

EMBARGOED

*until September 23, 2020 10:00 am PST when it will be
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Revenue Review
September 23, 2020



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW

September 23, 2020
10:00 a.m.

- Call to order
- Approval meeting minutes: September 3, 2020
- Economic & Revenue Forecast
 - Adoption of official state economic and revenue forecast and optimistic and pessimistic alternative forecasts
- Adjournment

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STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
PO Box 40912 • Olympia, Washington 98504-0912 • (360) 534-1560

Meeting Minutes
Economic Review and Budget Outlook
September 3, 2020
Zoom

Economic and Revenue Forecast Council

Ed Orcutt, House of Representatives, Chair
Christine Rolfes, Senate
John Braun, Senate
Timm Ormsby, House
Duane Davidson, Treasurer
Vikki Smith, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director
Jason P. Richter, Office of State
Treasurer
Jennifer Merchant, Office of State
Treasurer
Alice Ostdiek, Stradling Yocca Carlson &
Rauth, P.C.

Call to Order

Representative Orcutt called the meeting to order at 10:00 a.m.

Motion

Treasurer Davidson moved, seconded by Representative Orcutt, to fully describe "option 1" in the meeting minutes of June 17, 2020 at 10:02 a.m.

Approval of the Minutes

Treasurer Davidson moved, seconded by Representative Orcutt to adopt the meeting minutes from June 17, 2020. Council passed motion at 10:04 a.m.

Interim budget outlooks and other ERFC documents: to post or not to post

Alice Ostdiek of Stradling Yocca Carlson & Rauth, P.C. provided information to the Council regarding Securities and Exchange Commission (SEC) disclosure rules and how they relate to the posting of ERFC Forecast and Budget Outlook documents. Representative Orcutt asked if the current process of posting documents at certain times of the year and not others created any inconsistency with SEC rules. Ms. Ostdiek responded that there is no inconsistency. ERFC does not have a mandatory duty to disclose documents on a schedule. No further action was taken related to the presentation. Treasurer Davidson suggested trainings such as the one presented by Ms. Ostdiek should take place more regularly.

Forecast Presentation

Dr. Lerch presented information on the preliminary economic forecast. Dr. Lerch summarized the forecast changes.

Motion

Senator Rolfes moved, seconded by Representative Orcutt, to adopt the preliminary economic forecast. Council approved the motion unanimously at 11:02 a.m.

Adjournment

With no further business, the meeting adjourned at 11:04 a.m.

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



Economic & Revenue Review: September 23, 2020

Executive Summary

United States

- This forecast is based on a modified version of IHS Markit's September 2020 Control forecast for the U.S. economy. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. The forecast for GDP growth in 2020 is now -5.6%, down from -5.2% in the preliminary June forecast. For 2021, real GDP growth is 3.8%, unchanged from the preliminary forecast. The Blue Chip long-range forecast has not changed since early March and does not reflect impacts from the COVID-19 pandemic. Instead, we extended the short-term Blue Chip 2021 forecast to approach IHS GDP levels by 2025. Our forecast for GDP growth is 3.9% for 2022, 2.8% for 2023, 2.5% for 2024 and 2.3% for 2025. This compares to GDP growth rates of 3.9%, 3.1%, 2.5% and 2.2% from 2022 through 2025 in the preliminary forecast.
- Our oil price forecast reflects the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Wednesday, September 16th closing prices for Brent and WTI futures. The latest futures prices indicate slightly lower oil prices than in the preliminary September forecast but still slightly above prices expected in the June forecast. The refiner acquisition price of crude is \$38 per barrel in 2020, down from \$39 in the preliminary forecast. We expect oil prices to increase gradually, reaching approximately \$48 in 2025.
- National employment increased by 1.4 million net jobs in August. Employment data for June and July were revised down by 39,000 jobs. Sectors with the largest job gains in August included the Federal government (+251,000; 238,000 of these positions are temporary Census jobs), retail trade (+249,000), administrative and support services (+151,000), food services and drinking places (+134,000), transportation and warehousing (+78,000), health care (+75,000), other services (+74,000), local government excluding education (+63,000), educational services (+57,000) and professional and technical services (+42,000). Sectors with declining employment in August included transportation equipment (-8,000), nonmetallic mineral products (-4,000), state government education (-4,000) and data processing, hosting and related services (-3,000).
- Two key measures of consumer confidence moved in opposite directions in August and remain below pre-pandemic levels. The University of Michigan (UM) consumer sentiment survey increased by 1.6 points to 74.1. While the stronger reading reflects a decline in consumer concerns about the economy over the next year, the index remains well below its pre-pandemic level of 101.0. The Conference Board index of consumer confidence decreased 6.9 points to 84.8. The Conference Board noted that consumers were less optimistic about business conditions, the labor market and income prospects currently and over the next six months.

