

EMBARGOED

*until May 18, 2015 2:30 pm PST when it will be published at
www.ercf.wa.gov*

Revenue Review Meeting

May 18, 2015



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

This page left intentionally blank.



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

May 18, 2015
2:30 p.m.

- Call to order
- Approval meeting minutes from February 20, 2015
- Approval meeting minutes from May 14, 2015
- Economic & Revenue Forecast
- Adoption of the Official Forecast

This page left intentionally blank.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes
Economic & Revenue Review
February 20, 2015
John A. Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair
Jim Hargrove, Senate
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives
James McIntire, State Treasurer
Vikki Smith, Acting Director, Department of Revenue
David Schumacher, Director, Office of Financial Management

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Senator Hill at 10:02 a.m.

Motion

Treasurer McIntire, made a motion to approve the meeting minutes from the November 6, 2014, seconded by Representative Nealey. Council approved the motion at 10:02 a.m.

Presentation on the Economic & Revenue Forecast

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding employment, the economic recovery, and exports.

Motion

Representative Hunter moved, seconded by Treasurer McIntire that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:29 a.m.

Adjournment

Meeting adjourned at 10:29 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

**Meeting Minutes
Special Meeting**

May 14, 2015

John A. Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair

Jim Hargrove, Senate

Ross Hunter, House of Representatives

Terry Nealey, House of Representatives (via phone)

James McIntire, State Treasurer (via phone)

Vikki Smith, Acting Director, Department of Revenue

David Schumacher, Director, Office of Financial Management
(via phone)

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Senator Hill at 12:05 p.m.

Motion

A motion to advance the date of the next forecast to 2:30 p.m. on May 18, 2015 was made by Representative Hunter, seconded by Senator Hill. After some discussion the Council approved the motion at 12:09 p.m.

Adjournment

Meeting adjourned at 12:09 p.m.

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



Economic & Revenue Review: May 18, 2015

Executive Summary

United States

- The U.S. economic forecast is based on the May release of the Global Insight forecast. Global Insight forecasts slower 2015 growth for GDP and employment compared to February. As a result, Global Insight assumes that the Federal Reserve will start to raise short-term interest rates around September 2015, rather than in June 2015 as expected in February.
- The economic forecast uses the advance estimate of first quarter 2015 real GDP growth (+0.2%), which contributes to a lower 2.5% growth rate for all of 2015. In February, we had assumed a 3.2% real GDP growth rate. It also incorporates the May Blue Chip consensus forecast of real GDP growth, which has a growth rate of 2.8% for 2016 compared to the 2.9% rate assumed in the February 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, May 12, 2015 closing prices for Brent and WTI futures. Near-term prices for both have increased since the February forecast. The refiner's acquisition price of crude oil in the second quarter of 2015 is now expected to average \$59 per barrel compared to \$54 in the February forecast. However, oil prices are expected to rise slower during the remainder of the forecast than assumed in February. By the end of 2019, the refiner's acquisition price is expected to increase to \$69 which is slightly less than the \$71 assumed in February.
- Factors outside the state account for the high level of risk to the forecast. A slowing Chinese economy, geopolitical instability in the Middle East and Eastern Europe, and the negative impact of a stronger dollar on exports all remain major threats to the U.S. and Washington economies. Despite slightly weaker first quarter employment data, the beginnings of growth in real wages suggests a potential upside risk to the forecast, as does the fact that oil prices remain low compared to last year.
- U.S. payroll employment averaged 141.0 million jobs per month in the first quarter of 2015. This was nearly 100,000 jobs lower than expected in the February forecast.
- The major consumer confidence measures suggest a slightly less optimistic view of the economy. The Conference Board index of consumer confidence, which had increased in March, declined 6.2 points to 95.2 in April. The University of Michigan consumer sentiment survey, which had decreased in March, rose 2.9 points to 95.9 in April. However, the preliminary May reading for the University of Michigan survey declined to 88.6, a drop of 7.3 points. The decrease in the Conference Board index was attributed to a greater apprehension about the short-term outlook for jobs and business conditions,

while the May decline in the University of Michigan index was due to concerns that the economy would not rebound strongly from a weak first quarter.

- The housing market gave mixed signals this month, with existing home sales and housing starts up but new home sales and building permits down. Housing units authorized by building permits in March decreased by 5.7% (SAAR) compared to February. Housing starts increased 2.0% (SAAR) in March compared to February. This was likely due to improving weather after an unusually harsh winter throughout much of the country. After three months of increasing sales, new single family home sales in March decreased by 11.4% (SAAR) from their February level. Existing home sales in March increased by 6.1% (SAAR) over February to 5.19 million units, the highest rate since September 2013. The seasonally-adjusted Case-Shiller national home price index for February increased by 0.4% above its January level and is 4.2% above its year-ago level.

Washington

- The Washington economy added 17,200 jobs in the three months since the February forecast was adopted, just 500 short of the 17,700 expected in the forecast. As is usually the case, most of the jobs created in February, March, and April were in private, service-providing sectors which added 12,700 jobs. The construction sector added 2,800 jobs in the last three months but the manufacturing sector lost 600 jobs thanks to a decline of 700 in aerospace. Government payrolls expanded by 2,500 jobs in the last February, March, and April.
- As in February, 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 assumes the Microsoft layoffs first announced in July 2014 are now complete. The company had announced a total of 2733 layoffs in the Washington State in accordance with the Worker Adjustment and Retraining Notification (WARN) act. The beginning layoff dates ranged from 9/15/2014 to 12/28/2014. Now that these layoffs are believed to be complete, we expect moderate software employment growth to resume.
- In March the Bureau of Economic Analysis released estimates for state personal income through the fourth 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 fourth quarter. Our current estimate of Washington personal income in the fourth quarter of 2014 is \$358.7 billion which is \$6.0 billion (1.7%) higher than assumed in February. Roughly one-third (\$1.9 billion) of the forecast variance was due to unusually large bonus payments in the fourth quarter that are not expected to carry forward.
- Housing construction got off to a very strong start in 2015 as the number of units authorized by building permits soared to 53,600 (SAAR) in the first quarter of 2015, the highest quarterly rate since the first quarter of 2007. The February forecast assumed an average of 34,400 units in the first quarter. The forecast error was almost entirely in multi-family housing. Single-family

permits came in at 18,500 units in the first quarter which was almost exactly the 18,400 units expected in the forecast but the number of multi-family units was 35,200, more than twice the 16,000 in the forecast. The first quarter strength should be viewed cautiously for a couple of reasons. First, the weather was unseasonably mild. Second, the strength was in the volatile multi-family segment. We do not believe the exceptionally high rate of multi-family permits will continue.

- According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 1.4% in February. Seattle area home prices have declined only once (last May) in the last year. January's index was 7.1% higher than the previous February and was 32.9% higher than the November 2011 trough. The steady gains in the Seattle area index have brought local home prices back to just 7.7% below the pre-recession peak.
- First quarter exports were up 0.5% over the year due to an 18.9% increase in aerospace exports (mostly Boeing planes). Exports other than aerospace were 16.4% lower than a year ago. The drop likely reflects the impact of the port slowdown (which was resolved in late February) and possibly the negative influence of a stronger dollar.
- Seattle area consumer price inflation remains tame thanks mainly to falling energy costs. Over the last year, from February 2014 to February 2015, consumer prices in the Seattle area rose 1.1% compared to -0.1% for the U.S. city average. Core prices, which exclude food and energy, were up 2.7% in Seattle compared to 1.7% for the nation. The higher Seattle inflation is partly due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 4.7% compared to 3.0% for the nation. However, excluding shelter costs, Seattle inflation was -0.8% over the year, well above the national rate of -1.5%.
- The Institute of Supply Management - Western Washington Index (ISM-WW) declined from 64.1 in March to a still strong 60.4 in April (index values above 50 indicate positive growth while values below 50 indicate contractions). While the production and inventory components rose in April, the orders, employment, and deliveries components all fell. The last time the ISM-WW index was below 50 was July 2009.
- Washington car and truck sales increased 1.3% in April 2015, the third consecutive monthly increase. New vehicle registrations totaled 296,400 (SAAR) in April, just 0.9% below the post-recession high of 299,200 in December. April registrations were up 4.7% over the year.
- Overall, our May forecast for Washington State is similar to the forecast adopted in February. Washington employment is expected to grow 2.6% this year compared to 2.9% expected in the February forecast. The downward revision to growth in 2015 is mostly due to a downward revision to growth in the fourth quarter of 2014. The May forecast for average annual employment growth from 2016 through 2019 is 1.6% per year, the same rate forecasted in February. Our May forecast for nominal personal income growth this year of 4.9% is slightly higher than the 4.8% expected in February, however, our new forecast for nominal personal income growth from 2016 through 2019 averages 5.6% per year, down slightly from 5.7% in the February forecast.

