses, and Fees	\$258.5	\$0.0	\$4.1	\$262.6	\$4.1
Lottery Commission Lottery Revenue	\$1.5	\$0.0	(\$0.9)	\$0.6	(\$0.9)
State Treasurer Interest Earnings	(\$4.3)	\$0.0	\$1.1	(\$3.2)	\$1.1
Office of Financial Management Other Agencies	\$195.0	\$18.0	\$2.1	\$215.2	\$20.2
Administrative Office of the Courts Fines and Forfeitures	\$167.4	\$0.0	\$1.2	\$168.6	\$1.2
Total General Fund-State	\$1,597.1	\$18.0	\$9.6	\$1,624.8	\$27.6

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.4	\$0.0	\$0.2	\$35.6	\$0.2
Insurance Commissioner Insurance Premiums	\$1,016.6	\$0.0	\$16.0	\$1,032.6	\$16.0
Liquor Control Board Taxes, Licenses, and Fees	\$246.4	\$0.0	\$6.5	\$252.8	\$6.5
Lottery Commission Lottery Revenue	\$5.3	\$0.0	(\$1.8)	\$3.4	(\$1.8)
State Treasurer Interest Earnings	\$5.7	\$0.0	\$2.8	\$8.5	\$2.8
Office of Financial Management Other Agencies	\$168.3	\$0.0	(\$0.5)	\$167.8	(\$0.5)
Administrative Office of the Courts Fines and Forfeitures	\$169.3	\$0.0	(\$1.4)	\$167.9	(\$1.4)
Total General Fund-State	\$1,646.9	\$0.0	\$21.8	\$1,668.7	\$21.8

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.4	\$0.0	\$0.2	\$35.6	\$0.2
Insurance Commissioner Insurance Premiums	\$1,016.6	\$0.0	\$16.0	\$1,032.6	\$16.0
Liquor Control Board Taxes, Licenses, and Fees	\$246.4	\$0.0	\$6.5	\$252.8	\$6.5
Lottery Commission Lottery Revenue	\$10.0	\$0.0	(\$1.8)	\$8.2	(\$1.8)
State Treasurer Interest Earnings	\$6.5	\$0.0	\$2.9	\$9.4	\$2.9
Office of Financial Management Other Agencies	\$168.3	\$0.0	(\$0.5)	\$167.8	(\$0.5)
Administrative Office of the Courts Fines and Forfeitures	\$169.3	\$0.0	(\$1.4)	\$167.9	(\$1.4)
Total General Fund-State	\$1,652.4	\$0.0	\$21.8	\$1,674.3	\$21.8

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2017-19 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.1	\$0.0	\$0.1	\$36.2	\$0.1
Insurance Commissioner Insurance Premiums	\$1,085.6	\$0.0	\$35.9	\$1,121.5	\$35.9
Liquor Control Board Taxes, Licenses, and Fees	\$293.4	\$0.0	\$7.1	\$300.5	\$7.1
Lottery Commission Lottery Revenue	\$14.6	\$0.0	(\$1.9)	\$12.7	(\$1.9)
State Treasurer Interest Earnings	\$30.4	\$0.0	\$5.9	\$36.2	\$5.9
Office of Financial Management Other Agencies	\$194.8	\$0.0	(\$16.9)	\$178.0	(\$16.9)
Administrative Office of the Courts Fines and Forfeitures	\$181.0	\$0.0	(\$2.3)	\$178.7	(\$2.3)
Total General Fund-State	\$1,835.8	\$0.0	\$28.0	\$1,863.8	\$28.0

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the February 2015 and November 2014 forecasts
 2017-19 Biennium
 (Amounts in Millions)

Source/Agency	November 2014 Baseline	Non-Economic Changes	Economic Changes	February 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.1	\$0.0	\$0.1	\$36.2	\$0.1
Insurance Commissioner Insurance Premiums	\$1,085.6	\$0.0	\$35.9	\$1,121.5	\$35.9
Liquor Control Board Taxes, Licenses, and Fees	\$293.4	\$0.0	\$7.1	\$300.5	\$7.1
Lottery Commission Lottery Revenue	\$19.6	\$0.0	(\$2.2)	\$17.4	(\$2.2)
State Treasurer Interest Earnings	\$31.1	\$0.0	\$6.0	\$37.1	\$6.0
Office of Financial Management Other Agencies	\$194.8	\$0.0	(\$16.9)	\$178.0	(\$16.9)
Administrative Office of the Courts Fines and Forfeitures	\$181.0	\$0.0	(\$2.3)	\$178.7	(\$2.3)
Total General Fund-State	\$1,841.5	\$0.0	\$27.7	\$1,869.3	\$27.7

* Detail may not total due to rounding.

