

EMBARGOED

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Revenue Review Meeting

February 19, 2014



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

February 19, 2014
10:00 a.m.

- Call to order
- Approval of meeting minutes: February 6, 2014
- 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

February 6, 2014
Senate Rules Room

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Andy Hill, Senator
Jim Hargrove, Senator
Treasurer James McIntire
Terry Nealey, House of Representatives
Carol Nelson, Department of Revenue

Staff

Steve Lerch, Executive Director, ERFC

Call to Order

The meeting was called to order by Representative Hunter at 2:33 pm.

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 shadow inventory of housing, the national unemployment rate, and Washington's payroll employment.

Motion

Treasurer McIntire made a motion to adopt the economic forecast, seconded by Senator Hill. The motion passed unanimously at 2:55 p.m.

Motion

Senator Hill made a motion to approve the meeting minutes from January 28, 2014, seconded by Representative Nealey. Council approved the motion at 2:56 pm.

Adjournment

Meeting adjourned at 2:56 pm.

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



Revenue Review: February 19, 2014

Executive Summary

- The final U.S. economic forecast is based on the February release of the Global Insight forecast. The February Global Insight forecast is quite similar to their January forecast used as the basis of our preliminary economic forecast. As in January, Global Insight assumes that the Federal Reserve will continue to “taper” its quantitative easing program, reducing purchases of mortgage-backed securities and Treasury bonds by about \$10 billion per month through the fourth quarter of this year. The Federal Reserve is not assumed to raise short-term interest rates until late 2015. The final economic forecast also uses the February Blue Chip consensus forecast of real GDP growth instead of the January Blue Chip consensus used for the preliminary forecast. As a result, real GDP growth has been increased from 2.8% to 2.9% for 2014; growth rates for 2015 – 2017 remain unchanged from the preliminary forecast.
- The February Global Insight forecast also incorporates data on December U.S. employment (+75,000 jobs). This information was not available in the January Global Insight forecast on which our preliminary forecast was based.
- As in November, factors outside the state account for the high downside risk to the forecast. A slowing Chinese economy, the potential for a slowdown in the U.S. housing recovery, and European economic and debt problems all remain major threats to the U.S. and Washington economies. However, the passage of a federal budget in January and the recent suspension of the debt ceiling reduce uncertainty surrounding federal fiscal policy.
- The housing market appears to have slowed in December. Housing units authorized by building permits were 3.0% (SAAR) below their November level, dropping to 986,000 units after having been above one million units in the previous two months. Existing home sales in December were 1.0% (SAAR) higher than in November after having declined in the three previous months. For all of 2013, existing homes sales reached 5.09 million, which is 9.1% above the 2012 sales level. New home sales have decreased for two consecutive months, with December sales 7.0% lower (SAAR) than in November. However, an estimated 428,000 new homes were sold in 2013, 16.4% above 2012 new home sales. The number of pending home sales decreased by 8.7% in December, falling to its lowest level since August 2011. Despite the slowdown in activity, home price appreciation has continued. The seasonally adjusted Case-Shiller 20-city home price index has increased for twenty-two consecutive months through November 2013. The index is now 13.8% above the year-ago level (SA).
- Growth in manufacturing has slowed but remains positive, while the service sector continued to expand. Industrial production decreased by 0.3% in January (SA) after having increased 0.3% in December (SA) and 1.0% in November. Extremely cold and stormy weather in much of the country may be responsible for the weaker January data. Core capital goods orders (i.e., durables excluding aircraft and military) which are a proxy for business investment, decreased by 0.6% (SA) in December but were up by 4.5% for

2013 compared to 2012. Manufacturing activity, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), decreased to 51.3 in January (50 or higher indicates growth) from 56.5 in December. However, the manufacturing PMI has remained above 50 for the last eight months. After dropping for two straight months, the non-manufacturing PMI for January increased by 1.0 points to 54.0. The non-manufacturing PMI has remained above 50 for 49 consecutive months.

- The Conference Board index of consumer confidence increased for a second straight month, rising 3.2 points to 80.7 in January. By way of comparison, the January 2013 index was 58.4. The final University of Michigan consumer sentiment survey for January moved in the opposite direction, decreasing by 1.3 points to 81.2. However, like the Conference Board index, the University of Michigan survey is still well above its January 2013 reading of 73.8.
- Light motor vehicle (LMV) sales for January totaled 15.2 million units (SAAR). Although down from last year's monthly average of 15.6 million units, bad weather in much of the country is likely to be responsible for the slower sales.

Washington

- In the last two months the Washington economy added 9,500 jobs which is 900 more than the 8,700 expected in the November forecast. We have also incorporated another quarter of Quarterly Census of Payrolls and Employment (QCEW) benchmark employment data. The new QCEW data and other revisions raised the estimated level of total employment in October 2013 by 13,200. As a result of the upward revisions to history and slightly weaker than expected growth, the net effect is 14,100 (0.5%) more jobs in December 2013 than expected in the November forecast.
- In late December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2013. We have incorporated the new BEA estimates as well as additional Washington QCEW wage data through the third quarter. Our estimate of Washington personal income in the third quarter of 2013 is now \$329.4 billion which is just \$303 million (0.1%) higher than assumed in November.
- Despite the downturn in aerospace employment, the Institute of Supply Management - Western Washington Index (ISM-WW) continues to indicate positive growth in the broader manufacturing sector. After three months in the low 50's (index values above 50 indicate positive growth while values below 50 indicate contractions) the index bounced back to 61.1 in November, 62.3 in December, and 63.5 in January. The last time the Western Washington index was below 50 was in July 2009.
- The Washington economy received a boost in January from the recent agreement between Boeing and the machinists' union. There are approximately 31,000 Boeing machinists in Washington, each due \$10,000 as part of the contract extension agreement reached earlier this month. The effect of the bonus payment will be to raise income growth in the first quarter but lower it in the second quarter. The estimated \$310 million addition to personal income in 2014 amounts to slightly less than one-tenth of one percent of total personal income for the year.
- Washington housing construction rebounded in the fourth quarter of 2013 after a slump in the middle of the year. The number of housing units

authorized by building permits rose to 34,600 (SAAR) in the fourth quarter from 27,900 in the third quarter and 27,800 in the second quarter. The November forecast had assumed 30,100 units in the fourth quarter. Single-family permits were a little disappointing, coming in at 18,300 units compared to the forecast of 19,400 units but multi-family units exceeded the forecast coming in at 16,300 compared to a forecast of 10,800.

- Regional home prices continue to rise. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices have risen in each of the last 21 months and, as of November, are now 12.4% higher than in the previous November. Though prices and mortgage rates have risen, homes are still relatively affordable. Even with the recent gains, Seattle area home prices are 16.2% lower than their 2007 peak.
- Washington car and light truck sales growth resumed in December and January after a slowdown in the fall. Washington new light vehicle registrations increased from 266,900 vehicles (SAAR) in November to 270,100 in December and a post-recession high of 280,800 in January. January new light vehicle registrations were 4.8% higher than in the previous January.
- Washington exports rose to an all-time high \$22.5 billion in the fourth quarter of 2013. Fourth quarter exports were up 7.2% over the year following a year-over-year increase of 5.1% in the third quarter. The main reason for the improvement in growth in the fourth quarter was agricultural exports which rose 13.7% over the year following a 43.2% decline in the third quarter. Exports of transportation equipment (mostly Boeing planes) increased 5.2% over the year and exports from all other Washington industries rose 6.7% over the year.
- Inflation in the Seattle area remains low and slightly weaker than in the nation. In December 2013, the Seattle all items CPI was 1.3% higher than in the previous December compared to the 1.5% increase for the U.S. city average. Core inflation in Seattle was 1.3% compared to 1.7% for the nation.
- Overall, our final February forecast for Washington State is very similar to the forecast adopted in November. Washington employment growth is expected to grow at an average annual rate of 1.9% per year in 2014 through 2017, which is slightly higher than the 1.7% average rate assumed in November. Our new forecast for nominal personal income growth averages 5.1% per year which is the same rate assumed in the November forecast. This is the first forecast to extend through 2019. Washington employment is expected to grow at an average rate of 1.2% per year in 2018 and 2019 and Washington personal income is expected to grow at an average rate of 4.8% per year.

Revenue

- Revenue collections have been coming in very close to the November 2013 forecast. Cumulative General Fund-State (GF-S) revenue collections through February 10th were only \$2 million (0.0%) higher than forecasted. During the period, however, there were \$28 million in large refunds that were not included in the forecast. Without these refunds, collections would have been \$30 million (0.7%) above the forecast.
- Disregarding large one-time refunds, collections from Revenue Act sources (retail sales and use, business and occupation, public utility, and tobacco

products taxes) were \$40 million higher than forecasted. Though the February economic forecast was similar to November's, forecasted Revenue Act collections have been increased to reflect the improved collections. These modest increases, however, have been partially offset by decreases in several other revenue sources.

