

EMBARGOED

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Revenue Review Meeting

June 17, 2014



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

June 17, 2014
2:00 p.m.

- Call to order
- Approval of past meeting minutes:
 - June 5, 2014
 - May 1, 2014
 - February 19, 2014
- Budget Outlook
- 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**

June 5, 2014

John L. O'Brien Building, Hearing Room B

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair (via phone)
Andy Hill, Senator (via phone)
Terry Nealey, House of Representatives (via phone)
David Schumacher, Office of Financial Management
Carol Nelson, Department of Revenue

Staff

Steve Lerch, Executive
Director, ERFC

Call to Order

The meeting was called to order by Director Schumacher at 2:30 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 the slowdown in China, student loan delinquency rates, and the Seattle minimum wage change and its potential impacts to the future state budgets.

Adjournment

Meeting adjourned at 2:54 pm.



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ECONOMIC AND REVENUE FORECAST COUNCIL

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**Meeting Minutes
Budget Outlook Adoption**

May 1, 2014

John L. O'Brien, Hearing Room B

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Andy Hill, Senator (via phone)
Jim Hargrove, Senator
Terry Nealey, House of Representatives (via phone)
Carol Nelson, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director,
ERFC

Budget Outlook representatives:

Pam Davidson
Melissa Palmer
Richard Ramsey

Call to Order

The meeting was called to order by Representative Hunter at 9:02 a.m.

Presentation on Budget Outlook

Richard Ramsey, Melissa Palmer, and Pam Davidson presented an overview of differences in the conference outlook compared to the proposed outlook and discussed the specifics of the methodology.

Motion

David Schumacher moved, seconded by Representative Hunter, to ask the workgroup to come up with general rules and a framework that gives the Council guidance on how funds and accounts could be used as part of the budget and which ones are outside the scope we would need legislation to assume in the outlook.

Motion

Senator Hargrove moved, seconded by Director Schumacher, to adopt the budget outlook as proposed. The motion passed unanimously at 9:26 a.m.

Adjournment

Meeting adjourned at 9:27 a.m.



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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

Meeting Minutes

Revenue Review

February 19, 2014

John A. Cherberg, Hearing Room 3

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Andy Hill, Senate
Jim Hargrove, Senate
Terry Nealey, House of Representatives
James McIntire, Treasurer
Carol Nelson, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Representative Hunter at 10:02 a.m.

Motion

Senator Hill made a motion to approve the meeting minutes from the February 6, 2014 meeting, seconded by Representative Nealey. Council approved the motion at 10:03 a.m.

Presentation on Revenue Forecast

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding personal income growth, the weights of the optimistic and pessimistic forecasts, and revenue growth trends.

Motion

Treasurer McIntire moved, seconded by Director Schumacher, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:25 a.m.

Adjournment

Meeting adjourned at 10:25 am.

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Criteria Options for Resources Assumed in Outlook

At the 1 May 2014 Outlook meeting, the ERFC directed the workgroup to develop options regarding criteria for when resources may be reflected in the outlook and present these to the ERFC at the June 17th meeting.

Background:

The Outlook adopted on May 1, 2014 reflects \$52.7 million in resources in the 2015-17 biennium related to the Life Sciences Discovery Fund (LSDF). The 2014 Supplemental budget includes language expressing the Legislature's intent to direct the resources from the strategic contributions to the Education Legacy Trust Account (ELTA) rather than the LSDF in the 2015-17 biennium. The 2014 Supplemental budget also eliminated the strategic contribution deposit into the LSDF in the current biennium; however, this was vetoed.

Criteria Options:

The options below for defining the criteria regarding when resources can be reflected in the Outlook are based on the following general premises:

- Impacts of separate legislation that address transfers/redirections to and from funds covered by the Outlook will be included in the Outlook, as prescribed by the legislation.
- Resources reflected in the Outlook must be available. For instance, if the budget includes a one-time fund transfer, leaving the fund with no balance, then the transfer may not be reflected as an available resource in future years in the Outlook.
- The Legislature must specifically identify the fund affected by the transfer/redirection.

Possible Criteria/Options for defining when resources may be reflected in the Outlook:

Option 1

If a redirection/transfer is addressed in the operating budget, the Outlook may reflect the continuation of the policy adopted in the operating budget, provided:

- a. There is Legislative intent language addressing the resource/transfer in the budget;
- b. There is a projected balance in the fund in the ensuing biennium, including balances that result from changes in appropriations that result in resources in the succeeding fiscal period; and
- c. The assumptions in the Outlook are tied to policy in the biennial budget. The outlook cannot assume a policy that has not been enacted in the current budget or separate legislation.

Example: If this option were adopted, the resources in the 2014 Supplemental Budget Outlook would not reflect any resources related to the strategic contribution because the section in the operating budget that eliminated the 2015 strategic contribution transfer to the LSDF was vetoed. Therefore, the intent language affecting the 2015-17 biennium is no longer linked to policy in the current biennial budget. This is a different approach than the one used for the Outlook adopted by the ERFC on May 1, 2014; that Outlook includes resources related to the strategic contribution related to the 2015-17 intent language, as it was not vetoed.

Option 2

If a redirection/transfer is addressed in the operating budget, the Outlook may reflect the continuation of the policy adopted in the operating budget, provided:

- a. There is Legislative intent language addressing the resource/transfer in the budget;

Criteria Options for Resources Assumed in Outlook

- b. There is a projected balance in the fund in the ensuing biennium, including balances that result from changes in appropriations that result in resources in the succeeding fiscal period;
- c. The assumptions in the Outlook are linked to policy in the current biennial budget; and
- d. The policy does not assume a permanent elimination/redirection. However, if the policy assumes a permanent elimination/redirection of a resource and there is statute regarding the resource – the change would need to be made to statute.

Examples: (A) The strategic contribution is deposited into the Tobacco Settlement Account. Per statute, the Legislature is directed to transfer the amount associated with the strategic contribution from the Tobacco Settlement Account to the Life Sciences Discover Fund.

The 2014 Supplemental budget modified the transfer to eliminate the strategic contribution deposit to the LSDF – this was vetoed. Because the budget ended the funding for the LSDF, in order to include the resource in the Outlook under this option, the Legislature would need to amend the LSDF statute.

However, if the Legislature did not eliminate the program, it could have expressed its intent to continue a reduced level of funding for the LSDF without changing the statute regarding the LSDF transfer. During the 2009-11, 2011-13, and 2013-15 biennium, the Legislature transferred part of the strategic contribution to the LSDF but not the entire amount.

(B). The current budget could reduce the authorization for appropriated accounts (e.g. Wildlife Account, State Toxics Control Account) that are not covered by the outlook, thereby creating sufficient fund balances for assumed transfer in the outlook for the succeeding fiscal period. The Legislature could express its intent to transfer resources in the succeeding biennium in the budget and reflect these resources in the Outlook. Absent intent language, the resources would be assumed to remain in the account, rather than be available in the accounts covered by the outlook.

Option 3

In order to assume a resource related to a redirection/transfer in a timeframe beyond the budget, the statute would need to be amended. Because amendatory changes included in the budget affect only the timeframe covered by the budget, this would require separate legislation.

Example: Under this option, resource/transfers would not be reflected in the outlook beyond the timeframe covered in the biennial budget, unless separate legislation specified the redirection/transfer addressing the timeframe beyond the biennial budget. Chapter 9, Laws of 2013, 2nd sp.s, (ESHB 2051) amended the statute to redirect the Public Utility Tax and a portion of the Real Estate Excise Tax from the Public Works Assistance Account to the ELTA through FY 2019.

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



Revenue Review: June 17, 2014

Executive Summary

- The final U.S. economic forecast is based on the June release of the Global Insight forecast. The June Global Insight forecast is quite similar to their May forecast used as the basis of our preliminary economic forecast. As in May, 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 uses the second estimate of first quarter 2014 GDP growth (-1.0%) and the June Blue Chip consensus forecast of real GDP growth; the preliminary forecast used the initial estimate of first quarter 2014 GDP growth (+0.1%) and the May Blue Chip consensus. As a result, real GDP growth has been decreased from 2.4% to 2.2% for 2014 and increased from 3.0% to 3.1% for 2015. Growth rates for 2016 – 2019 remain unchanged from the preliminary forecast.
- The June Global Insight forecast also incorporates data on May U.S. employment (+217,000 jobs). This information was not available in the May Global Insight forecast on which our preliminary forecast was based.
- Factors outside the state account for the high level of risk to the forecast. A slowing Chinese economy, the potential for a slowdown in the U.S. housing recovery, and geopolitical instability in the Middle East all remain major threats to the U.S. and Washington economies. Recent labor market strength suggests potential upside risks as well.
- Residential construction pulled back in May after surging in April. Housing starts declined 6.5% to 1.001 million units, but still remain 9.4% above last year. Housing units authorized by building permits in May declined 6.4% compared to their April level. This is 1.9% below housing permits for May 2013. Existing home sales in April were 1.3% (SAAR) higher than in March. This is the first month this year with an increase in existing home sales. New single family home sales in April increased by 6.4% (SAAR) compared to March, although they are 4.2% below April 2013 sales. Home prices continue to increase, with the Case-Shiller home price index for March 12.4% above the year-ago level (SA). The seasonally adjusted Case-Shiller index has increased for twenty-six consecutive months through March 2014.
- Industrial production increased 0.6% in May after decreasing by 0.3% in April (SA). The manufacturing and mining sectors were both positive while utilities declined for the fourth consecutive month. Core capital goods orders (i.e., durables excluding aircraft and military) which are a proxy for business investment, decreased by 1.2% (SA) in April after a revised increase of 4.7% in March. Manufacturing activity, as measured by the Institute for Supply Management’s Purchasing Managers Index (PMI), increased to 55.4 in May (50 or higher indicates growth) from 54.9 in April. Manufacturing activity has now increased for twelve consecutive months. The non-manufacturing PMI for

May increased by 1.1 points to 56.3; non-manufacturing activity has now increased for 52 consecutive months.

- The two major consumer confidence measures have been out of sync the last several months, making it difficult to identify any trend in consumer views. The Conference Board index of consumer confidence increased in March, fell to 82.3 in April, then rose 1.3 points to 83.0 in May. The University of Michigan consumer sentiment survey moved in the opposite direction, decreasing in March, increasing to 84.1 in April and then declining to 81.9 in May and 81.2 in June.
- Light motor vehicle sales increased from 16.0 million units (SAAR) in April to 16.8 million units in May. Sales have been at or above 16 million units for three consecutive months.