- Residential construction activity improved again this month and now exceeds year-ago levels. Housing units authorized by building permits in July were 18.8% (SA) above their June level and 9.4% above their year-ago level (see figure). July housing starts increased by 22.6% (SA) compared to June and were 23.4% below their July 2019 level. New home sales in July increased by 13.9% (SA) compared to June and were 36.3% above their year-ago level. Existing home sales in July increased by 24.7% (SA) compared to June and were up 8.7% compared to July 2019. The seasonally adjusted Case-Shiller national home price index for June was 0.2% above its May level and 4.3% above its year-ago level.
- The major threat to the U.S. and Washington economies is the uncertain impact of COVID-19. The potential consolidation of Boeing 787 production in South Carolina and resulting decline in Washington aerospace employment is also a major concern.

Washington

- We have three months of new Washington employment data since the June forecast was released. Employment continued to rise in June, July, and August following the historic decline in March and April. Total nonfarm payroll employment rose 190,800 (seasonally adjusted) in the last three months which was 81,800 more than expected in the June forecast. As of August, the state's economy has recovered nearly half the jobs lost in March and April. Private services-providing sectors added 161,700 jobs in the three-month period. The manufacturing sector lost 3,700 jobs which was more than accounted for by the loss of 6,500 aerospace jobs. Construction employment increased by 10,800. Federal government employment increased by 10,000 however 5,900 of those were temporary Census jobs. State and local government payrolls expanded by 11,900 jobs in June, July, and August.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions subtracted 2,900 (0.1%) from the estimated level of total employment in May 2020. August employment is 78,900 (2.5%) higher than expected in the June forecast because of the faster-than-expected employment growth in June, July, and August.
- Washington's unemployment rate declined to 8.5% in August from 10.2% in July. The August rate is down significantly from the 16.3% rate reached in April which was an all-time high in the series that dates back to 1976.
- The disruption of airline travel is expected to reduce demand for new aircraft for some time. Boeing has indicated that there will be significant reductions in employment, particularly in the commercial airplane division. As of August, Washington aerospace employment had already declined by 10,800 since April when Boeing first announced major job cuts. We assume a decline of another 2,800 aerospace employees by the end of the year. The forecast makes no assumption concerning a possible consolidation of 787 production in South Carolina.
- In June, after the forecast was complete, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released state personal income estimates for the first quarter of 2020. According to these estimates, Washington personal income rose from \$503.1 billion (SAAR) in the fourth quarter of 2019

to \$506.3 billion in the first quarter of 2020. The reported 2.6% growth rate (SAAR) in Washington personal income was the 19th largest among the states and District of Columbia and slightly exceeded the 2.3% growth rate for the U.S. as a whole. As has been the case for several years, Washington income growth was boosted by information (which includes software publishing and other IT services such as internet publishing and web search portals) and retail trade (which includes electronic shopping). On the other hand, there was a sharp drop in durable manufacturing wages as most Boeing employees did not receive an annual bonus this year. Construction wages also declined in the first quarter.

- Washington housing construction declined in the second quarter but exceeded the June forecast. Washington housing units authorized by building permits averaged 40,300 (SAAR) in the second quarter of 2020, down from 49,800 in the first quarter. Second quarter permits consisted of 17,800 single-family units and 22,600 multi-family units. The June forecast predicted 12,300 single-family units and 16,700 multi-family units for a total of 28,900 units in the second quarter. Housing construction remained moderate at the beginning of the third quarter. In July, single-family permits improved to 23,600 units (SAAR) and multi-family units slowed to 17,400 for a total of 41,000 units.
- Seattle-area home prices declined for a third consecutive month in June following eleven consecutive increases. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle home prices decreased 0.2% in June following declines of 0.2% and 0.3% in April and May. The composite-20 index was unchanged in June. Seattle home prices were still up 6.5% over the year. In comparison, the composite-20 index was up 3.5% over the year. In June, Seattle home prices were up 100% since the December 2011 trough and exceeded the May 2007 peak by 39%. The reported June figure is for the three months ending in June.
- Seattle-area consumer price inflation exceeded the national average in August due to higher food and energy inflation. From August 2019 to August 2020, the Seattle CPI rose 1.7% compared to a 1.3% increase in the U.S. City Average index. However, core prices, which exclude food and energy, increased only 1.4% over the year in Seattle compared to 1.7% for the U.S. City Average. Over-the-year shelter-cost inflation in Seattle was 2.2% compared to the national rate of 2.3%. Seattle inflation excluding shelter exceeded the national average at 1.3% compared to 0.8%.
- Washington exports declined over the year for a seventh consecutive quarter. Year-over-year exports decreased 42.9% in the second quarter of 2020. The large decline was mostly because of transportation equipment exports (mostly Boeing planes) which fell 83.7% over the year. The second quarter of 2019 had already been severely depressed by Boeing's suspension of 737 Max deliveries in March 2019. Second quarter exports of agricultural products decreased 2.8% over the year and exports of all other commodities (mostly manufacturing) declined 16.4% over the year.
- The Institute of Supply Management - Western Washington Index (ISM-WW) indicated declining manufacturing activity again after briefly indicating growth. The index, which measures conditions in the manufacturing sector, declined to 48.9 in August from 56.4 in July and 50.9 in June (index values above 50 indicate growth while values below 50 indicate contraction). The