- Property tax collections since the November 2013 forecast came in \$13 million lower than forecasted and transfers of unclaimed property into the GF-S were \$9 million lower than forecasted. Forecasted revenue from both of these sources has also been reduced.
- Real estate excise taxes since the November 2013 forecast came in \$7 million higher than forecasted due to continuing strong sales of commercial property. December and January saw \$1.7 billion in commercial sales valued at \$10 million or more. Residential activity, however, has weakened since November. Forecasted real estate excise taxes have therefore been reduced slightly.
- The cigarette tax forecast has been reduced by \$11.3 million in the current biennium and \$25.5 million in the 2015-17 biennium due to a forecasted increase in sales lost to purchasers of e-cigarettes. Neither the tobacco products tax nor the cigarette tax applies to e-cigarettes, though retail sales and use taxes do apply to them. The forecasted decrease would have been sharper without a slight reduction in the forecast of bootleg sales from Oregon resulting from an increase in Oregon's cigarette tax that occurred on January 1, 2014.
- The net forecast change for the 2013-15 biennium was an increase of \$30.3 million. Forecasted GF-S revenue for the biennium is now \$33.013 million.
- Making use of the research conducted by Liquor Control Board (LCB) consultant BOTEK Analysis and acknowledging the recent guidelines issued by the U.S. Department of the Treasury regarding financial institutions and their ability to work with cannabis-related businesses, the forecast does include revenues from the sale of recreational cannabis. Although LCB has indicated that it expects retail sales to start in June 2014, local moratoria on cannabis businesses and other production uncertainties have the potential to impact the timing and amount of cannabis produced and sold. As a result, we have assumed retail sales will start in June 2015, with revenues being distributed starting in the 2015-17 biennium. The GF-S share of payments of license fees and the 25% excise taxes on production and sales of cannabis products is forecasted to total \$22.9 million. This revenue will be collected by the Liquor Control Board and distributed quarterly. Sales are forecasted to bring in another \$28.3 million in increased retail sales and business and occupation taxes, for a total GF-S impact of \$51.2 million.
- In addition to the forecast increase from cannabis sales, the 2015-17 biennium also saw a forecast increase of \$30.8 million due to economic factors, bringing the total forecast increase to \$82.0 million. The GF-S forecast for the 2015-17 biennium is now \$35.697 billion, which is 8.1% higher than forecasted revenue from the 2013-15 biennium.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

February 19, 2014
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The economic forecast is quite similar to November, with slightly stronger U.S. GDP and Washington employment
- Risks to the baseline are much the same as in November: the potential for slower Chinese economic growth and possible disruptions to the housing recovery; risks associated with federal fiscal policy have been reduced
- The GF-S revenue forecast has been increased by \$30 million for the 2013-15 biennium and by \$82 million for the 2015-17 biennium
- The Washington economy continues to grow slowly, with employment rising in most sectors except aerospace and federal government

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Small business outlook up slightly in last three months



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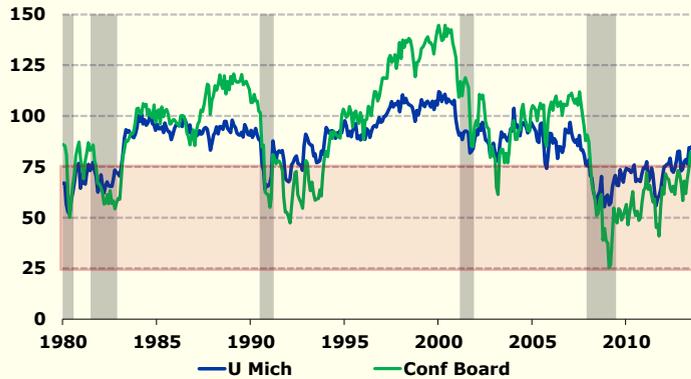
Source: National Federation of Independent Business; data through January 2014

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Consumer confidence has improved slightly over last three months

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



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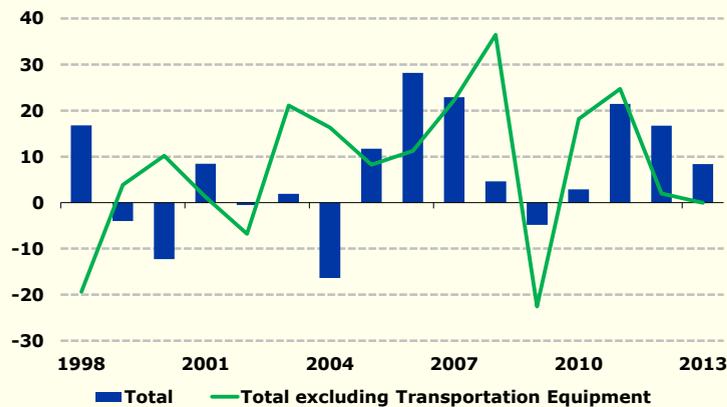
Source: University of Michigan; Conference Board, data through January 2014

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Washington export growth was weak in 2013

Washington Exports
Percent Change, year ago



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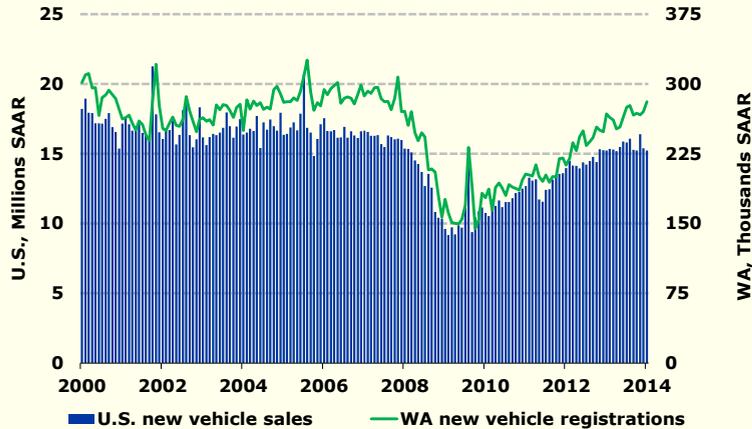
Source: WISER Trade Data; data through 2013

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Vehicle sales trend remains positive

WA new vehicle registrations in January were up 4.8% year-over-year.



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Sources: Autodata Corp., WA DOL; data through January 2014

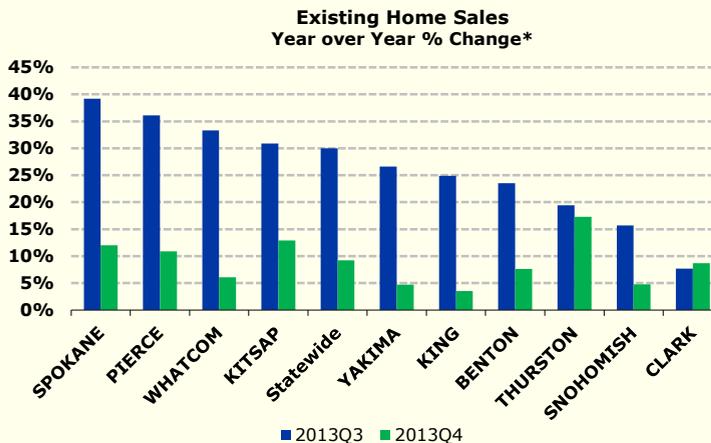
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Growth in existing home sales slowed in fourth quarter 2013

*Ten counties with highest existing home sales, 2013Q3



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Source: WA Center for Real Estate Research, ERF; 2013Q3 & Q4 data

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New information since preliminary economic forecast

New Blue Chip forecast for real GDP growth

- 2014 growth rate increased from 2.8% to 2.9%
- 2015 - 2019 growth rates unchanged

U.S. employment change in January

- 113,000; below 194,000 monthly change for 2013
- Unemployment rate decreased 0.1% to 6.6%

Debt ceiling suspended until March 2015

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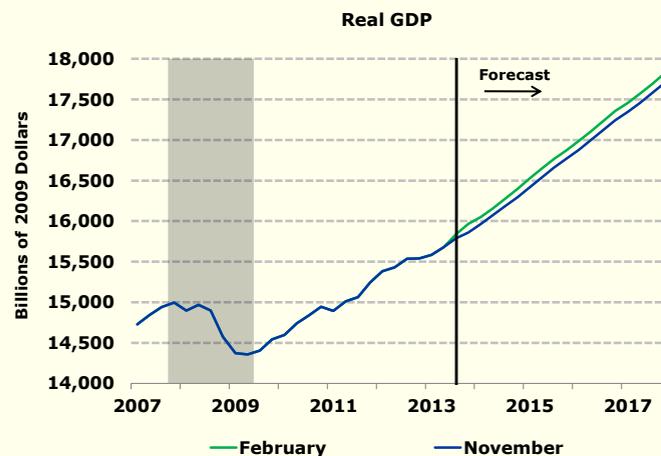
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The Blue Chip forecast for GDP is up slightly from November

Real GDP growth is slightly higher through 2015



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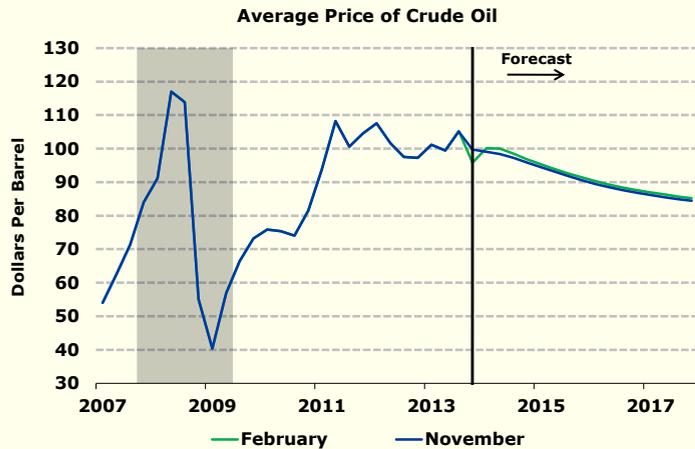
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Source: Global Insight, ERF February 2014 forecast; historical data through 2013Q4

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Oil prices are essentially unchanged



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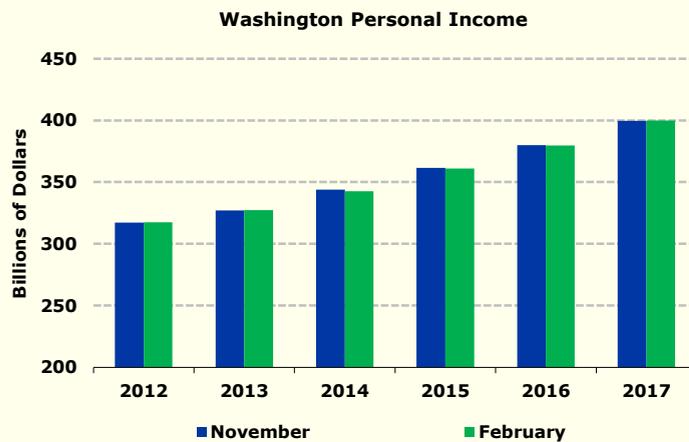
Source: DOE, ERFC February 2014 forecast; historical data through 2013Q4

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Washington personal income forecast is essentially unchanged...