Washington

- In the four months since the February forecast was adopted, the Washington economy added 21,800 jobs, 2,500 more than the 19,400 expected in the February 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 December 2013 by 13,400. As a result of the upward revisions to history and slightly stronger than expected growth, the net effect is 15,800 (0.5%) more jobs in April 2014 than expected in the February forecast.
- The current employment statistics were also affected by a reclassification of approximately 45,300 Washington employees involved in providing services for the elderly and disabled. According to the BLS, these employees had been incorrectly coded as being employed by private households which are out of the scope of the current employment statistics. They are now coded as being employed in social services which is in the scope of the current employment statistics.
- As in February, we assume a gradual decline in aerospace employment throughout the forecast. We continue to believe that this downturn will be relatively mild due to the large and increasing backlog of orders. The current reductions are due to improvements in productivity rather than reductions in production.
- The Institute of Supply Management - Western Washington Index (ISM-WW) rebounded to a strong 59.6 in May from 53.7 in April (index values above 50 indicate positive growth while values below 50 indicate contractions). The production, orders, inventory, and deliveries components all improved in May but the employment index declined slightly from 54.5 to 53.6. The last time the Western Washington index was below 50 was in July 2009.
- In late March, the Bureau of Economic Analysis released estimates for state personal income through the fourth quarter of 2013. We have incorporated the new BEA estimates as well as additional Washington QCEW wage data through the fourth quarter. Our estimate of Washington personal income in the fourth quarter of 2013 is \$332.6 billion which is \$1.137 billion (0.3%) higher than assumed in February. However, monthly U.S. personal income growth, a key driver of the Washington personal income estimates, has been slow so far in 2014. As a result, our estimate for personal income in the current quarter is \$0.659 billion (0.2%) less than expected in February.

- Single-family housing construction was once again weaker than expected in the first quarter of 2014 according to the building permit data but overall construction was close to the forecast thanks to strong multi-family construction. Total housing units authorized by building permits averaged 31,200 (SAAR) in January, February, and March. The February forecast had assumed 31,400 units. Single-family units averaged 17,100, 1,700 less than expected but multi-family units averaged 14,100, 1,500 more than expected.
- 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 28 months and, as of March, are 11.6% higher than in the previous March. Rising mortgage rates and home prices have started to decrease affordability, although homes remain relatively affordable by historical standards. Even with the recent gains, Seattle area home prices are 12.8% lower than their 2007 peak.
- Washington car sales have been extremely volatile in recent months. After reaching a post-recession high of 280,800 vehicles (SAAR) in January, Washington new car and light truck registrations plummeted to 253,800 in February and 248,400 in March before rebounding to a new post-recession high of 287,700 vehicles in April. New vehicle registrations declined slightly in May to 276,500.
- Washington exports increased 10.0% in the in the first quarter of 2014 compared to the first quarter of 2013. Exports of transportation equipment (mostly Boeing planes) increased 13.3% over the year and exports of agricultural products rose 3.4% over the year. Exports of all other Washington commodities rose 8.7% over the year.
- Seattle area inflation has edged up and now slightly exceeds the national average. In April 2014, the Seattle all items CPI was 2.4% higher than in the previous April; this was slightly higher than the 2.0% increase for the U.S. city average. Core inflation in Seattle was 2.3% compared to 1.8% for the nation. The higher than average inflation rate in Seattle is entirely due to more rapidly rising shelter costs.
- According to the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), Washington gross domestic product rose to \$381.0 billion in 2013 from \$371.2 billion in 2012. The 2.7% increase in Washington GDP was the 15th largest among the states and District of Columbia, and substantially exceeded the 1.8% increase for the U.S. as a whole. Washington's above average performance in 2013 was mainly due to stronger growth in durable goods manufacturing and retail trade. The above average growth in Washington retail trade in recent years is due to very strong growth in the electronic shopping industry.
- Overall, our June forecast for Washington State is similar to the forecast adopted in February. Washington employment growth is expected to grow 2.3% this year compared to 2.0% assumed in the February forecast. The upward revision to growth in 2014 is mostly due to higher historical employment data through May. The June forecast for average annual employment growth from 2015 through 2019 is 1.5% per year compared to 1.6% per year in the February forecast. Our June forecast for nominal personal income growth this year of 4.4% is less than the February forecast of 4.7%. However, our new forecast for nominal personal income growth from 2015 through 2019 averages 5.4% per year compared to 5.1% per year in

the February forecast. The higher nominal income growth forecast in 2015-19 partly reflects higher inflation, but real income growth is also higher at 3.9% per year compared to 3.7% in February.

Revenue

- Revenue collections have been coming in above the February 2014 forecast. Cumulative General Fund-State (GF-S) revenue collections through June 10th were \$122 million (2.4%) higher than forecasted. During the period, however, there were \$47 million in large payments of past-due taxes that were not included in the forecast. Also, while property tax payments came in \$32 million higher than forecasted, much of that variance was due to the timing of the semi-annual payments, with fewer payments now expected to come in June. Thus, over half of the positive variance in collections came from non-economic factors rather than increased economic activity.
- Disregarding the \$47 million in large one-time payments mentioned above, collections from Revenue Act sources (retail sales and use, business and occupation, public utility, and tobacco products taxes) were only \$13 million higher than forecasted. As the June economic forecast is very similar to the February forecast, the slight positive variance in taxable activity translated to a relatively small change in forecasted Revenue Act collections. Forecasted collections were increased by \$89 million in the current biennium and \$170 million the 2015-17 biennium.
- Real estate excise taxes since the February forecast came in \$20 million higher than forecasted. Much of the positive variance was the result of strong sales of commercial property valued at \$10 million or more. Residential activity, however, has also shown some improvement. Forecasted real estate excise taxes have therefore been increased by \$47million in the current biennium. The forecast was also increased slightly in the 2015-17 biennium.
- The cigarette tax forecast has been reduced by \$18.2 million in the current biennium and \$23.2 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 forecast had already been reduced by a similar amount in February but collections came in \$5.2 million below the reduced forecast.
- The net forecast change for the 2013-15 biennium was an increase of \$156.6 million. Forecasted GF-S revenue for the biennium is now \$33.169 million, which is 8.2% higher than collections in the 2011-13 biennium.
- The net forecast change for the 2015-17 biennium was an increase of \$238.3 million. Forecasted GF-S revenue for the biennium is now \$35.935 million, which is 8.3% higher than forecasted revenue in the current biennium.
- Forecasted collections of cannabis-related revenue was unchanged from February's forecast pending observed progress in the commencement of retail sales in licensed stores.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

June 17, 2014
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The economic forecast is very similar to February, with moderate economic growth in the U.S. after the weather-related contraction in 1st quarter of 2014
- Risks to the baseline include the potential for slower Chinese economic growth, possible disruptions to the housing recovery and turmoil in the Middle East; recent labor market strength suggests potential upside risks as well
- The GF-S revenue forecast has been increased by \$157 million for the 2013-15 biennium and by \$238 million for the 2015-17 biennium
- The Washington economy continues to grow slowly, with employment rising in most sectors except aerospace and federal government

Revenue Review
June 17, 2014

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New information since preliminary economic forecast

- New Blue Chip forecast for real GDP growth
- 2014 growth rate decreased from 2.4% to 2.2%
 - 2015 growth rate increased from 3.0% to 3.1%
 - 2016 - 2019 growth rates unchanged
- U.S. employment data for May
- 217,000 net new jobs; fourth consecutive month with job gains over 200,000
 - Unemployment rate unchanged at 6.3%

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



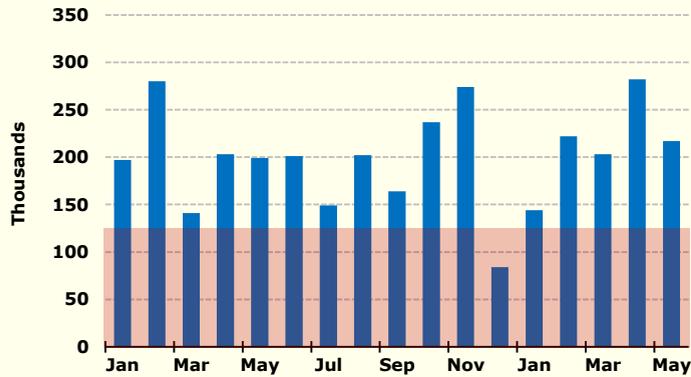
Job growth has strengthened

The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force

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Net New Jobs, U.S.



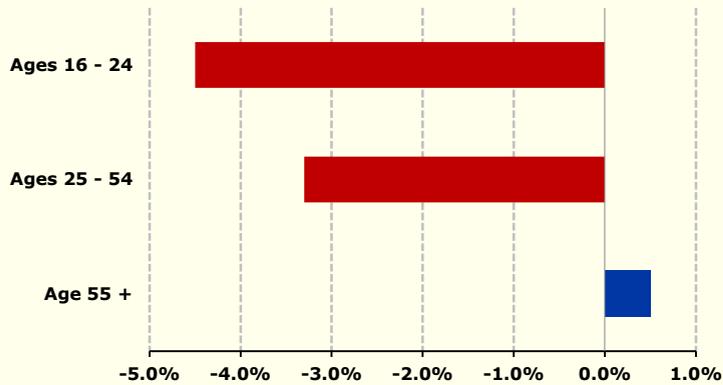
Source: Bureau of Labor Statistics, data through May 2014

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The fraction of people ages 16 -54 with a job has declined

Change in Employment Rate by Age, Dec 2007 to May 2014



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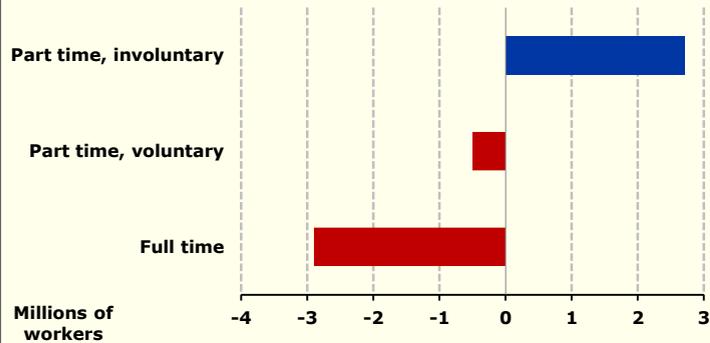
Source: Bureau of Labor Statistics; data Dec. 2007 – May 2014

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Full-time jobs have decreased while part-time employment has increased

Change in employment by hours worked,
Dec 2007 – May 2014



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Source: Bureau of Labor Statistics; data Dec. 2007 – May 2014

