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Revenue Review Meeting

September 14, 2015



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **REVENUE REVIEW MEETING**

September 14, 2015  
3:00 p.m.

- Call to order
- Approval meeting minutes from September 2, 2015
- Economic & 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 Economic Review**

September 2, 2015

John A Cherberg, Hearing Room 3

#### **Economic and Revenue Forecast Council**

##### *Members Present*

Andy Hill, Senate, Chair (Via phone)  
Ross Hunter, House of Representatives  
Terry Nealey, House of Representatives (via phone)  
James McIntire, Treasurer  
David Schumacher, Office of Financial Management  
Vikki Smith, Department of Revenue

##### *Staff*

Steve Lerch, Executive Director, ERFC  
Richard Ramsey, Senate

#### **Call to Order**

The meeting was called to order by Director Schumacher at 2:32 pm.

#### **Motion**

Representative Hunter made a motion to approve the meeting minutes from the July 21, 2015 meeting, seconded by Treasurer McIntire. Council approved the motion at 2:32 p.m.

#### **Motion**

Treasurer McIntire made a motion to approve the meeting minutes from the May 15, 2015 meeting, seconded by Representative Hunter. Council approved the motion at 2:33 p.m.

#### **Discussion on Open Government Trainings Act**

Discussion ensued regarding Council member preferences on completing the requirements of training under the Open Government Trainings Act. Council members will complete online training and the agency will keep note of compliance.

#### **Discussion on Enacted Engrossed House Bill 2267**

Under Chapter 29 L15 E3, the Economic and Revenue Forecast Council, in consultation with the Expenditure Limit Committee, must prepare draft legislation for introduction in the 2016 legislative session that synchronizes the requirements of the expenditure limit, the four-year balanced budget requirement, and the budget Outlook process. Richard Ramsey, representative from the Budget Outlook Work Group provided background information on EHB 2267. Representative Hunter

provided background information and voiced support in order to improve the budget process.

### **Presentation on the Economic Forecast**

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding the probability of a recession. Treasurer McIntire cautioned that global deflation or recession is concerning and requested to see this reflected in the pessimistic forecast.

### **Other Business**

Director Schumacher noted that this is the last ERFC meeting for Representative Hunter and thanked him for his service to the Council.

### **Adjournment**

Meeting adjourned at 2:58 pm.

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



**Economic & Revenue Review: September 14, 2015**

**Executive Summary**

**United States**

- The final U.S. economic forecast is based on the September releases of the Global Insight forecast and the Blue Chip forecast of real GDP growth. Given the recent turmoil in financial markets, Global Insight is now assuming that the Federal Reserve will wait until the fourth quarter of this year to raise interest rates.
- The economic forecast uses the second estimate of second quarter 2015 real GDP growth of 3.7%. We expect a real GDP growth rate of 2.5% for all of 2015, unchanged from the June forecast. The forecast also incorporates the September Blue Chip consensus forecast of real GDP growth, which has a growth rate of 2.7% for 2016 compared to the 2.8% rate assumed in the June 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, September 8, 2015 closing prices for Brent and WTI futures. Near-term prices for both have decreased since the June forecast. The refiner's acquisition price of crude oil in the second half of 2015 is now expected to average \$47 per barrel compared to \$63 in the June forecast. While oil prices are expected to rise starting in 2016, they will remain well below the level assumed in June forecast. By the end of 2019, the refiner's acquisition price is expected to increase to \$59 compared to the \$69 assumed in June.
- The Conference Board index of consumer confidence, which had declined in July, increased 10.5 points to 101.5 in August. While the Conference Board found consumers more positive about the economy than in July, their survey data were collected before the recent volatility in the stock market. The University of Michigan consumer sentiment survey had its largest one-month decline since the end of 2012, falling from 91.9 in August to 85.7 in the preliminary September reading. Households were less upbeat than a few months earlier about future growth in employment and wages, while 73 percent of respondents reported hearing of negative economic developments.
- Home sales and construction activity continued to show strength in July. July housing starts increased by 0.2% compared to June and were above 1 million units for a fourth consecutive month. Housing units authorized by building permits in July decreased by 16.3% (SA) compared to June but were 7.5% above their July 2014 level. Existing home sales increased for a third consecutive month in July, rising by 2.0% (SA) compared to June. New single family home sales in July were 5.4% (SA) above the June level and 25.8% above July 2014 sales. While home prices continue to rise, the pace has slowed. The seasonally-adjusted Case-Shiller national home price index for June was just 0.1% above its May level and 4.5% above its year-ago level.

- Factors outside the state account for the high level of risk to the forecast. A slowing Chinese economy, the negative impact of a stronger dollar on exports, and the volatility in stock markets all remain major threats to the U.S. and Washington economies. Lower unemployment rates and initial unemployment claims and a stronger housing market suggest potential upside risks to the forecast.

## Washington

- We have four months of new Washington employment data since the June forecast was released. Total nonfarm payroll employment rose 23,900 (seasonally adjusted) from April through August, 100 more than the 23,800 expected in the June forecast. As is usually the case, most of the jobs created in the last four months were in private, service-providing sectors which added 22,000 jobs. The construction sector added 700 jobs in but the manufacturing sector lost 1,400 jobs of which 700 were in aerospace. Government payrolls expanded by 2,700 jobs in the last four months.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in April 2015 by 9,500 jobs. As a result of the upward revision to history and slightly stronger-than-expected growth, the total effect is 9,500 (0.3%) more jobs in August 2015 than expected in the June forecast.
- The Microsoft layoffs first announced in July 2014 were completed by the end of December 2014. The June forecast had assumed that there would be no further major layoffs. However, in July 2015 Microsoft announced further cuts of up to 7,800 company-wide, mostly related to its phone business. We expect most of the cuts will be outside of Washington State as was the case in the previous round.
- As in June, 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.
- In June, the Bureau of Economic Analysis (BEA) released estimates for state personal income through the first quarter of 2015. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages and other wage data also through the first quarter. Our current estimate of Washington personal income in the first quarter of 2015 is \$362.7 billion which is \$0.2 billion (0.1%) lower than assumed in the June forecast.
- As expected in the June forecast, Washington housing permits declined sharply from an eight-year-high 53,600 units (SAAR) in the first quarter of 2015 to a more sustainable 36,800 units in the second quarter. The June forecast projected 37,400 units in the second quarter. In the June forecast we viewed the first quarter surge in permits with skepticism both because the weather was unseasonably mild and because the strength was in the volatile multi-family segment. This view appears to be validated by the recent data. Single-family permits totaled 18,900 units in the second quarter compared to the forecast of 19,200 units and 17,900 multi-family units were permitted

- compared to the forecast of 18,200 units. Permits fell further in July to 31,400 (SAAR) consisting of 18,800 single-family units and 12,600 multi-family units.
- Seattle home price appreciation has slowed in recent months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 0.2% in June following a 0.1% decline in May. Seattle home prices are still up 7.4% over the previous June and are 35.2% higher than the November 2011 trough. Seattle area home prices have recovered to just 6.1% below the May 2007 peak.
  - Seattle area consumer price inflation remains tame thanks mainly to falling energy costs. Over the last year, from June 2014 to June 2015, consumer prices in the Seattle area rose 1.6% compared to 0.2% for the U.S. city average. However, core prices, which exclude food and energy, were up 2.8% in Seattle compared to 1.8% for the nation. Seattle inflation was very close to the June forecast in the first half of 2015. As a result, the second quarter Seattle core index is just 0.1% higher than expected in the June forecast while the Seattle all items CPI is right on target.
  - The Institute of Supply Management - Western Washington Index (ISM-WW) signaled contraction in the manufacturing sector in August for the first time since July 2009. The index declined from 53.6 in July to 48.0 in August (index values above 50 indicate positive growth while values below 50 indicate contractions). The production, orders, and inventory components all worsened in August while the employment and deliveries components were unchanged.
  - Washington car and truck sales retreated in August from a post-recession high in July. Washington new vehicle registrations declined 4.2% in August to 297,900 (SAAR) following a 4.0% increase in June and a 3.5% increase in July. Car and truck sales are still up 3.3% over the year.
  - Second quarter exports were down 0.4% over the year in spite of an 11.4% increase in transportation equipment exports (mostly Boeing planes). Exports other than transportation equipment were 17.0% lower than a year ago. The drop likely reflects the negative influence of a stronger dollar and weak growth abroad.
  - Overall, our September forecast for Washington State is similar to the June forecast. Washington employment is expected to grow 3.0% this year compared to 2.6% expected in the June forecast. The upward revision to growth in 2015 is due to revisions in the historical employment data. The September forecast for average annual employment growth from 2016 through 2019 is 1.5% per year, slightly less than the 1.6% average growth rate in the June forecast. Our September forecast for nominal personal income growth this year of 5.1% is slightly higher than the 4.9% in the June forecast, however, our new forecast for nominal personal income growth from 2016 through 2019 averages 5.3% per year, down slightly from 5.6% in the June forecast.

## Revenue

- Cumulative General Fund-State (GF-S) revenue collections through September 10th were \$164 million higher than forecasted. This surplus, however, accumulated after the June 30, 2015 close of the 2013-15 biennium. Tracked revenues were, in fact, slightly below the forecast on that

date. The cumulative surplus that accrued to the current (2015-17) biennium was therefore slightly higher at \$166 million.