Revenue

- Cumulative General Fund-State (GF-S) revenue collections through May 10th were \$61 million (1.8%) higher than forecasted. This surplus was almost entirely due to a \$69 million surplus in real estate excise tax collections. Receipts from Revenue Act sources (retail sales and use, business and occupation, public utility, and tobacco products taxes) came in only \$12 million (0.4%) higher than forecasted. These surpluses were offset by a \$21 million shortfall in property tax collections, but this shortfall stemmed from the timing of payments and is expected to be reversed next month.
- The surplus in real estate excise taxes was due to \$5 billion in large sales of commercial property (property valued at \$10 million or more) over the last three months. Much of the increased activity stemmed from a corporate merger but activity outside the merger was also strong. Residential sales have also strengthened since the last forecast. As a result, forecasted real estate excise taxes have been increased.
- Because collections of Revenue Act taxes have been coming in close to the forecast and changes to the economic forecast were slight, forecast changes were small. Forecasted receipts increased, due mainly to a slight increase in forecasted construction activity.
- Legislation from the 2015 regular legislative session added \$39 million to forecasted revenue in the 2015-17 biennium and \$122 million in the 2017-19 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.
- The net forecast change for the 2013-15 biennium was an increase of \$106.2 million. Forecasted GF-S revenue for the biennium is now \$33.653 billion, which is 9.8% higher than collections in the 2011-13 biennium.
- The net forecast change for the 2015-17 biennium was an increase of \$309.3 million. Forecasted GF-S revenue for the biennium is now \$36.758 billion, which is 9.2% higher than forecasted revenue in the current biennium. Forecasted revenue for the 2017-19 biennium is \$40.200 billion, an increase of \$443.2 million.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

May 18, 2015
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

This page left intentionally blank.



Summary

- Oil prices are higher and 2015 and 2016 GDP growth are weaker than in the February forecast
- Declining initial unemployment claims and a lower unemployment rate indicate a strengthening labor market, but U.S. employment gains slowed in the first quarter
- Washington construction and real estate activity are stronger than expected in the February forecast
- Risks to the baseline include the potential for slower Chinese economic growth, weak consumer spending, disruptions to the housing recovery and geopolitical unrest
- 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

Revenue Review
May 18, 2015

Slide 1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



New information since February economic forecast

GDP growth data and forecast

- 1st quarter 2015 first estimate: 0.2%
- 2015 Blue Chip decreased from 3.2% to 2.5%;
2016 decreased from 2.9% to 2.8%

U.S. employment data for February - April

- Average monthly increase of 191,000 net new jobs; 2014 monthly average = 260,000

WA employment data for January - April

- Average monthly increase of 7,000 net new jobs;
2014 monthly average = 6,900

Revenue Review
May 18, 2015

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast risk factors

Downside:

- Continuing declines in labor productivity
- Stronger dollar, slowing Chinese economy reduce exports
- Wage growth, consumer spending remain weak

Upside:

- Housing market takes off
- Improving labor market leads to higher wages and consumer spending

Revenue Review
May 18, 2015

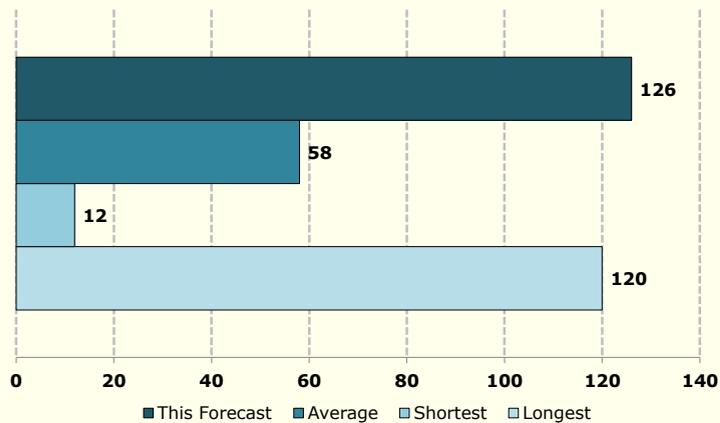
Slide 3

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



U.S. Economic Expansions since 1945

Economic Expansions, months



Revenue Review
May 18, 2015

Slide 4

Sources: NBER, ERFC May 2015 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Time from unemployment rate peak to next recession has ranged from 12 to 104 months

It has been 64 months since last unemployment peak



Revenue Review
May 18, 2015

Sources: NBER, BLS, ERFC; data through April 2015

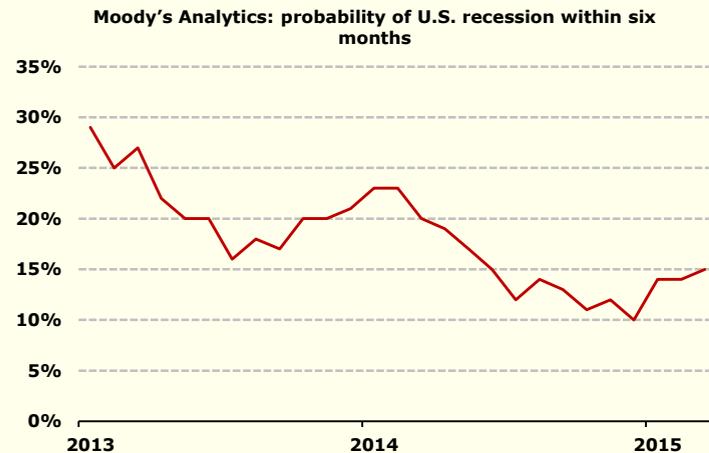
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 5



Estimated probability of recession has been below 20% since April 2014

So far in 2015, the probability of recession is lower than 2013 or 2014 averages



Revenue Review
May 18, 2015

Source: Moody's Analytics, data through March 2015

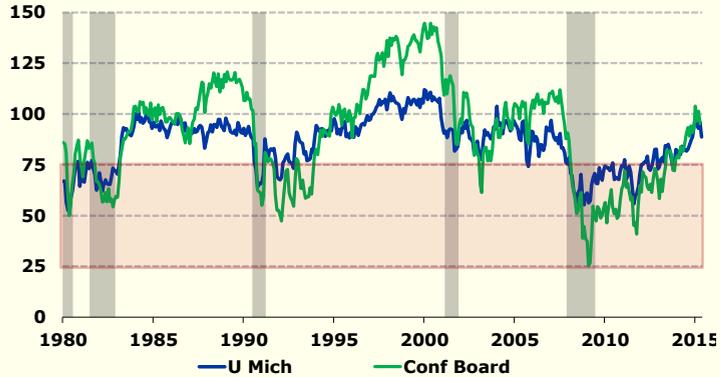
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 6



Consumer confidence has been trending up but has dipped recently

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



Revenue Review
May 18, 2015

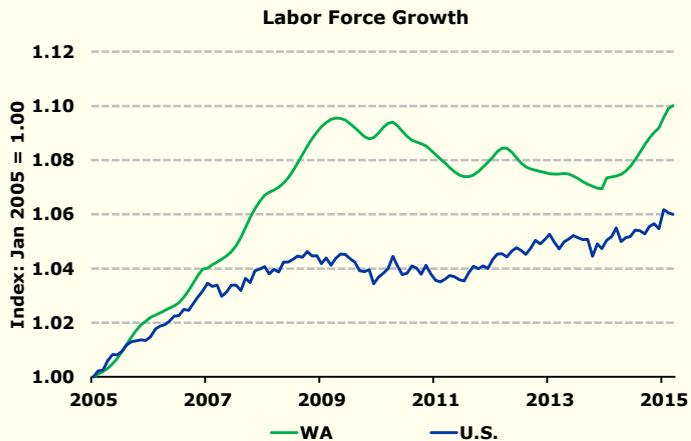
Source: University of Michigan, data through May 2015; Conference Board, data through April 2015

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 7



Labor force growth has been stronger in Washington than the U.S.