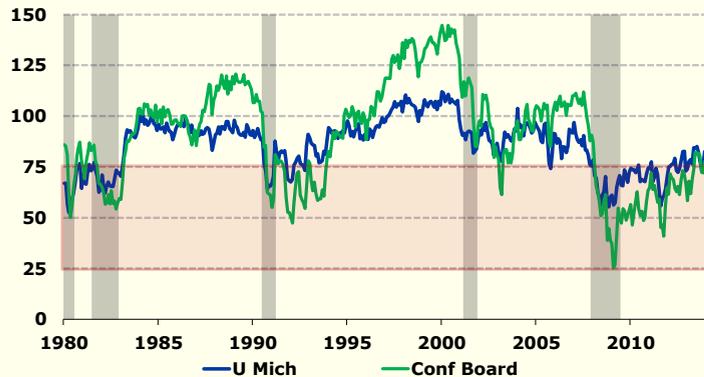
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Consumer confidence has improved but still below pre-recession levels

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



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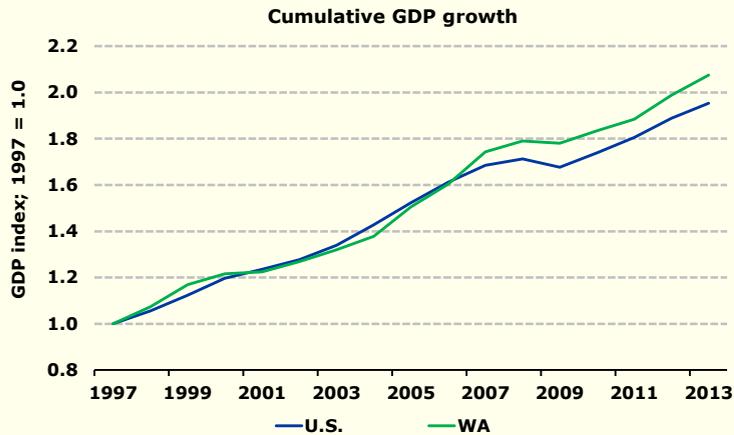
Source: University of Michigan; Conference Board, data through June 2014

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Washington GDP has grown faster than U.S. GDP for the last two years



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Source: Bureau of Economic Analysis; data through 2013

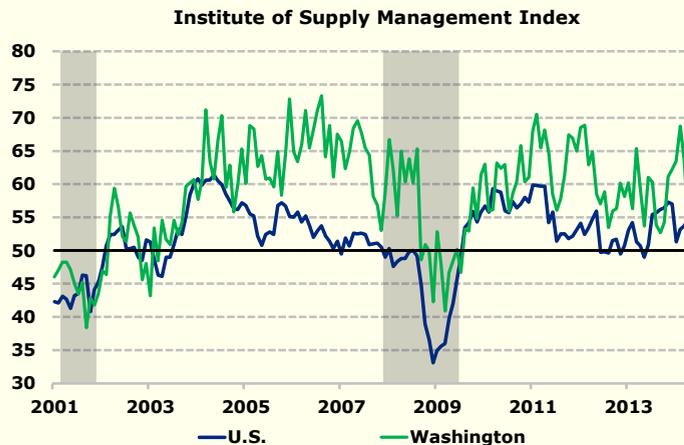
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Manufacturing activity: expanding faster in Washington than nationally

An index greater than 50, implies growth



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Source: Institute of Supply Management; data through May 2014

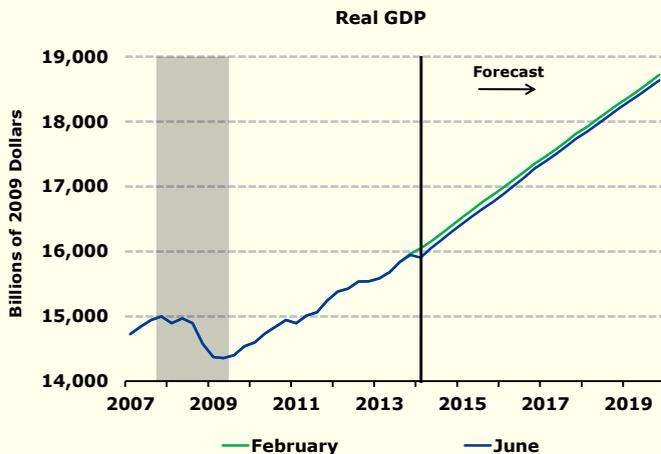
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GDP is slightly lower as a result of negative growth in first quarter 2014

Real GDP growth for 2016 through 2019 is unchanged from February



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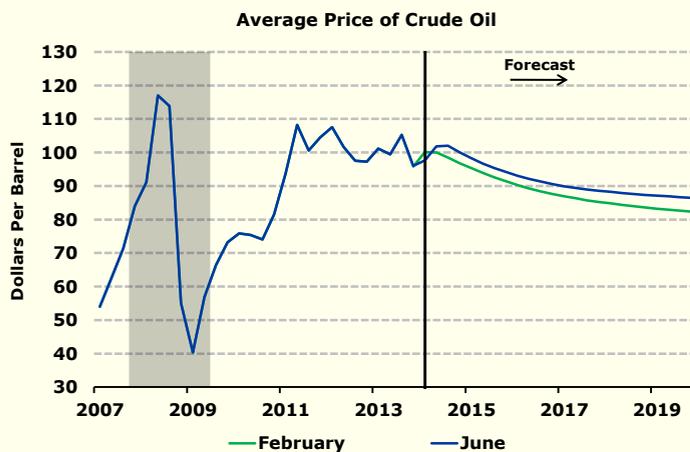
Source: Global Insight, ERFC June 2014 forecast; historical data through 2014Q1

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Oil prices are slightly higher



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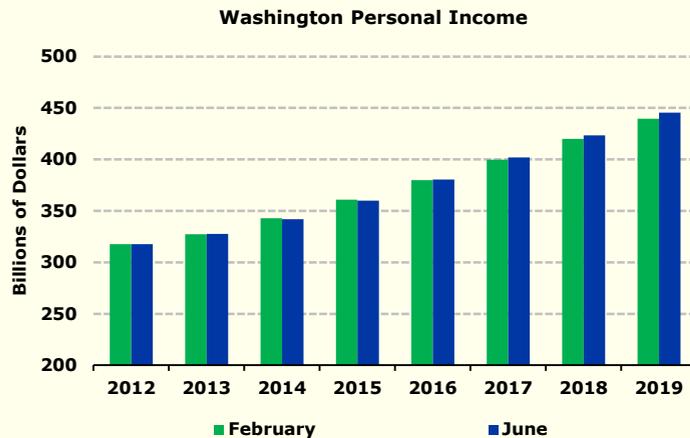
Source: DOE, ERFC June 2014 forecast; historical data through 2014Q1

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Washington personal income forecast is similar to the February forecast



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Source: ERFC June 2014 forecast; historical data through 2013

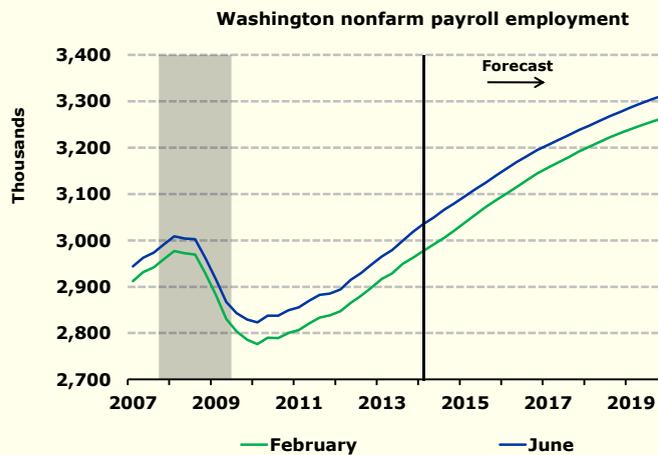
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Higher Washington payroll employment largely due to data reclassification

Average employment growth of 1.7% for 2014 to 2019 is unchanged from February



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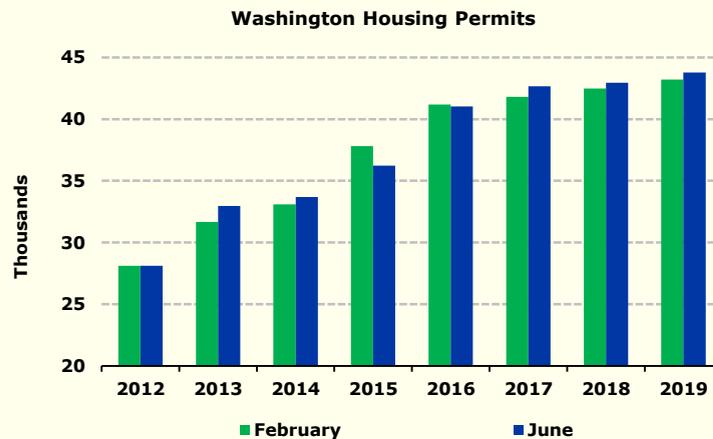
Source: Global Insight, ERFC June 2014 forecast; historical data through 2014Q1

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Washington housing permits forecast: slightly lower in 2015 – 2016, slightly higher in 2017 - 2019



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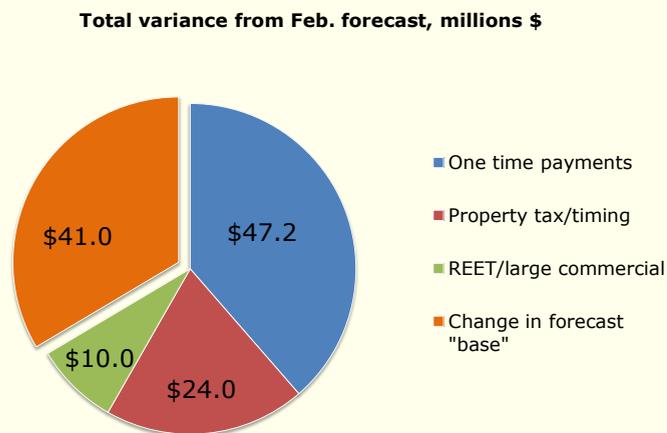
Source: ERFC June 2014 forecast; historical data through 2013

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Majority of forecast variance since February due to one-time payments and timing issues



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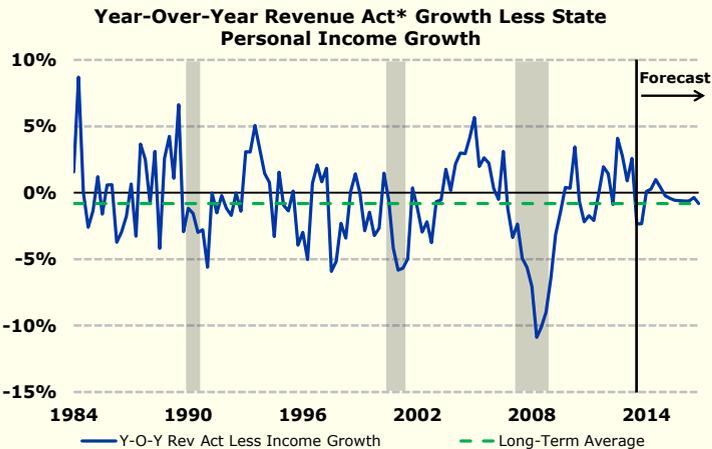
Forecasted Revenue Act growth relative to income is above the long-term average...