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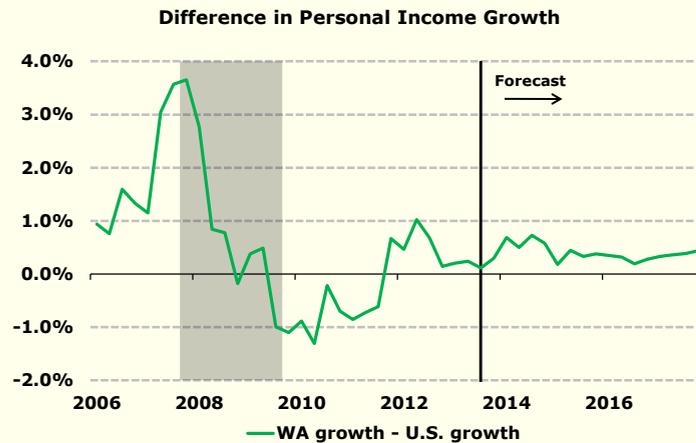
Source: ERFC February 2014 forecast; historical data through 2012

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State personal income will grow slightly faster than the U.S.



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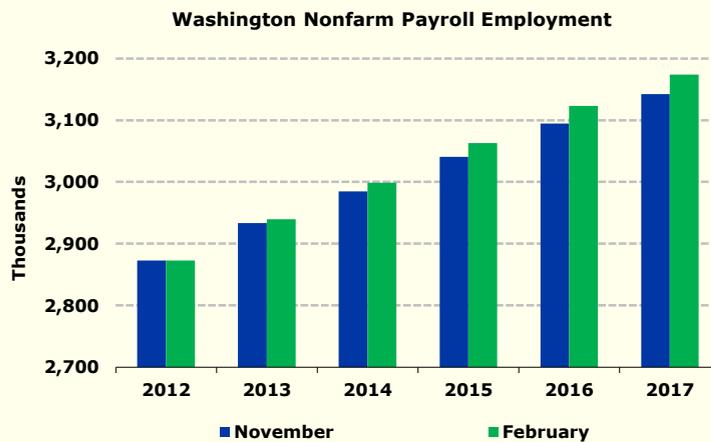
Source: ERFC February 2014 Forecast; historical data through 2013Q3

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Washington payroll employment forecast is slightly higher



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Source: ERFC February 2014 forecast; historical data through 2013

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Washington employment will grow slightly faster than the U.S.

Date of regaining peak:

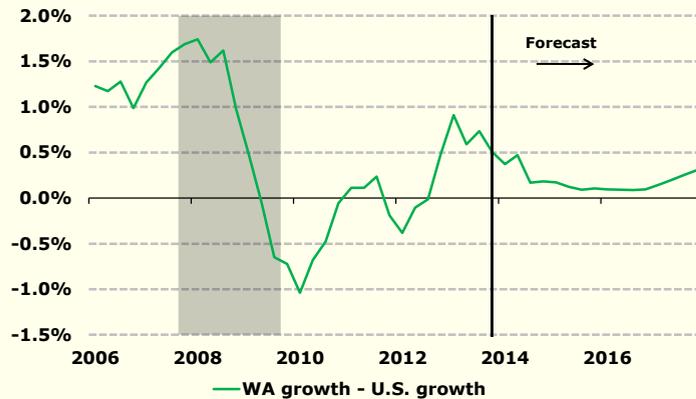
WA:
2014Q2

U.S.:
2014Q3

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Difference in Nonfarm Employment Growth



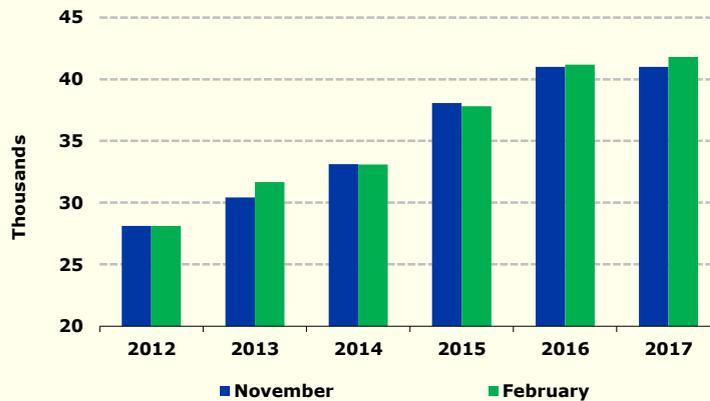
Source: ERFC February 2014 forecast; historical data through 2013Q4

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Washington housing permits forecast is slightly higher in 2016 and 2017

Washington Housing Permits



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Source: ERFC February 2014 forecast; historical data through 2013

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



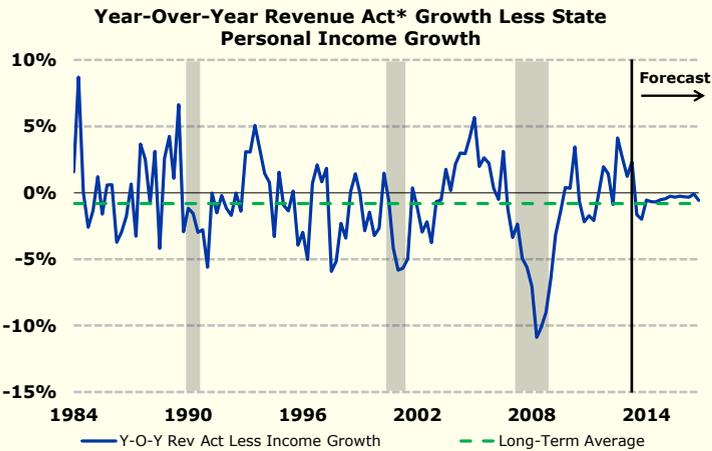
Forecasted Revenue Act growth relative to income is above the long-term average...

Revenue Act growth compared to income growth is forecasted to be slightly above the long-term average due to construction activity

The dip in the chart in mid-2013 through mid-2014 reflects the expiration of the B&O service tax surcharge

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*Adjusted for large one-time payments and refunds and payments under the amnesty program
Source: ERFC; Quarterly revenue data through Q4 2013, February 2014 income estimates

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...but personal income is growing slowing

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Source: BEA, ERFC; historical data through 2013Q3

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Rev Act collections still above pre-recession peak despite surtax sunset

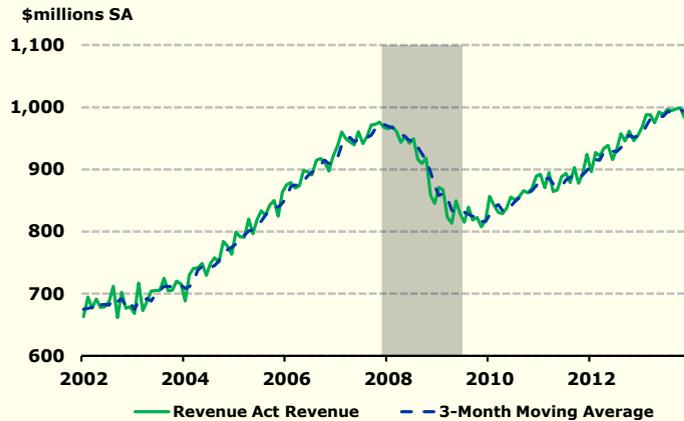
Seasonally adjusted collections increased in the January 11th - February 10th collection period (December taxable activity)

The 0.3% B&O services surtax expired on July 1, 2013

The surtax brought in \$20-\$26 million per month

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

Source: DOR and ERFC; monthly data through estimated December 2013 activity

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Sales tax growth has slowed in last two months



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Source: ERFC; Monthly data through December 2013 preliminary activity

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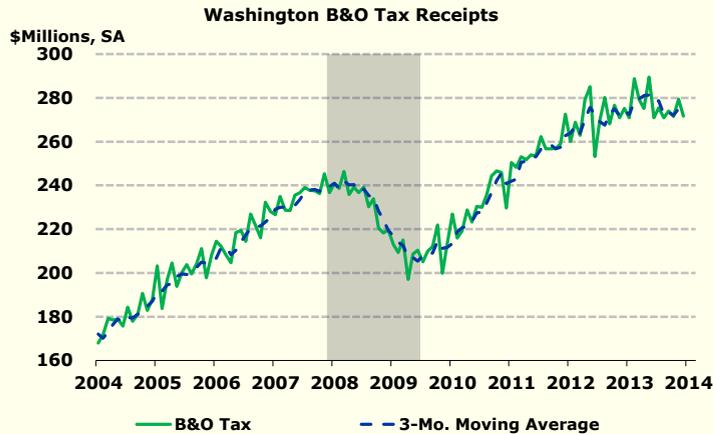


B&O collections show effects of service surcharge removal

The 0.3% B&O service tax surcharge, effective May 1, 2010 – June 30, 2013, generated \$20-\$25 million in taxes per month over the last fiscal year

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Source: ERFC; Monthly data through December 2013 preliminary activity
Adjusted for taxpayer frequency shift, amnesty payments, and recent large refunds

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Residential REET growth slowed in Q4 but commercial sales still going strong

The residential market is trending upward but growth slowed in Q4 2013

REET is currently being supported by large commercial sales

January sales of property worth \$10 million or more totaled \$675 million and December's sales totaled \$1 billion

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Source: ERFC; Monthly data through January 2014 preliminary

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Forecast changes: General Fund State, 2013-2015 Biennium

November Forecast:
\$32,982 million

	\$Millions				
		February Forecast			
	<u>Collection Experience</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$0	\$0	\$20	\$31,424	\$21
All other agencies	\$2	\$0	\$8	\$1,589	\$10
Total GF-S	\$2	\$0	\$29	\$33,013	\$30

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* Detail may not add to total due to rounding