Revenue Review
May 18, 2015

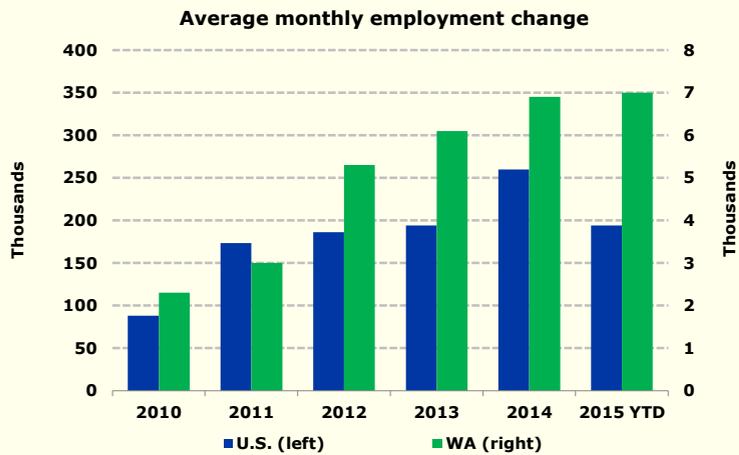
Sources: ESD, BLS, ERFC; data through March 2015

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 8



Job creation in the U.S. slightly weaker so far this year



Revenue Review
May 18, 2015

Source: Bureau of Labor Statistics, ERFC; U.S. data through April 2015; WA data through April 2015

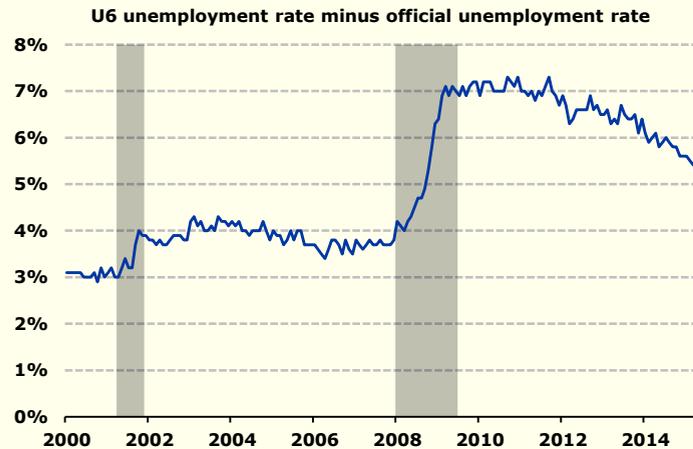
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 9



The rate of discouraged and involuntary part time workers is declining

The alternate U6 rate includes discouraged workers & those working part time for economic reasons



Revenue Review
May 18, 2015

Source: BLS, data through April 2015

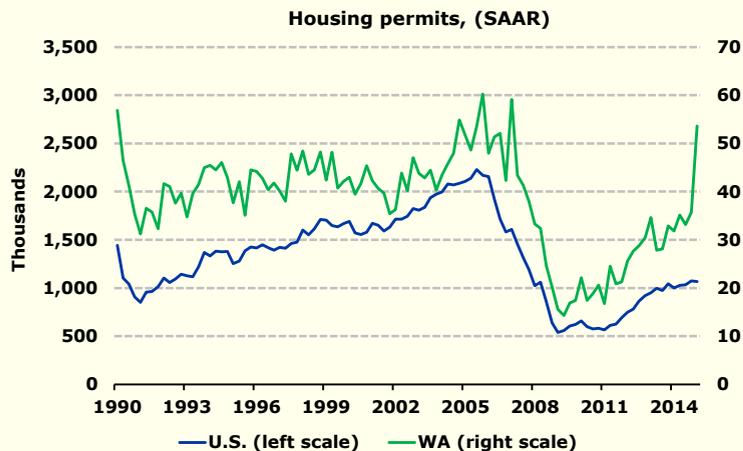
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 10



U.S. housing permits have leveled off, WA housing permits trending up

We do not expect the unusually large increase in Washington permits in 2015 Q1 to continue



Revenue Review
May 18, 2015

Source: U.S. Census Bureau, data through 2015 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 11



Decline in non-transportation equipment exports likely reflects port slow down, stronger dollar

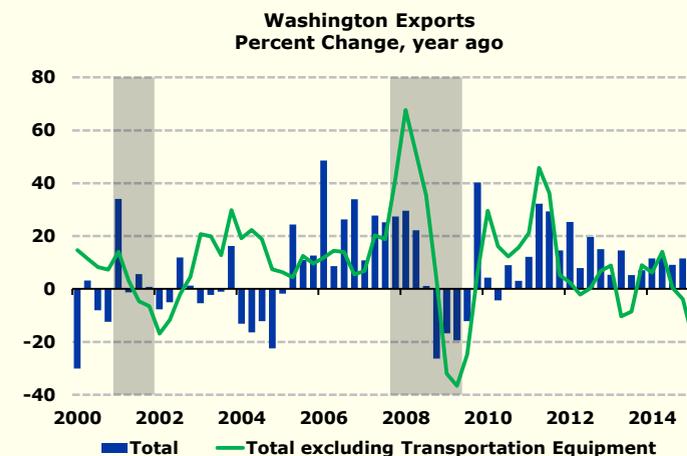
2015Q1
export
growth:

Agricultural
products:
-13.8%

Petrol/coal
products:
-60.8%

Computer &
electronics:
+1.6%

Food
products:
-13.3%



Revenue Review
May 18, 2015

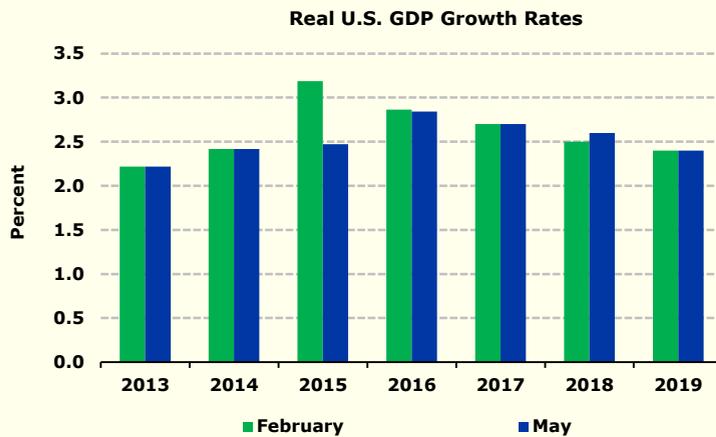
Source: Wisier Trade Data; through 2015Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 12



Real GDP growth is weaker than expected in February



Revenue Review
May 18, 2015

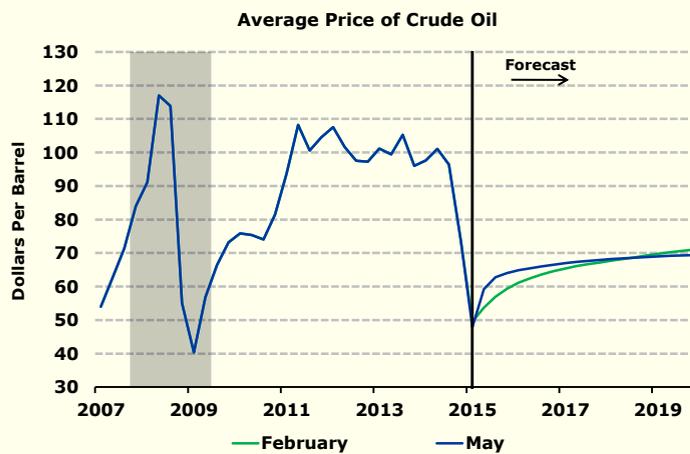
Source: ERFC May 2015 forecast; historical data through 2014