Revenue Act growth compared to income growth is forecasted to be slightly above the long-term average due to increasing 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 Q1 2014, June 2014 income estimates

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...but personal income growth is below its long-term average



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Source: BEA, ERFC; historical data through 2013Q4

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



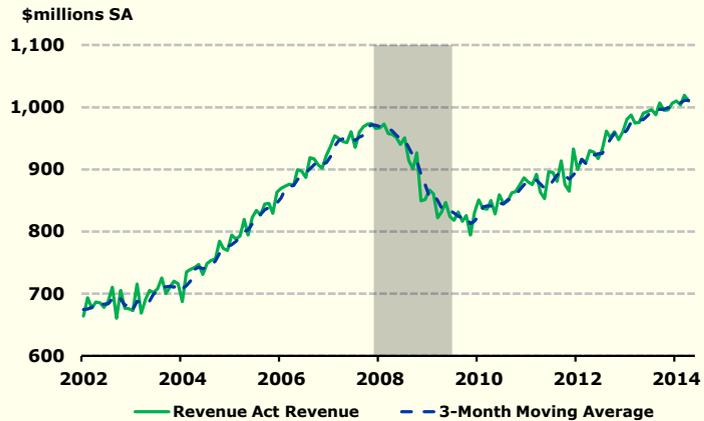
Seasonally adjusted Revenue Act collections still on an upward trend

Adjusted for large payments and refunds, collections increased 2.5% year-over-year for first quarter activity

Year-over-year growth was lowered by about 2% by the 0.3% B&O services surtax that expired on July 1, 2013

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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 April 2014 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



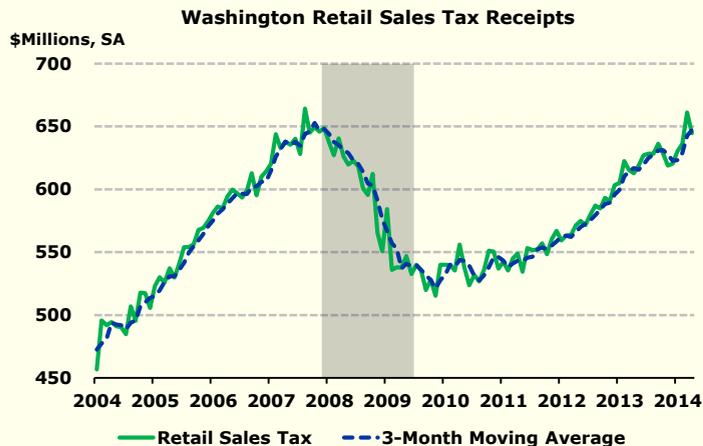
Sales tax collection growth faltered in Q4 2013 but growth has since resumed

Adjusted sales tax collections were up 4.6% year-over-year for first quarter activity

Preliminary collections for April activity were up 6.7% year-over-year

Revenue Review
June 17, 2014

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Source: ERFC; Monthly data through April 2014 preliminary activity

Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



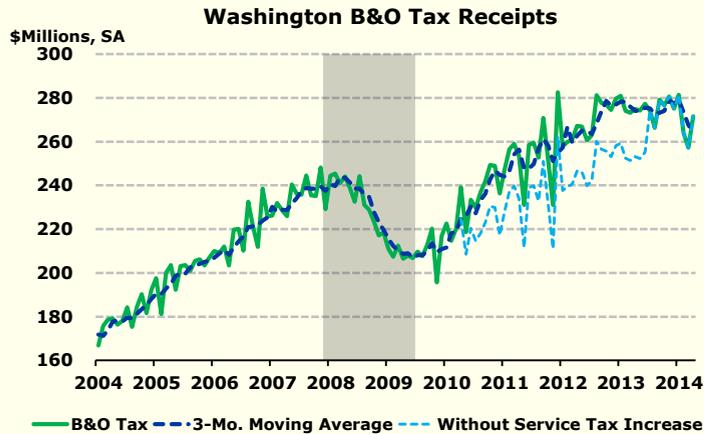
Surtax sunset reducing B&O but underlying Y-O-Y growth still positive

Adjusted B&O tax collections were down 3.0% year over year for first quarter activity

Collections would have grown 5.2% without last year's service tax surcharge

Revenue Review
June 17, 2014

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REET: moderate residential growth plus spikes in large commercial sales

The residential market has shown strong price growth but total sales have been constrained by low inventory

Large commercial sales have caused several spikes in taxable activity

May sales of property worth \$10 million or more totaled \$720 million

Revenue Review
June 17, 2014

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Forecast changes: General Fund State, 2013-2015 Biennium

February Forecast:
\$33,013 million

	\$Millions				
			June Forecast		
	Collection Experience	Non-economic Change	Forecast Change	Forecast	Total Change*
Dept. of Revenue	\$123	(\$7)	\$38	\$31,578	\$154
All other agencies	(\$1)	\$8	(\$4)	\$1,592	\$3
Total GF-S	\$122	\$1	\$33	\$33,169	\$157

Revenue Review
June 17, 2014

* Detail may not add to total due to rounding

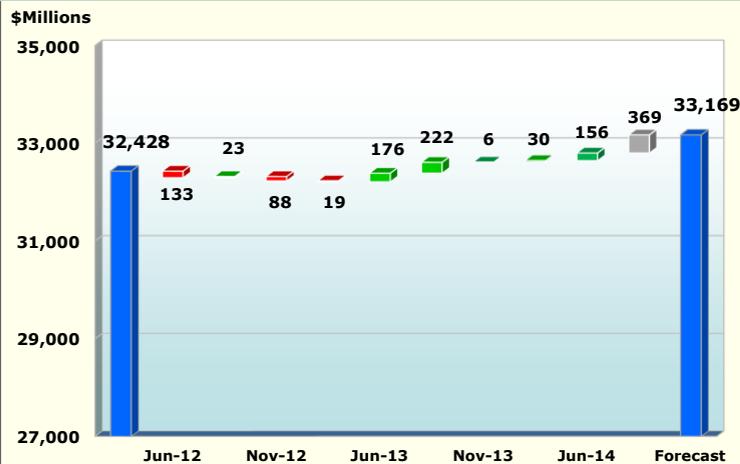
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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



GF-S forecast revisions to the 2013-15 biennium

GF-S New Definition



Revenue Review
June 17, 2014

Source: ERFC February 2012 – February 2014 forecasts
Gray area indicates total noneconomic change

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2015-2017 Biennium

February Forecast:
\$35,697 million

\$Millions	June Forecast			
	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$5	\$194	\$34,266	\$199
All other agencies	\$0	\$40	\$1,669	\$40
Total GF-S	\$5	\$233	\$35,935	\$238

Revenue Review
June 17, 2014

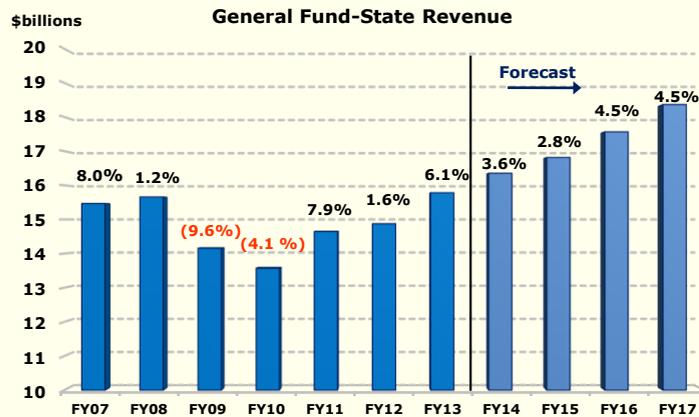
* Detail may not add to total due to rounding

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



General Fund-State* forecast by fiscal year



Revenue Review
June 17, 2014

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

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2013-15 Biennium alternative forecasts – cash basis

\$Millions	2013-15 Biennium	Difference From the baseline
June Baseline (50%)	\$33,169	
<u>June 2014 Alternative Forecasts</u>		
Optimistic (25%)	\$34,513	\$1,344
Pessimistic (25%)	\$31,757	(\$1,412)
Probability Weighted Average	\$33,152	(\$17)
GCEA*	\$33,172	\$2

Revenue Review
June 17, 2014

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Conclusion

- The economic forecast is quite similar to February'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 8.2% between the 2011-13 and 2013-15 biennia and 8.3% between the 2013-15 and 2015-17 biennia
- The level of uncertainty in the baseline remains high, with risks on both the downside and upside

Revenue Review
June 17, 2014

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions

Revenue Review
June 17, 2014

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

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360-534-1560

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

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

	February 2014 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2014 <u>Forecast</u>	Total <u>Change#</u>
General Fund-State	\$33,012.8	\$1.1	\$155.6	\$33,169.4	\$156.6
Education Legacy Trust Account***	\$397.9	\$0.0	(\$11.3)	\$386.6	(\$11.3)
WA Opportunity Pathways Account	\$226.1	\$0.0	\$1.1	\$227.1	\$1.1
Total	\$33,636.8	\$1.1	\$145.4	\$33,783.2	\$146.4

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

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

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

#Details may not add due to rounding

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

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

	<u>February 2014 Forecast*</u>	<u>Collection Experience</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2014 Forecast</u>	<u>Total Change#</u>
Department of Revenue	\$31,424.1	\$122.9	(\$6.7)	\$37.5	\$31,577.8	\$153.7
All other Agencies	\$1,588.6	(\$0.7)	\$7.7	(\$4.1)	\$1,591.6	\$2.9
Total General Fund-State	\$33,012.8	\$122.2	\$1.1	\$33.4	\$33,169.4	\$156.6

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

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

#Details may not add due to rounding

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

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

	February 2014 <u>Forecast*</u>	Non-economic <u>Changes**</u>	Forecast <u>Change</u>	June 2014 <u>Forecast</u>	Total <u>Change[#]</u>
General Fund-State	\$35,696.8	\$5.1	\$233.3	\$35,935.2	\$238.3
Education Legacy Trust Account	\$396.0	\$0.0	\$1.4	\$397.4	\$1.4
WA Opportunity Pathways Account	\$236.4	\$0.0	\$1.6	\$238.0	\$1.6
Total	\$36,329.2	\$5.1	\$236.3	\$36,570.6	\$241.3

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

**Sum of impacts of legislation from the 2014 regular legislative session

[#]Details may not add due to rounding

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

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

	<u>February 2014 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2014 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$34,067.4	\$5.1	\$193.6	\$34,266.0	\$198.7
All other Agencies	\$1,629.5	(\$0.0)	\$39.7	\$1,669.1	\$39.7
Total General Fund-State	\$35,696.8	\$5.1	\$233.3	\$35,935.2	\$238.3