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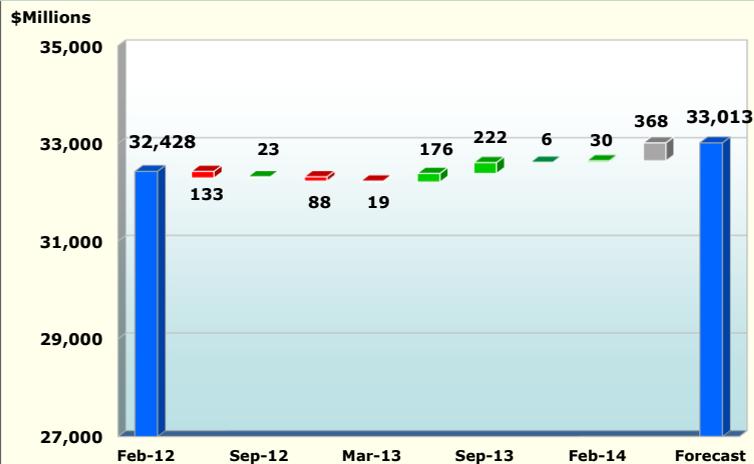
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GF-S forecast revisions to the 2013-15 biennium

GF-S New Definition

Gray area indicates total noneconomic change



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Source: ERFC February 2012 - February 2014 forecasts

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Forecast changes: General Fund State, 2015-2017 Biennium

November Forecast:

\$35,615 million

\$Millions

	February Forecast			
	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$28	\$5	\$34,067	\$33
All other agencies	\$23	\$26	\$1,629	\$49
Total GF-S	\$51	\$31	\$35,697	\$82

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* Detail may not add to total due to rounding

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GF-S cannabis revenue estimates

Revenue estimates use assumptions based on research conducted by LCB contractor BOTEC Analysis

\$Millions

	February Forecast		
	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>
GF-S share of excise tax and license fees	\$0	\$22.9	\$63.0
Retail sales tax and B&O	\$0	\$28.3	\$75.4
Total	\$0	\$51.2	\$138.5

* Detail may not add to total due to rounding

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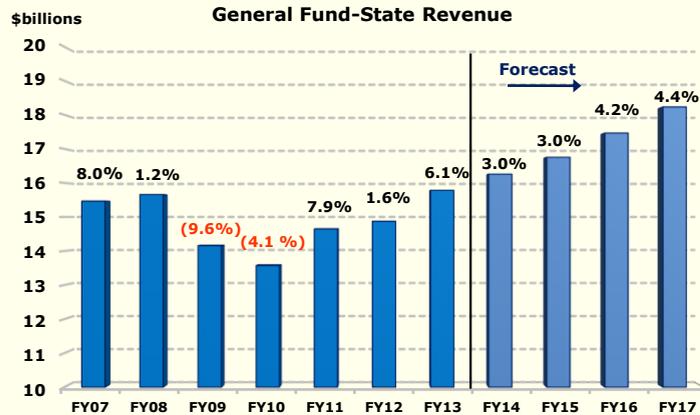
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Source: ERFC, BOTEC Analysis

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General Fund-State* forecast by fiscal year



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*General Fund-State & Related Funds for FY 07-09, General Fund-State new definition for FY 10-17
Source: ERFC forecast, February 2014

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2013-15 Biennium alternative forecasts – cash basis

\$Millions	2013-15 Biennium	Difference From the baseline
February Baseline (55%)	\$33,013	
February 2014 Alternative Forecasts		
Optimistic (15%)	\$34,750	\$1,738
Pessimistic (30%)	\$30,961	(\$1,722)
Probability Weighted Average	\$32,757	(\$256)
GCEA*	\$33,094	\$81

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

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Conclusion

- The economic forecast is quite similar to November's forecast; we expect the slow pace of economic recovery to continue in both the U.S. and Washington economies
- We continue to expect the Washington economy to be slightly stronger than the U.S. economy
- GF-S revenues are expected to grow 7.7% between the 2011-13 and 2013-15 biennium and are expected to grow 8.1% between the 2013-15 and 2015-17 biennium
- The level of uncertainty in the baseline remains extremely high, and downside risks outweigh 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
360-534-1560

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

Comparison of the February 2014 to the November 2013 Forecast
 2013-15 Biennium
 Cash Forecast; Millions of Dollars

	<u>November 2013 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>February 2014 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$32,982.4	\$0.0	\$30.3	\$33,012.8	\$30.3
Education Legacy Trust Account**	\$364.6	\$0.0	\$33.3	\$397.9	\$33.3
WA Opportunity Pathways Account	\$229.3	\$0.0	(\$3.3)	\$226.1	(\$3.3)
Total	\$33,576.4	\$0.0	\$60.4	\$33,636.8	\$60.4

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

**Revenue only - does not include \$12.1 million in fund transfers from 1315 budget

[#]Details may not add due to rounding

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

Comparison of the February 2014 to the November 2013 Forecast
 2013-15 Biennium
 Millions of Dollars

	<u>November 2013 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>February 2014 Forecast</u>	<u>Total Change#</u>
Department of Revenue	\$31,403.5	\$0.2	\$0.0	\$20.4	\$31,424.1	\$20.6
All other Agencies	\$1,578.9	\$1.6	\$0.0	\$8.2	\$1,588.6	\$9.7
Total General Fund-State	\$32,982.4	\$1.7	\$0.0	\$28.6	\$33,012.8	\$30.3

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

#Details may not add due to rounding

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

Comparison of the February 2014 to the November 2013 Forecast
 2015-17 Biennium
 Cash Forecast; Millions of Dollars

	November 2013 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	February 2014 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$35,614.9	\$51.2	\$30.8	\$35,696.8	\$82.0
Education Legacy Trust Account	\$397.1	\$0.0	(\$1.0)	\$396.0	(\$1.0)
WA Opportunity Pathways Account	\$236.6	\$0.0	(\$0.6)	\$236.0	(\$0.6)
Total	\$36,248.5	\$51.2	\$29.1	\$36,328.8	\$80.3

*Forecast for GF-S for the 2015-17 biennium adopted November 2013

**Cannabis excise taxes and fees plus retail sales and B&O taxes on cannabis production and sales

[#]Details may not add due to rounding

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

Comparison of the February 2014 to the November 2013 Forecast
 2015-17 Biennium
 Millions of Dollars

	<u>November 2013 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>February 2014 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$34,034.1	\$28.3	\$5.0	\$34,067.4	\$33.3
All other Agencies	\$1,580.8	\$22.9	\$25.8	\$1,629.5	\$48.7
Total General Fund-State	\$35,614.9	\$51.2	\$30.8	\$35,696.8	\$82.0

*Forecast for GF-S for the 2015-17 biennium adopted November 2013

**Cannabis excise taxes and fees plus retail sales and B&O taxes on cannabis production and sales

[#]Details may not add due to rounding

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

February 2012 through February 2014

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
Total change***:						
From February 2012	147	70	216	368	584	
Percent change	0.5	5.3	0.7	1.1	1.8	

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

September 2012 through February 2014

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) #5	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 #6	82	35,697
Total change***:						
From February 2012	(179)	105	(73)	252	179	
Percent change	(0.5)	7.4	(0.2)	0.7	0.5	

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

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

February 2014
Alternative Forecasts
Millions of Dollars

Cash Basis

2013-15 Biennium

	<u>2013-15 Biennium</u>	<u>Difference From the February 2014 Baseline</u>
February 2014 Baseline (55%)	\$33,013	
February 2014 Alternative Forecasts		
Optimistic (15%)	\$34,750	\$1,738
Pessimistic (30%)	\$31,291	(\$1,722)
Probability Weighted Average	\$32,757	(\$256)
GCEA*	\$33,094	\$81

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the February 2014 Baseline</u>
February 2014 Baseline (55%)	\$35,697	
February 2014 Alternative Forecasts		
Optimistic (15%)	\$39,956	\$4,259
Pessimistic (30%)	\$31,893	(\$3,804)
Probability Weighted Average	\$35,195	(\$502)
GCEA*	\$35,719	\$22

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

February 2014 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
1998	8.0	8.4	0.9
1999	7.1	8.0	0.9
2000	8.0	8.9	0.9
2001	2.8	4.8	0.6
2002	(1.4)	2.0	(0.7)
2003	2.1	3.5	0.6
2004	4.6	4.5	1.0
2005	7.9	5.4	1.5
2006	10.1	7.9	1.3
2007	7.9	7.9	1.0
2008	2.7	7.7	0.4
2009	(10.4)	0.1	(70.2)
2010	(6.0)	(1.5)	3.9
2011	1.8	4.7	0.4
2012	4.1	5.2	0.8
2013	6.7	4.0	1.7
2014	5.6	3.6	1.5
2015	4.6	5.2	0.9
2016	4.7	5.2	0.9
2017	4.8	5.2	0.9
2018	4.6	5.2	0.9
2019	3.9	4.8	0.8
Average 1998-2013:	3.1	4.8	0.6
II. Business & Occupation			
1998	7.3	8.4	0.9
1999	6.6	8.0	0.8
2000	5.6	8.9	0.6
2001	3.0	4.8	0.6
2002	(3.5)	2.0	(1.7)
2003	(1.6)	3.5	(0.5)
2004	6.8	4.5	1.5
2005	9.7	5.4	1.8
2006	11.2	7.9	1.4
2007	8.3	7.9	1.0
2008	6.9	7.7	0.9
2009	(8.8)	0.1	(59.6)
2010	(2.9)	(1.5)	1.9
2011	4.6	4.7	1.0
2012	8.0	5.2	1.6
2013	6.5	4.0	1.6
2014	5.6	3.6	1.5
2015	4.9	5.2	0.9
2016	4.5	5.2	0.9
2017	4.1	5.2	0.8
2018	4.3	5.2	0.8
2019	3.9	4.8	0.8
Average 1998-2013:	3.4	4.8	0.7

* Based on constant base taxable data.