index was below 50 in March, April, and May. The inventory and deliveries components indicated expansion in August while the employment component indicated contraction. The production and orders components were neutral at 50.

- Washington car and truck sales declined slightly after three months of strong growth. The seasonally adjusted number of new vehicle registrations decreased 1.3% in August following increases of 20.4% in May, 75.9% in June, and 27.2% in July. Previously sales had declined 11.8% and 63.5% in March and April. The number of new vehicle registrations fell 11.4% over the year in August.
- We expect a 4.7% decline in Washington employment this year compared to the 5.5% decrease in the June forecast. We expect above-average growth through the remainder of the forecast as the economy recovers from this deep recession. We expect employment growth to average 2.3% per year in 2021 through 2025 compared to the 2.1% average rate expected in June. Our forecast for nominal personal income growth this year is 7.7%, up from 3.8% in the June forecast. The adverse effects of the recession on personal income this year are more than offset by substantial income support from the federal government. Our new forecast for nominal personal income growth in 2021 through 2025 averages 3.2% per year, which is down from the 3.5% rate expected in the June forecast. The effect of the recovery on growth in 2021-25 is offset by the loss of income support from the federal government.

Revenue

- While the COVID pandemic has had a significant negative impact on state revenues, the impact has not been as bad as forecasted in June. Cumulative major General Fund-State (GF-S) revenue collections from June 11 through September 10, 2020 came in \$963 million above the June forecast. Even though collections were above the June forecast, however, collections for February 11 through September 10 were \$840 million less than forecasted in February.
- The real estate market has been much stronger than expected. While taxable activity was depressed from April through July, by August activity was above its year-ago level. Because of this, real estate excise tax (REET) collections since June came in \$103 million higher than expected. REET collections for the current biennium are now forecasted to be \$281 million higher than forecasted in June.
- Supported by federal relief spending, retail trade activity was also stronger than expected, resulting in cumulative Revenue Act collections since June that were \$846 million higher than forecasted. Since most of the first round of federal support has expired and any support forthcoming for the rest of the biennium is expected to be greatly diminished, a slowdown in the rate of retail trade recovery is now expected. Nevertheless, forecasted Revenue Act receipts for the current biennium are now \$1.7 billion higher than forecasted in June.
- The September GF-S revenue forecast has been increased by \$2.1 billion in the current biennium and \$2.2 billion in the next. The forecast of GF-S revenue for the 2023-25 biennium has increased by \$2.5 billion. This still

leaves the GF-S forecast \$2.4 billion lower than the February 2020 forecast for the current biennium, \$2.1 billion for the next biennium and \$2.0 billion for the 2023-25 biennium.

- Forecasted GF-S revenue is now \$48.189 billion for the current biennium and \$52.181 billion for the 2021-23 biennium. Forecasted GF-S revenue is \$55.917 billion for the 2023-25 biennium.
- Forecasted Education Legacy Trust Account (ELTA) revenue for the 2019-21 biennium increased by \$164 million, due to both higher real estate excise tax receipts and higher estate tax receipts. The forecast for the 2021-23 biennium increased by \$149 million and the forecast for the 2023-25 biennium increased by \$125 million. Forecasted ELTA revenue is now \$1.535 billion for the 2019-21 biennium and \$1.241 billion for the 2021-23 biennium. Forecasted ELTA revenue for the 2023-25 biennium is \$1.041 billion.
- Forecasted revenue dedicated to the Opportunity Pathways Account (OPA) was decreased by \$1.4 million in the 2019-21 biennium and \$5.0 million in the 2021-23 biennium. Forecasted OPA revenue is now \$298 million for the 2019-21 biennium and \$315 million for the 2021-23 biennium. Forecasted OPA revenue for the 2023-25 biennium is \$322 million.
- Summing the changes to the GF-S, ELTA and OPA forecasts, Near GF-S revenue is forecasted to increase by \$2.222 billion in the 2019-21 biennium, \$2.390 billion in the 2021-23 biennium and \$2.578 billion in the 2023-25 biennium.
- Forecasted Near GF-S revenue for the 2019-21 biennium is now \$50.022 billion, 8.6% higher than 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$53.737 billion, an increase of 7.4% over expected 2019-21 biennial revenue. Forecasted Near GF-S revenue for the 2023-25 biennium is \$57.280 billion, an increase of 6.6% over expected 2021-23 biennial revenue.
- Forecasted revenue dedicated to the Workforce Education Investment Account (WEIA) was increased by \$17 million in the 2019-21 biennium and \$30 million in the 2021-23 biennium. Forecasted WEIA revenue is now \$339 million for the 2019-21 biennium and \$601 million for the 2021-23 biennium. Forecasted WEIA revenue for the 2023-25 biennium is now \$700 million.