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

**Sum of impacts of legislation from the 2014 regular legislative session

[#]Details may not add due to rounding

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

February 2012 through June 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
June 2014	160	(5)	156	1 #5	157	33,169
Total change***:						
From February 2012	307	65	372	369	741	
Percent change	1.0	4.9	1.1	1.1	2.3	

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

September 2012 through June 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) #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
Total change***:						
From February 2012	15	145	160	257	417	
Percent change	0.0	10.2	0.5	0.7	1.2	

* 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

June 2014
Alternative Forecasts
Millions of Dollars

Cash Basis

2013-15 Biennium

	<u>2013-15 Biennium</u>	<u>Difference From the June 2014 Baseline</u>
June 2014 Baseline (50%)	\$33,169	
June 2014 Alternative Forecasts		
Optimistic (25%)	\$34,513	\$1,344
Pessimistic (25%)	\$31,757	(\$1,412)
Probability Weighted Average	\$33,152	(\$17)
GCEA*	\$33,172	\$2

2015-17 Biennium

	<u>2015-17 Biennium</u>	<u>Difference From the June 2014 Baseline</u>
June 2014 Baseline (50%)	\$35,935	
June 2014 Alternative Forecasts		
Optimistic (25%)	\$39,593	\$3,658
Pessimistic (25%)	\$32,334	(\$3,601)
Probability Weighted Average	\$35,949	\$14
GCEA*	\$36,057	\$122

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 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	5.8	3.9	1.5
2015	4.9	4.5	1.1
2016	4.7	5.6	0.8
2017	4.8	5.7	0.9
2018	4.7	5.6	0.8
2019	4.1	5.3	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	4.9	3.9	1.3
2015	5.0	4.5	1.1
2016	5.0	5.6	0.9
2017	4.6	5.7	0.8
2018	4.5	5.6	0.8
2019	4.1	5.3	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

June 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	1.9
2014	8.4	3.9	2.2
2015	1.0	4.5	0.2
2016	5.5	5.6	1.0
2017	4.8	5.7	0.9
2018	4.2	5.6	0.8
2019	4.1	5.3	0.8
Average 1998-2013:	3.1	4.8	0.6

Total Revenue Act Receipts

June 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	4.4	3.9	1.1
2015	4.2	4.5	0.9
2016	5.2	5.6	0.9
2017	5.1	5.7	0.9
2018	4.8	5.6	0.9
2019	4.2	5.3	0.8
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)

June 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	\$16,353	3.6%	\$0	0.0%	\$16,353	3.6%	\$212	110.1%	\$16,565	4.3%
FY 2015	\$16,816	2.8%	\$0	0.0%	\$16,816	2.8%	\$174	-18.0%	\$16,991	2.6%
FY 2016	\$17,569	4.5%	\$0	0.0%	\$17,569	4.5%	\$199	14.3%	\$17,768	4.6%
FY 2017	\$18,366	4.5%	\$0	0.0%	\$18,366	4.5%	\$198	-0.5%	\$18,565	4.5%
FY 2018	\$19,140	4.2%	\$0	0.0%	\$19,140	4.2%	\$201	1.3%	\$19,341	4.2%
FY 2019	\$19,883	3.9%	\$0	0.0%	\$19,883	3.9%	\$181	-9.9%	\$20,064	3.7%
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	\$33,169	8.2%	\$0	0.0%	\$33,169	8.2%	\$387	79.6%	\$33,556	8.7%
15-17 Biennium	\$35,935	8.3%	\$0	0.0%	\$35,935	8.3%	\$397	2.8%	\$36,333	8.3%
17-19 Biennium	\$39,023	8.6%	\$0	0.0%	\$39,023	8.6%	\$382	-3.9%	\$39,405	8.5%

*Education legacy trust fund excluding FY14 and FY15 lottery fund transfers. Includes pension stabilization fund interest in FY08 and FY09.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2013-15 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.9	\$0.0	(\$1.3)	\$34.7	(\$1.3)
Insurance Commissioner Insurance Premiums	\$938.5	\$0.0	\$4.8	\$943.3	\$4.8
Liquor Control Board Taxes, Licenses, and Fees	\$246.6	\$7.9	(\$4.6)	\$249.9	\$3.3
Lottery Commission Lottery Revenue	\$10.4	\$0.0	(\$1.1)	\$9.3	(\$1.1)
State Treasurer Interest Earnings	(\$6.7)	\$0.0	\$1.5	(\$5.2)	\$1.5
Office of Financial Management Other Agencies	\$191.7	(\$0.2)	(\$4.2)	\$187.3	(\$4.4)
Administrative Office of the Courts Fines and Forfeitures	\$172.2	\$0.0	\$0.0	\$172.2	\$0.0
Total General Fund-State	\$1,588.6	\$7.7	(\$4.8)	\$1,591.6	\$2.9

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2013-15 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$35.9	\$0.0	(\$1.3)	\$34.6	(\$1.3)
Insurance Commissioner Insurance Premiums	\$938.5	\$0.0	\$4.8	\$943.3	\$4.8
Liquor Control Board Taxes, Licenses, and Fees	\$246.6	\$7.9	(\$4.6)	\$249.9	\$3.3
Lottery Commission Lottery Revenue	\$3.6	\$0.0	(\$1.3)	\$2.3	(\$1.3)
State Treasurer Interest Earnings	(\$7.1)	\$0.0	\$1.9	(\$5.2)	\$1.9
Office of Financial Management Other Agencies	\$191.7	(\$0.2)	(\$4.2)	\$187.3	(\$4.4)
Administrative Office of the Courts Fines and Forfeitures	\$172.2	\$0.0	\$0.0	\$172.2	\$0.0
Total General Fund-State	\$1,581.4	\$7.7	(\$4.7)	\$1,584.5	\$3.1

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.0	(\$1.0)	\$35.2	(\$1.0)
Insurance Commissioner Insurance Premiums	\$1,000.7	\$0.0	\$40.7	\$1,041.4	\$40.7
Liquor Control Board Taxes, Licenses, and Fees	\$230.9	\$0.0	\$4.0	\$234.8	\$4.0
Lottery Commission Lottery Revenue	\$2.7	\$0.0	\$0.6	\$3.3	\$0.6
State Treasurer Interest Earnings	\$7.2	\$0.0	\$4.8	\$12.0	\$4.8
Office of Financial Management Other Agencies	\$169.1	(\$0.0)	(\$8.7)	\$160.4	(\$8.7)
Administrative Office of the Courts Fines and Forfeitures	\$182.6	\$0.0	(\$0.7)	\$182.0	(\$0.7)
Total General Fund-State	\$1,629.5	(\$0.0)	\$39.7	\$1,669.1	\$39.7

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2015-17 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$36.2	\$0.0	(\$1.0)	\$35.2	(\$1.0)
Insurance Commissioner Insurance Premiums	\$1,000.7	\$0.0	\$40.7	\$1,041.4	\$40.7
Liquor Control Board Taxes, Licenses, and Fees	\$230.9	\$0.0	\$4.0	\$234.8	\$4.0
Lottery Commission Lottery Revenue	\$1.5	\$0.0	\$1.3	\$2.8	\$1.3
State Treasurer Interest Earnings	\$8.5	\$0.0	\$5.0	\$13.5	\$5.0
Office of Financial Management Other Agencies	\$169.1	(\$0.0)	(\$8.7)	\$160.4	(\$8.7)
Administrative Office of the Courts Fines and Forfeitures	\$182.6	\$0.0	(\$0.7)	\$182.0	(\$0.7)
Total General Fund-State	\$1,629.5	(\$0.0)	\$40.6	\$1,670.0	\$40.6

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.3	\$0.0	(\$1.5)	\$35.8	(\$1.5)
Insurance Commissioner Insurance Premiums	\$1,080.8	\$0.0	\$47.2	\$1,127.9	\$47.2
Liquor Control Board Taxes, Licenses, and Fees	\$289.6	\$0.0	\$4.0	\$293.6	\$4.0
Lottery Commission Lottery Revenue	\$6.7	\$0.0	\$0.6	\$7.3	\$0.6
State Treasurer Interest Earnings	\$33.1	\$0.0	\$12.2	\$45.2	\$12.2
Office of Financial Management Other Agencies	\$181.0	(\$0.0)	(\$11.6)	\$169.3	(\$11.7)
Administrative Office of the Courts Fines and Forfeitures	\$194.3	\$0.0	(\$1.0)	\$193.4	(\$1.0)
Total General Fund-State	\$1,822.7	(\$0.0)	\$49.8	\$1,872.5	\$49.8

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2014 and February 2014 forecasts
2017-19 Biennium
(Amounts in Millions)

Source/Agency	February 2014 Baseline	Non-Economic Changes	Economic Changes	June 2014 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$37.3	\$0.0	(\$1.5)	\$35.8	(\$1.5)
Insurance Commissioner Insurance Premiums	\$1,080.8	\$0.0	\$47.2	\$1,127.9	\$47.2
Liquor Control Board Taxes, Licenses, and Fees	\$289.6	\$0.0	\$4.0	\$293.6	\$4.0
Lottery Commission Lottery Revenue	\$13.6	\$0.0	(\$1.1)	\$12.5	(\$1.1)
State Treasurer Interest Earnings	\$33.6	\$0.0	\$12.4	\$46.0	\$12.4
Office of Financial Management Other Agencies	\$181.0	(\$0.0)	(\$11.6)	\$169.3	(\$11.7)
Administrative Office of the Courts Fines and Forfeitures	\$194.3	\$0.0	(\$1.0)	\$193.4	(\$1.0)
Total General Fund-State	\$1,830.1	(\$0.0)	\$48.4	\$1,878.5	\$48.3

* 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	142.7	9.3	0.0	10.8	0.0	0.0	0.3	3.4	108.8	0.0	10.1
2015	139.4	0.0	0.0	11.2	0.0	0.0	0.3	3.5	118.3	0.0	6.1
2013-15 Biennium	282.1	9.3	0.0	22.0	0.0	0.0	0.6	6.9	227.1	0.0	16.1
2016	136.8	2.3	0.0	11.7	0.0	0.0	0.3	3.5	119.0	0.0	0.0
2017	135.9	1.0	0.0	12.2	0.0	0.0	0.3	3.5	119.0	0.0	0.0
2015-17 Biennium	272.7	3.3	0.0	23.8	0.0	0.0	0.6	6.9	238.0	0.0	0.0
2018	136.3	1.7	0.0	11.7	0.0	0.0	0.3	3.5	119.1	0.0	0.0
2019	140.6	5.5	0.0	12.2	0.0	0.0	0.3	3.5	119.1	0.0	0.0
2017-19 Biennium	276.9	7.3	0.0	23.8	0.0	0.0	0.7	6.9	238.2	0.0	0.0