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 13



Oil prices are slightly higher in the near-term than in February



Revenue Review
May 18, 2015

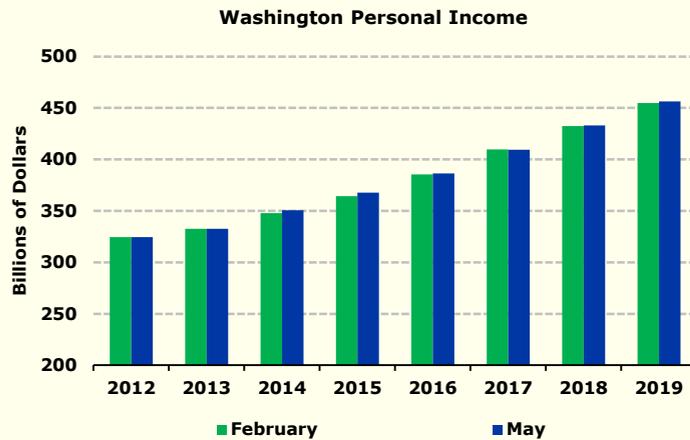
Source: DOE, ERFC May 2015 forecast; historical data through 2015Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 14



Washington personal income forecast is similar to February forecast



Revenue Review
May 18, 2015

Source: ERFC May 2015 forecast; historical data through 2014

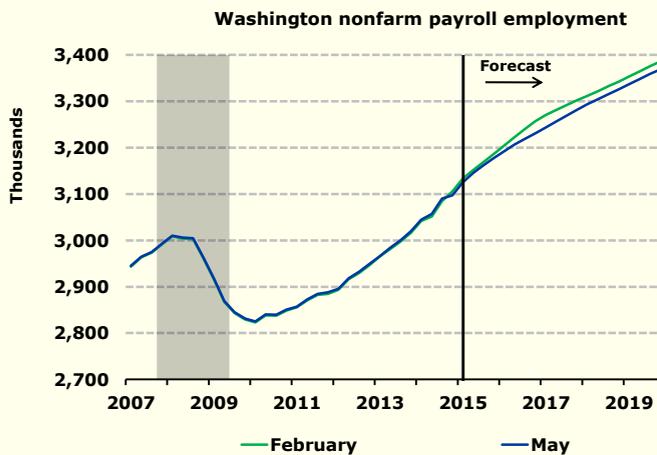
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 15



Washington employment forecast revised down slightly

Average employment growth of 1.8% for 2015 to 2019 is slightly lower than in February



Revenue Review
May 18, 2015

Source: Global Insight, ERFC May 2015 forecast; historical data through 2015Q1

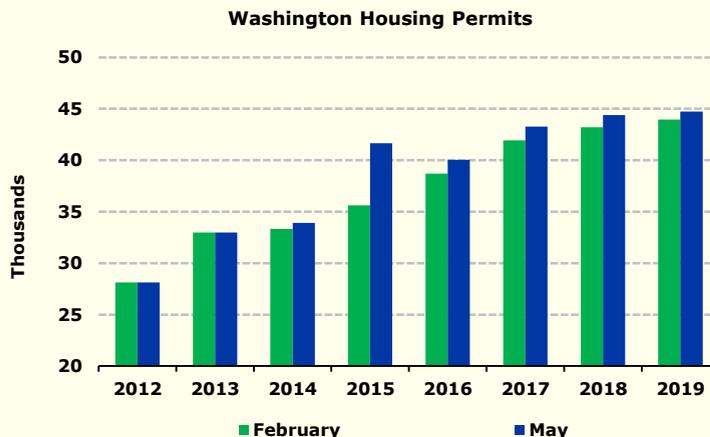
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 16



Washington housing permits forecast is higher than in February

Unusually strong growth in the first quarter of 2015 is expected to moderate



Revenue Review
May 18, 2015

Source: ERFC May 2015 forecast; historical data through 2015Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

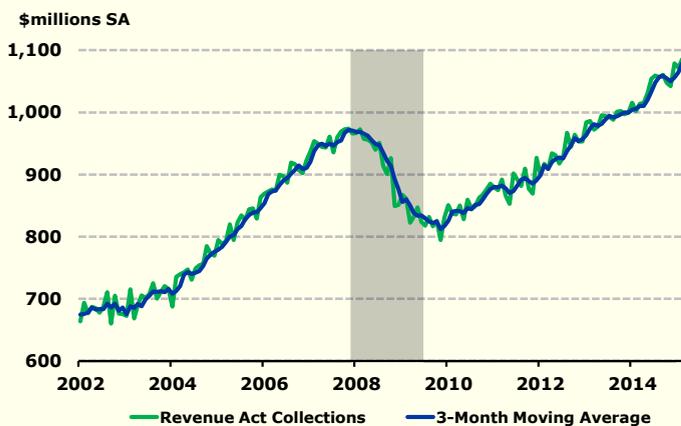
Slide 17



First quarter Revenue Act collections increased as expected

Adjusted Y-O-Y growth for 1st quarter activity was 7.3%. 4th quarter 2014 growth was 5.8%.

Adjusted collections for 1st quarter activity came in only 0.4% higher than the February forecast.



Revenue Review
May 18, 2015

* 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 March 2015 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 18



Large commercial sales caused another spike in REET this spring

Large commercial sales (>\$10 million) totaled \$5.2 billion from February through April.

Residential sales have also improved since the February forecast.

Revenue Review
May 18, 2015

Slide 19

Seasonally Adjusted Taxable Real Estate Excise Activity



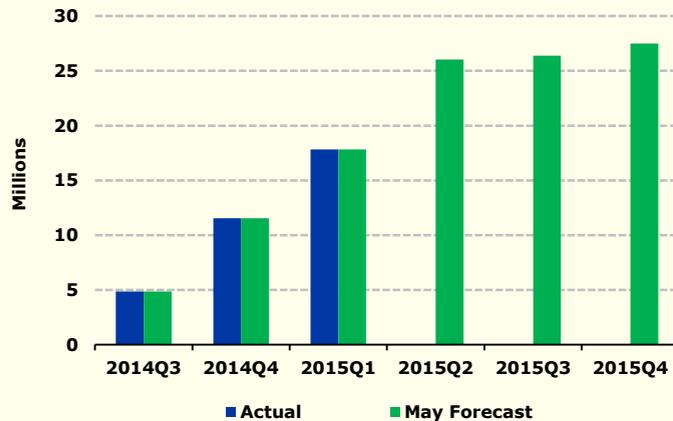
Source: ERFC; Monthly data through April 2015 preliminary

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Cannabis revenue has been strong, but still needs to pick up

Cannabis revenue



Revenue Review
May 18, 2015

Slide 20

Source: LCB, ERFC May 2015 forecast; historical data through 2015 Q1

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Cannabis excise tax and license fee estimates (includes impact of 2SSB 5052)

Total GF-S change from February forecast:

+2013-15
+\$1.7 M

+2015-17
+\$28.5 M

+2017-19
+\$62.1 M

Revenue Review
May 18, 2015

Slide 21

\$Millions

May Forecast

	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
GF-S share of excise tax and license fees	\$8.4	\$67.8	\$127.8
Non-GF	\$44.4	\$306.3	\$566.9
Total	\$52.8	\$374.1	\$694.7

* Detail may not add to total due to rounding

Source: ERFC, LCB, BOTEC Analysis

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2013-2015 Biennium

February Forecast:
\$33,547 million

\$Millions

May Forecast

	<u>Collection Experience</u>	<u>Non-economic Change#</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$60	(\$23)	\$23	\$31,971	\$60
All other agencies	\$1	\$0	\$45	\$1,682	\$46
Total GF-S	\$61	(\$23)	\$68	\$33,653	\$106