Lottery transfers by fund
(cash basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	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
2004	113.3	0.0	4.0	7.3	76.5	25.5			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
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			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
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	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
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	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
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
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	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
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
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	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
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
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1
2015	140.1	0.6	0.0	11.2	0.0	0.0	0.3	3.5	118.4	0.0	6.1
2013-15 Biennium	288.0	9.9	0.0	22.0	0.0	0.0	0.6	7.2	232.1	0.0	16.1
2016	134.3	0.0	0.0	11.7	0.0	0.0	0.3	3.8	118.5	0.0	0.0
2017	138.2	3.4	0.0	12.2	0.0	0.0	0.3	3.8	118.5	0.0	0.0
2015-17 Biennium	272.5	3.4	0.0	23.8	0.0	0.0	0.6	7.6	237.1	0.0	0.0
2018	139.1	4.8	0.0	11.7	0.0	0.0	0.3	3.8	118.6	0.0	0.0
2019	142.8	7.9	0.0	12.2	0.0	0.0	0.3	3.8	118.6	0.0	0.0
2017-19 Biennium	281.9	12.7	0.0	23.8	0.0	0.0	0.6	7.6	237.2	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
(gaap basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	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
2004	113.3	0.0	4.0	7.3	76.5	25.5			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
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			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
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	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
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	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
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
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	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
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
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	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
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
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1
2015	139.4	0.0	0.0	11.2	0.0	0.0	0.3	3.8	118.0	0.0	6.1
2013-15 Biennium	287.1	0.6	0.0	22.0	0.0	0.0	0.6	7.8	239.9	0.0	16.1
2016	137.8	3.4	0.0	11.7	0.0	0.0	0.3	3.8	118.6	0.0	0.0
2017	139.5	4.8	0.0	12.2	0.0	0.0	0.3	3.8	118.5	0.0	0.0
2015-17 Biennium	277.3	8.2	0.0	23.8	0.0	0.0	0.6	7.6	237.1	0.0	0.0
2018	142.3	7.9	0.0	11.7	0.0	0.0	0.3	3.8	118.6	0.0	0.0
2019	144.3	9.4	0.0	12.2	0.0	0.0	0.3	3.8	118.6	0.0	0.0
2017-19 Biennium	286.6	17.4	0.0	23.8	0.0	0.0	0.6	7.6	237.2	0.0	0.0

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

Source: Lottery Commission, ERFC

**Year-Over-Year Employment Growth by Industry
(December 2013 to December 2014)
Washington vs. U.S.**

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	90.3	3.0%	2.3%
Construction	11.7	7.7%	5.7%
Information Excluding Software	3.1	5.9%	1.1%
Professional and Business Services	15.7	4.3%	3.8%
State and Local Gov Education	9.6	4.0%	0.5%
Retail Trade	12.3	3.7%	1.5%
Manufacturing Excluding Aerospace	6.1	3.2%	2.0%
Wholesale Trade	4.0	3.1%	1.9%
Education and Health Services	13.7	3.1%	2.3%
Other Services	2.6	2.3%	1.5%
Leisure and Hospitality	5.5	1.9%	3.3%
Financial Activities	2.8	1.8%	1.7%
Transportation, Warehousing and Utilities	1.7	1.8%	3.3%
State and Local Gov Non-Education	2.1	1.0%	0.3%
Software Publishers	-0.1	-0.2%	4.6%
Mining and Logging	-0.1	-1.5%	5.1%
Aerospace Product and Parts Manufacturing	-2.1	-2.2%	-1.1%
Information	3.0	2.8%	1.5%
Manufacturing	4.0	1.4%	1.8%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics