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Revenue Review

Presented to
Economic and Revenue Forecast Council

Steve Lerch
Executive Director

September 23, 2020
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**



Summary

- The preliminary forecast assumed an extension of the \$600/wk. additional unemployment insurance benefits and a second stimulus payment in Sept.
- We now assume additional UI benefits will be \$300/wk. through the end of the year with an additional stimulus payment in October
- Forecast risks primarily relate to COVID-19 and the economic impacts of addressing the pandemic
- The Near General Fund-State forecast is increased by \$2.2 billion for the 2019-21 biennium and \$2.4 billion for 2021-23 biennium

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Data updates since preliminary forecast

U.S.

- August employment: +1.4 million jobs
- August unemployment rate decreased from 10.2% to 8.4%
- September Blue Chip GDP forecast: 2020 decreased from -5.2% to -4.6%; 2021 unchanged at +3.8%

Washington

- August employment: +46,800 jobs
- August unemployment rate dropped from 10.3% to 8.5%

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Forecast risks – unchanged from preliminary forecast

Upside

- COVID infection rates decline, leading to faster reopening of businesses, greater consumer confidence and spending, increased employment

Downside

- COVID infection rates increase, leading to slower pace of economic reopening, reduced consumer spending and employment
- Congress does not pass additional fiscal stimulus legislation
- Boeing consolidates 787 production in South Carolina

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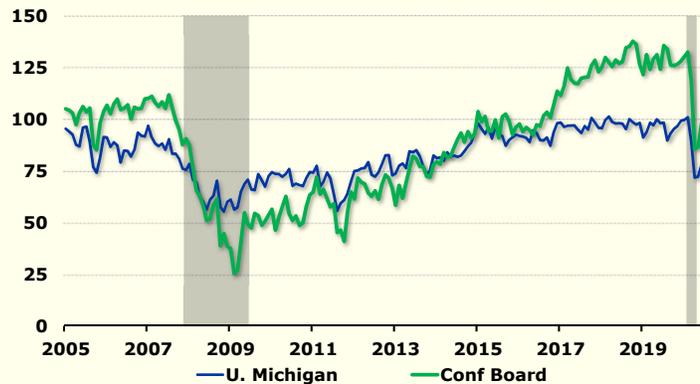
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Consumer confidence remains well below pre-pandemic levels

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



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Sources: University of Michigan, Conference Board; data through August 2020

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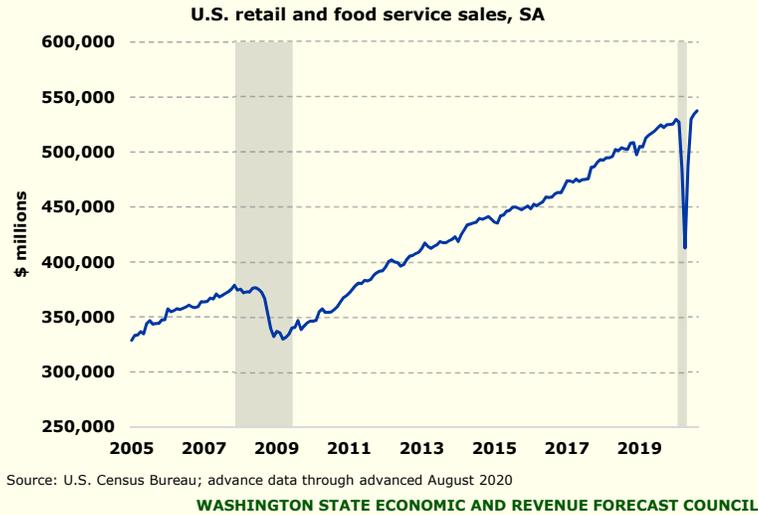
U.S. retail sales showed third straight month of year over year growth in August; monthly growth slowing

Monthly growth in retail sales:

- March = -8.2%
- April = -14.7%
- May = 18.3%
- June = 8.6%
- July = 0.9%
- August = 0.6%