- While revenue that is tracked monthly came in slightly below the forecast in the last two months of the 2013-15 biennium, other revenue came in slightly higher. There was also a legislative transfer of \$8.4 million in non-GF-S funds into the GF-S before the biennium's close. The preliminary final tally of GF-S revenue for the 2013-15 biennium is therefore \$13.2 million higher than forecasted in June, coming in at \$33.666 billion.
- The September economic forecast was slightly weaker than the June forecast in several regards, including personal income and housing construction. Absent the effects of legislation passed in the 2015 special legislative sessions, forecasted revenue would have decreased. Because of the large surplus in collections and the additional revenue expected to result from the legislation, however, forecasted total GF-S revenue for the current biennium is \$333 million higher than in June. Total revenue is now forecasted at \$37.091 billion, 10.2% higher than that of the 2013-15 biennium.
- Legislative and budget-driven revenue changes added \$193.4 million to forecasted revenue in the current biennium. Chief among the legislated changes were a change in the tax rate for income from royalties, elimination of sales tax exemptions for a certain industry, extension of economic nexus for out-of-state wholesalers, and the application of sales taxes to some online sales.
- Legislative changes plus the assumed carry-forward of some budget-driven revenue changes added \$286 million to forecasted revenue in the 2017-19 biennium. Changes due to economic factors added \$51.7 million to the forecast, resulting in a total forecast increase of \$338 million. Forecasted GF-S revenue for the 2017-19 biennium is now \$40.538 billion, an increase of 9.3% above the current biennium.

# Revenue Review

Presented to  
The Economic & Revenue Forecast Council

Steve Lerch  
Executive Director

September 14, 2015  
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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## Summary

- The economic forecast is similar to June, with the exception of lower oil prices
- A declining unemployment rate and low initial unemployment claims indicate a strong labor market, but U.S. employment gains are slower this year than in 2014
- Washington employment in the second quarter was slightly stronger than expected in the June forecast, although construction employment growth has slowed
- Risks to the baseline include the potential for slower Chinese economic growth, the negative impact of a stronger dollar, and stock market volatility
- The GF-S revenue forecast has been increased by \$13 million for the 2013-15 biennium and by \$333 million for the 2015-17 biennium

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## New information since September preliminary economic forecast

### **U.S. GDP growth data and forecast**

- 2<sup>nd</sup> quarter 2015 second estimate revised up from 2.3% to 3.7% (annual rate)
- 2015 Blue Chip increased from 2.3% to 2.5%; 2016 remains at 2.7%

### **U.S. Employment data**

- 173,00 net new jobs in August; June and July revised up by combined 44,000 jobs
- August unemployment rate dropped to 5.1% from 5.3% in July

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## Economic news continues to suggest risks to forecast

### Upside:

- Initial unemployment claims below pre-recession levels
- Stronger housing starts and home sales (new and existing)
- Auto sales remain strong

### Downside:

- Slowing Chinese and emerging market economies, lackluster growth in Japan and Eurozone
- Negative impact of stronger dollar on exports
- Stock market volatility

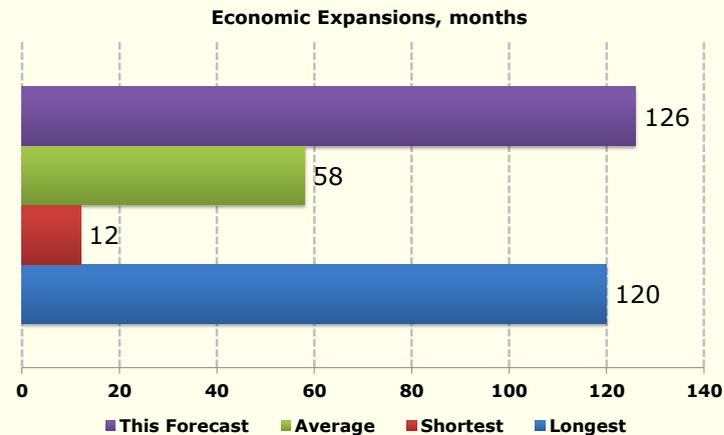
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## U.S. Economic Expansions since 1945



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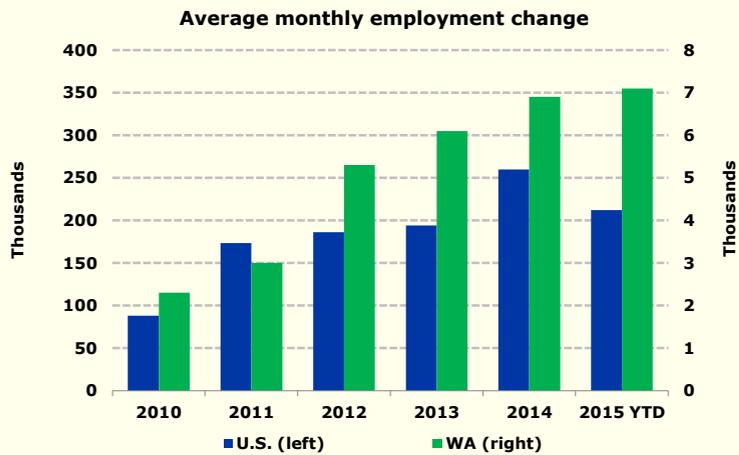
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Sources: NBER, ERFC September 2015 Preliminary forecast

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



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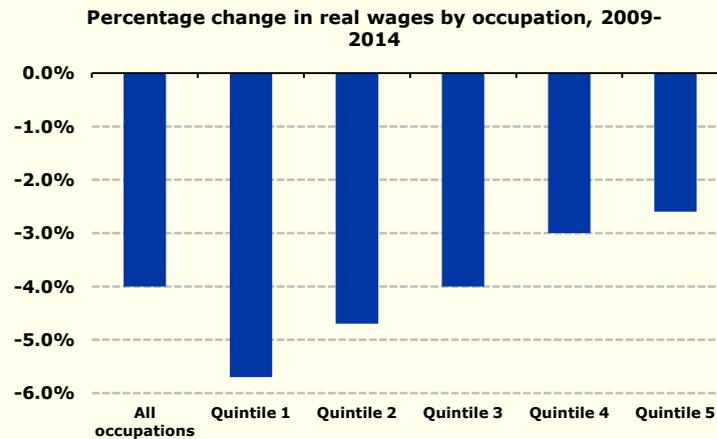
Source: Bureau of Labor Statistics, ERFC; data through August 2015

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## Low and medium wage occupations experienced largest real wage decline



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Source: National Employment Law Project, data brief, Sept. 2015

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## Job openings above pre-recession levels



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Source: U.S. Bureau of Labor Statistics, data through July 2015

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## 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



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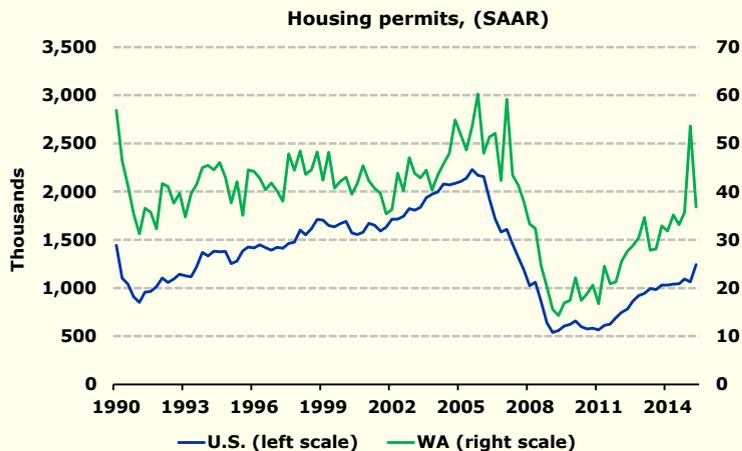
Source: BLS, data through August 2015

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## Both U.S., WA housing permits trending up



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Source: U.S. Census Bureau, data through 2015 Q2

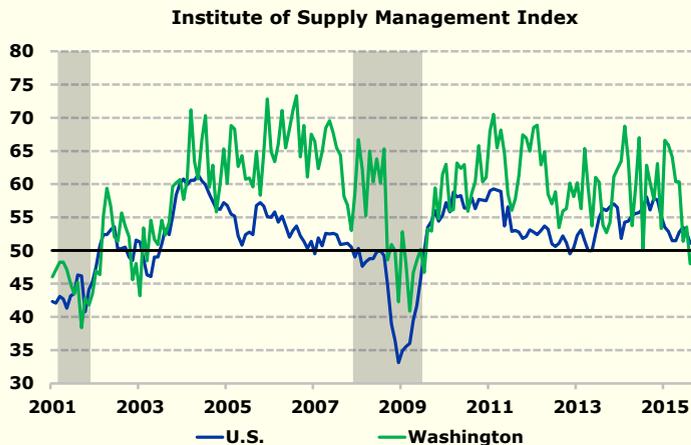
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## Manufacturing activity: ISM index for Washington below 50 for first time since recession

An index greater than 50, implies growth



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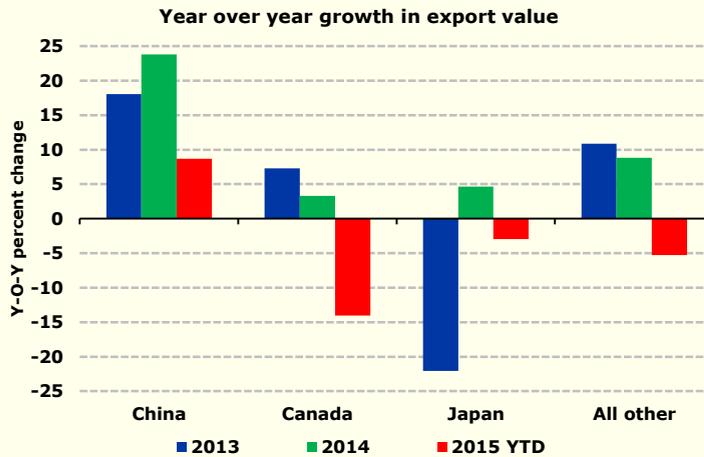
Source: Institute of Supply Management; data through August 2015