U.S. Forecast Comparison

	2014Q4	2015Q1	2015Q2	2015Q3
Real GDP (Billions of 2009 Dollars)				
February Forecast	16,312	16,421	16,541	16,664
Percent Change	2.6%	2.7%	3.0%	3.0%
November Forecast	16,243	16,361	16,479	16,601
Percent Change	2.3%	3.0%	2.9%	3.0%
Real Consumption (Billions of 2009 Dollars)				
February Forecast	11,115	11,200	11,289	11,374
Percent Change	4.3%	3.1%	3.2%	3.0%
November Forecast	11,031	11,112	11,191	11,267
Percent Change	2.6%	3.0%	2.9%	2.8%
Implicit Price Deflator, PCE (2009=1.00)				
February Forecast	1.090	1.085	1.089	1.094
Percent Change	-0.5%	-1.7%	1.6%	1.8%
November Forecast	1.092	1.094	1.098	1.102
Percent Change	0.2%	0.7%	1.6%	1.6%
Real Personal Income (Billions of 2009 Dollars)				
February Forecast	13,699	13,918	14,000	14,083
Percent Change	4.3%	6.5%	2.4%	2.4%
November Forecast	13,754	13,895	13,991	14,097
Percent Change	4.0%	4.2%	2.8%	3.1%
Nonfarm Payroll Employment (Millions)				
February Forecast	140.2	141.1	141.9	142.6
Percent Change	2.5%	2.6%	2.2%	1.9%
November Forecast	139.9	140.7	141.5	142.1
Percent Change	2.1%	2.3%	2.1%	1.9%
Unemployment Rate (Percent of Labor Force)				
February Forecast	5.7	5.6	5.5	5.5
November Forecast	5.8	5.7	5.5	5.4
30 Year Fixed Mortgage Rate (Percent, average)				
February Forecast	4.0	3.7	3.9	4.1
November Forecast	4.1	4.4	4.8	5.0
3 Month T-Bill Rate (Percent, average)				
February Forecast	0.0	0.0	0.3	0.5
November Forecast	0.0	0.1	0.3	0.6

	2013	2014	2015	2016	2017	2018	2019
Real GDP (Billions of 2009 Dollars)							
February Forecast	15,710	16,090	16,602	17,078	17,539	17,977	18,409
Percent Change	2.2%	2.4%	3.2%	2.9%	2.7%	2.5%	2.4%
November Forecast	15,710	16,059	16,541	17,021	17,480	17,917	18,347
Percent Change	2.2%	2.2%	3.0%	2.9%	2.7%	2.5%	2.4%
Real Consumption (Billions of 2009 Dollars)							
February Forecast	10,700	10,968	11,330	11,647	11,950	12,248	12,541
Percent Change	2.4%	2.5%	3.3%	2.8%	2.6%	2.5%	2.4%
November Forecast	10,700	10,937	11,228	11,531	11,830	12,125	12,416
Percent Change	2.4%	2.2%	2.7%	2.7%	2.6%	2.5%	2.4%
Implicit Price Deflator, PCE (2009=1.00)							
February Forecast	1.073	1.088	1.092	1.112	1.130	1.150	1.170
Percent Change	1.2%	1.3%	0.4%	1.8%	1.7%	1.8%	1.8%
November Forecast	1.073	1.088	1.100	1.117	1.137	1.158	1.180
Percent Change	1.2%	1.4%	1.1%	1.6%	1.8%	1.9%	1.9%
Real Personal Income (Billions of 2009 Dollars)							
February Forecast	13,199	13,531	14,047	14,529	15,115	15,604	16,043
Percent Change	0.8%	2.5%	3.8%	3.4%	4.0%	3.2%	2.8%
November Forecast	13,199	13,571	14,052	14,590	15,159	15,639	16,091
Percent Change	0.8%	2.8%	3.5%	3.8%	3.9%	3.2%	2.9%
Nonfarm Payroll Employment (Millions)							
February Forecast	136.4	139.0	142.2	145.0	147.1	148.5	149.6
Percent Change	1.7%	1.9%	2.3%	2.0%	1.5%	0.9%	0.8%
November Forecast	136.4	138.9	141.7	144.1	145.8	146.9	147.7
Percent Change	1.7%	1.8%	2.1%	1.7%	1.2%	0.7%	0.6%
Unemployment Rate (Percent of Labor Force)							
February Forecast	7.4	6.2	5.5	5.3	5.1	5.1	5.1
November Forecast	7.4	6.2	5.5	5.2	5.1	5.1	5.2
30 Year Fixed Mortgage Rate (Percent, average)							
February Forecast	4.0	4.2	4.1	5.4	5.7	5.7	5.7
November Forecast	4.0	4.2	4.8	5.5	6.1	6.1	6.1
3 Month T-Bill Rate (Percent, average)							
February Forecast	0.1	0.0	0.4	1.6	3.2	3.5	3.5
November Forecast	0.1	0.0	0.5	1.6	3.2	3.5	3.5