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

Source: Lottery Commission, ERFC

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account	Education Legacy Trust Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2	0.0
2013	139.2	9.3	0.0	10.4	0.0	0.0	0.3	3.6	115.5	0.0	0.0
2011-13 Biennium	277.2	9.3	2.7	20.4	0.0	0.0	0.6	6.6	237.4	0.2	0.0
2014	146.3	0.0	0.0	10.8	0.0	0.0	0.3	3.8	121.4	0.0	10.1
2015	142.8	2.3	0.0	11.2	0.0	0.0	0.3	3.5	119.4	0.0	6.1
2013-15 Biennium	289.1	2.3	0.0	22.0	0.0	0.0	0.6	7.3	240.8	0.0	16.1
2016	135.5	1.0	0.0	11.7	0.0	0.0	0.3	3.5	119.0	0.0	0.0
2017	136.7	1.7	0.0	12.2	0.0	0.0	0.3	3.5	119.0	0.0	0.0
2015-17 Biennium	272.2	2.8	0.0	23.8	0.0	0.0	0.6	6.9	238.0	0.0	0.0
2018	140.1	5.5	0.0	11.7	0.0	0.0	0.3	3.5	119.1	0.0	0.0
2019	142.0	7.0	0.0	12.2	0.0	0.0	0.3	3.5	119.1	0.0	0.0
2017-19 Biennium	282.1	12.5	0.0	23.8	0.0	0.0	0.7	6.9	238.2	0.0	0.0

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

Source: Lottery Commission, ERFC

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

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	66.8	2.2%	1.8%
Construction	9.9	6.7%	3.3%
Mining and Logging	0.3	4.9%	5.2%
Software Publishers	1.8	3.3%	NA
Leisure and Hospitality	8.6	3.0%	2.7%
Professional and Business Services	10.0	2.8%	3.5%
Retail Trade	8.6	2.6%	2.1%
Wholesale Trade	3.3	2.6%	2.3%
Education and Health Services	11.2	2.6%	1.8%
Manufacturing Excluding Aerospace	4.4	2.3%	NA
Transportation, Warehousing and Utilities	2.1	2.3%	2.4%
Information Excluding Software	1.0	1.9%	NA
Financial Activities	2.5	1.7%	0.6%
State and Local Gov Education	3.9	1.7%	0.2%
Other Services	1.1	0.9%	0.9%
State and Local Gov Non-Education	1.6	0.8%	0.7%
Aerospace Product and Parts Manufacturing	-2.8	-2.9%	NA
Information	2.8	2.6%	-1.3%
Manufacturing	1.6	0.6%	0.9%

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

U.S. Forecast Comparison

	2014Q1	2014Q2	2014Q3	2014Q4
Real GDP (Billions of 2009 Dollars)				
June Forecast, Final	15,903	16,051	16,177	16,304
Percent Change	-1.0%	3.8%	3.2%	3.2%
June Forecast, Preliminary	15,947	16,086	16,209	16,336
Percent Change	0.1%	3.5%	3.1%	3.2%
Real Consumption (Billions of 2009 Dollars)				
June Forecast, Final	10,914	10,992	11,066	11,147
Percent Change	3.1%	2.9%	2.7%	3.0%
June Forecast, Preliminary	10,912	10,995	11,069	11,148
Percent Change	3.0%	3.1%	2.7%	2.9%
Implicit Price Deflator, PCE (2009=1.00)				
June Forecast, Final	1.080	1.086	1.090	1.095
Percent Change	1.4%	2.2%	1.6%	1.8%
June Forecast, Preliminary	1.081	1.087	1.092	1.096
Percent Change	1.4%	2.3%	1.9%	1.4%
Real Personal Income (Billions of 2009 Dollars)				
June Forecast, Final	13,344	13,414	13,492	13,581
Percent Change	1.9%	2.1%	2.4%	2.7%
June Forecast, Preliminary	13,351	13,392	13,511	13,634
Percent Change	2.0%	1.2%	3.6%	3.7%
Nonfarm Payroll Employment (Millions)				
June Forecast, Final	137.8	138.6	139.4	139.9
Percent Change	1.5%	2.4%	2.3%	1.6%
June Forecast, Preliminary	137.8	138.6	139.5	140.1
Percent Change	1.5%	2.4%	2.7%	1.8%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	6.7	6.3	6.2	6.1
June Forecast, Preliminary	6.7	6.3	6.2	6.1
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Final	4.4	4.2	4.3	4.6
June Forecast, Preliminary	4.4	4.4	4.6	4.7
3 Month T-Bill Rate (Percent, average)				
June Forecast, Final	0.0	0.1	0.1	0.1
June Forecast, Preliminary	0.0	0.1	0.1	0.1

	2013	2014	2015	2016	2017	2018	2019
Real GDP (Billions of 2009 Dollars)							
June Forecast, Final	15,761	16,109	16,601	17,082	17,561	18,017	18,468
Percent Change	1.9%	2.2%	3.1%	2.9%	2.8%	2.6%	2.5%
June Forecast, Preliminary	15,761	16,144	16,631	17,114	17,593	18,050	18,502
Percent Change	1.9%	2.4%	3.0%	2.9%	2.8%	2.6%	2.5%
Real Consumption (Billions of 2009 Dollars)							
June Forecast, Final	10,728	11,030	11,343	11,649	11,952	12,250	12,544
Percent Change	2.0%	2.8%	2.8%	2.7%	2.6%	2.5%	2.4%
June Forecast, Preliminary	10,728	11,031	11,346	11,653	11,955	12,254	12,548
Percent Change	2.0%	2.8%	2.9%	2.7%	2.6%	2.5%	2.4%
Implicit Price Deflator, PCE (2009=1.00)							
June Forecast, Final	1.072	1.088	1.105	1.119	1.136	1.153	1.169
Percent Change	1.1%	1.5%	1.6%	1.3%	1.5%	1.5%	1.4%
June Forecast, Preliminary	1.072	1.089	1.105	1.120	1.137	1.155	1.172
Percent Change	1.1%	1.5%	1.5%	1.4%	1.5%	1.6%	1.5%
Real Personal Income (Billions of 2009 Dollars)							
June Forecast, Final	13,184	13,458	13,909	14,457	15,010	15,514	15,996
Percent Change	1.7%	2.1%	3.4%	3.9%	3.8%	3.4%	3.1%
June Forecast, Preliminary	13,184	13,472	13,978	14,510	15,054	15,550	16,028
Percent Change	1.7%	2.2%	3.8%	3.8%	3.8%	3.3%	3.1%
Nonfarm Payroll Employment (Millions)							
June Forecast, Final	136.4	138.9	141.4	143.9	146.0	147.3	148.2
Percent Change	1.7%	1.9%	1.8%	1.7%	1.4%	0.9%	0.6%
June Forecast, Preliminary	136.4	139.0	141.6	144.1	146.2	147.7	148.6
Percent Change	1.7%	1.9%	1.9%	1.8%	1.5%	1.0%	0.6%
Unemployment Rate (Percent of Labor Force)							
June Forecast, Final	7.4	6.3	5.9	5.7	5.6	5.6	5.6
June Forecast, Preliminary	7.4	6.3	5.8	5.6	5.5	5.5	5.5
30 Year Fixed Mortgage Rate (Percent, average)							
June Forecast, Final	4.0	4.4	5.0	5.8	6.5	6.6	6.6
June Forecast, Preliminary	4.0	4.5	5.0	5.8	6.5	6.6	6.6
3 Month T-Bill Rate (Percent, average)							
June Forecast, Final	0.1	0.1	0.4	2.2	3.6	3.7	3.7
June Forecast, Preliminary	0.1	0.1	0.4	2.2	3.6	3.7	3.7

U.S. Forecast Comparison

	2014Q1	2014Q2	2014Q3	2014Q4
Real GDP (Billions of 2009 Dollars)				
June Forecast, Final	15,903	16,051	16,177	16,304
Percent Change	-1.0%	3.8%	3.2%	3.2%
February Forecast	16,047	16,156	16,273	16,397
Percent Change	2.1%	2.7%	2.9%	3.1%
Real Consumption (Billions of 2009 Dollars)				
June Forecast, Final	10,914	10,992	11,066	11,147
Percent Change	3.1%	2.9%	2.7%	3.0%
February Forecast	10,902	10,976	11,055	11,136
Percent Change	2.6%	2.7%	2.9%	3.0%
Implicit Price Deflator, PCE (2009=1.00)				
June Forecast, Final	1.080	1.086	1.090	1.095
Percent Change	1.4%	2.2%	1.6%	1.8%
February Forecast	1.078	1.081	1.086	1.090
Percent Change	1.0%	0.9%	2.0%	1.3%
Real Personal Income (Billions of 2009 Dollars)				
June Forecast, Final	13,344	13,414	13,492	13,581
Percent Change	1.9%	2.1%	2.4%	2.7%
February Forecast	13,399	13,521	13,624	13,743
Percent Change	3.4%	3.7%	3.1%	3.5%
Nonfarm Payroll Employment (Millions)				
June Forecast, Final	137.8	138.6	139.4	139.9
Percent Change	1.5%	2.4%	2.3%	1.6%
February Forecast	137.4	137.9	138.5	139.2
Percent Change	1.8%	1.7%	1.6%	2.1%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	6.7	6.3	6.2	6.1
February Forecast	6.6	6.5	6.4	6.2
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Final	4.4	4.2	4.3	4.6
February Forecast	4.4	4.5	4.7	4.8
3 Month T-Bill Rate (Percent, average)				
June Forecast, Final	0.0	0.1	0.1	0.1
February Forecast	0.1	0.1	0.0	0.0

	2013	2014	2015	2016	2017	2018	2019
15,761	16,109	16,601	17,082	17,561	18,017	18,468	
1.9%	2.2%	3.1%	2.9%	2.8%	2.6%	2.5%	
15,767	16,219	16,704	17,171	17,635	18,093	18,546	
1.9%	2.9%	3.0%	2.8%	2.7%	2.6%	2.5%	
10,728	11,030	11,343	11,649	11,952	12,250	12,544	
2.0%	2.8%	2.8%	2.7%	2.6%	2.5%	2.4%	
10,728	11,017	11,329	11,623	11,926	12,224	12,517	
2.0%	2.7%	2.8%	2.6%	2.6%	2.5%	2.4%	
1.072	1.088	1.105	1.119	1.136	1.153	1.169	
1.1%	1.5%	1.6%	1.3%	1.5%	1.5%	1.4%	
1.072	1.084	1.099	1.114	1.128	1.143	1.157	
1.1%	1.1%	1.4%	1.3%	1.3%	1.4%	1.2%	
13,184	13,458	13,909	14,457	15,010	15,514	15,996	
1.7%	2.1%	3.4%	3.9%	3.8%	3.4%	3.1%	
13,186	13,572	14,054	14,549	15,065	15,537	15,988	
1.7%	2.9%	3.6%	3.5%	3.5%	3.1%	2.9%	
136.4	138.9	141.4	143.9	146.0	147.3	148.2	
1.7%	1.9%	1.8%	1.7%	1.4%	0.9%	0.6%	
135.9	138.3	141.1	143.7	145.7	147.1	148.0	
1.6%	1.7%	2.0%	1.9%	1.4%	1.0%	0.6%	
7.4	6.3	5.9	5.7	5.6	5.6	5.6	
7.4	6.4	6.0	5.7	5.6	5.5	5.4	
4.0	4.4	5.0	5.8	6.5	6.6	6.6	
4.0	4.6	5.0	5.7	6.5	6.6	6.5	
0.1	0.1	0.4	2.2	3.6	3.7	3.7	
0.1	0.1	0.4	2.2	3.6	3.7	3.7	