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## WA exports to major trading partners have slowed



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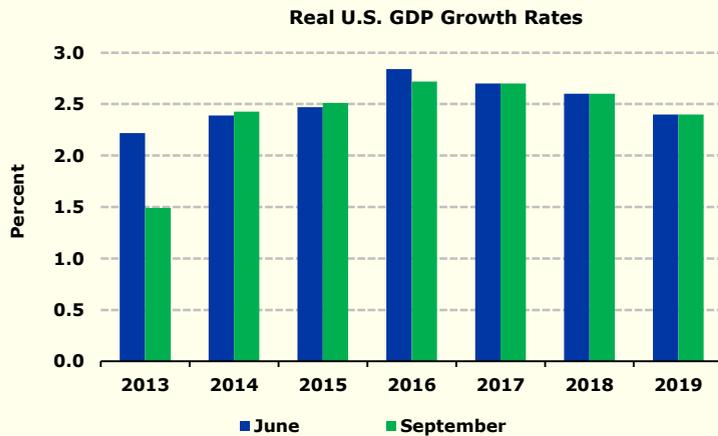
Source: WISERTrade; data through July 2015

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## Forecasted real GDP growth is similar to the June forecast



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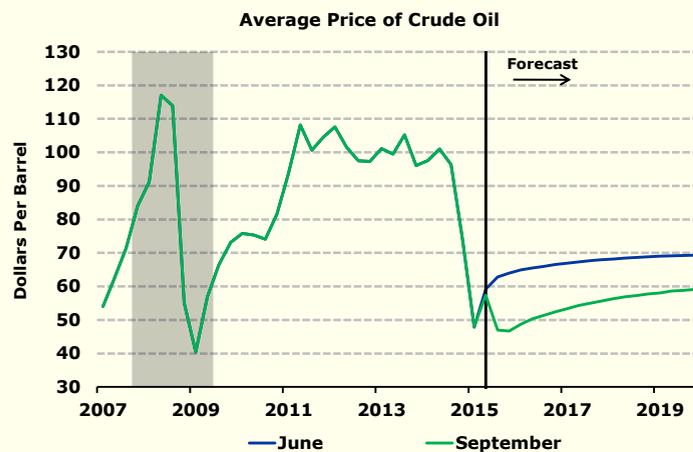
Source: ERF September 2015 forecast; historical data through 2014

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## Oil prices are lower than in the June forecast



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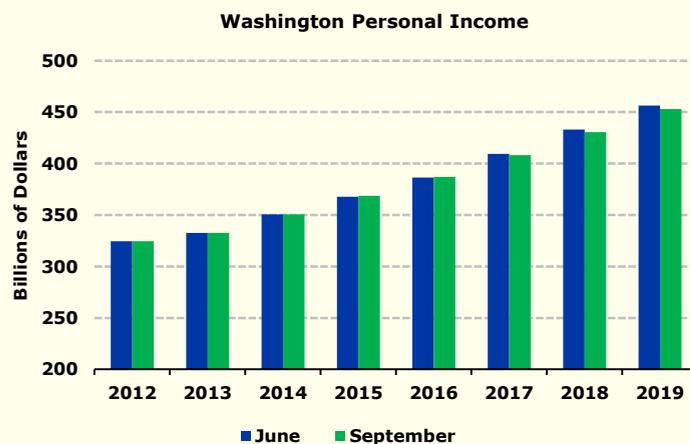
Source: DOE, ERFC September 2015 forecast; historical data through 2015Q2

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## Washington personal income forecast is similar to June forecast



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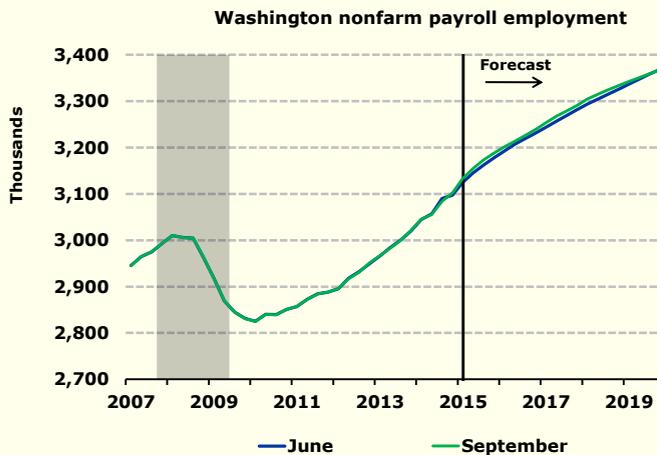
Source: ERFC September 2015 forecast; historical data through 2014

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## Washington employment forecast revised up slightly



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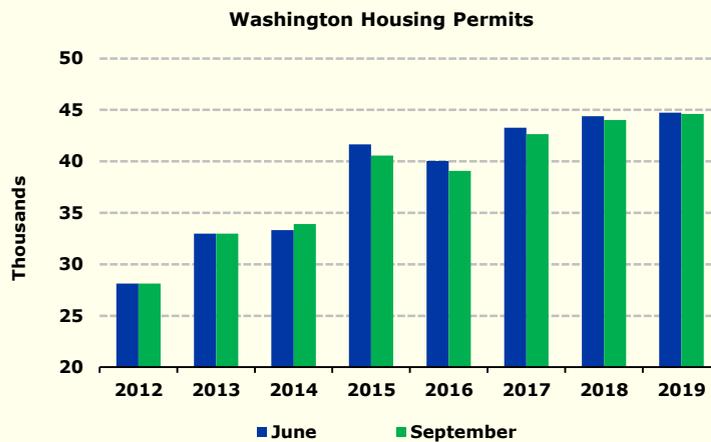
Source: Global Insight, ERFC September 2015 forecast; historical data through 2015Q2

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## Washington housing permits forecast is slightly lower than in June



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Source: ERFC September 2015 forecast; historical data through 2015Q2

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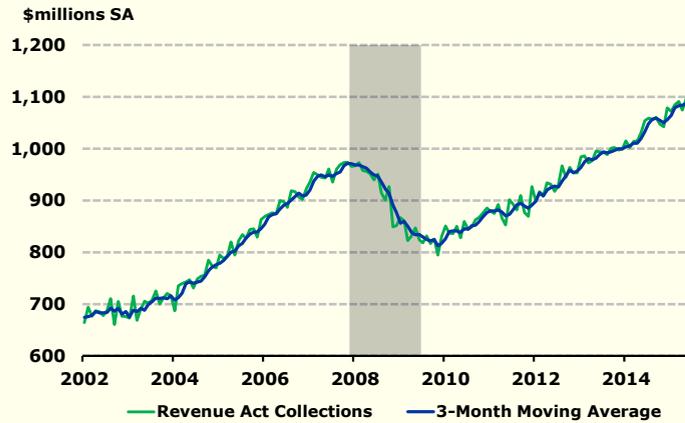
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## Revenue Act collections returned to a more moderate pace in July

Adjusted Y-O-Y growth for 2<sup>nd</sup> quarter activity was 7.1%.

Adjusted Y-O-Y growth for June activity was 8.9% but slowed to 6.4% for July activity.



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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 July 2015 activity

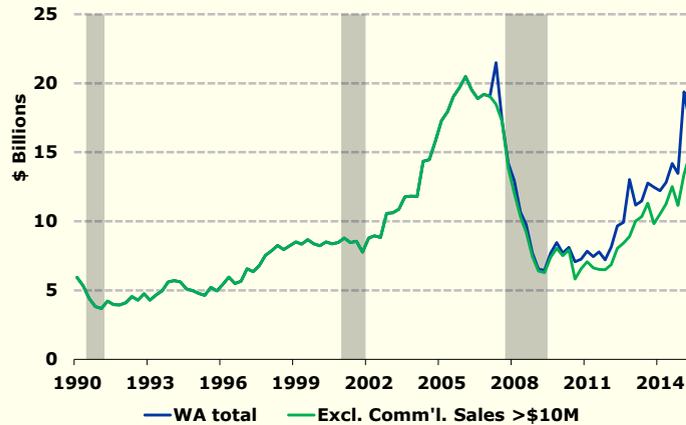
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## Large commercial property sales have had major impact on REET collections

Taxable real estate sales, SA



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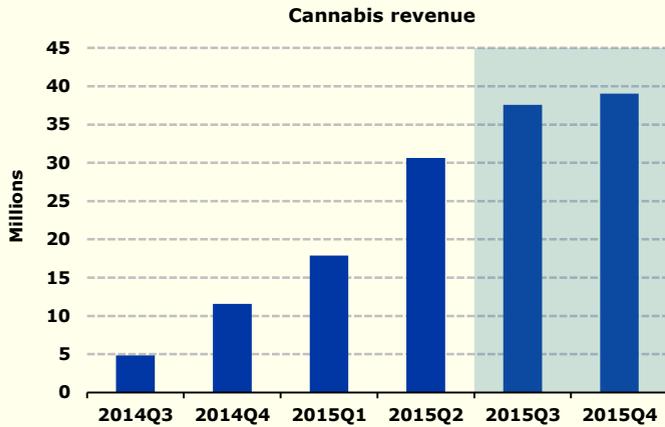
Source: ERFC; data through 2015 Q2

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## Cannabis revenue has been strong



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Source: LCB, ERFC September 2015 forecast; historical data through 2015 Q2

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## Cannabis excise tax and license fee estimates (includes impact of 2SSB 5052 and 2E2SHB 2136)

Total GF-S change from June forecast:

- 2013-15 +\$7M
- 2015-17 +\$57 M
- 2017-19 +\$106 M

GF-S Economic Change:

- 2013-15 +\$0M
- 2015-17 +\$9 M
- 2017-19 +\$2 M

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\$Millions

September Forecast

	2013-15	2015-17	2017-19
GF-S share of excise tax and license fees	\$15	\$125	\$234
Non-GF	\$52	\$297	\$469
<b>Total</b>	<b>\$67</b>	<b>\$422</b>	<b>\$703</b>

\* 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

### June Forecast:

**\$33,653 million**

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**\$Millions**

		September Forecast			Total Change*
		<u>Non-economic Change#</u>	<u>Forecast Change</u>	<u>Forecast</u>	
Dept. of Revenue	\$0	(\$4)	\$31,966	(\$4)	
All other agencies	\$8	\$9	\$1,700	\$18	
<b>Total GF-S</b>	<b>\$8</b>	<b>\$5</b>	<b>\$33,666</b>	<b>\$13</b>	

#Budget driven revenue and legislative changes to LCB forecast  
\* Detail may not add to total due to rounding

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## Forecast changes: General Fund State, 2015-2017 Biennium

### June Forecast:

**\$36,758 million**

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**\$Millions**

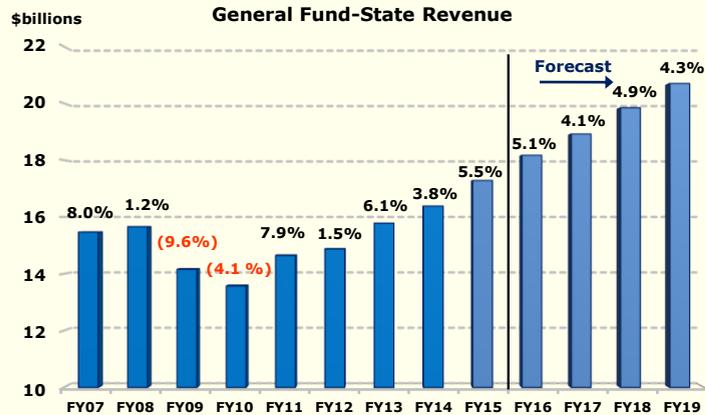
		September Forecast			Total Change*
		<u>Collection Experience</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	
Dept. of Revenue	\$166	\$138	(\$86)	\$35,217	\$218
All other agencies	\$0	\$55	\$60	\$1,874	\$115
<b>Total GF-S</b>	<b>\$166</b>	<b>\$193</b>	<b>(\$26)</b>	<b>\$37,091</b>	<b>\$333</b>

#Legislation with revenue impacts form 2015 regular session  
\* 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, September 2015

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## 2015-17 Biennium alternative forecasts – cash basis

\$Millions	2015-17 Biennium	Difference From the baseline
<b>September 2015 Baseline (55%)</b>	<b>\$37,091</b>	
<b><u>September 2015 Alternative Forecasts</u></b>		
<b>Optimistic (15%)</b>	<b>\$39,187</b>	<b>\$2,096</b>
<b>Pessimistic (30%)</b>	<b>\$35,043</b>	<b>(\$2,048)</b>
<b>Probability Weighted Average</b>	<b>\$36,791</b>	<b>(\$300)</b>
<b>GCEA*</b>	<b>\$37,160</b>	<b>\$69</b>

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

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## Conclusion

- The forecast is similar to the June forecast, although oil prices are lower
- We expect the moderate pace of the economic recovery to continue in both the U.S. and Washington economies
- GF-S revenues grew 9.8% between the 2011-13 and 2013-15 biennia and are expected to grow 10.2% between the 2013-15 and 2015-17 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

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## Questions



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

[www.ercf.wa.gov](http://www.ercf.wa.gov)  
360-534-1560

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

Comparison of the September 2015 to the June 2015 Forecast  
 2013-15 Biennium  
 Cash Forecast; Millions of Dollars

	<u>June 2015 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2015 Estimate</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$33,652.8	\$4.8	\$8.4	\$33,666.0	\$13.2
Education Legacy Trust Account***	\$390.5	\$0.0	\$14.3	\$404.8	\$14.3
WA Opportunity Pathways Account	\$237.1	\$0.0	(\$3.2)	\$233.9	(\$3.2)
<b>Total</b>	<b>\$34,280.4</b>	<b>\$4.8</b>	<b>\$19.5</b>	<b>\$34,304.7</b>	<b>\$24.3</b>

\*Forecast for GF-S for the 2013-15 biennium adopted May 18, 2015

\*\*Legislative and budget-driven revenue changes since previous forecast

\*\*\*Revenue only - does not include 2013-15 lottery fund transfers (\$16.1 million)

<sup>#</sup>Details may not add due to rounding

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

Comparison of the September 2015 to the June 2015 Forecast  
 2015-17 Biennium  
 Millions of Dollars

	<u>June 2015 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2015 Forecast</u>	<u>Total Change<sup>#</sup></u>
Department of Revenue	\$34,998.6	\$166.0	\$138.2	(\$86.1)	\$35,216.7	\$218.1
All other Agencies	\$1,759.6	(\$0.1)	\$55.2	\$59.7	\$1,874.4	\$114.8
<b>Total General Fund-State</b>	<b>\$36,758.1</b>	<b>\$165.9</b>	<b>\$193.4</b>	<b>(\$26.4)</b>	<b>\$37,091.0</b>	<b>\$332.9</b>

\*Forecast for GF-S for the 2015-17 biennium adopted May 18, 2015

\*\*Sum of legislative and budget-driven revenue changes since the June forecast

<sup>#</sup>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 September 2015 to the June 2015 Forecast  
 2015-17 Biennium  
 Cash Forecast; Millions of Dollars

	<u>June 2015 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2015 Forecast</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$36,758.1	\$193.4	\$139.5	\$37,091.0	\$332.9
Education Legacy Trust Account	\$455.3	\$0.0	(\$8.7)	\$446.6	(\$8.7)
WA Opportunity Pathways Account	\$237.6	\$26.3	\$12.7	\$276.7	\$39.1
<b>Total</b>	<b>\$37,451.1</b>	<b>\$219.7</b>	<b>\$143.5</b>	<b>\$37,814.3</b>	<b>\$363.2</b>

\*Forecast for GF-S for the 2015-17 biennium adopted May 18, 2015

\*\*Sum of legislative and budget-driven revenue changes since the June forecast

<sup>#</sup>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 September 2015 to the June 2015 Forecast  
 2017-19 Biennium  
 Cash Forecast; Millions of Dollars

	<u>June 2015 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2015 Forecast</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$40,200.1	\$286.1	\$51.6	\$40,537.9	\$337.8
Education Legacy Trust Account	\$500.4	\$0.0	\$2.8	\$503.2	\$2.8
WA Opportunity Pathways Account	\$237.7	\$26.3	(\$2.4)	\$261.6	\$23.9
<b>Total</b>	<b>\$40,938.2</b>	<b>\$312.4</b>	<b>\$52.1</b>	<b>\$41,302.7</b>	<b>\$364.5</b>

\*Forecast for GF-S for the 2017-19 biennium adopted May 18, 2015

\*\*Sum of legislative changes since the previous forecast plus carry-forward of budget driven revenue changes

<sup>#</sup>Details may not add due to rounding

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

February 2012 through September 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>
<b>February 2012 #</b>	\$31,110	\$1,319				\$32,428
<b>Changes to Forecast</b>						
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
June 2015	83	46	129	(23) #9	106	33,653
September 2015	(4)	9	5	8 #10	13	33,666
<b>Total change***:</b>						
From February 2012	705	147	851	386	1,238	
Percent change	2.3	11.1	2.6	1.2	3.8	

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

September 2012 through September 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>
<b>September 2012 **</b>	\$34,102	\$1,416				\$35,518
<b>Changes to Forecast</b>						
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
June 2015	201	70	270	39 #9	309	36,758
September 2015	80	60	139	193 #10	333	37,091
<b>Total change***:</b>						
From September 2012	810	274	1,083	489	1,573	
Percent change	2.4	19.3	3.1	1.4	4.4	

\* 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

#10 Legislative and budget driven revenue changes from 2015 special legislative sessions

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**Analysis for the Major Sources Based on Taxable Activity**

Revenue Act Sources

September 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
<b>I. Retail Sales</b>			
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	(5.4)	(1.5)	3.5
2011	1.8	4.7	0.4
2012	4.1	6.3	0.7
2013	6.7	5.0	1.3
2014	5.8	3.4	1.7
2015	7.6	5.7	1.3
2016	5.8	4.9	1.2
2017	4.9	5.2	0.9
2018	5.2	5.5	0.9
2019	4.6	5.4	0.9
Average 1998-2014:	3.3	4.8	0.7
<b>II. Business &amp; Occupation</b>			
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	3.4	1.6
2015	5.4	5.7	0.9
2016	5.3	4.9	1.1
2017	6.0	5.2	1.2
2018	5.7	5.5	1.0
2019	5.3	5.4	1.0
Average 1998-2014:	4.0	4.8	0.8

\* Based on constant base taxable data.

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

<sup>1</sup> Income adjusted to exclude special dividend payment in fy 05.

## Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

September 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income <sup>1</sup>	
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	3.4	2.8
2015	8.6	5.7	1.5
2016	(1.0)	4.9	(0.2)
2017	6.3	5.2	1.2
2018	6.0	5.5	1.1
2019	5.1	5.4	0.9
Average 1998-2014:	3.5	4.8	0.7

## Total Revenue Act Receipts

September 2015 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity##
	Tax Receipts <sup>#</sup>	Personal Income <sup>1</sup>	
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	3.4	1.3
2015	5.6	5.7	1.0
2016	6.7	4.9	1.4
2017	4.8	5.2	0.9
2018	5.5	5.5	1.0
2019	4.9	5.4	0.9
Average 1998-2014:	3.3	4.8	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.