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

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

February 2014 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
1998	4.4	8.4	0.5
1999	(0.1)	8.0	(0.0)
2000	14.4	8.9	1.6
2001	8.4	4.8	1.8
2002	(5.8)	2.0	(2.8)
2003	(1.4)	3.5	(0.4)
2004	5.6	4.5	1.2
2005	14.0	5.4	2.6
2006	2.3	7.9	0.3
2007	9.0	7.9	1.1
2008	2.1	7.7	0.3
2009	(13.0)	0.1	(88.4)
2010	(5.9)	(1.5)	3.8
2011	11.4	4.7	2.4
2012	1.9	5.2	0.4
2013	7.4	4.0	1.8
2014	4.6	3.6	1.3
2015	5.0	5.2	0.9
2016	4.8	5.2	0.9
2017	4.2	5.2	0.8
2018	3.9	5.2	0.8
2019	3.9	4.8	0.8
Average 1998-2013:	3.1	4.8	0.6

Total Revenue Act Receipts

February 2014 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity##
	Tax Receipts [#]	Personal Income ¹	
Revenue Act			
1998	6.3	8.4	0.7
1999	4.2	8.0	0.5
2000	7.4	8.9	0.8
2001	3.9	4.8	0.8
2002	(1.7)	2.0	(0.8)
2003	1.0	3.5	0.3
2004	4.8	4.5	1.1
2005	7.6	5.4	1.4
2006	10.6	7.9	1.3
2007	8.3	7.9	1.1
2008	4.2	7.7	0.5
2009	(9.5)	0.1	(64.5)
2010	(5.3)	(1.5)	3.4
2011	8.1	4.7	1.7
2012	1.3	5.2	0.3
2013	5.9	4.0	1.5
2014	3.9	3.6	1.1
2015	4.4	5.2	0.8
2016	4.9	5.2	0.9
2017	4.9	5.2	0.9
2018	4.7	5.2	0.9
2019	4.1	4.8	0.9
Average 1998-2013:	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.

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

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

February 2014 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund*		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%
FY 2012	\$14,874	1.5%	\$0	0.0%	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%
FY 2013	\$15,783	6.1%	\$0	0.0%	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%
Forecast:										
FY 2014	\$16,260	3.0%	\$0	0.0%	\$16,260	3.0%	\$231	128.5%	\$16,491	3.8%
FY 2015	\$16,753	3.0%	\$0	0.0%	\$16,753	3.0%	\$179	-22.5%	\$16,932	2.7%
FY 2016	\$17,464	4.2%	\$0	0.0%	\$17,464	4.2%	\$199	11.0%	\$17,663	4.3%
FY 2017	\$18,233	4.4%	\$0	0.0%	\$18,233	4.4%	\$197	-0.7%	\$18,430	4.3%
FY 2018	\$18,995	4.2%	\$0	0.0%	\$18,995	4.2%	\$200	1.3%	\$19,195	4.2%
FY 2019	\$19,715	3.8%	\$0	0.0%	\$19,715	3.8%	\$180	-9.9%	\$19,895	3.6%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%
11-13 Biennium	\$30,657	8.6%	\$0	0.0%	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%
13-15 Biennium	\$33,013	7.7%	\$0	0.0%	\$33,013	7.7%	\$410	90.5%	\$33,423	8.3%
15-17 Biennium	\$35,697	8.1%	\$0	0.0%	\$35,697	8.1%	\$396	-3.4%	\$36,093	8.0%
17-19 Biennium	\$38,710	8.4%	\$0	0.0%	\$38,710	8.4%	\$380	-4.0%	\$39,090	8.3%

*Education legacy trust fund (plus pension stabilization fund interest FY 08, 09)

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

Source/Agency	November 2013 Baseline	Non-Economic Changes	Economic Changes	February 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.0	\$0.0	\$1.0	\$35.9	\$1.0
Insurance Commissioner Insurance Premiums	\$943.9	\$0.0	(\$5.4)	\$938.5	(\$5.4)
Liquor Control Board Taxes, Licenses, and Fees	\$247.7	\$0.0	(\$1.1)	\$246.6	(\$1.1)
Lottery Commission Lottery Revenue	\$10.8	\$0.0	(\$0.4)	\$10.4	(\$0.4)
State Treasurer Interest Earnings	(\$8.7)	\$0.0	\$2.1	(\$6.7)	\$2.1
Office of Financial Management Other Agencies	\$179.1	\$0.0	\$12.6	\$191.7	\$12.6
Administrative Office of the Courts Fines and Forfeitures	\$171.1	\$0.0	\$1.1	\$172.2	\$1.1
Total General Fund-State	\$1,578.9	\$0.0	\$9.7	\$1,588.6	\$9.7

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

Source/Agency	November 2013 Baseline	Non-Economic Changes	Economic Changes	February 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.0	\$0.0	\$1.0	\$35.9	\$1.0
Insurance Commissioner Insurance Premiums	\$943.9	\$0.0	(\$5.4)	\$938.5	(\$5.4)
Liquor Control Board Taxes, Licenses, and Fees	\$247.7	\$0.0	(\$1.1)	\$246.6	(\$1.1)
Lottery Commission Lottery Revenue	\$1.5	\$0.0	\$2.1	\$3.6	\$2.1
State Treasurer Interest Earnings	(\$9.2)	\$0.0	\$2.1	(\$7.1)	\$2.1
Office of Financial Management Other Agencies	\$179.1	\$0.0	\$12.6	\$191.7	\$12.6
Administrative Office of the Courts Fines and Forfeitures	\$171.1	\$0.0	\$1.1	\$172.2	\$1.1
Total General Fund-State	\$1,569.1	\$0.0	\$12.3	\$1,581.4	\$12.3

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
 Comparison of the February 2014 and November 2013 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	November 2013 Baseline	Non-Economic Changes	Economic Changes	February 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.7	\$36.2	\$0.7
Insurance Commissioner Insurance Premiums	\$1,008.0	\$0.0	(\$7.3)	\$1,000.7	(\$7.3)
Liquor Control Board Taxes, Licenses, and Fees	\$206.9	\$22.9	\$1.1	\$230.9	\$23.9
Lottery Commission Lottery Revenue	\$0.8	\$0.0	\$1.9	\$2.7	\$1.9
State Treasurer Interest Earnings	(\$8.6)	\$0.0	\$15.8	\$7.2	\$15.8
Office of Financial Management Other Agencies	\$154.9	\$0.0	\$14.2	\$169.1	\$14.2
Administrative Office of the Courts Fines and Forfeitures	\$183.1	\$0.0	(\$0.5)	\$182.6	(\$0.5)
Total General Fund-State	\$1,580.8	\$22.9	\$25.8	\$1,629.5	\$48.7

General Fund-State GAAP Estimates - Other Agencies
 Comparison of the February 2014 and November 2013 forecasts
 2015-17 Biennium
 (Amounts in Millions)

Source/Agency	November 2013 Baseline	Non-Economic Changes	Economic Changes	February 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.6	\$0.0	\$0.7	\$36.2	\$0.7
Insurance Commissioner Insurance Premiums	\$1,008.0	\$0.0	(\$7.3)	\$1,000.7	(\$7.3)
Liquor Control Board Taxes, Licenses, and Fees	\$206.9	\$22.9	\$1.1	\$230.9	\$23.9
Lottery Commission Lottery Revenue	\$0.8	\$0.0	\$0.7	\$1.5	\$0.7
State Treasurer Interest Earnings	(\$8.4)	\$0.0	\$16.9	\$8.5	\$16.9
Office of Financial Management Other Agencies	\$154.9	\$0.0	\$14.2	\$169.1	\$14.2
Administrative Office of the Courts Fines and Forfeitures	\$183.1	\$0.0	(\$0.5)	\$182.6	(\$0.5)
Total General Fund-State	\$1,580.9	\$22.9	\$25.7	\$1,629.5	\$48.5

* Detail may not total due to rounding.

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2	0.0
2013	139.7	0.0	0.0	10.4	0.0	0.0	0.3	3.5	125.5	0.0	0.0
2011-13 Biennium	274.8	0.0	2.7	20.4	0.0	0.0	0.6	6.9	244.0	0.2	0.0
2014	139.3	9.3	0.0	10.8	0.0	0.0	0.3	3.4	109.4	0.0	6.1
2015	138.8	1.1	0.0	11.2	0.0	0.0	0.3	3.5	116.6	0.0	6.1
2013-15 Biennium	278.2	10.4	0.0	22.0	0.0	0.0	0.6	6.9	226.1	0.0	12.1
2016	136.0	2.5	0.0	11.7	0.0	0.0	0.3	3.5	118.1	0.0	0.0
2017	134.1	0.2	0.0	12.2	0.0	0.0	0.3	3.5	117.9	0.0	0.0
2015-17 Biennium	270.1	2.7	0.0	23.8	0.0	0.0	0.6	6.9	236.0	0.0	0.0
2018	134.9	1.3	0.0	11.7	0.0	0.0	0.3	3.5	118.1	0.0	0.0
2019	139.6	5.4	0.0	12.2	0.0	0.0	0.3	3.5	118.2	0.0	0.0
2017-19 Biennium	274.5	6.7	0.0	23.8	0.0	0.0	0.6	6.9	236.4	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	142.0	1.1	0.0	10.8	0.0	0.0	0.3	3.8	119.9	0.0	6.1
2015	141.8	2.5	0.0	11.2	0.0	0.0	0.3	3.5	118.2	0.0	6.1
2013-15 Biennium	283.8	3.6	0.0	22.0	0.0	0.0	0.6	7.3	238.1	0.0	12.1
2016	133.6	0.2	0.0	11.7	0.0	0.0	0.3	3.5	117.9	0.0	0.0
2017	135.2	1.3	0.0	12.2	0.0	0.0	0.3	3.5	118.0	0.0	0.0
2015-17 Biennium	268.8	1.5	0.0	23.8	0.0	0.0	0.6	6.9	235.9	0.0	0.0
2018	139.0	5.4	0.0	11.7	0.0	0.0	0.3	3.5	118.1	0.0	0.0
2019	142.3	8.2	0.0	12.2	0.0	0.0	0.3	3.5	118.2	0.0	0.0
2017-19 Biennium	281.4	13.6	0.0	23.8	0.0	0.0	0.6	6.9	236.4	0.0	0.0