Revenue Review
May 18, 2015

Slide 22

#Large expected refunds

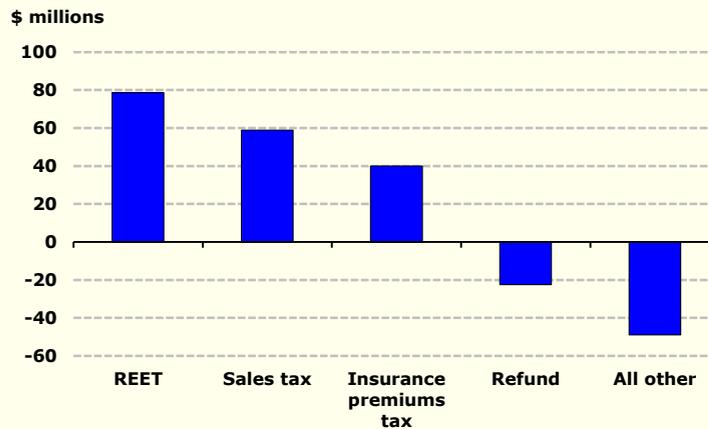
* Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Major components: 2013-15 GF-S forecast change

GF-S forecast change: +\$106.2 M



Revenue Review
May 18, 2015

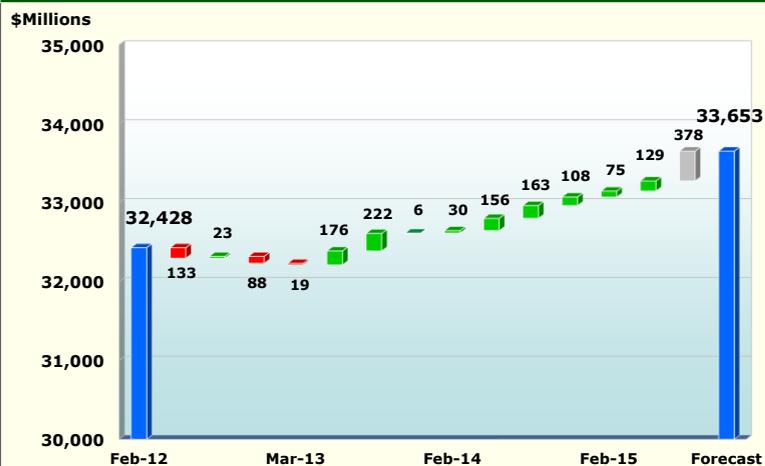
Source: ERFC May 2015 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 23



GF-S forecast revisions to the 2013-15 biennium



Revenue Review
May 18, 2015

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 24



Forecast changes: General Fund State, 2015-2017 Biennium

February Forecast:
\$36,449 million

\$Millions	May Forecast			Total Change*
	Non-economic Change	Forecast Change	Forecast	
Dept. of Revenue	\$18	\$201	\$34,999	\$218
All other agencies	\$21	\$70	\$1,760	\$91
Total GF-S	\$39	\$270	\$36,758	\$309

Revenue Review
May 18, 2015

Legislation with revenue impacts form 2015 regular session
* Detail may not add to total due to rounding

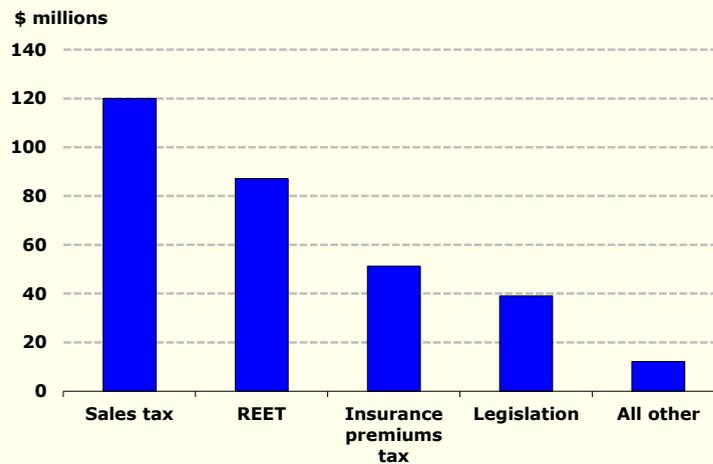
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 25



Major components: 2015-17 GF-S forecast change

GF-S forecast change:
+\$309.3 M



Revenue Review
May 18, 2015

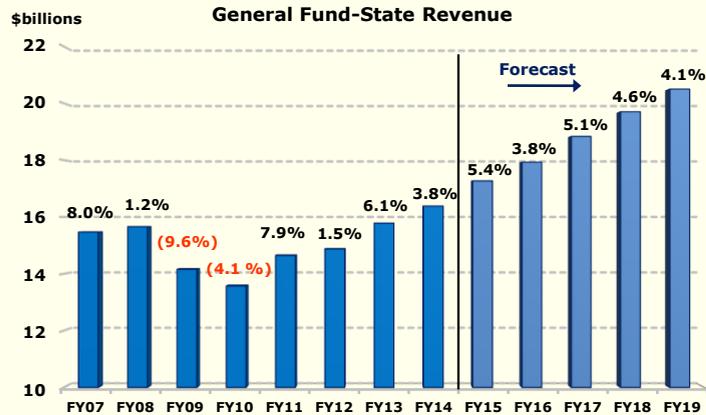
Source: ERFC May 2015 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 26



General Fund-State* forecast by fiscal year



Revenue Review
May 18, 2015

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 27



2013-15 Biennium alternative forecasts – cash basis

\$Millions	2013-15 Biennium	Difference From the baseline
May 2015 Baseline (60%)	\$33,653	
<u>May 2015 Alternative Forecasts</u>		
Optimistic (15%)	\$33,899	\$247
Pessimistic (25%)	\$33,349	(\$304)
Probability Weighted Average	\$33,614	(\$39)

Revenue Review
May 18, 2015

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Slide 28



2015-17 Biennium alternative forecasts – cash basis

\$Millions	2015-17 Biennium	Difference From the baseline
May 2015 Baseline (60%)	\$36,758	
<u>May 2015 Alternative Forecasts</u>		
Optimistic (15%)	\$39,533	\$2,775
Pessimistic (25%)	\$33,736	(\$3,022)
Probability Weighted Average	\$36,419	(\$33)

Revenue Review
May 18, 2015

Slide 29

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Conclusion

- The forecast is similar to February's forecast, although 2015 GDP is weaker, oil prices are slightly higher and WA construction activity a bit stronger
- 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 9.8% between the 2011-13 and 2013-15 biennia and 9.2% 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

Revenue Review
May 18, 2015

Slide 30

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions

Revenue Review
May 18, 2015

Slide 31



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

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

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

Comparison of the May 2015 to the February 2015 Forecast
 2013-15 Biennium
 Millions of Dollars

	<u>February 2015 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>May 2015 Forecast</u>	<u>Total Change#</u>
Department of Revenue	\$31,910.4	\$59.5	(\$22.5)	\$23.3	\$31,970.7	\$60.3
All other Agencies	\$1,636.2	\$1.2	\$0.0	\$44.7	\$1,682.1	\$45.9
Total General Fund-State	\$33,546.6	\$60.6	(\$22.5)	\$68.0	\$33,652.8	\$106.2

*Forecast for GF-S for the 2013-15 biennium adopted February 2015

**Large expected refunds

#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 May 2015 to the February 2015 Forecast
 2013-15 Biennium
 Cash Forecast; Millions of Dollars

	<u>February 2015 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>May 2015 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$33,546.6	(\$22.5)	\$128.7	\$33,652.8	\$106.2
Education Legacy Trust Account***	\$422.4	\$0.0	(\$31.9)	\$390.5	(\$31.9)
WA Opportunity Pathways Account	\$232.1	\$0.0	\$5.0	\$237.1	\$5.0
Total	\$34,201.2	(\$22.5)	\$101.7	\$34,280.4	\$79.2

*Forecast for GF-S for the 2013-15 biennium adopted February 2015

**Large expected refunds

***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 May 2015 to the February 2015 Forecast
 2015-17 Biennium
 Cash Forecast; Millions of Dollars