<sup>1</sup> 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)

September 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%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$17,491	5.5%	\$120	5.7%	\$17,611	5.5%
Forecast:										
FY 2016	\$18,172	5.1%	\$214	3.4%	\$18,386	5.1%	\$143	19.0%	\$18,529	5.2%
FY 2017	\$18,919	4.1%	\$232	8.3%	\$19,151	4.2%	\$134	-6.5%	\$19,285	4.1%
FY 2018	\$19,841	4.9%	\$238	2.5%	\$20,079	4.8%	\$129	-3.2%	\$20,209	4.8%
FY 2019	\$20,697	4.3%	\$265	11.4%	\$20,962	4.4%	\$132	2.2%	\$21,094	4.4%
<b>Biennial Totals</b>										
<b>03-05 Biennium</b>	<b>\$25,395</b>	<b>8.7%</b>	<b>\$0</b>	<b>NA</b>	<b>\$25,395</b>	<b>8.7%</b>	<b>\$0</b>	<b>NA</b>	<b>\$25,395</b>	<b>8.7%</b>
<b>05-07 Biennium</b>	<b>\$29,785</b>	<b>17.3%</b>	<b>\$381</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>
<b>07-09 Biennium</b>	<b>\$29,817</b>	<b>0.1%</b>	<b>\$437</b>	<b>14.8%</b>	<b>\$30,254</b>	<b>0.3%</b>	<b>\$0</b>	<b>NA</b>	<b>\$30,254</b>	<b>0.3%</b>
<b>09-11 Biennium</b>	<b>\$28,218</b>	<b>-5.4%</b>	<b>\$269</b>	<b>-38.5%</b>	<b>\$28,487</b>	<b>-5.8%</b>	<b>\$99</b>	<b>NA</b>	<b>\$28,586</b>	<b>-5.5%</b>
<b>11-13 Biennium</b>	<b>\$30,657</b>	<b>8.6%</b>	<b>\$215</b>	<b>-19.9%</b>	<b>\$30,872</b>	<b>8.4%</b>	<b>\$244</b>	<b>145.2%</b>	<b>\$31,116</b>	<b>8.8%</b>
<b>13-15 Biennium</b>	<b>\$33,666</b>	<b>9.8%</b>	<b>\$405</b>	<b>88.0%</b>	<b>\$34,071</b>	<b>10.4%</b>	<b>\$234</b>	<b>-4.1%</b>	<b>\$34,305</b>	<b>10.2%</b>
<b>15-17 Biennium</b>	<b>\$37,091</b>	<b>10.2%</b>	<b>\$447</b>	<b>10.3%</b>	<b>\$37,538</b>	<b>10.2%</b>	<b>\$277</b>	<b>18.3%</b>	<b>\$37,814</b>	<b>10.2%</b>
<b>17-19 Biennium</b>	<b>\$40,538</b>	<b>9.3%</b>	<b>\$503</b>	<b>12.7%</b>	<b>\$41,041</b>	<b>9.3%</b>	<b>\$262</b>	<b>-5.4%</b>	<b>\$41,303</b>	<b>9.2%</b>

\*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 September 2015 and May 2015 forecasts  
2013-15 Biennium  
(Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.5	\$0.0	\$1.0	\$36.5	\$1.0
Insurance Commissioner Insurance Premiums	\$985.5	\$0.0	\$0.3	\$985.9	\$0.3
Liquor Control Board Taxes, Licenses, and Fees	\$265.4	\$8.4	\$1.2	\$275.0	\$9.6
Lottery Commission Lottery Revenue	\$9.9	\$0.0	\$0.0	\$9.9	\$0.0
State Treasurer Interest Earnings	(\$1.8)	\$0.0	\$1.2	(\$0.7)	\$1.2
Office of Financial Management Other Agencies	\$218.7	\$0.0	\$4.2	\$223.0	\$4.2
Administrative Office of the Courts Fines and Forfeitures	\$168.8	\$0.0	\$1.3	\$170.0	\$1.3
<b>Total General Fund-State</b>	<b>\$1,682.1</b>	<b>\$8.4</b>	<b>\$9.1</b>	<b>\$1,699.6</b>	<b>\$17.6</b>

**General Fund-State GAAP Estimates - Other Agencies**  
Comparison of the September 2015 and May 2015 forecasts  
2013-15 Biennium  
(Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.5	\$0.0	\$1.0	\$36.5	\$1.0
Insurance Commissioner Insurance Premiums	\$985.5	\$0.0	\$0.3	\$985.9	\$0.3
Liquor Control Board Taxes, Licenses, and Fees	\$265.4	\$8.4	\$1.2	\$275.0	\$9.6
Lottery Commission Lottery Revenue	\$2.1	\$0.0	(\$1.5)	\$0.6	(\$1.5)
State Treasurer Interest Earnings	(\$1.6)	\$0.0	\$0.6	(\$1.0)	\$0.6
Office of Financial Management Other Agencies	\$214.7	\$0.0	\$6.2	\$221.0	\$6.2
Administrative Office of the Courts Fines and Forfeitures	\$168.8	\$0.0	\$1.3	\$170.0	\$1.3
<b>Total General Fund-State</b>	<b>\$1,670.5</b>	<b>\$8.4</b>	<b>\$9.1</b>	<b>\$1,687.9</b>	<b>\$17.5</b>

\* Detail may not total due to rounding.

**General Fund-State Cash Estimates - Other Agencies**  
 Comparison of the September 2015 and May 2015 forecasts  
 2015-17 Biennium  
 (Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.5	\$36.1	\$0.5
Insurance Commissioner Insurance Premiums	\$1,083.8	\$0.0	\$13.1	\$1,096.9	\$13.1
Liquor Control Board Taxes, Licenses, and Fees	\$284.8	\$35.0	\$28.7	\$348.6	\$63.7
Lottery Commission Lottery Revenue	\$6.1	\$0.0	\$3.2	\$9.4	\$3.2
State Treasurer Interest Earnings	\$7.6	\$0.0	\$5.4	\$13.0	\$5.4
Office of Financial Management Other Agencies	\$177.7	\$15.5	\$8.0	\$201.2	\$23.5
Administrative Office of the Courts Fines and Forfeitures	\$163.8	\$4.6	\$0.7	\$169.2	\$5.3
<b>Total General Fund-State</b>	<b>\$1,759.6</b>	<b>\$55.2</b>	<b>\$59.6</b>	<b>\$1,874.4</b>	<b>\$114.8</b>

**General Fund-State GAAP Estimates - Other Agencies**  
 Comparison of the September 2015 and May 2015 forecasts  
 2015-17 Biennium  
 (Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.5	\$36.1	\$0.5
Insurance Commissioner Insurance Premiums	\$1,083.8	\$0.0	\$13.1	\$1,096.9	\$13.1
Liquor Control Board Taxes, Licenses, and Fees	\$284.8	\$35.0	\$28.7	\$348.6	\$63.7
Lottery Commission Lottery Revenue	\$11.1	\$0.0	\$7.8	\$18.9	\$7.8
State Treasurer Interest Earnings	\$8.2	\$0.0	\$4.8	\$13.0	\$4.8
Office of Financial Management Other Agencies	\$177.7	\$15.5	\$8.0	\$201.2	\$23.5
Administrative Office of the Courts Fines and Forfeitures	\$163.8	\$4.6	\$0.7	\$169.2	\$5.3
<b>Total General Fund-State</b>	<b>\$1,765.1</b>	<b>\$55.2</b>	<b>\$63.5</b>	<b>\$1,883.8</b>	<b>\$118.7</b>

\* Detail may not total due to rounding.

**General Fund-State Cash Estimates - Other Agencies**  
 Comparison of the September 2015 and May 2015 forecasts  
 2017-19 Biennium  
 (Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.1	\$0.5	\$36.8	\$0.5
Insurance Commissioner Insurance Premiums	\$1,171.5	\$0.0	\$11.8	\$1,183.3	\$11.8
Liquor Control Board Taxes, Licenses, and Fees	\$362.7	\$102.2	\$11.5	\$476.4	\$113.7
Lottery Commission Lottery Revenue	\$15.8	\$0.0	\$8.9	\$24.7	\$8.9
State Treasurer Interest Earnings	\$42.3	\$0.0	\$4.7	\$46.9	\$4.7
Office of Financial Management Other Agencies	\$184.8	\$0.8	\$9.9	\$195.5	\$10.7
Administrative Office of the Courts Fines and Forfeitures	\$174.6	\$4.6	\$0.1	\$179.3	\$4.7
<b>Total General Fund-State</b>	<b>\$1,987.9</b>	<b>\$107.6</b>	<b>\$47.3</b>	<b>\$2,142.8</b>	<b>\$154.9</b>

**General Fund-State GAAP Estimates - Other Agencies**  
 Comparison of the September 2015 and May 2015 forecasts  
 2017-19 Biennium  
 (Amounts in Millions)

Source/Agency	May 2015 Baseline	Non-Economic Changes	Economic Changes	September 2015 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.1	\$0.5	\$36.8	\$0.5
Insurance Commissioner Insurance Premiums	\$1,171.5	\$0.0	\$11.8	\$1,183.3	\$11.8
Liquor Control Board Taxes, Licenses, and Fees	\$362.7	\$102.2	\$11.5	\$476.4	\$113.7
Lottery Commission Lottery Revenue	\$20.1	\$0.0	\$10.4	\$30.5	\$10.4
State Treasurer Interest Earnings	\$43.6	\$0.0	\$4.7	\$48.3	\$4.7
Office of Financial Management Other Agencies	\$184.8	\$0.8	\$9.9	\$195.5	\$10.7
Administrative Office of the Courts Fines and Forfeitures	\$174.6	\$4.6	\$0.1	\$179.3	\$4.7
<b>Total General Fund-State</b>	<b>\$1,993.5</b>	<b>\$107.6</b>	<b>\$48.9</b>	<b>\$2,150.0</b>	<b>\$156.5</b>

\* Detail may not total due to rounding.