Washington Forecast Comparison

	2014Q4	2015Q1	2015Q2	2015Q3
Real Personal Income (Billions of 2009 Dollars)				
February Forecast	323.6	330.0	332.6	335.1
Percent Change	3.4%	8.1%	3.2%	3.0%
November Forecast	323.5	327.4	330.1	333.7
Percent Change	1.8%	4.9%	3.4%	4.3%
Personal Income (Billions of Dollars)				
February Forecast	352.7	358.1	362.3	366.7
Percent Change	2.9%	6.3%	4.8%	4.9%
November Forecast	353.2	358.0	362.4	367.7
Percent Change	2.0%	5.6%	5.0%	6.0%
Nonfarm Payroll Employment (Thousands)				
February Forecast	3106	3134	3152	3169
Percent Change	2.7%	3.7%	2.3%	2.2%
November Forecast	3100	3119	3136	3152
Percent Change	1.8%	2.4%	2.2%	2.1%
Unemployment Rate (Percent of Labor Force)				
February Forecast	6.1	6.2	6.2	6.1
November Forecast	6.0	5.9	5.8	5.7
Manufacturing Employment (Thousands)				
February Forecast	290.0	292.8	294.2	295.3
Percent Change	1.3%	4.0%	1.9%	1.5%
November Forecast	290.6	291.2	292.3	293.5
Percent Change	0.5%	0.7%	1.6%	1.6%
Construction Employment (Thousands)				
February Forecast	162.2	167.5	168.6	170.4
Percent Change	8.3%	13.6%	2.7%	4.5%
November Forecast	163.3	165.6	167.9	170.3
Percent Change	6.6%	5.6%	5.7%	5.9%
Housing Permits (Thousands)				
February Forecast	35.0	34.4	35.4	36.1
Percent Change	33.9%	-6.9%	12.0%	7.8%
November Forecast	34.1	34.3	34.8	35.8
Percent Change	12.8%	2.0%	6.9%	11.7%

	2013	2014	2015	2016	2017	2018	2019
February Forecast	309.9	319.8	333.7	346.8	362.5	376.0	388.5
Percent Change	1.3%	3.2%	4.3%	3.9%	4.5%	3.7%	3.3%
November Forecast	309.9	320.1	331.7	346.2	361.4	374.5	387.4
Percent Change	1.3%	3.3%	3.6%	4.4%	4.4%	3.6%	3.4%
February Forecast	332.7	347.8	364.4	385.5	409.7	432.4	454.7
Percent Change	2.5%	4.6%	4.8%	5.8%	6.3%	5.5%	5.2%
November Forecast	332.7	348.3	364.9	386.8	410.8	433.6	457.2
Percent Change	2.5%	4.7%	4.8%	6.0%	6.2%	5.6%	5.4%
February Forecast	2990	3071	3161	3232	3287	3327	3370
Percent Change	2.4%	2.7%	2.9%	2.2%	1.7%	1.2%	1.3%
November Forecast	2990	3073	3144	3206	3251	3287	3323
Percent Change	2.4%	2.8%	2.3%	2.0%	1.4%	1.1%	1.1%
February Forecast	7.0	6.0	6.1	5.9	5.7	5.6	5.6
November Forecast	7.0	6.0	5.7	5.5	5.4	5.4	5.4
February Forecast	286.6	288.7	295.0	301.0	303.6	304.4	304.2
Percent Change	2.3%	0.7%	2.2%	2.1%	0.8%	0.3%	-0.1%
November Forecast	286.6	289.4	293.0	296.5	297.7	298.0	298.1
Percent Change	2.3%	1.0%	1.2%	1.2%	0.4%	0.1%	0.1%
February Forecast	148.8	158.1	169.8	178.2	187.1	195.1	201.9
Percent Change	7.0%	6.2%	7.4%	5.0%	5.0%	4.3%	3.5%
November Forecast	148.8	159.6	169.2	179.1	187.5	195.8	202.3
Percent Change	7.0%	7.3%	6.0%	5.9%	4.7%	4.4%	3.3%
February Forecast	33.0	33.3	35.6	38.7	41.9	43.2	44.0
Percent Change	17.2%	1.1%	6.9%	8.7%	8.3%	3.0%	1.8%
November Forecast	33.0	33.9	35.3	38.7	42.5	43.2	43.9
Percent Change	17.2%	2.8%	4.0%	9.7%	9.9%	1.7%	1.6%