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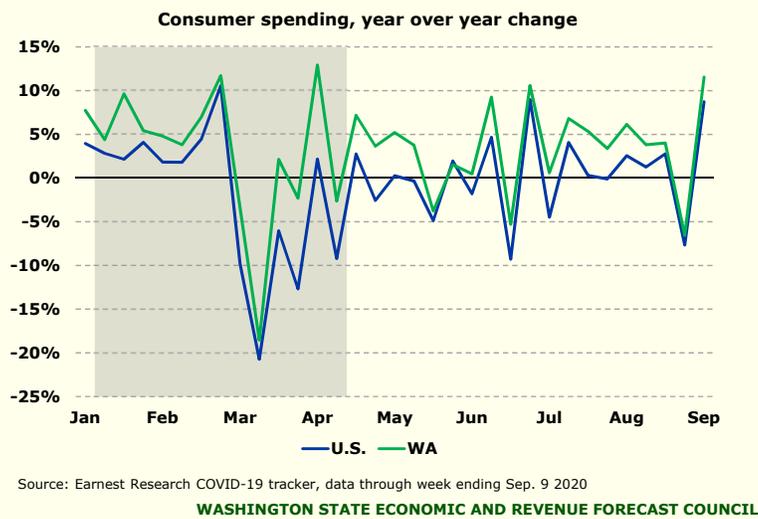


Since May, WA consumer spending has show year over year growth in all but three weeks

Earnest Research tracks a subset of credit and debit card transactions for large national chain stores and businesses; does not include construction or auto sales.

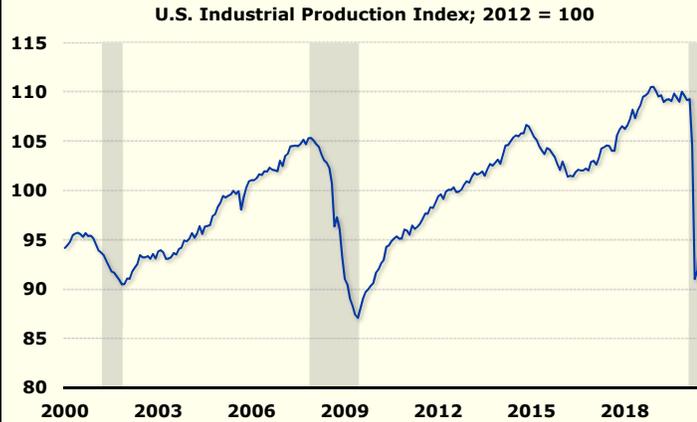
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U.S. industrial production is 7.7% below its year-ago level



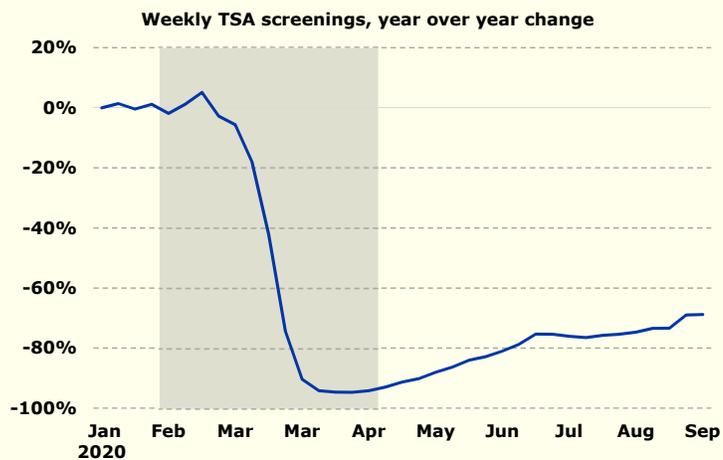
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Source: Federal Reserve; data through August 2020

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SeaTac passenger traffic has fallen dramatically but is slowly trending up



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Source: Port of Seattle, data through week of Sept. 6 2020

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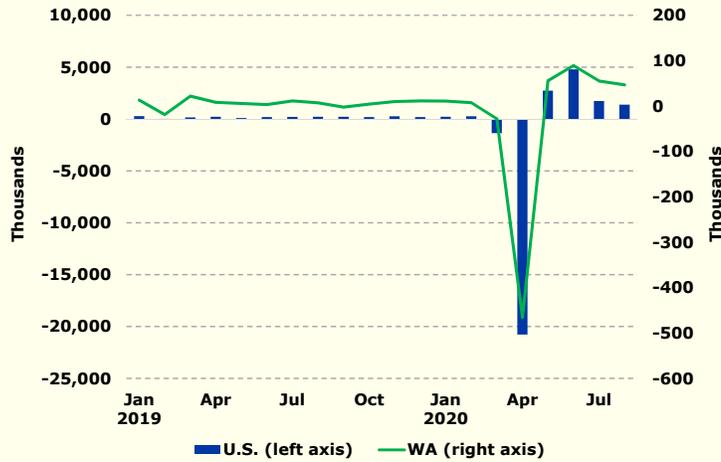