**Lottery transfers by fund**

(cash basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4
2016	159.4	0.0	0.0	11.7	0.0	0.0	0.3	3.9
2017	159.8	9.4	0.0	12.2	0.0	0.0	0.3	3.8
2015-17 Biennium	319.3	9.4	0.0	23.8	0.0	0.0	0.6	7.7
2018	156.2	9.5	0.0	12.6	0.0	0.0	0.3	3.8
2019	164.2	15.2	0.0	12.2	0.0	0.0	0.3	3.8
2017-19 Biennium	320.4	24.7	0.0	24.8	0.0	0.0	0.7	7.6

\* 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)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7
2016	157.1	9.4	0.0	11.7	0.0	0.0	0.3	3.8
2017	160.0	9.5	0.0	12.2	0.0	0.0	0.3	3.8
2015-17 Biennium	317.0	18.9	0.0	23.8	0.0	0.0	0.6	7.6
2018	161.9	15.2	0.0	12.6	0.0	0.0	0.3	3.8
2019	164.3	15.3	0.0	12.2	0.0	0.0	0.3	3.8
2017-19 Biennium	326.2	30.5	0.0	24.8	0.0	0.0	0.7	7.6

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

Source: Lottery Commission, ERFC

## U.S. Forecast Comparison

	2015Q2	2015Q3	2015Q4	2016Q1	2013	2014	2015	2016	2017	2018	2019
<b>Real GDP (Billions of 2009 Dollars)</b>											
September Forecast	16,324	16,420	16,528	16,635	15,583	15,962	16,362	16,807	17,261	17,709	18,134
Percent Change	3.7%	2.4%	2.7%	2.6%	1.5%	2.4%	2.5%	2.7%	2.7%	2.6%	2.4%
June Forecast	16,420	16,543	16,665	16,779	15,710	16,086	16,483	16,951	17,409	17,862	18,290
Percent Change	2.8%	3.1%	3.0%	2.8%	2.2%	2.4%	2.5%	2.8%	2.7%	2.6%	2.4%
<b>Real Consumption (Billions of 2009 Dollars)</b>											
September Forecast	11,166	11,247	11,331	11,413	10,590	10,876	11,206	11,529	11,840	12,136	12,439
Percent Change	3.1%	2.9%	3.0%	2.9%	1.7%	2.7%	3.0%	2.9%	2.7%	2.5%	2.5%
June Forecast	11,263	11,348	11,431	11,510	10,700	10,969	11,304	11,624	11,938	12,236	12,542
Percent Change	3.3%	3.1%	3.0%	2.8%	2.4%	2.5%	3.1%	2.8%	2.7%	2.5%	2.5%
<b>Implicit Price Deflator, PCE (2009=1.00)</b>											
September Forecast	1.094	1.099	1.100	1.104	1.076	1.091	1.095	1.110	1.129	1.149	1.169
Percent Change	2.2%	1.8%	0.3%	1.6%	1.4%	1.4%	0.4%	1.4%	1.7%	1.8%	1.7%
June Forecast	1.091	1.095	1.099	1.104	1.073	1.088	1.092	1.111	1.131	1.152	1.171
Percent Change	2.4%	1.5%	1.3%	1.9%	1.2%	1.3%	0.4%	1.8%	1.8%	1.8%	1.7%
<b>Real Personal Income (Billions of 2009 Dollars)</b>											
September Forecast	13,915	14,027	14,162	14,294	13,078	13,468	13,991	14,456	14,922	15,404	15,864
Percent Change	1.6%	3.3%	3.9%	3.8%	-0.3%	3.0%	3.9%	3.3%	3.2%	3.2%	3.0%
June Forecast	13,982	14,059	14,160	14,286	13,199	13,542	14,032	14,441	14,964	15,484	15,970
Percent Change	1.5%	2.2%	2.9%	3.6%	0.8%	2.6%	3.6%	2.9%	3.6%	3.5%	3.1%
<b>Nonfarm Payroll Employment (Millions)</b>											
September Forecast	141.6	142.3	143.0	143.6	136.4	139.0	142.0	144.4	146.4	148.0	149.0
Percent Change	1.7%	2.1%	1.9%	1.7%	1.7%	1.9%	2.1%	1.7%	1.4%	1.1%	0.6%
June Forecast	141.7	142.3	142.9	143.3	136.4	139.0	142.0	144.1	146.1	147.7	149.0
Percent Change	2.0%	1.8%	1.5%	1.4%	1.7%	1.9%	2.1%	1.5%	1.4%	1.1%	0.9%
<b>Unemployment Rate (Percent of Labor Force)</b>											
September Forecast	5.4	5.2	5.2	5.1	7.4	6.2	5.3	5.1	5.1	5.1	5.1
June Forecast	5.3	5.3	5.2	5.1	7.4	6.2	5.3	5.0	4.9	5.0	5.0
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>											
September Forecast	3.8	4.0	4.1	4.3	4.0	4.2	3.9	4.4	4.7	5.2	5.5
June Forecast	3.8	4.0	4.2	4.5	4.0	4.2	3.9	4.8	5.5	5.8	5.7
<b>3 Month T-Bill Rate (Percent, average)</b>											
September Forecast	0.0	0.1	0.2	0.5	0.1	0.0	0.1	0.8	1.8	2.8	3.0
June Forecast	0.1	0.3	0.5	0.8	0.1	0.0	0.2	1.2	2.9	3.5	3.5

**Washington Forecast Comparison**

	2015Q2	2015Q3	2015Q4	2016Q1	2013	2014	2015	2016	2017	2018	2019
<b>Real Personal Income (Billions of 2009 Dollars)</b>											
September Forecast	335.5	337.6	340.0	345.4	309.2	321.4	336.6	348.6	361.4	374.5	387.4
Percent Change	2.5%	2.5%	2.9%	6.6%	1.1%	3.9%	4.7%	3.6%	3.7%	3.6%	3.4%
June Forecast	334.9	337.2	339.6	343.2	309.9	322.3	336.6	347.6	361.7	376.0	389.6
Percent Change	0.3%	2.9%	2.8%	4.4%	1.3%	4.0%	4.4%	3.3%	4.1%	3.9%	3.6%
<b>Personal Income (Billions of Dollars)</b>											
September Forecast	366.9	370.9	373.8	381.3	332.7	350.6	368.6	387.0	408.0	430.4	452.9
Percent Change	4.7%	4.3%	3.2%	8.2%	2.5%	5.4%	5.1%	5.0%	5.4%	5.5%	5.2%
June Forecast	365.3	369.3	373.0	378.8	332.7	350.5	367.6	386.4	409.3	433.0	456.4
Percent Change	2.7%	4.4%	4.1%	6.4%	2.5%	5.4%	4.9%	5.1%	5.9%	5.8%	5.4%
<b>Nonfarm Payroll Employment (Thousands)</b>											
September Forecast	3155	3173	3188	3201	2993	3072	3163	3220	3273	3320	3355
Percent Change	2.8%	2.3%	1.9%	1.7%	2.4%	2.7%	3.0%	1.8%	1.6%	1.4%	1.1%
June Forecast	3145	3162	3178	3192	2993	3072	3153	3212	3263	3310	3353
Percent Change	2.6%	2.2%	2.0%	1.8%	2.4%	2.7%	2.6%	1.9%	1.6%	1.4%	1.3%
<b>Unemployment Rate (Percent of Labor Force)</b>											
September Forecast	5.4	5.3	5.2	5.2	6.9	6.3	5.5	5.2	5.3	5.2	5.2
June Forecast	5.7	5.6	5.4	5.3	6.9	6.3	5.7	5.2	5.1	5.2	5.2
<b>Manufacturing Employment (Thousands)</b>											
September Forecast	288.5	287.5	286.6	287.2	286.7	288.2	288.0	287.7	288.8	290.3	291.5
Percent Change	-1.3%	-1.4%	-1.3%	0.9%	2.3%	0.5%	-0.1%	-0.1%	0.4%	0.5%	0.4%
June Forecast	288.9	289.2	290.7	291.7	286.7	288.5	289.6	292.2	294.0	296.3	297.8
Percent Change	-0.8%	0.4%	2.1%	1.4%	2.3%	0.6%	0.4%	0.9%	0.6%	0.8%	0.5%
<b>Construction Employment (Thousands)</b>											
September Forecast	174.5	175.0	175.6	176.4	149.0	159.3	174.4	178.1	185.4	193.1	199.0
Percent Change	4.6%	1.2%	1.2%	1.9%	7.1%	6.9%	9.5%	2.1%	4.1%	4.2%	3.0%
June Forecast	176.3	178.5	181.1	183.1	149.0	159.3	177.3	185.0	191.0	198.7	204.8
Percent Change	7.1%	5.1%	5.8%	4.6%	7.1%	7.0%	11.3%	4.3%	3.3%	4.0%	3.0%
<b>Housing Permits (Thousands)</b>											
September Forecast	36.8	35.5	36.4	37.5	33.0	33.9	40.6	39.1	42.6	44.0	44.6
Percent Change	-77.9%	-13.2%	10.4%	13.3%	17.2%	2.8%	19.7%	-3.7%	9.1%	3.2%	1.3%
June Forecast	37.4	37.5	38.1	38.8	33.0	33.3	41.7	40.0	43.3	44.4	44.7
Percent Change	-76.4%	1.3%	6.3%	8.2%	17.2%	1.1%	25.0%	-3.9%	8.0%	2.6%	0.8%