	February 2015 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	May 2015 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$36,448.9	\$39.0	\$270.3	\$36,758.1	\$309.3
Education Legacy Trust Account	\$438.5	\$0.0	\$16.9	\$455.3	\$16.9
WA Opportunity Pathways Account	\$237.1	\$0.0	\$0.6	\$237.6	\$0.6
Total	\$37,124.4	\$39.0	\$287.7	\$37,451.1	\$326.7

*Forecast for GF-S for the 2015-17 biennium adopted February 2015

**Sum of legislative revenue changes from the 2015 regular legislative session.

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

	February 2015 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	May 2015 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$39,756.9	\$122.2	\$321.0	\$40,200.1	\$443.2
Education Legacy Trust Account	\$482.4	\$0.0	\$18.0	\$500.4	\$18.0
WA Opportunity Pathways Account	\$237.2	\$0.0	\$0.6	\$237.7	\$0.6
Total	\$40,476.5	\$122.2	\$339.5	\$40,938.2	\$461.7

*Forecast for GF-S for the 2017-19 biennium adopted February 2015

**Sum of legislative revenue changes from the 2015 regular legislative session.

[#]Details may not add due to rounding

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

February 2012 through May 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
May 2015	83	46	129	(23) #9	106	33,653
Total change***:						
From February 2012	709	137	847	378	1,224	
Percent change	2.3	10.4	2.6	1.2	3.8	

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

September 2012 through May 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
May 2015	201	70	270	39 #9	309	36,758
Total change***:						
From September 2012	730	214	944	296	1,240	
Percent change	2.1	15.1	2.7	0.8	3.5	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

First official forecast for the 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

#9 Legislative revenue changes from 2015 regular legislative session

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

May 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	6.6	4.7	1.4
2016	6.1	5.2	1.2
2017	5.4	6.2	0.9
2018	4.9	5.9	0.8
2019	4.5	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	5.9	4.7	1.3
2016	5.1	5.2	1.0
2017	5.0	6.2	0.8
2018	4.8	5.9	0.8
2019	4.7	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

May 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	6.3	4.7	1.3
2016	0.5	5.2	0.1
2017	5.7	6.2	0.9
2018	5.9	5.9	1.0
2019	4.7	5.3	0.9
Average 1998-2014:	3.5	4.7	0.7

Total Revenue Act Receipts

May 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	5.9	4.7	1.3
2016	5.6	5.2	1.1
2017	5.6	6.2	0.9
2018	5.1	5.9	0.9
2019	4.7	5.3	0.9
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)

May 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	\$17,270	5.4%	\$193	-2.2%	\$17,463	5.3%	\$123	8.5%	\$17,587	5.3%
FY 2016	\$17,926	3.8%	\$224	16.2%	\$18,151	3.9%	\$119	-3.7%	\$18,269	3.9%
FY 2017	\$18,832	5.1%	\$231	2.9%	\$19,063	5.0%	\$119	0.0%	\$19,182	5.0%
FY 2018	\$19,701	4.6%	\$237	2.6%	\$19,938	4.6%	\$119	0.0%	\$20,057	4.6%
FY 2019	\$20,499	4.1%	\$264	11.3%	\$20,763	4.1%	\$119	0.0%	\$20,882	4.1%
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	\$33,653	9.8%	\$390	81.4%	\$34,043	10.3%	\$237	-2.8%	\$34,280	10.2%
15-17 Biennium	\$36,758	9.2%	\$455	16.6%	\$37,213	9.3%	\$238	0.2%	\$37,451	9.2%
17-19 Biennium	\$40,200	9.4%	\$500	9.9%	\$40,700	9.4%	\$238	0.0%	\$40,938	9.3%

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

General Fund-State Cash Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2013-15 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.5	\$0.0	\$0.0	\$35.5	\$0.0
Insurance Commissioner Insurance Premiums	\$945.5	\$0.0	\$40.1	\$985.5	\$40.1
Liquor Control Board Taxes, Licenses, and Fees	\$262.6	\$0.0	\$2.8	\$265.4	\$2.8
Lottery Commission Lottery Revenue	\$9.9	\$0.0	\$0.0	\$9.9	\$0.0
State Treasurer Interest Earnings	(\$3.1)	\$0.0	\$1.3	(\$1.8)	\$1.3
Office of Financial Management Other Agencies	\$217.2	\$0.0	\$1.5	\$218.7	\$1.5
Administrative Office of the Courts Fines and Forfeitures	\$168.6	\$0.0	\$0.2	\$168.8	\$0.2
Total General Fund-State	\$1,636.2	\$0.0	\$45.9	\$1,682.1	\$45.9

General Fund-State GAAP Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2013-15 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.5	\$0.0	\$0.0	\$35.5	\$0.0
Insurance Commissioner Insurance Premiums	\$945.5	\$0.0	\$40.1	\$985.5	\$40.1
Liquor Control Board Taxes, Licenses, and Fees	\$262.6	\$0.0	\$2.8	\$265.4	\$2.8
Lottery Commission Lottery Revenue	\$0.6	\$0.0	\$1.5	\$2.1	\$1.5
State Treasurer Interest Earnings	(\$3.2)	\$0.0	\$1.6	(\$1.6)	\$1.6
Office of Financial Management Other Agencies	\$215.2	\$0.0	(\$0.5)	\$214.7	(\$0.5)
Administrative Office of the Courts Fines and Forfeitures	\$168.6	\$0.0	\$0.2	\$168.8	\$0.2
Total General Fund-State	\$1,624.8	\$0.0	\$45.7	\$1,670.5	\$45.7

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.1	\$35.6	\$0.1
Insurance Commissioner Insurance Premiums	\$1,032.6	\$0.0	\$51.2	\$1,083.8	\$51.2
Liquor Control Board Taxes, Licenses, and Fees	\$252.8	\$21.5	\$10.5	\$284.8	\$32.0
Lottery Commission Lottery Revenue	\$3.4	\$0.0	\$2.7	\$6.1	\$2.7
State Treasurer Interest Earnings	\$8.5	\$0.0	(\$0.9)	\$7.6	(\$0.9)
Office of Financial Management Other Agencies	\$167.8	\$0.0	\$9.9	\$177.7	\$9.9
Administrative Office of the Courts Fines and Forfeitures	\$167.9	(\$0.2)	(\$3.8)	\$163.8	(\$4.1)
Total General Fund-State	\$1,668.7	\$21.3	\$69.6	\$1,759.6	\$90.9

General Fund-State GAAP Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.1	\$35.6	\$0.1
Insurance Commissioner Insurance Premiums	\$1,032.6	\$0.0	\$51.2	\$1,083.8	\$51.2
Liquor Control Board Taxes, Licenses, and Fees	\$252.8	\$21.5	\$10.5	\$284.8	\$32.0
Lottery Commission Lottery Revenue	\$8.2	\$0.0	\$2.9	\$11.1	\$2.9
State Treasurer Interest Earnings	\$9.4	\$0.0	(\$1.2)	\$8.2	(\$1.2)
Office of Financial Management Other Agencies	\$167.8	\$0.0	\$9.9	\$177.7	\$9.9
Administrative Office of the Courts Fines and Forfeitures	\$167.9	(\$0.2)	(\$3.8)	\$163.8	(\$4.1)
Total General Fund-State	\$1,674.3	\$21.3	\$69.5	\$1,765.1	\$90.8

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.0	\$0.0	\$36.2	\$0.0
Insurance Commissioner Insurance Premiums	\$1,121.5	\$0.0	\$50.0	\$1,171.5	\$50.0
Liquor Control Board Taxes, Licenses, and Fees	\$300.5	\$60.6	\$1.7	\$362.7	\$62.3
Lottery Commission Lottery Revenue	\$12.7	\$0.0	\$3.1	\$15.8	\$3.1
State Treasurer Interest Earnings	\$36.2	\$0.0	\$6.0	\$42.3	\$6.0
Office of Financial Management Other Agencies	\$178.0	\$0.0	\$6.8	\$184.8	\$6.8
Administrative Office of the Courts Fines and Forfeitures	\$178.7	(\$0.3)	(\$3.8)	\$174.6	(\$4.1)
Total General Fund-State	\$1,863.8	\$60.3	\$63.9	\$1,987.9	\$124.2

General Fund-State GAAP Estimates - Other Agencies

Comparison of the May 2015 and February 2015 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	February 2015 Baseline	Non-Economic Changes	Economic Changes	May 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.0	\$0.0	\$36.2	\$0.0
Insurance Commissioner Insurance Premiums	\$1,121.5	\$0.0	\$50.0	\$1,171.5	\$50.0
Liquor Control Board Taxes, Licenses, and Fees	\$300.5	\$60.6	\$1.7	\$362.7	\$62.3
Lottery Commission Lottery Revenue	\$17.4	\$0.0	\$2.7	\$20.1	\$2.7
State Treasurer Interest Earnings	\$37.1	\$0.0	\$6.5	\$43.6	\$6.5
Office of Financial Management Other Agencies	\$178.0	\$0.0	\$6.8	\$184.8	\$6.8
Administrative Office of the Courts Fines and Forfeitures	\$178.7	(\$0.3)	(\$3.8)	\$174.6	(\$4.1)
Total General Fund-State	\$1,869.3	\$60.3	\$63.9	\$1,993.5	\$124.2

* Detail may not total due to rounding.