Washington Forecast Comparison

	2014Q1	2014Q2	2014Q3	2014Q4
Real Personal Income (Billions of 2009 Dollars)				
June Forecast, Final	312.5	312.8	315.2	317.0
Percent Change	4.7%	0.3%	3.1%	2.3%
June Forecast, Preliminary	312.5	312.3	315.8	318.5
Percent Change	4.7%	-0.2%	4.6%	3.4%
Personal Income (Billions of Dollars)				
June Forecast, Final	337.6	339.7	343.7	347.2
Percent Change	6.1%	2.5%	4.7%	4.2%
June Forecast, Preliminary	337.7	339.3	344.8	348.9
Percent Change	6.2%	2.0%	6.6%	4.9%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Final	3035	3049	3066	3080
Percent Change	2.2%	1.9%	2.2%	1.8%
June Forecast, Preliminary	3035	3053	3074	3089
Percent Change	2.2%	2.4%	2.7%	2.0%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	6.4	6.1	6.0	5.9
June Forecast, Preliminary	6.4	6.0	6.0	5.8
Manufacturing Employment (Thousands)				
June Forecast, Final	287.5	288.1	288.8	289.0
Percent Change	1.2%	0.9%	1.0%	0.2%
June Forecast, Preliminary	287.5	288.5	289.9	290.5
Percent Change	1.2%	1.5%	1.9%	0.9%
Construction Employment (Thousands)				
June Forecast, Final	155.2	157.9	159.1	160.5
Percent Change	8.7%	7.1%	3.2%	3.3%
June Forecast, Preliminary	155.2	157.9	159.4	161.1
Percent Change	8.7%	7.2%	3.9%	4.2%
Housing Permits (Thousands)				
June Forecast, Final	31.2	37.4	32.6	33.6
Percent Change	-45.4%	107.1%	-42.1%	11.9%
June Forecast, Preliminary	31.2	37.4	32.9	33.9
Percent Change	-45.4%	107.1%	-39.9%	11.8%

	2013	2014	2015	2016	2017	2018	2019
June Forecast, Final	305.7	314.3	325.7	339.7	353.7	367.3	380.9
Percent Change	2.0%	2.8%	3.6%	4.3%	4.1%	3.8%	3.7%
June Forecast, Preliminary	305.7	314.8	327.7	341.4	355.3	368.7	382.3
Percent Change	2.0%	3.0%	4.1%	4.2%	4.1%	3.8%	3.7%
June Forecast, Final	327.7	342.0	359.9	380.3	401.8	423.5	445.3
Percent Change	3.2%	4.4%	5.2%	5.7%	5.7%	5.4%	5.2%
June Forecast, Preliminary	327.7	342.7	362.1	382.3	403.8	425.8	448.1
Percent Change	3.2%	4.6%	5.7%	5.6%	5.6%	5.5%	5.2%
June Forecast, Final	2990	3058	3117	3175	3222	3263	3300
Percent Change	2.4%	2.3%	2.0%	1.9%	1.5%	1.3%	1.1%
June Forecast, Preliminary	2990	3063	3127	3188	3238	3282	3320
Percent Change	2.4%	2.4%	2.1%	1.9%	1.6%	1.4%	1.2%
June Forecast, Final	7.0	6.1	5.8	5.7	5.7	5.7	5.7
June Forecast, Preliminary	7.0	6.0	5.7	5.6	5.5	5.5	5.6
June Forecast, Final	286.6	288.4	292.6	295.4	296.9	298.1	298.8
Percent Change	2.2%	0.6%	1.5%	1.0%	0.5%	0.4%	0.2%
June Forecast, Preliminary	286.6	289.1	293.6	295.5	296.6	298.2	299.1
Percent Change	2.2%	0.9%	1.5%	0.7%	0.4%	0.5%	0.3%
June Forecast, Final	148.8	158.2	166.1	175.8	184.6	193.0	198.6
Percent Change	7.1%	6.3%	5.0%	5.8%	5.0%	4.6%	2.9%
June Forecast, Preliminary	148.8	158.4	167.8	178.8	187.8	195.0	199.3
Percent Change	7.1%	6.4%	6.0%	6.6%	5.0%	3.9%	2.2%
June Forecast, Final	33.0	33.7	36.2	41.0	42.7	43.0	43.8
Percent Change	17.2%	2.2%	7.5%	13.4%	4.0%	0.7%	1.9%
June Forecast, Preliminary	33.0	33.8	37.2	41.6	42.6	43.0	43.9
Percent Change	17.2%	2.7%	9.8%	11.9%	2.5%	0.8%	2.1%

Washington Forecast Comparison

	2014Q1	2014Q2	2014Q3	2014Q4
Real Personal Income (Billions of 2009 Dollars)				
June Forecast, Final	312.5	312.8	315.2	317.0
Percent Change	4.7%	0.3%	3.1%	2.3%
February Forecast	311.9	314.6	317.7	320.5
Percent Change	5.0%	3.4%	4.1%	3.5%
Personal Income (Billions of Dollars)				
June Forecast, Final	337.6	339.7	343.7	347.2
Percent Change	6.1%	2.5%	4.7%	4.2%
February Forecast	336.4	340.0	345.1	349.2
Percent Change	6.0%	4.4%	6.1%	4.9%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Final	3035	3049	3066	3080
Percent Change	2.2%	1.9%	2.2%	1.8%
February Forecast	2977	2991	3005	3021
Percent Change	2.0%	2.0%	1.8%	2.1%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	6.4	6.1	6.0	5.9
February Forecast	6.6	6.5	6.4	6.3
Manufacturing Employment (Thousands)				
June Forecast, Final	287.5	288.1	288.8	289.0
Percent Change	1.2%	0.9%	1.0%	0.2%
February Forecast	286.6	289.3	291.7	291.9
Percent Change	-0.1%	3.9%	3.3%	0.3%
Construction Employment (Thousands)				
June Forecast, Final	155.2	157.9	159.1	160.5
Percent Change	8.7%	7.1%	3.2%	3.3%
February Forecast	150.3	152.8	154.6	156.7
Percent Change	3.2%	6.7%	5.0%	5.4%
Housing Permits (Thousands)				
June Forecast, Final	31.2	37.4	32.6	33.6
Percent Change	-45.4%	107.1%	-42.1%	11.9%
February Forecast	31.4	32.6	33.6	34.8
Percent Change	-32.1%	17.1%	12.7%	14.9%

	2013	2014	2015	2016	2017	2018	2019
Real Personal Income (Billions of 2009 Dollars)							
June Forecast, Final	305.7	314.3	325.7	339.7	353.7	367.3	380.9
Percent Change	2.0%	2.8%	3.6%	4.3%	4.1%	3.8%	3.7%
February Forecast	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%
Personal Income (Billions of Dollars)							
June Forecast, Final	327.7	342.0	359.9	380.3	401.8	423.5	445.3
Percent Change	3.2%	4.4%	5.2%	5.7%	5.7%	5.4%	5.2%
February Forecast	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%
Nonfarm Payroll Employment (Thousands)							
June Forecast, Final	2990	3058	3117	3175	3222	3263	3300
Percent Change	2.4%	2.3%	2.0%	1.9%	1.5%	1.3%	1.1%
February Forecast	2940	2999	3063	3123	3174	3217	3252
Percent Change	2.3%	2.0%	2.1%	2.0%	1.6%	1.4%	1.1%
Unemployment Rate (Percent of Labor Force)							
June Forecast, Final	7.0	6.1	5.8	5.7	5.7	5.7	5.7
February Forecast	7.0	6.5	6.1	6.0	5.9	5.8	5.8
Manufacturing Employment (Thousands)							
June Forecast, Final	286.6	288.4	292.6	295.4	296.9	298.1	298.8
Percent Change	2.2%	0.6%	1.5%	1.0%	0.5%	0.4%	0.2%
February Forecast	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%
Construction Employment (Thousands)							
June Forecast, Final	148.8	158.2	166.1	175.8	184.6	193.0	198.6
Percent Change	7.1%	6.3%	5.0%	5.8%	5.0%	4.6%	2.9%
February Forecast	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%
Housing Permits (Thousands)							
June Forecast, Final	33.0	33.7	36.2	41.0	42.7	43.0	43.8
Percent Change	17.2%	2.2%	7.5%	13.4%	4.0%	0.7%	1.9%
February Forecast	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%

Governor's Council of Economic Advisor's Forecast

June 5, 2014

Calendar Years

	2014	2015	2016	2017	2018	2019
U.S.						
Real GDP						
<i>Growth</i>						
ERFC	2.2	3.1	2.9	2.8	2.6	2.5
GCEA Average	2.4	2.9	2.8	2.6	2.5	2.4
Real Consumption						
<i>Growth</i>						
ERFC	2.8	2.8	2.7	2.6	2.5	2.4
GCEA Average	2.8	2.8	2.7	2.6	2.5	2.4
Implicit Price Deflator, PCE						
<i>Growth</i>						
ERFC	1.5	1.6	1.3	1.5	1.5	1.4
GCEA Average	1.7	2.0	2.0	2.1	2.1	2.2
Mortgage Rate						
<i>Percent</i>						
ERFC	4.4	5.0	5.8	6.5	6.6	6.6
GCEA Average	4.5	5.1	5.7	6.2	6.3	6.3
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	108.2	104.1	100.0	97.3	95.7	94.6
GCEA Average	105.8	102.0	98.7	97.3	96.4	95.9