**Governor's Council of Economic Advisor's Forecast**

**Calendar Years**

	2015	2016	2017	2018	2019
<b>U.S.</b>					
<b>Real GDP</b>					
<i>Growth</i>					
ERFC	2.5	2.7	2.7	2.6	2.4
GCEA Average	2.4	2.6	2.5	2.3	2.1
<b>Real Consumption</b>					
<i>Growth</i>					
ERFC	3.0	2.9	2.7	2.5	2.5
GCEA Average	2.9	2.6	2.5	2.2	2.1
<b>Implicit Price Deflator, PCE</b>					
<i>Growth</i>					
ERFC	0.4	1.4	1.7	1.8	1.7
GCEA Average	0.6	1.6	1.7	1.7	1.8
<b>Mortgage Rate</b>					
<i>Percent</i>					
ERFC	3.9	4.4	4.7	5.2	5.5
GCEA Average	4.1	4.7	5.2	5.5	5.4
<b>Oil Price (Brent)</b>					
<i>Dollars per barrel</i>					
ERFC	54.9	55.0	59.5	62.3	63.9
GCEA Average	50.0	52.3	55.5	58.4	60.3

**What will China's real GDP growth rate be in 2016?**

6.1

**Washington State**

**Real Personal Income**

<i>Growth</i>					
ERFC	4.7	3.6	3.7	3.6	3.4
GCEA Average	4.6	3.7	3.5	3.3	3.0

**Wage and Salary Employment**

<i>Growth</i>					
ERFC	3.0	1.8	1.6	1.4	1.1
GCEA Average	2.9	2.0	1.7	1.4	1.2

**Manufacturing Employment**

<i>Growth</i>					
ERFC	-0.1	-0.1	0.4	0.5	0.4
GCEA Average	0.5	0.5	0.5	0.4	0.4

**Construction Employment**

<i>Growth</i>					
ERFC	9.5	2.1	4.1	4.2	3.0
GCEA Average	9.4	3.7	4.0	3.5	2.2

**Housing Permits**

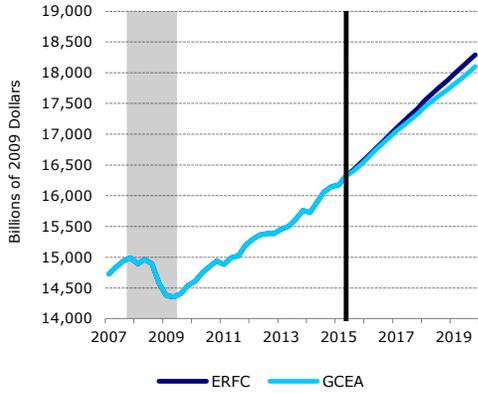
<i>Thousands of authorized units</i>					
ERFC	40.6	39.1	42.6	44.0	44.6
GCEA Average	39.3	40.3	43.1	43.5	43.4

**Washington Average Annual Wage**

<i>Growth</i>					
ERFC	2.5	3.0	3.5	3.7	4.1
GCEA Average	2.5	3.0	3.1	3.1	3.1

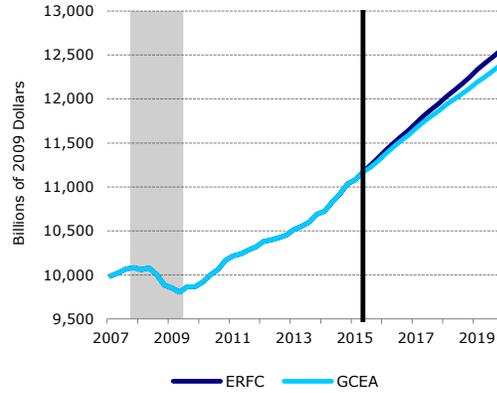
# U.S. Forecast Comparison

### Real GDP



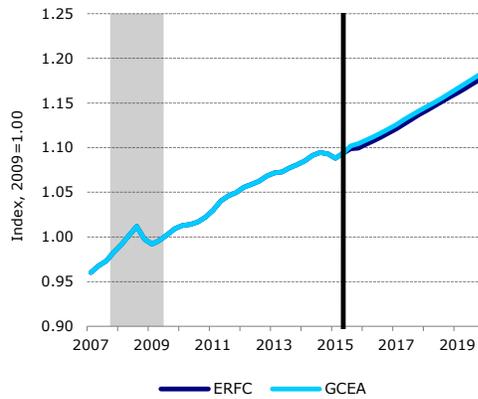
Source: BEA, ERFC, GCEA; data through 2015 Q2

### Real Consumption



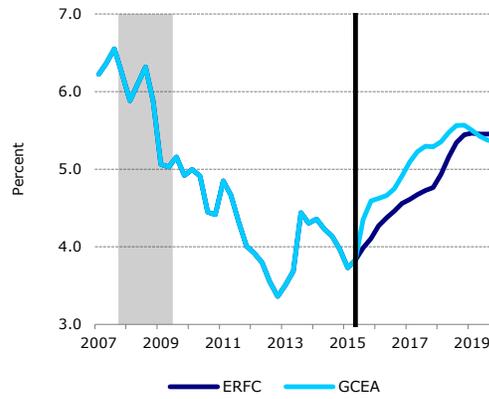
Source: BEA, ERFC, GCEA; data through 2015 Q2

### Implicit Price Deflator, PCE



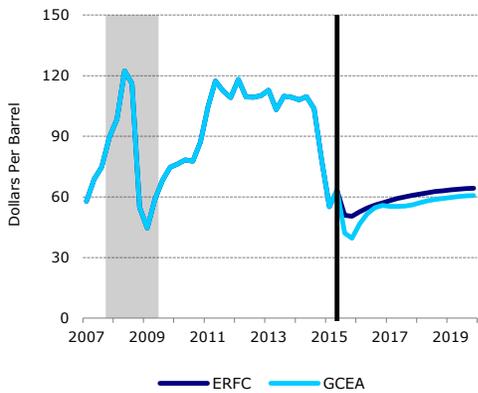
Source: BEA, ERFC, GCEA; data through 2015 Q2

### Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2015 Q2

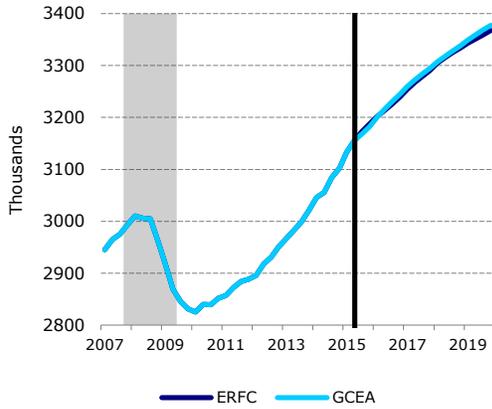
### Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2015 Q2

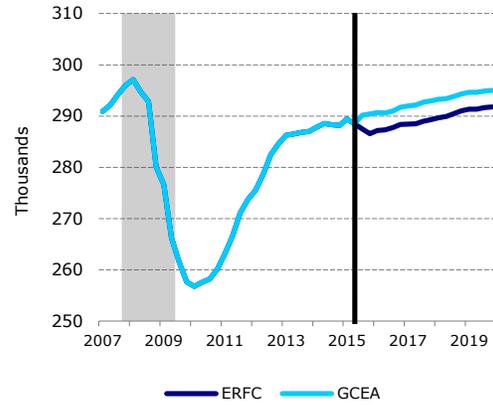
# Washington Forecast Comparison

### Nonfarm Payroll Employment



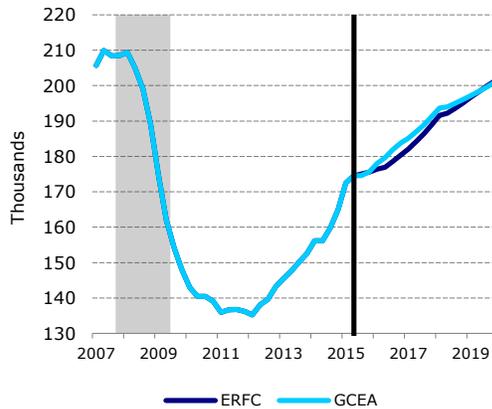
Source: ESD, ERFC, GCEA; data through 2015 Q2

### Manufacturing Employment



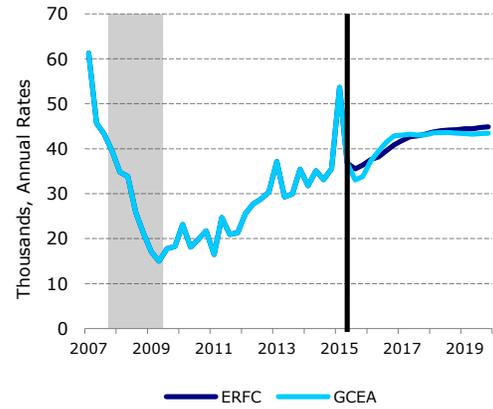
Source: ESD, ERFC, GCEA; data through 2015 Q2

### Construction Employment



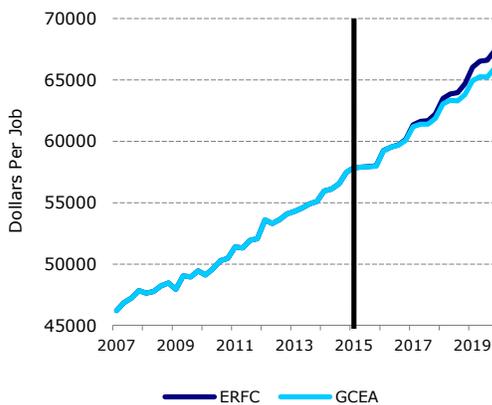
Source: ESD, ERFC, GCEA; data through 2015 Q2