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

	<u>Lottery: Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>	<u>Education Legacy Trust Account</u>
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	145.4	0.6	0.0	11.2	0.0	0.0	0.3	3.8	123.4	0.0	6.1
2013-15 Biennium	293.3	9.9	0.0	22.0	0.0	0.0	0.6	7.5	237.1	0.0	16.1
2016	136.1	1.5	0.0	11.7	0.0	0.0	0.3	3.8	118.8	0.0	0.0
2017	139.7	4.6	0.0	12.2	0.0	0.0	0.3	3.8	118.8	0.0	0.0
2015-17 Biennium	275.8	6.1	0.0	23.8	0.0	0.0	0.6	7.6	237.6	0.0	0.0
2018	141.1	6.4	0.0	11.7	0.0	0.0	0.3	3.8	118.9	0.0	0.0
2019	144.6	9.4	0.0	12.2	0.0	0.0	0.3	3.8	118.9	0.0	0.0
2017-19 Biennium	285.7	15.8	0.0	23.8	0.0	0.0	0.7	7.6	237.7	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	141.6	1.5	0.0	11.2	0.0	0.0	0.3	3.8	118.7	0.0	6.1
2013-15 Biennium	289.3	2.1	0.0	22.0	0.0	0.0	0.6	7.8	240.6	0.0	16.1
2016	139.3	4.6	0.0	11.7	0.0	0.0	0.3	3.8	118.8	0.0	0.0
2017	141.5	6.4	0.0	12.2	0.0	0.0	0.3	3.8	118.8	0.0	0.0
2015-17 Biennium	280.8	11.1	0.0	23.8	0.0	0.0	0.6	7.6	237.6	0.0	0.0
2018	144.1	9.4	0.0	11.7	0.0	0.0	0.3	3.8	118.9	0.0	0.0
2019	145.8	10.6	0.0	12.2	0.0	0.0	0.3	3.8	118.9	0.0	0.0
2017-19 Biennium	289.9	20.1	0.0	23.8	0.0	0.0	0.7	7.6	237.7	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
(April 2014 to April 2015)
Washington vs. U.S.**

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	87.3	2.9%	2.2%
Construction	19.6	12.5%	4.6%
Information Excluding Software	3.8	7.1%	NA
Professional and Business Services	19.2	5.2%	3.5%
Transportation, Warehousing and Utilities	4.8	5.0%	3.4%
Wholesale Trade	4.8	3.8%	1.6%
Leisure and Hospitality	8.2	2.8%	3.0%
State and Local Gov Education	6.7	2.8%	0.4%
Education and Health Services	12.1	2.7%	2.6%
Retail Trade	7.8	2.3%	1.9%
Other Services	2.1	1.8%	1.2%
Manufacturing Excluding Aerospace	1.8	0.9%	NA
Financial Activities	-1.1	-0.7%	1.9%
State and Local Gov Non-Education	-1.5	-0.8%	0.2%
Software Publishers	-0.5	-1.0%	NA
Aerospace Product and Parts Manufacturing	-1.2	-1.3%	NA
Mining and Logging	-0.1	-2.1%	-2.4%
Information	3.2	3.0%	2.0%
Manufacturing	0.6	0.2%	1.5%

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

U.S. Forecast Comparison

	2015Q1	2015Q2	2015Q3	2015Q4	2013	2014	2015	2016	2017	2018	2019
Real GDP (Billions of 2009 Dollars)											
May Forecast	16,305	16,420	16,543	16,665	15,710	16,086	16,483	16,951	17,409	17,862	18,290
Percent Change	0.2%	2.8%	3.1%	3.0%	2.2%	2.4%	2.5%	2.8%	2.7%	2.6%	2.4%
February Forecast	16,421	16,541	16,664	16,783	15,710	16,090	16,602	17,078	17,539	17,977	18,409
Percent Change	2.7%	3.0%	3.0%	2.9%	2.2%	2.4%	3.2%	2.9%	2.7%	2.5%	2.4%
Real Consumption (Billions of 2009 Dollars)											
May Forecast	11,173	11,263	11,348	11,431	10,700	10,969	11,304	11,624	11,938	12,236	12,542
Percent Change	1.9%	3.3%	3.1%	3.0%	2.4%	2.5%	3.1%	2.8%	2.7%	2.5%	2.5%
February Forecast	11,200	11,289	11,374	11,457	10,700	10,968	11,330	11,647	11,950	12,248	12,541
Percent Change	3.1%	3.2%	3.0%	3.0%	2.4%	2.5%	3.3%	2.8%	2.6%	2.5%	2.4%
Implicit Price Deflator, PCE (2009=1.00)											
May Forecast	1.085	1.091	1.095	1.099	1.073	1.088	1.092	1.111	1.131	1.152	1.171
Percent Change	-2.0%	2.4%	1.5%	1.3%	1.2%	1.3%	0.4%	1.8%	1.8%	1.8%	1.7%
February Forecast	1.085	1.089	1.094	1.099	1.073	1.088	1.092	1.112	1.130	1.150	1.170
Percent Change	-1.7%	1.6%	1.8%	1.9%	1.2%	1.3%	0.4%	1.8%	1.7%	1.8%	1.8%
Real Personal Income (Billions of 2009 Dollars)											
May Forecast	13,928	13,982	14,059	14,160	13,199	13,542	14,032	14,441	14,964	15,484	15,970
Percent Change	6.1%	1.5%	2.2%	2.9%	0.8%	2.6%	3.6%	2.9%	3.6%	3.5%	3.1%
February Forecast	13,918	14,000	14,083	14,188	13,199	13,531	14,047	14,529	15,115	15,604	16,043
Percent Change	6.5%	2.4%	2.4%	3.0%	0.8%	2.5%	3.8%	3.4%	4.0%	3.2%	2.8%
Nonfarm Payroll Employment (Millions)											
May Forecast	141.0	141.7	142.3	142.9	136.4	139.0	142.0	144.1	146.1	147.7	149.0
Percent Change	2.2%	2.0%	1.8%	1.5%	1.7%	1.9%	2.1%	1.5%	1.4%	1.1%	0.9%
February Forecast	141.1	141.9	142.6	143.3	136.4	139.0	142.2	145.0	147.1	148.5	149.6
Percent Change	2.6%	2.2%	1.9%	1.9%	1.7%	1.9%	2.3%	2.0%	1.5%	0.9%	0.8%
Unemployment Rate (Percent of Labor Force)											
May Forecast	5.6	5.3	5.3	5.2	7.4	6.2	5.3	5.0	4.9	5.0	5.0
February Forecast	5.6	5.5	5.5	5.4	7.4	6.2	5.5	5.3	5.1	5.1	5.1
30 Year Fixed Mortgage Rate (Percent, average)											
May Forecast	3.7	3.8	4.0	4.2	4.0	4.2	3.9	4.8	5.5	5.8	5.7
February Forecast	3.7	3.9	4.1	4.5	4.0	4.2	4.1	5.4	5.7	5.7	5.7
3 Month T-Bill Rate (Percent, average)											
May Forecast	0.0	0.1	0.3	0.5	0.1	0.0	0.2	1.2	2.9	3.5	3.5
February Forecast	0.0	0.3	0.5	0.7	0.1	0.0	0.4	1.6	3.2	3.5	3.5