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

Source: Lottery Commission, ERFC

**Year-Over-Year Employment Growth by Industry
(December 2012 to December 2013)
Washington vs. U.S.**

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	64.4	2.2%	1.6%
Retail Trade	12.7	3.9%	2.6%
Mining and Logging	0.2	3.5%	3.6%
Construction	5.1	3.5%	2.2%
Software Publishers	1.9	3.5%	NA
Leisure and Hospitality	9.8	3.5%	2.7%
Wholesale Trade	4.4	3.5%	1.7%
Professional and Business Services	9.2	2.6%	3.4%
Education and Health Services	9.7	2.5%	1.5%
Financial Activities	3.2	2.2%	1.0%
State and Local Gov Education	4.6	1.9%	0.2%
Transportation, Warehousing and Utilities	1.7	1.9%	1.2%
Manufacturing Excluding Aerospace	3.3	1.7%	NA
Other Services	1.2	1.1%	0.6%
State and Local Gov Non-Education	0.1	0.1%	0.2%
Information Excluding Software	-0.1	-0.1%	NA
Aerospace Product and Parts Manufacturing	-1.3	-1.3%	NA
Information	1.8	1.7%	-0.4%
Manufacturing	2.0	0.7%	0.7%

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

U.S. Forecast Comparison

	2013Q4	2014Q1	2014Q2	2014Q3
Real GDP (Billions of 2009 Dollars)				
February Forecast, Final	15,966	16,047	16,156	16,273
Percent Change	3.2%	2.1%	2.7%	2.9%
February Forecast, Preliminary	15,942	16,030	16,135	16,248
Percent Change	2.6%	2.2%	2.6%	2.8%
Real Consumption (Billions of 2009 Dollars)				
February Forecast, Final	10,833	10,902	10,976	11,055
Percent Change	3.3%	2.6%	2.7%	2.9%
February Forecast, Preliminary	10,842	10,903	10,972	11,047
Percent Change	3.7%	2.3%	2.6%	2.8%
Implicit Price Deflator, PCE (2009=1.00)				
February Forecast, Final	1.076	1.078	1.081	1.086
Percent Change	0.7%	1.0%	0.9%	2.0%
February Forecast, Preliminary	1.075	1.078	1.083	1.086
Percent Change	0.5%	1.1%	1.7%	1.3%
Real Personal Income (Billions of 2009 Dollars)				
February Forecast, Final	13,289	13,399	13,521	13,624
Percent Change	1.3%	3.4%	3.7%	3.1%
February Forecast, Preliminary	13,323	13,482	13,582	13,704
Percent Change	2.3%	4.9%	3.0%	3.6%
Nonfarm Payroll Employment (Millions)				
February Forecast, Final	136.7	137.4	137.9	138.5
Percent Change	1.7%	1.8%	1.7%	1.6%
February Forecast, Preliminary	136.9	137.5	137.9	138.6
Percent Change	2.2%	1.7%	1.3%	1.8%
Unemployment Rate (Percent of Labor Force)				
February Forecast, Final	7.0	6.6	6.5	6.4
February Forecast, Preliminary	7.0	6.7	6.6	6.5
30 Year Fixed Mortgage Rate (Percent, average)				
February Forecast, Final	4.3	4.4	4.5	4.7
February Forecast, Preliminary	4.3	4.5	4.6	4.7
3 Month T-Bill Rate (Percent, average)				
February Forecast, Final	0.1	0.1	0.1	0.0
February Forecast, Preliminary	0.1	0.1	0.1	0.0

	2013	2014	2015	2016	2017	2018	2019
Real GDP (Billions of 2009 Dollars)							
February Forecast, Final	15,767	16,219	16,704	17,171	17,635	18,093	18,546
Percent Change	1.9%	2.9%	3.0%	2.8%	2.7%	2.6%	2.5%
February Forecast, Preliminary	15,761	16,196	16,675	17,142	17,605	18,063	18,514
Percent Change	1.9%	2.8%	3.0%	2.8%	2.7%	2.6%	2.5%
Real Consumption (Billions of 2009 Dollars)							
February Forecast, Final	10,728	11,017	11,329	11,623	11,926	12,224	12,517
Percent Change	2.0%	2.7%	2.8%	2.6%	2.6%	2.5%	2.4%
February Forecast, Preliminary	10,730	11,012	11,316	11,610	11,912	12,209	12,502
Percent Change	2.0%	2.6%	2.8%	2.6%	2.6%	2.5%	2.4%
Implicit Price Deflator, PCE (2009=1.00)							
February Forecast, Final	1.072	1.084	1.099	1.114	1.128	1.143	1.157
Percent Change	1.1%	1.1%	1.4%	1.3%	1.3%	1.4%	1.2%
February Forecast, Preliminary	1.072	1.084	1.099	1.113	1.128	1.143	1.156
Percent Change	1.1%	1.1%	1.3%	1.4%	1.3%	1.3%	1.1%
Real Personal Income (Billions of 2009 Dollars)							
February Forecast, Final	13,186	13,572	14,054	14,549	15,065	15,537	15,988
Percent Change	1.7%	2.9%	3.6%	3.5%	3.5%	3.1%	2.9%
February Forecast, Preliminary	13,194	13,646	14,121	14,603	15,107	15,573	16,021
Percent Change	1.8%	3.4%	3.5%	3.4%	3.5%	3.1%	2.9%
Nonfarm Payroll Employment (Millions)							
February Forecast, Final	135.9	138.3	141.1	143.7	145.7	147.1	148.0
Percent Change	1.6%	1.7%	2.0%	1.9%	1.4%	1.0%	0.6%
February Forecast, Preliminary	136.0	138.3	140.8	143.3	145.3	146.7	147.6
Percent Change	1.7%	1.7%	1.8%	1.8%	1.4%	1.0%	0.6%
Unemployment Rate (Percent of Labor Force)							
February Forecast, Final	7.4	6.4	6.0	5.7	5.6	5.5	5.4
February Forecast, Preliminary	7.4	6.5	6.1	5.8	5.6	5.6	5.5
30 Year Fixed Mortgage Rate (Percent, average)							
February Forecast, Final	4.0	4.6	5.0	5.7	6.5	6.6	6.5
February Forecast, Preliminary	4.0	4.6	5.0	5.7	6.5	6.6	6.5
3 Month T-Bill Rate (Percent, average)							
February Forecast, Final	0.1	0.1	0.4	2.2	3.6	3.7	3.7
February Forecast, Preliminary	0.1	0.1	0.4	2.2	3.6	3.7	3.7

U.S. Forecast Comparison

	2013Q4	2014Q1	2014Q2	2014Q3
Real GDP (Billions of 2009 Dollars)				
February Forecast, Final	15,966	16,047	16,156	16,273
Percent Change	3.2%	2.1%	2.7%	2.9%
November Forecast	15,859	15,963	16,073	16,185
Percent Change	1.7%	2.7%	2.8%	2.8%
Real Consumption (Billions of 2009 Dollars)				
February Forecast, Final	10,833	10,902	10,976	11,055
Percent Change	3.3%	2.6%	2.7%	2.9%
November Forecast	10,803	10,867	10,936	11,009
Percent Change	2.7%	2.4%	2.5%	2.7%
Implicit Price Deflator, PCE (2009=1.00)				
February Forecast, Final	1.076	1.078	1.081	1.086
Percent Change	0.7%	1.0%	0.9%	2.0%
November Forecast	1.075	1.079	1.084	1.088
Percent Change	0.6%	1.4%	1.7%	1.5%
Real Personal Income (Billions of 2009 Dollars)				
February Forecast, Final	13,289	13,399	13,521	13,624
Percent Change	1.3%	3.4%	3.7%	3.1%
November Forecast	13,336	13,474	13,564	13,672
Percent Change	3.5%	4.2%	2.7%	3.2%
Nonfarm Payroll Employment (Millions)				
February Forecast, Final	136.7	137.4	137.9	138.5
Percent Change	1.7%	1.8%	1.7%	1.6%
November Forecast	136.7	137.3	137.9	138.5
Percent Change	1.6%	1.7%	1.8%	1.7%
Unemployment Rate (Percent of Labor Force)				
February Forecast, Final	7.0	6.6	6.5	6.4
November Forecast	7.2	7.1	7.0	6.8
30 Year Fixed Mortgage Rate (Percent, average)				
February Forecast, Final	4.3	4.4	4.5	4.7
November Forecast	4.2	4.4	4.5	4.6
3 Month T-Bill Rate (Percent, average)				
February Forecast, Final	0.1	0.1	0.1	0.0
November Forecast	0.0	0.1	0.1	0.1

	2013	2014	2015	2016	2017	2018	2019
Real GDP (Billions of 2009 Dollars)							
February Forecast, Final	15,767	16,219	16,704	17,171	17,635	18,093	18,546
Percent Change	1.9%	2.9%	3.0%	2.8%	2.7%	2.6%	2.5%
November Forecast	15,728	16,129	16,596	17,061	17,522		
Percent Change	1.7%	2.5%	2.9%	2.8%	2.7%		
Real Consumption (Billions of 2009 Dollars)							
February Forecast, Final	10,728	11,017	11,329	11,623	11,926	12,224	12,517
Percent Change	2.0%	2.7%	2.8%	2.6%	2.6%	2.5%	2.4%
November Forecast	10,718	10,974	11,270	11,563	11,864		
Percent Change	1.9%	2.4%	2.7%	2.6%	2.6%		
Implicit Price Deflator, PCE (2009=1.00)							
February Forecast, Final	1.072	1.084	1.099	1.114	1.128	1.143	1.157
Percent Change	1.1%	1.1%	1.4%	1.3%	1.3%	1.4%	1.2%
November Forecast	1.072	1.086	1.102	1.119	1.136		
Percent Change	1.1%	1.3%	1.5%	1.6%	1.5%		
Real Personal Income (Billions of 2009 Dollars)							
February Forecast, Final	13,186	13,572	14,054	14,549	15,065	15,537	15,988
Percent Change	1.7%	2.9%	3.6%	3.5%	3.5%	3.1%	2.9%
November Forecast	13,186	13,622	14,052	14,501	14,984		
Percent Change	1.7%	3.3%	3.2%	3.2%	3.3%		
Nonfarm Payroll Employment (Millions)							
February Forecast, Final	135.9	138.3	141.1	143.7	145.7	147.1	148.0
Percent Change	1.6%	1.7%	2.0%	1.9%	1.4%	1.0%	0.6%
November Forecast	135.9	138.1	140.5	142.7	144.6		
Percent Change	1.6%	1.6%	1.7%	1.6%	1.3%		
Unemployment Rate (Percent of Labor Force)							
February Forecast, Final	7.4	6.4	6.0	5.7	5.6	5.5	5.4
November Forecast	7.5	6.9	6.4	6.1	6.0		
30 Year Fixed Mortgage Rate (Percent, average)							
February Forecast, Final	4.0	4.6	5.0	5.7	6.5	6.6	6.5
November Forecast	4.0	4.6	4.9	5.7	6.5		
3 Month T-Bill Rate (Percent, average)							
February Forecast, Final	0.1	0.1	0.4	2.2	3.6	3.7	3.7
November Forecast	0.1	0.1	0.4	2.2	3.6		