February 2015
Alternative Forecasts
Millions of Dollars

Cash Basis

2013-15 Biennium

	<u>2013-15 Biennium</u>	<u>Difference From the February 2015 Baseline</u>
February 2015 Baseline (60%)	\$33,547	
February 2015 Alternative Forecasts		
Optimistic (20%)	\$33,965	\$418
Pessimistic (20%)	\$33,049	(\$497)
Probability Weighted Average	\$33,531	(\$16)
GCEA*	\$33,517	(\$30)

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the February 2015 Baseline</u>
February 2015 Baseline (60%)	\$36,449	
February 2015 Alternative Forecasts		
Optimistic (20%)	\$39,215	\$2,766
Pessimistic (20%)	\$33,392	(\$3,057)
Probability Weighted Average	\$36,391	(\$58)
GCEA*	\$36,223	(\$226)

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

Governor's Council of Economic Advisor's Forecast

Calendar Years

February 20, 2014

	2015	2016	2017	2018	2019
U.S.					
Real GDP					
<i>Growth</i>					
ERFC	3.2	2.9	2.7	2.5	2.4
GCEA Average	3.0	2.7	2.5	2.3	2.3
Real Consumption					
<i>Growth</i>					
ERFC	3.3	2.8	2.6	2.5	2.4
GCEA Average	3.1	2.6	2.5	2.4	2.3
Implicit Price Deflator, PCE					
<i>Growth</i>					
ERFC	0.4	1.8	1.7	1.8	1.8
GCEA Average	0.7	2.1	1.8	1.8	1.9
Mortgage Rate					
<i>Percent</i>					
ERFC	4.1	5.4	5.7	5.7	5.7
GCEA Average	4.2	4.9	5.7	5.7	5.6
Oil Price (Brent)					
<i>Dollars per barrel</i>					
ERFC	59.5	68.2	72.0	74.5	76.7
GCEA Average	58.8	65.1	68.7	71.1	72.0

Washington State

Real Personal Income

<i>Growth</i>					
ERFC	4.3	3.9	4.5	3.7	3.3
GCEA Average	4.0	3.6	3.8	3.5	3.1

Wage and Salary Employment

<i>Growth</i>					
ERFC	2.9	2.2	1.7	1.2	1.3
GCEA Average	2.6	2.0	1.7	1.2	1.2

Manufacturing Employment

<i>Growth</i>					
ERFC	2.2	2.1	0.8	0.3	-0.1
GCEA Average	0.8	0.5	0.1	-0.1	-0.2

Construction Employment

<i>Growth</i>					
ERFC	7.4	5.0	5.0	4.3	3.5
GCEA Average	5.5	4.2	3.9	3.4	2.9

Housing Permits

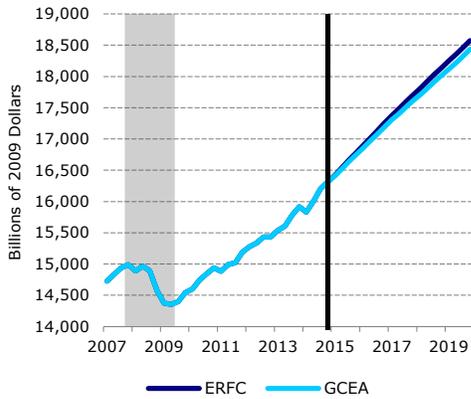
<i>Thousands of authorized units</i>					
ERFC	35.6	38.7	41.9	43.2	44.0
GCEA Average	36.1	41.0	41.6	42.4	42.6