Washington Forecast Comparison

	2015Q1	2015Q2	2015Q3	2015Q4	2013	2014	2015	2016	2017	2018	2019
Real Personal Income (Billions of 2009 Dollars)											
May Forecast	334.6	334.9	337.2	339.6	309.9	322.3	336.6	347.6	361.7	376.0	389.6
Percent Change	6.9%	0.3%	2.9%	2.8%	1.3%	4.0%	4.4%	3.3%	4.1%	3.9%	3.6%
February Forecast	330.0	332.6	335.1	337.0	309.9	319.8	333.7	346.8	362.5	376.0	388.5
Percent Change	8.1%	3.2%	3.0%	2.3%	1.3%	3.2%	4.3%	3.9%	4.5%	3.7%	3.3%
Personal Income (Billions of Dollars)											
May Forecast	362.9	365.3	369.3	373.0	332.7	350.5	367.6	386.4	409.3	433.0	456.4
Percent Change	4.8%	2.7%	4.4%	4.1%	2.5%	5.4%	4.9%	5.1%	5.9%	5.8%	5.4%
February Forecast	358.1	362.3	366.7	370.5	332.7	347.8	364.4	385.5	409.7	432.4	454.7
Percent Change	6.3%	4.8%	4.9%	4.2%	2.5%	4.6%	4.8%	5.8%	6.3%	5.5%	5.2%
Nonfarm Payroll Employment (Thousands)											
May Forecast	3125	3145	3162	3178	2993	3072	3153	3212	3263	3310	3353
Percent Change	3.7%	2.6%	2.2%	2.0%	2.4%	2.7%	2.6%	1.9%	1.6%	1.4%	1.3%
February Forecast	3134	3152	3169	3187	2990	3071	3161	3232	3287	3327	3370
Percent Change	3.7%	2.3%	2.2%	2.3%	2.4%	2.7%	2.9%	2.2%	1.7%	1.2%	1.3%
Unemployment Rate (Percent of Labor Force)											
May Forecast	6.2	5.7	5.6	5.4	6.9	6.3	5.7	5.2	5.1	5.2	5.2
February Forecast	6.2	6.2	6.1	6.0	7.0	6.0	6.1	5.9	5.7	5.6	5.6
Manufacturing Employment (Thousands)											
May Forecast	289.5	288.9	289.2	290.7	286.7	288.5	289.6	292.2	294.0	296.3	297.8
Percent Change	2.1%	-0.8%	0.4%	2.1%	2.3%	0.6%	0.4%	0.9%	0.6%	0.8%	0.5%
February Forecast	292.8	294.2	295.3	297.7	286.6	288.7	295.0	301.0	303.6	304.4	304.2
Percent Change	4.0%	1.9%	1.5%	3.3%	2.3%	0.7%	2.2%	2.1%	0.8%	0.3%	-0.1%
Construction Employment (Thousands)											
May Forecast	173.4	176.3	178.5	181.1	149.0	159.3	177.3	185.0	191.0	198.7	204.8
Percent Change	23.7%	7.1%	5.1%	5.8%	7.1%	7.0%	11.3%	4.3%	3.3%	4.0%	3.0%
February Forecast	167.5	168.6	170.4	172.7	148.8	158.1	169.8	178.2	187.1	195.1	201.9
Percent Change	13.6%	2.7%	4.5%	5.4%	7.0%	6.2%	7.4%	5.0%	5.0%	4.3%	3.5%
Housing Permits (Thousands)											
May Forecast	53.6	37.4	37.5	38.1	33.0	33.3	41.7	40.0	43.3	44.4	44.7
Percent Change	449.6%	-76.4%	1.3%	6.3%	17.2%	1.1%	25.0%	-3.9%	8.0%	2.6%	0.8%
February Forecast	34.4	35.4	36.1	36.6	33.0	33.3	35.6	38.7	41.9	43.2	44.0
Percent Change	-6.9%	12.0%	7.8%	6.1%	17.2%	1.1%	6.9%	8.7%	8.3%	3.0%	1.8%

May 2015
Alternative Forecasts
Millions of Dollars

Cash Basis

2013-15 Biennium

	<u>2013-15 Biennium</u>	<u>Difference From the May 2015 Baseline</u>
May 2015 Baseline (60%)	\$33,653	
May 2015 Alternative Forecasts		
Optimistic (15%)	\$33,899	\$247
Pessimistic (25%)	\$33,349	(\$304)
Probability Weighted Average	\$33,614	(\$39)

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the May 2015 Baseline</u>
May 2015 Baseline (60%)	\$36,758	
May 2015 Alternative Forecasts		
Optimistic (15%)	\$39,533	\$2,775
Pessimistic (25%)	\$33,736	(\$3,022)
Probability Weighted Average	\$36,419	(\$339)

**Revenue Legislation Affecting General Fund-State Revenues
Passed in the 2015 Regular Legislative Session
(Revenues in millions \$)**

ID		Description	FY 2015	GF-S Revenue									Status
				FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	BI 2015-17	BI 2017-19	BI 2019-21	
ESHB 1060	##	Litter tax revenues		(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.004)	(0.004)	C 15 L 15
2SHB 1281	af##	Sexual exploitation of minor		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	Del to Gov
HB 1307	f	Residen'l services & support		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 39 L 15
SHB 1516	f	Lodging services/tax exem.		0.018	0.024	0.024	0.024	0.024	0.024	0.042	0.048	0.048	C 151 L 15
HB 1550	##	Recreation services etc. tax		(0.561)	(1.413)	(1.706)	(1.775)	(1.858)	(1.940)	(1.974)	(3.481)	(3.798)	C 169 L 15
SHB 1619	f	Environmental handling chrgs		(0.008)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.017)	(0.018)	(0.018)	C 185 L 15
2SSB 5052	af##	Cannabis patient protection-DOR note		(1.519)	21.129	29.993	35.362	35.302	35.263	19.610	65.355	70.565	C 70 L 15
2SSB 5052	af##	Cannabis patient protection-LCB		0.116	21.414	28.188	32.393	32.393	32.393	21.530	60.581	64.786	C 70 L 15
SB 5121	f	Marijuana research license		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 71 L 15
2SSB 5215	f	Internet crime against child		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 84 L 15
SSB 5276	af##	Property tax refund/errors		min.	min.	min.	min.	min.	min.	min.	min.	min.	C 174 L 15
SSB 5534	af	CPA scholarship program		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 215 L 15
E2SSB 5564	af##	Juvenile records and fines		(0.103)	(0.133)	(0.133)	(0.133)	(0.133)	(0.133)	(0.237)	(0.267)	(0.267)	Del to Gov
SSB 5824	f	Recreational guides		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 97 L 15
SB 5881	f	At-risk youth fishing permit		indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	indeterm.	C 98 L 15
Total GF-S Revenue Impact			-	(2.058)	41.010	56.355	65.860	65.717	65.596	38.951	122.215	131.312	

Source: Office of Financial Management, May 2015

2013-15 Enacted Budget Balance Sheet

Including 2014 Supplemental Budget and 2015 Early Supplemental

General Fund-State (GFS), Education Legacy Trust Account (ELTA), 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
February 2015 Forecast	33,546.6	654.5	34,201.2
May 2015 Update			
Non-economic Changes	(22.5)	-	(22.5)
Revenue Update (Economic Changes)	128.7	(26.9)	101.7
Current Revenue Totals	33,652.8	627.6	34,280.4
Transfer to Budget Stabilization Account	(317.3)	-	(317.3)
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)	33,650.8	909.9	34,560.6
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	865.6	(15.7)	850.0
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	269.7	-	269.7
Transfer from General Fund and Interest Earnings	319.3	-	319.3
Less Expenditures in Enacted 2015 Early Supplemental	(77.2)	-	(77.2)
Projected Budget Stabilization Account Ending Balance	511.8	-	511.8
Total Reserves (Including Budget Stabilization)	1,377.4	(15.7)	1,361.8