Washington Forecast Comparison

	2013Q4	2014Q1	2014Q2	2014Q3
Real Personal Income (Billions of 2009 Dollars)				
February Forecast, Final	308.2	311.9	314.6	317.7
Percent Change	1.9%	5.0%	3.4%	4.1%
February Forecast, Preliminary	308.8	314.0	316.1	319.4
Percent Change	2.7%	6.9%	2.7%	4.3%
Personal Income (Billions of Dollars)				
February Forecast, Final	331.5	336.4	340.0	345.1
Percent Change	2.6%	6.0%	4.4%	6.1%
February Forecast, Preliminary	332.0	338.5	342.2	346.9
Percent Change	3.2%	8.1%	4.4%	5.7%
Nonfarm Payroll Employment (Thousands)				
February Forecast, Final	2962	2977	2991	3005
Percent Change	1.7%	2.0%	2.0%	1.8%
February Forecast, Preliminary	2962	2977	2989	3004
Percent Change	1.7%	2.0%	1.7%	1.9%
Unemployment Rate (Percent of Labor Force)				
February Forecast, Final	6.8	6.6	6.5	6.4
February Forecast, Preliminary	6.8	6.6	6.5	6.4
Manufacturing Employment (Thousands)				
February Forecast, Final	286.6	286.6	289.3	291.7
Percent Change	-0.1%	-0.1%	3.9%	3.3%
February Forecast, Preliminary	286.6	286.6	289.7	292.7
Percent Change	-0.1%	-0.1%	4.4%	4.2%
Construction Employment (Thousands)				
February Forecast, Final	149.1	150.3	152.8	154.6
Percent Change	-1.2%	3.2%	6.7%	5.0%
February Forecast, Preliminary	149.1	150.3	152.7	154.4
Percent Change	-1.2%	3.2%	6.4%	4.6%
Housing Permits (Thousands)				
February Forecast, Final	34.6	31.4	32.6	33.6
Percent Change	133.8%	-32.1%	17.1%	12.7%
February Forecast, Preliminary	34.6	31.4	32.6	33.8
Percent Change	133.8%	-32.1%	17.0%	15.5%

	2013	2014	2015	2016	2017	2018	2019
February Forecast, Final	305.3	316.2	328.5	341.0	354.4	367.2	379.8
Percent Change	1.9%	3.6%	3.9%	3.8%	3.9%	3.6%	3.4%
February Forecast, Preliminary	305.5	318.0	330.1	342.3	355.4	368.0	380.5
Percent Change	2.0%	4.1%	3.8%	3.7%	3.8%	3.5%	3.4%
February Forecast, Final	327.3	342.7	360.9	379.7	399.8	419.9	439.4
Percent Change	3.1%	4.7%	5.3%	5.2%	5.3%	5.0%	4.7%
February Forecast, Preliminary	327.4	344.7	362.7	381.2	401.0	420.7	439.7
Percent Change	3.1%	5.3%	5.2%	5.1%	5.2%	4.9%	4.5%
February Forecast, Final	2940	2999	3063	3123	3174	3217	3252
Percent Change	2.3%	2.0%	2.1%	2.0%	1.6%	1.4%	1.1%
February Forecast, Preliminary	2940	2997	3056	3113	3163	3206	3239
Percent Change	2.3%	1.9%	2.0%	1.9%	1.6%	1.3%	1.1%
February Forecast, Final	7.0	6.5	6.1	6.0	5.9	5.8	5.8
February Forecast, Preliminary	7.0	6.4	6.1	5.9	5.8	5.8	5.8
February Forecast, Final	286.6	289.9	294.2	296.6	298.4	300.7	302.5
Percent Change	2.3%	1.1%	1.5%	0.8%	0.6%	0.8%	0.6%
February Forecast, Preliminary	286.6	290.5	296.3	298.8	299.7	301.6	303.3
Percent Change	2.3%	1.4%	2.0%	0.8%	0.3%	0.6%	0.6%
February Forecast, Final	148.2	153.6	163.2	173.4	182.7	189.2	192.2
Percent Change	6.6%	3.6%	6.3%	6.2%	5.4%	3.5%	1.6%
February Forecast, Preliminary	148.2	153.4	161.9	171.7	181.6	188.2	191.3
Percent Change	6.6%	3.5%	5.6%	6.1%	5.7%	3.7%	1.6%
February Forecast, Final	31.7	33.1	37.8	41.2	41.8	42.5	43.2
Percent Change	12.6%	4.6%	14.2%	8.9%	1.5%	1.6%	1.7%
February Forecast, Preliminary	31.7	33.1	37.6	41.1	41.7	42.3	42.9
Percent Change	12.6%	4.6%	13.6%	9.4%	1.4%	1.4%	1.5%

Washington Forecast Comparison

	2013Q4	2014Q1	2014Q2	2014Q3
Real Personal Income (Billions of 2009 Dollars)				
February Forecast, Final	308.2	311.9	314.6	317.7
Percent Change	1.9%	5.0%	3.4%	4.1%
November Forecast	309.0	312.6	315.4	318.7
Percent Change	3.3%	4.7%	3.7%	4.3%
Personal Income (Billions of Dollars)				
February Forecast, Final	331.5	336.4	340.0	345.1
Percent Change	2.6%	6.0%	4.4%	6.1%
November Forecast	332.3	337.3	341.8	346.7
Percent Change	3.9%	6.2%	5.4%	5.9%
Nonfarm Payroll Employment (Thousands)				
February Forecast, Final	2962	2977	2991	3005
Percent Change	1.7%	2.0%	2.0%	1.8%
November Forecast	2949	2963	2978	2992
Percent Change	1.2%	2.0%	2.0%	1.9%
Unemployment Rate (Percent of Labor Force)				
February Forecast, Final	6.8	6.6	6.5	6.4
November Forecast	6.9	6.8	6.7	6.6
Manufacturing Employment (Thousands)				
February Forecast, Final	286.6	286.6	289.3	291.7
Percent Change	-0.1%	-0.1%	3.9%	3.3%
November Forecast	285.8	286.9	289.5	292.3
Percent Change	-0.6%	1.4%	3.7%	3.9%
Construction Employment (Thousands)				
February Forecast, Final	149.1	150.3	152.8	154.6
Percent Change	-1.2%	3.2%	6.7%	5.0%
November Forecast	148.4	150.4	152.7	154.4
Percent Change	-1.1%	5.6%	6.3%	4.5%
Housing Permits (Thousands)				
February Forecast, Final	34.6	31.4	32.6	33.6
Percent Change	133.8%	-32.1%	17.1%	12.7%
November Forecast	30.1	31.4	32.4	33.8
Percent Change	36.8%	17.5%	14.5%	18.3%

	2013	2014	2015	2016	2017	2018	2019
February Forecast, Final	305.3	316.2	328.5	341.0	354.4	367.2	379.8
Percent Change	1.9%	3.6%	3.9%	3.8%	3.9%	3.6%	3.4%
November Forecast	305.2	316.9	328.0	339.3	351.9		
Percent Change	2.0%	3.8%	3.5%	3.5%	3.7%		
February Forecast, Final	327.3	342.7	360.9	379.7	399.8	419.9	439.4
Percent Change	3.1%	4.7%	5.3%	5.2%	5.3%	5.0%	4.7%
November Forecast	327.1	344.0	361.5	379.9	399.6		
Percent Change	3.1%	5.2%	5.1%	5.1%	5.2%		
February Forecast, Final	2940	2999	3063	3123	3174	3217	3252
Percent Change	2.3%	2.0%	2.1%	2.0%	1.6%	1.4%	1.1%
November Forecast	2934	2985	3041	3095	3142		
Percent Change	2.1%	1.8%	1.9%	1.8%	1.5%		
February Forecast, Final	7.0	6.5	6.1	6.0	5.9	5.8	5.8
November Forecast	7.0	6.6	6.2	6.0	6.0		
February Forecast, Final	286.6	289.9	294.2	296.6	298.4	300.7	302.5
Percent Change	2.3%	1.1%	1.5%	0.8%	0.6%		
November Forecast	286.3	290.4	295.4	297.2	298.2		
Percent Change	2.2%	1.4%	1.7%	0.6%	0.3%		
February Forecast, Final	148.2	153.6	163.2	173.4	182.7	189.2	192.2
Percent Change	6.6%	3.6%	6.3%	6.2%	5.4%	3.5%	1.6%
November Forecast	147.8	153.4	162.2	172.7	182.0		
Percent Change	6.4%	3.8%	5.7%	6.5%	5.4%		
February Forecast, Final	31.7	33.1	37.8	41.2	41.8	42.5	43.2
Percent Change	12.6%	4.6%	14.2%	8.9%	1.5%	1.6%	1.7%
November Forecast	30.4	33.1	38.1	41.0	41.0		
Percent Change	8.2%	8.9%	14.9%	7.7%	0.0%		

Governor's Council of Economic Advisor's Forecast

Calendar Years

February 6, 2014

	2014	2015	2016	2017	2018	2019
U.S.						
Real GDP						
<i>Growth</i>						
ERFC	2.9	3.0	2.8	2.7	2.6	2.5
GCEA Average	2.8	2.8	2.6	2.5	2.4	2.4
Real Consumption						
<i>Growth</i>						
ERFC	2.7	2.8	2.6	2.6	2.5	2.4
GCEA Average	2.6	2.6	2.6	2.6	2.4	2.4
Implicit Price Deflator, PCE						
<i>Growth</i>						
ERFC	1.1	1.4	1.3	1.3	1.4	1.2
GCEA Average	1.4	1.7	1.8	1.8	1.8	1.8
Mortgage Rate						
<i>Percent</i>						
ERFC	4.6	5.0	5.7	6.5	6.6	6.5
GCEA Average	4.6	5.0	5.6	6.0	6.2	6.1
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	107.0	102.1	97.8	95.0	92.9	91.4
GCEA Average	102.9	99.2	96.4	95.7	94.8	94.2