Washington Average Annual Wage

<i>Growth</i>					
ERFC	2.3	3.6	3.9	4.2	4.2
GCEA Average	2.6	3.2	3.5	3.7	3.6

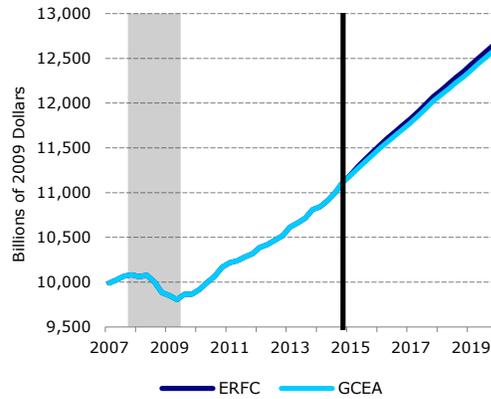
U.S. Forecast Comparison

Real GDP



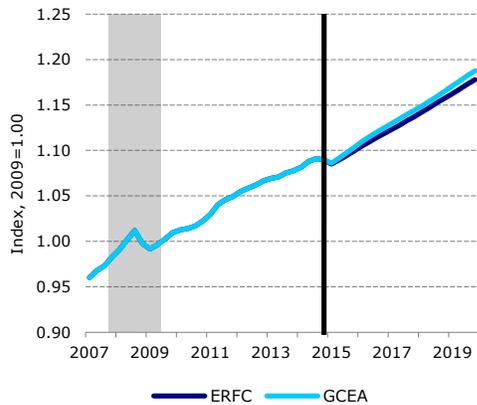
Source: BEA, ERFC, GCEA; data through 2014 Q4

Real Consumption



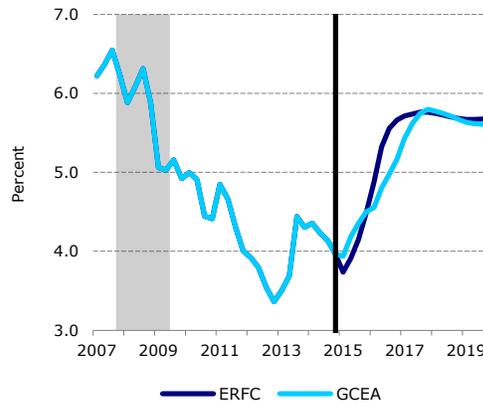
Source: BEA, ERFC, GCEA; data through 2014 Q4

Implicit Price Deflator, PCE



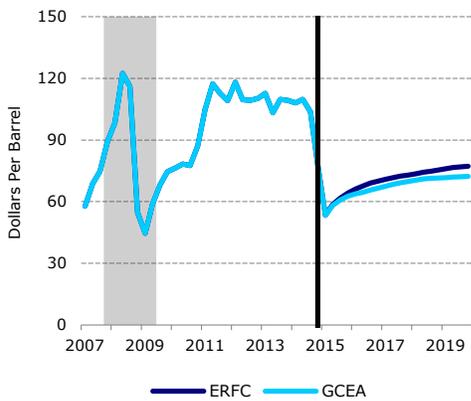
Source: BEA, ERFC, GCEA; data through 2014 Q4

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2014 Q4

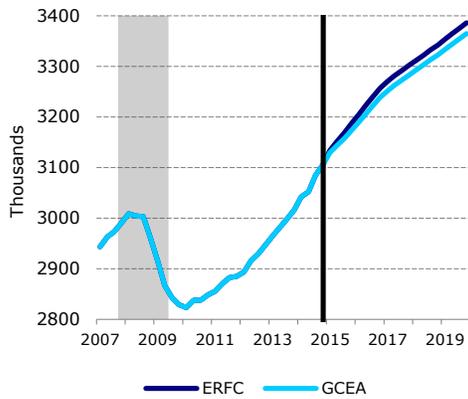
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2014 Q4

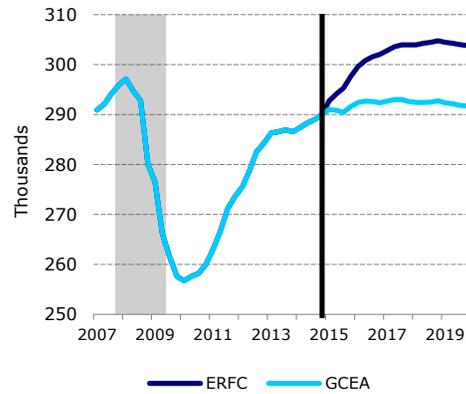
Washington Forecast Comparison

Nonfarm Payroll Employment



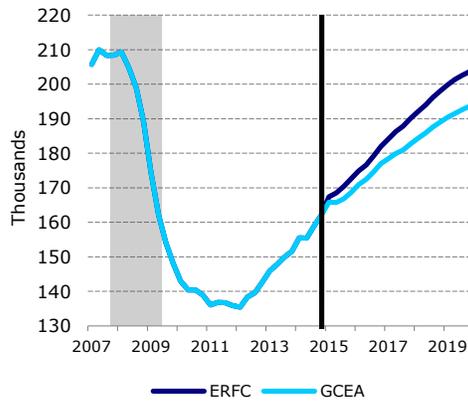
Source: ESD, ERFC, GCEA; data through 2014 Q4