Washington State

Real Personal Income

Growth

ERFC	2.8	3.6	4.3	4.1	3.8	3.7
GCEA Average	3.1	3.6	3.6	3.5	3.3	3.2

Wage and Salary Employment

Growth

ERFC	2.3	2.0	1.9	1.5	1.3	1.1
GCEA Average	2.2	1.9	1.8	1.5	1.3	1.2

Manufacturing Employment

Growth

ERFC	0.6	1.5	1.0	0.5	0.4	0.2
GCEA Average	0.7	1.0	0.5	0.2	0.1	0.2

Construction Employment

Growth

ERFC	6.3	5.0	5.8	5.0	4.6	2.9
GCEA Average	4.7	4.6	4.9	3.9	2.8	2.1

Housing Permits

Thousands of authorized units

ERFC	33.7	36.2	41.0	42.7	43.0	43.8
GCEA Average	33.3	38.6	43.3	42.9	43.2	43.7

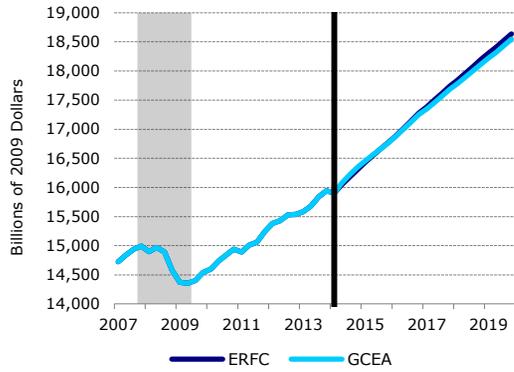
Washington Average Annual Wage

Growth

ERFC	2.8	2.9	3.3	3.2	3.4	3.5
GCEA Average	2.6	2.9	3.1	3.1	3.3	3.3

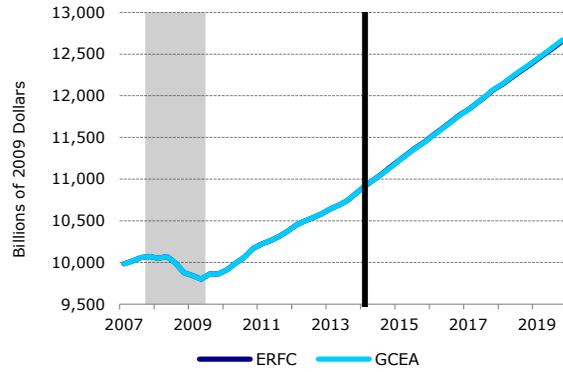
U.S. Forecast Comparison

Real GDP



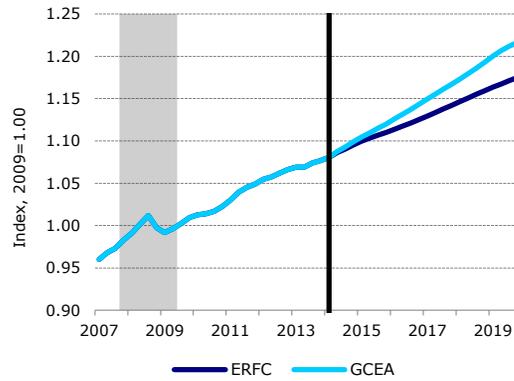
Source: BEA, ERFC, GCEA; data through 2014 Q1

Real Consumption



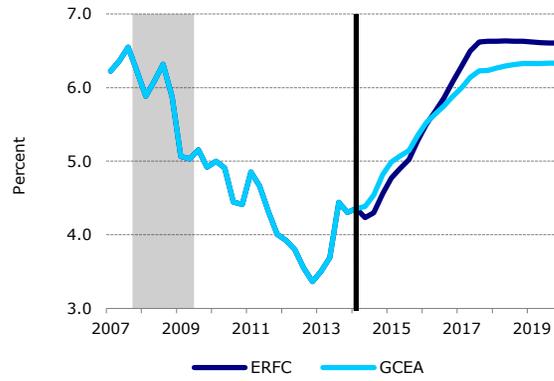
Source: BEA, ERFC, GCEA; data through 2014 Q1

Implicit Price Deflator, PCE



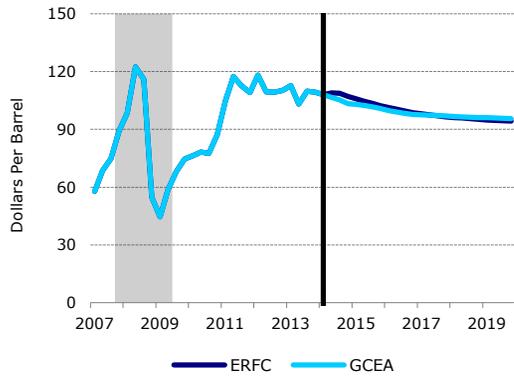
Source: BEA, ERFC, GCEA; data through 2014 Q1

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2014 Q1

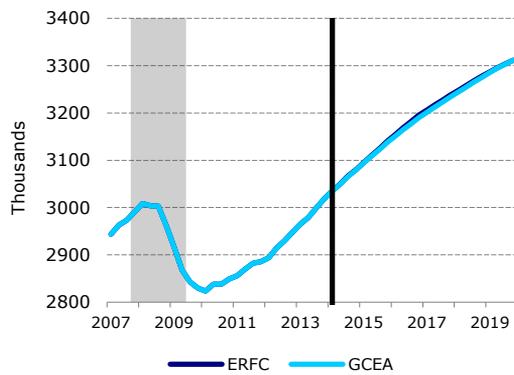
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2014 Q1

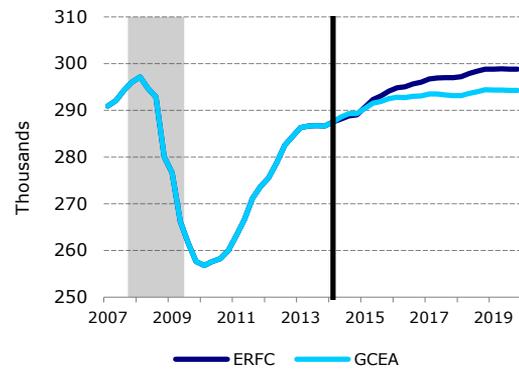
Washington Forecast Comparison

Nonfarm Payroll Employment



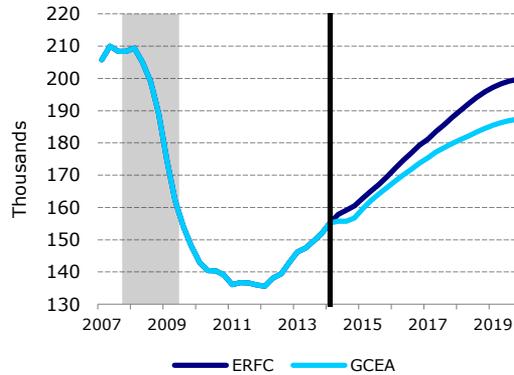
Source: ESD, ERFC, GCEA; data through 2014 Q1

Manufacturing Employment



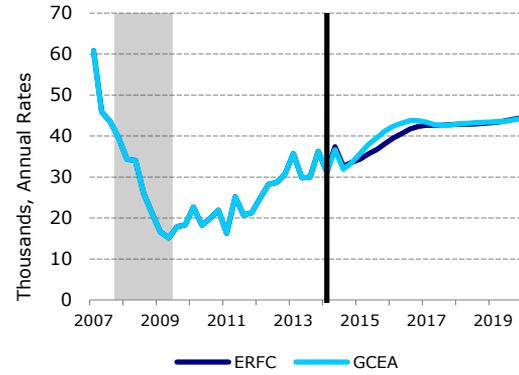
Source: ESD, ERFC, GCEA; data through 2014 Q1

Construction Employment



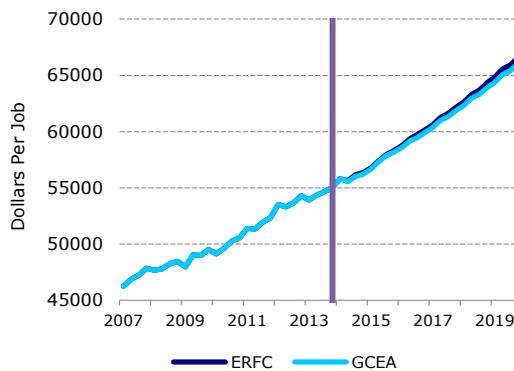
Source: ESD, ERFC, GCEA; data through 2014 Q1

Housing Units Authorized



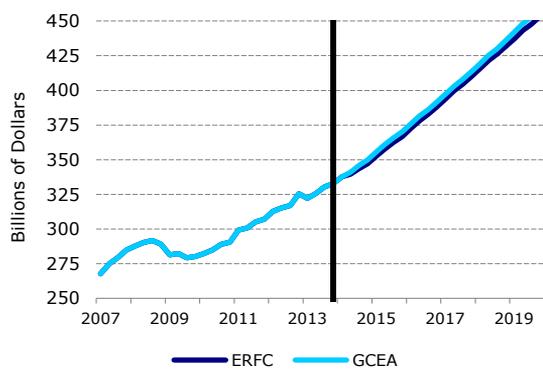
Source: Census, ERFC, GCEA; data through 2014 Q1

Average Annual Wage



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

Personal Income



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

2013-15 Enacted Budget Balance Sheet

Including 2014 Supplemental Budget

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
February 2014 Forecast	33,012.8	624.0	33,636.8
June 2014 Update			
2014 Revenue Legislation	2.7	-	2.7
Budget Driven Revenue and Technical Corrections	(1.7)	-	(1.7)
June Revenue Update (Economic Change)	155.6	(10.2)	145.4
Total June 2014 Update	156.6	(10.2)	146.4
Current Revenue Totals	33,169.4	613.8	33,783.2
Transfer to Budget Stabilization Account	(312.2)	-	(312.2)
Previously Enacted Fund Transfers	131.5	289.3	420.8
Prior Period Adjustments	40.8	-	40.8
2014 Supplemental			
New Fund Transfers	3.7	24.0	27.7
Governor Vetoes of New Fund Transfers	(1.0)	(20.0)	(21.0)
Total Resources (including beginning fund balance)	33,199.7	896.0	34,095.7
EXPENDITURES			
2013-15 Enacted Budgets			
Enacted 2013-15 Budget	32,795.5	835.8	33,631.3
EHB 2088 - (Aerospace Appropriations)	10.5	-	10.5
ESSB 6002 - 2014 Supplemental	60.2	89.8	149.9
Governor's Vetoes of ESSB 6002 - 2014 Supplemental	(2.7)	-	(2.7)
SSB 6129 & SB 6523 (Paraeducator Development & Real Hope)	5.2	-	5.2
Assumed Reversions	(140.0)	-	(140.0)
Total Expenditures	32,728.6	925.5	33,654.1
RESERVES			
Projected Ending GFS, ELTA & OPA Balances	471.1	(29.5)	441.6
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	269.7	-	269.7
Transfer from General Fund and Interest Earnings	312.9	-	312.9
Projected Budget Stabilization Account Ending Balance	582.5	-	582.5
Total Reserves (Including Budget Stabilization)	1,053.6	(29.5)	1,024.1