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	3.6	3.9	3.8	3.9	3.6	3.4
GCEA Average	3.8	3.5	3.4	3.4	3.3	3.2

Wage and Salary Employment

<i>Growth</i>						
ERFC	2.0	2.1	2.0	1.6	1.4	1.1
GCEA Average	1.9	1.9	1.8	1.6	1.5	1.3

Manufacturing Employment

<i>Growth</i>						
ERFC	1.1	1.5	0.8	0.6	0.8	0.6
GCEA Average	0.8	1.1	0.4	0.2	0.3	0.2

Construction Employment

<i>Growth</i>						
ERFC	3.6	6.3	6.2	5.4	3.5	1.6
GCEA Average	3.9	4.8	5.0	4.1	3.1	1.8

Housing Permits

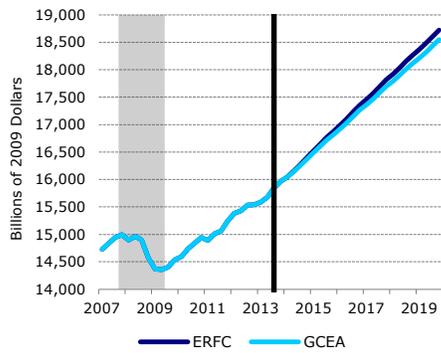
<i>Thousands of authorized units</i>						
ERFC	33.1	37.8	41.2	41.8	42.5	43.2
GCEA Average	34.5	40.5	42.9	43.5	42.8	43.1

Washington Average Annual Wage

<i>Growth</i>						
ERFC	3.0	3.1	3.0	2.9	3.0	3.1
GCEA Average	2.8	3.0	2.9	2.9	3.0	3.0

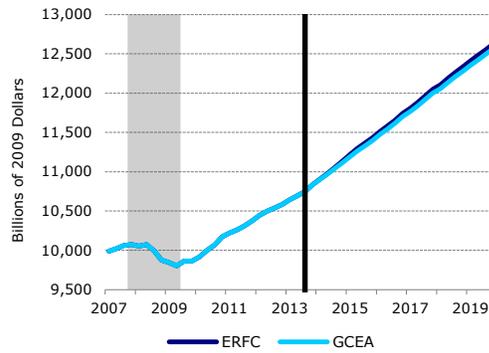
U.S. Forecast Comparison

Real GDP



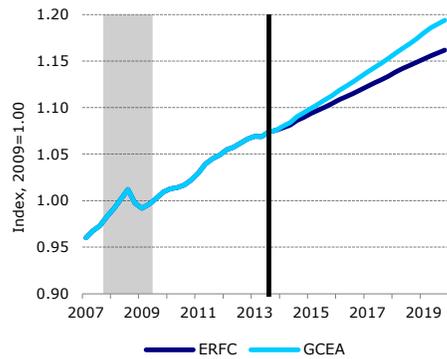
Source: BEA, ERFC, GCEA; data through 2013 Q4

Real Consumption



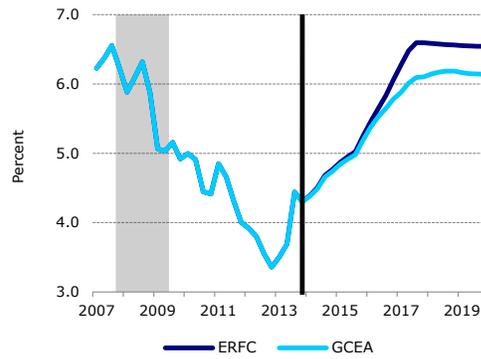
Source: BEA, ERFC, GCEA; data through 2013 Q4

Implicit Price Deflator, PCE



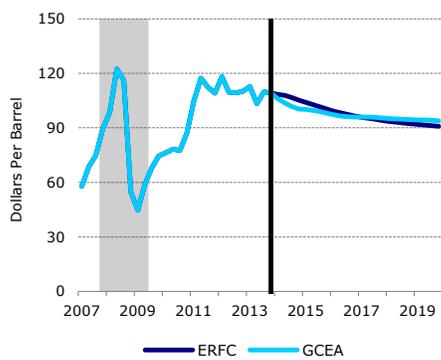
Source: BEA, ERFC, GCEA; data through 2013 Q4

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2013 Q4

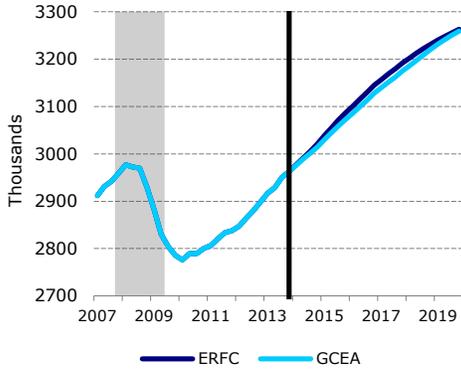
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2013 Q4

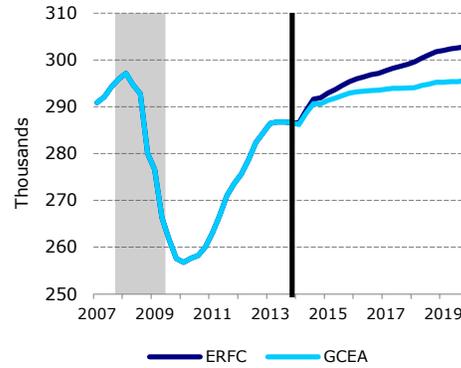
Washington Forecast Comparison

Nonfarm Payroll Employment



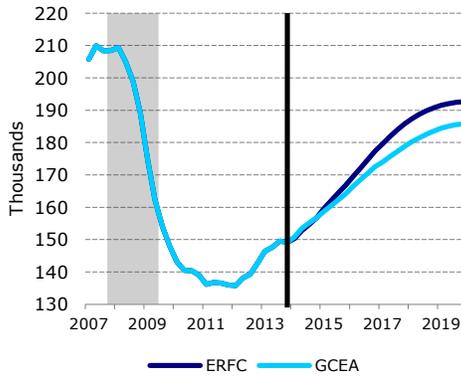
Source: ESD, ERFC, GCEA; data through 2013 Q4

Manufacturing Employment



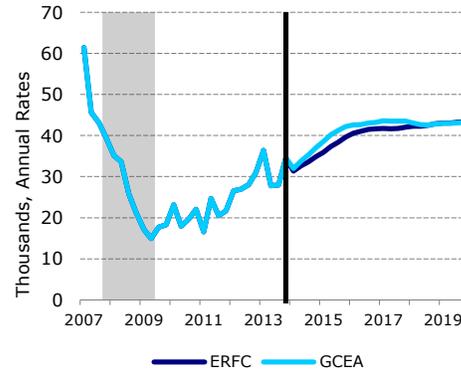
Source: ESD, ERFC, GCEA; data through 2013 Q4

Construction Employment



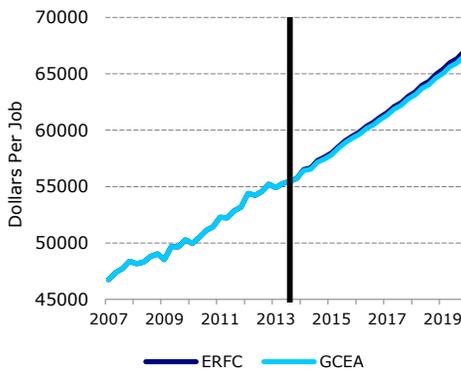
Source: ESD, ERFC, GCEA; data through 2013 Q4

Housing Units Authorized



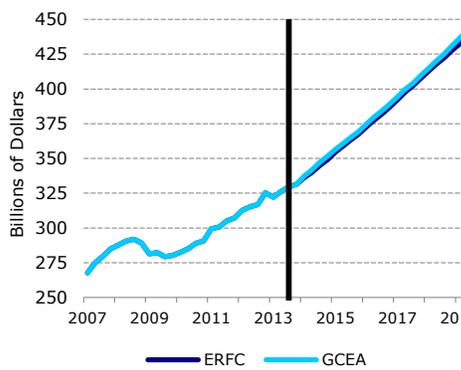
Source: Census, ERFC, GCEA; data through 2013 Q4

Average Annual Wage



Source: BEA, ESD, ERFC, GCEA; data through 2013 Q3

Personal Income



Source: BEA, ERFC, GCEA; data through 2013 Q3

2013-15 Enacted Budget Balance Sheet

Including November 2013 Legislative Session

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

Dollars in Millions

	GFS	ELTA and OPA	TOTAL
RESOURCES			
Beginning Fund Balance	167.5	(11.1)	156.4
November 2013 Forecast	32,982.4	593.9	33,576.4
February Revenue Update (Economic Change)	30.3	30.1	60.4
Current Revenue Totals	33,012.8	624.0	33,636.8
Transfer to Budget Stabilization Account	(311.8)	-	(311.8)
Enacted Fund Transfers	131.5	289.3	420.8
Prior Period Adjustments	40.8	-	40.8
Total Resources (including beginning fund balance)	33,040.7	902.2	33,942.9
EXPENDITURES			
Enacted Budgets			
Enacted 2013-15 Budgets	32,795.5	835.8	33,631.3
EHB 2088 - (Aerospace Appropriations)	10.5	-	10.5
Reversions			
Assumed Reversions in 2013-15	(140.0)	-	(140.0)
Total Expenditures	32,666.0	835.8	33,501.8
RESERVES			
Projected Ending GFS, ELTA & OPA Balances	374.7	66.5	441.2
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	269.7	-	269.7
Transfer from General Fund and Interest Earnings	312.5	-	312.5
Projected Budget Stabilization Account Ending Balance	582.2	-	582.2
Total Reserves (Including Budget Stabilization)	956.9	66.5	1,023.3