Manufacturing Employment



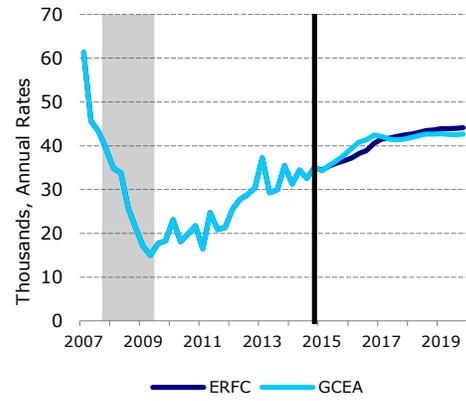
Source: ESD, ERFC, GCEA; data through 2014 Q4

Construction Employment



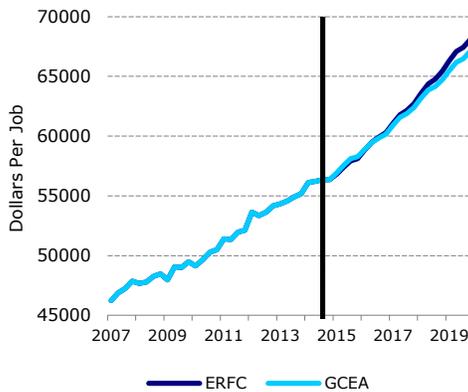
Source: ESD, ERFC, GCEA; data through 2014 Q4

Housing Units Authorized



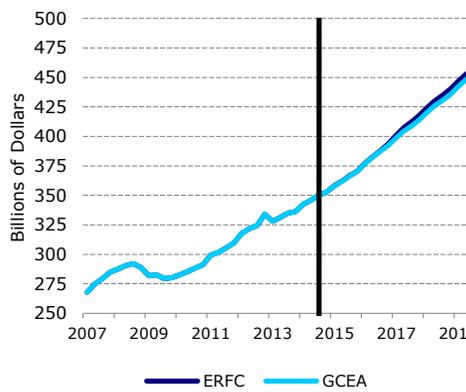
Source: Census, ERFC, GCEA; data through 2014 Q4

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2014 Q3

Personal Income



Source: BEA, ERFC, GCEA; data through 2014 Q3

2013-15 Enacted Budget Balance Sheet

Including 2014 Supplemental Budget and 2015 Early Supplemental

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

Dollars in Millions

	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	167.5	(11.1)	156.4
November 2014 Forecast	33,439.8	627.1	34,066.9
February 2015 Update			
Non-economic Changes (Standard & Poor's Settlement, Audit Payment)	31.3	-	31.3
Revenue Update (Economic Changes)	75.5	27.5	102.9
Current Revenue Totals	33,546.6	654.5	34,201.2
Transfer to Budget Stabilization Account	(316.1)	-	(316.1)
Other Enacted Fund Transfers	135.0	293.3	428.3
Prior Period Adjustments	15.7	-	15.7
Alignment to the Comprehensive Financial Statements	(2.9)	-	(2.9)
Total Resources (including beginning fund balance)	33,545.9	936.8	34,482.7
EXPENDITURES			
2013-15 Enacted Budget			
Enacted 2013-15 Budgets and Legislation (pre 2015 Session)	32,868.6	925.5	33,794.1
Enacted 2015 Early Supplemental	66.2	-	66.2
Actual Reversions in Fiscal Year 2014	(79.7)		(79.7)
Assumed Reversions for Fiscal Year 2015	(70.0)		(70.0)
Total Expenditures	32,785.1	925.5	33,710.6
RESERVES			
Projected Ending GFS, ELTA & OPA Balances	760.7	11.3	772.0
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	269.7		269.7
Transfer from General Fund and Interest Earnings	317.8		317.8
Less Expenditures in Enacted 2015 Early Supplemental	(77.2)		(77.2)
Projected Budget Stabilization Account Ending Balance	510.2		510.2
Total Reserves (Including Budget Stabilization)	1,271.0	11.3	1,282.2