### Housing Units Authorized



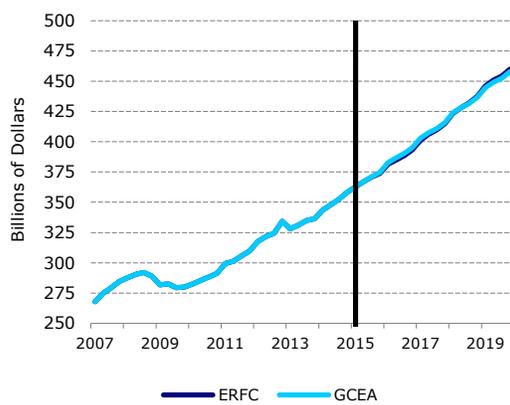
Source: Census, ERFC, GCEA; data through 2015 Q2

### Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2015 Q1

### Personal Income



Source: BEA, ERFC, GCEA; data through 2015 Q1

**September 2015**  
Alternative Forecasts  
Millions of Dollars

Cash Basis

**2015-17 Biennium**

	<u>2013-15 Biennium</u>	<u>Difference From the September 2015 Baseline</u>
September 2015 Baseline (55%)	\$37,091	
September 2015 Alternative Forecasts		
Optimistic (15%)	\$39,187	\$2,096
Pessimistic (30%)	\$35,043	(\$2,048)
Probability Weighted Average	\$36,791	(\$300)
GCEA*	\$37,160	\$69

**2017-19 Biennium**

	<u>2017-19 Biennium</u>	<u>Difference From the September 2015 Baseline</u>
September 2015 Baseline (55%)	\$40,538	
September 2015 Alternative Forecasts		
Optimistic (15%)	\$44,796	\$4,258
Pessimistic (30%)	\$36,425	(\$4,113)
Probability Weighted Average	\$39,943	(\$595)
GCEA*	\$40,412	(\$126)

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

**Revenue Legislation Affecting General Fund-State Revenues  
Passed in the 2015 2nd and 3rd Special Legislative Session**

(Revenues in millions \$)

ID	Description	GF-S Revenue					
		FY 2016	FY 2017	FY 2018	FY 2019	BI 2015-17	BI 2017-19
ESHB 2128	Dept of agriculture fees	(0.002)	(0.002)	(0.002)	(0.002)	(0.004)	(0.004)
<b>2E2SHB 2136</b>	<b>Marijuana Market Reforms (Impact since June Forecast)</b>	<b>(2.171)</b>	<b>17.000</b>	<b>16.110</b>	<b>25.225</b>	<b>14.829</b>	<b>41.334</b>
	Marijuana market reforms	(2.171)	17.000	31.110	40.225	14.829	71.334
	Local Distribution			(15.000)	(15.000)	-	(30.000)
<b>2ESSB 5987</b>	<b>Transportation revenue</b>	-	-	-	-	-	-
	Retail sales	(3.196)	(3.835)	(4.218)	(9.042)	(7.031)	(13.260)
	B&O			(2.657)	(2.657)	-	(5.314)
	PUT	(2.500)	(6.000)	(6.093)	(6.093)	(8.500)	(12.186)
	Transfer in from multimodal	2.946	7.085	10.218	15.042	10.031	25.260
	Transfer in from multimodal for CTR	2.750	2.750	2.750	2.750	5.500	5.500
ESB 6013	Charity supporter tax relief	(0.005)	(0.005)	(0.015)	(0.015)	(0.010)	(0.030)
<b>ESSB 6057</b>	<b>Tax prefs &amp; admin/econ devel</b>	<b>(14.986)</b>	<b>(20.420)</b>	<b>(28.921)</b>	<b>(37.735)</b>	<b>(35.406)</b>	<b>(66.656)</b>
	Retail sales	(7.665)	(8.984)	(13.800)	(22.165)	(16.649)	(35.965)
	B&O	(6.236)	(8.105)	(10.036)	(10.193)	(14.341)	(20.229)
	B&O credit	-	(0.450)	(0.450)	(0.450)	(0.450)	(0.900)
	Use Tax	(0.966)	(1.368)	(1.445)	(1.513)	(2.334)	(2.958)
	PUT	(0.754)	(2.148)	(3.825)	(4.053)	(2.902)	(7.878)
	Leasehold Excise				0.004	-	0.004
	Other Licenses	0.635	0.635	0.635	0.635	1.270	1.270
<b>ESSB 6138</b>	<b>Tax pref elim and compliance</b>	<b>73.838</b>	<b>111.419</b>	<b>126.221</b>	<b>140.581</b>	<b>185.257</b>	<b>266.802</b>
Part III	Click-Through Nexus/Software	37.510	48.007	51.274	54.673	85.517	105.947
Part I/II	B&O Royalty Income/Nexus OS WH	25.908	50.902	62.437	73.398	76.810	135.835
Part IV	Penalties	10.420	12.510	12.510	12.510	22.930	25.020
	Budget-driven revenue changes to GF-S (some assumed to continue into 17-19 biennium)	6.925	21.761	22.300	22.300	28.686	44.600
<b>Total GF-S Revenue Impact</b>		<b>63.599</b>	<b>129.753</b>	<b>135.693</b>	<b>150.354</b>	<b>193.352</b>	<b>286.047</b>

**Revenue Legislation Affecting Opportunity Pathways Account Revenues**

2ESSB 5681	State lottery accounts (to OPA)	7.600	7.600	7.600	7.600	15.200	15.200
	Budget-driven revenue changes to OPA (some assumed to continue into 17-19 biennium)	5.574	5.547	5.547	5.547	11.121	11.094
<b>Total Opportunity Pathways Account Revenue Impact</b>		<b>13.174</b>	<b>13.147</b>	<b>13.147</b>	<b>13.147</b>	<b>26.321</b>	<b>26.294</b>

<b>Total Near GFS Impact</b>		<b>76.773</b>	<b>142.900</b>	<b>148.840</b>	<b>163.501</b>	<b>219.673</b>	<b>312.341</b>
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Source: Office of Financial Management, September 2015

**2013-15 with Enacted Supplementals and 2015-17 Enacted Budget Balance Sheet**  
**General Fund-State (GFS), Education Legacy Trust Account (ELTA), Washington Opportunity Pathways Account (OPA)**  
**and Budget Stabilization Account**  
Dollars in Millions

	2013-15			2015-17		
	GFS	ELTA and OPA	TOTAL	GFS	ELTA and OPA	TOTAL
<b>RESOURCES</b>						
<b>Beginning Fund Balance</b>	167.5	(11.1)	156.4	899.6	26.5	926.1
June 2015 Forecast (Presented on May 18, 2015)	33,652.8	627.6	34,280.4	36,758.1	693.0	37,451.1
Revenue Legislation and Budget Driven Revenue (since June 2015 forecast)	8.4	(0.5)	7.9	193.4	26.3	219.7
September 2015 Revenue Update (Economic Changes)	4.8	11.6	16.4	139.5	4.0	143.5
<b>Current Revenue Totals</b>	<b>33,666.0</b>	<b>638.7</b>	<b>34,304.7</b>	<b>37,091.0</b>	<b>723.3</b>	<b>37,814.3</b>
Transfer to Budget Stabilization Account (BSA)	(318.5)		(318.5)	(371.6)		(371.6)
Previously Enacted Fund Transfers	135.0	293.3	428.3	-	-	-
Prior Period Adjustments and Alignments	12.8	-	12.8	40.8		40.8
<b>2015 Legislative Sessions</b>						
Extraordinary Revenue Growth transfer to BSA	(37.9)		(37.9)	(4.7)		(4.7)
Transfer back from BSA	37.9		37.9	4.7		4.7
Newly Enacted Fund Transfers	1.9	-	1.9	178.0	-	178.0
<b>Total Resources (including beginning fund balance)</b>	<b>33,664.8</b>	<b>921.0</b>	<b>34,585.7</b>	<b>37,837.8</b>	<b>749.8</b>	<b>38,587.6</b>
<b>EXPENDITURES</b>						
<b>Enacted Budgets</b>						
Enacted 2013-15 Budgets and Legislation (pre 2015 Session)	32,868.6	925.5	33,794.1	-	-	-
Enacted 2015 Supplementals	26.8	(31.1)	(4.3)	-	-	-
Enacted 2015-17 Budget			-	37,507.5	711.9	38,219.4
Lapses and Governor's Vetoes	109.9	-	109.9	(0.2)	-	(0.2)
Actual and Assumed Reversions	(240.1)		(240.1)	(172.5)		(172.5)
<b>Total Expenditures</b>	<b>32,765.2</b>	<b>894.4</b>	<b>33,659.6</b>	<b>37,334.8</b>	<b>711.9</b>	<b>38,046.7</b>
<b>RESERVES</b>						
<b>Projected Ending GFS, ELTA &amp; OPA Balances</b>	<b>899.6</b>	<b>26.5</b>	<b>926.1</b>	<b>503.0</b>	<b>37.9</b>	<b>541.0</b>
<b>Budget Stabilization Account</b>						
Budget Stabilization Account Beginning Balance	269.7		269.7	513.0		513.0
Transfer from General Fund and Interest Earnings	358.5		358.5	385.9		385.9
Transfer to General Fund	(37.9)		(37.9)	(4.7)		(4.7)
Less Expenditures in Enacted 2015 Early Supplemental	(77.2)		(77.2)	-		-
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>513.0</b>		<b>513.0</b>	<b>894.2</b>		<b>894.2</b>
<b>Total Reserves (Including Budget Stabilization)</b>	<b>1,412.6</b>	<b>26.5</b>	<b>1,439.1</b>	<b>1,397.3</b>	<b>37.9</b>	<b>1,435.2</b>