U.S., WA employment have increased in the last four months

August employment compared to February:

U.S. = -11.5 million

WA = -247,000



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Source: Bureau of Labor Statistics, Employment Security Dept.; data Jan.2019 - August 2020

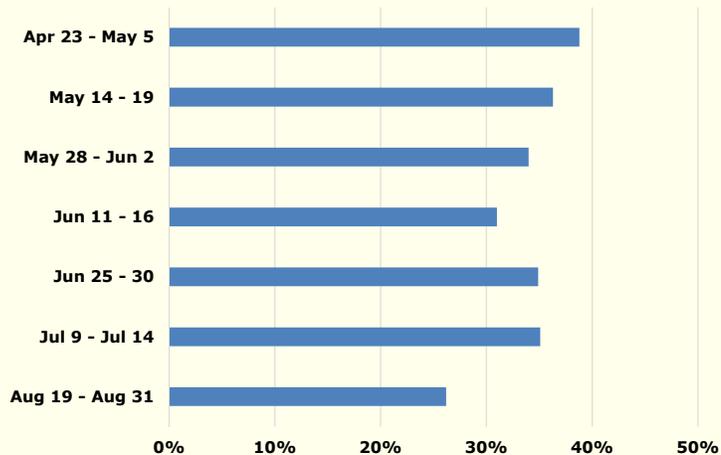
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Share of households expecting one or more members to lose employment in next four weeks

In the week of August 19 - 31, 45.5% of households indicated at least one member had experienced loss of employment income at some point since March 13th.



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Source: U.S. Census, Household Pulse Survey

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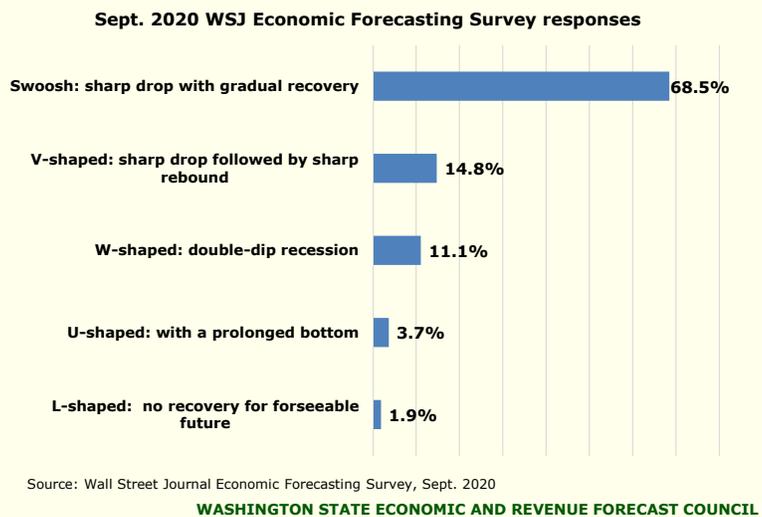
Job openings are growing but still below pre-pandemic levels



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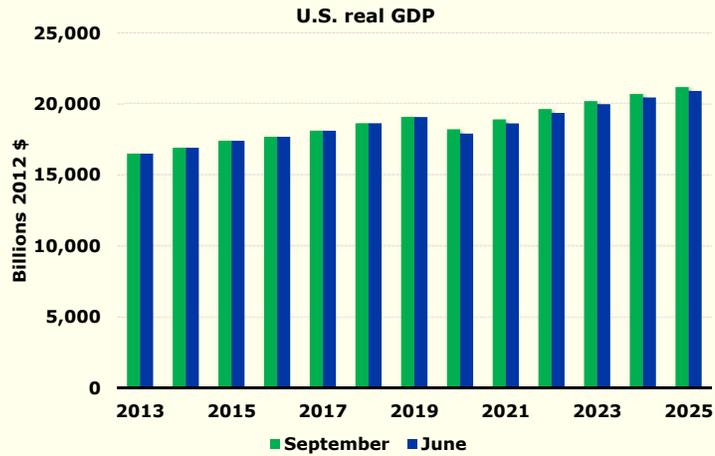
What will an economic recovery look like?



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GDP is 1.7% higher in 2020 compared to June forecast; returns to pre-pandemic level in 2022 Q1



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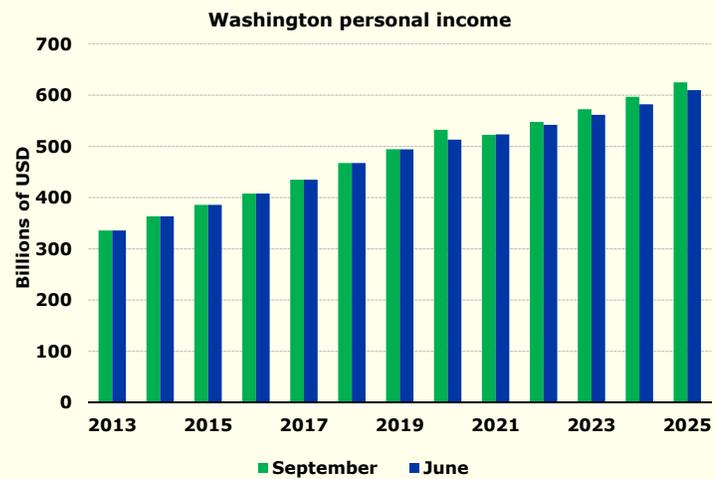
Source: ERFC September 2020 forecast; historical data through 2019

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Washington personal income is higher in 2020 compared to June forecast



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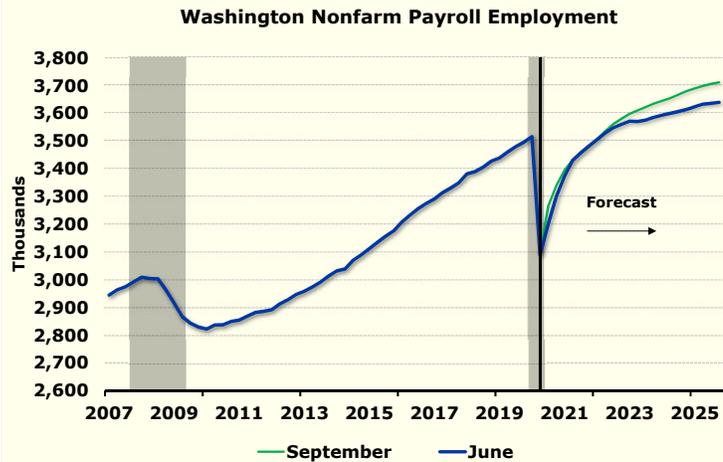
Source: ERFC September 2020 forecast; historical data through 2019

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Washington employment is stronger in 2020, grows slightly faster than in June forecast



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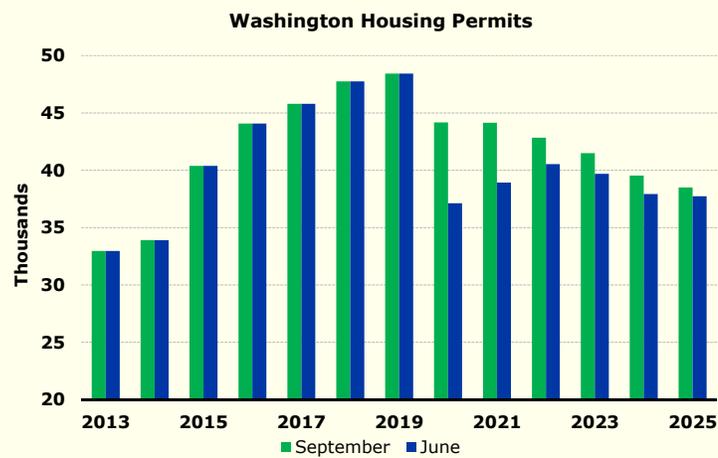
Source: ERFC September 2020 forecast; historical data through Q2 2020

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WA annual housing permits forecast has been revised up compared to June, remains below 2019 levels



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Source: ERFC September 2020 forecast; historical data through 2019

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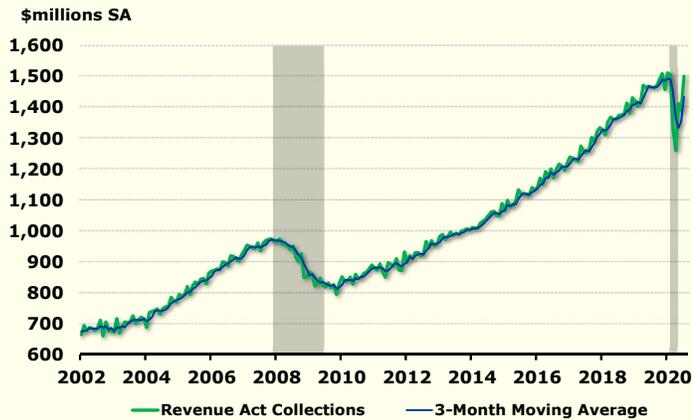
July spike in Revenue Act activity expected to be temporary

Adjusted Revenue Act receipts for July activity were up 3.6% YOY but activity was boosted by federal aid money and pent-up demand.

Receipts are now forecasted to be below their year-ago levels through the end of the year.

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* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred payments, current definition of Revenue Act
Source: DOR and ERFC; monthly data through July 2020 activity

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Why have collections in last three months been so much stronger than expected in June?

Substantial upward revision in 2020 Q2 personal income

- 2nd quarter data for U.S. personal income was released after June forecast; 4.7% higher than our estimate in June
- This revision was largely due to higher-than-expected stimulus payments
- Based on revised U.S. data, we have revised 2nd quarter personal income estimate for WA up by 5.4% (\$28 billion) compared to June
- Actual WA 2nd quarter personal income will be released September 24th, too late for this forecast

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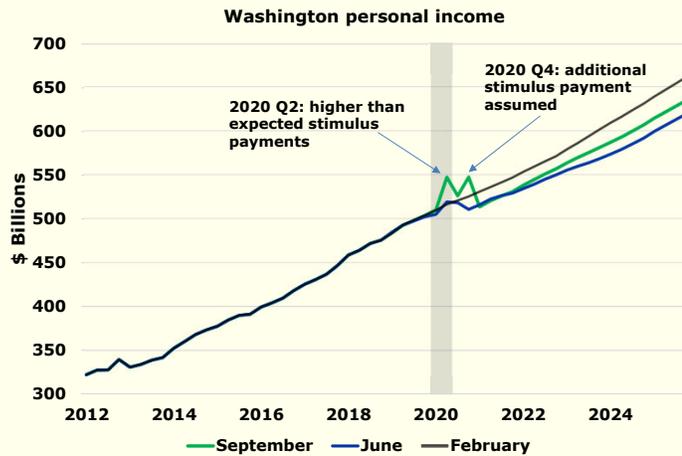


WA personal income is higher in 2020 compared to June; slightly higher in 2022 - 2025

The September forecast assumes additional \$300/week in UI benefits plus a 4th quarter stimulus payment which were not assumed in June

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Source: ERFC September 2020 forecast; historical data through 2020 Q1

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Why have collections in last three months been so much stronger than expected in June?

- Uncertainty about pace of economic reopening and consumer response to reopening
- Higher than expected sales in auto and most other retail trade sectors
- Impact of low mortgage rates has more than offset COVID-related uncertainty regarding home purchases, resulting in higher than expected REET collections

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Data from electronic filers indicates growth is outperforming 2018-19 averages in some sectors...

Share of July EFT payments:

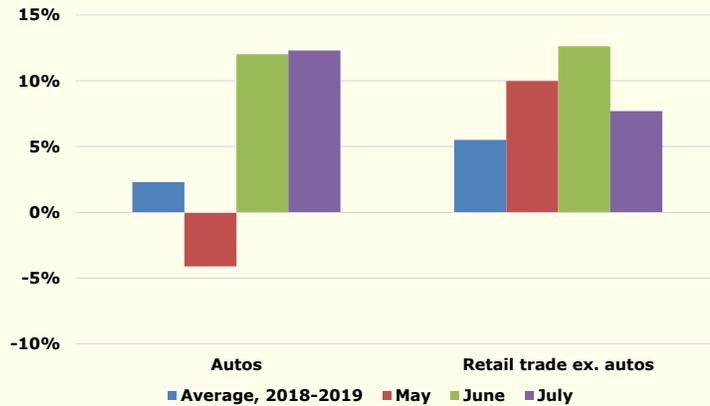
Autos: 9.3%

Retail trade ex. autos: 29.0%

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Year over year growth, payments by businesses filing in both current and previous year



Source: DOR and ERFC; monthly data through July 2020 activity; EFT payments do not include all taxpayers, exclude audit payments and refunds and may include some non GF-S taxes

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...but underperforming 2018-19 averages in others

Share of July EFT payments:

Construction: 15.7%

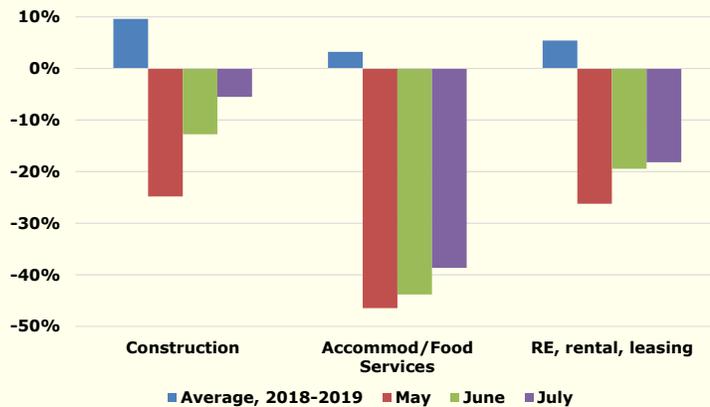
Accomod/food services: 5.5%

RE, rental, leasing: 2.4%

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Year over year growth, payments by businesses filing in both current and previous year



Source: DOR and ERFC; monthly data through July 2020 activity; EFT payments do not include all taxpayers, exclude audit payments and refunds and may include some non GF-S taxes

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August REET bounced back to year-ago levels

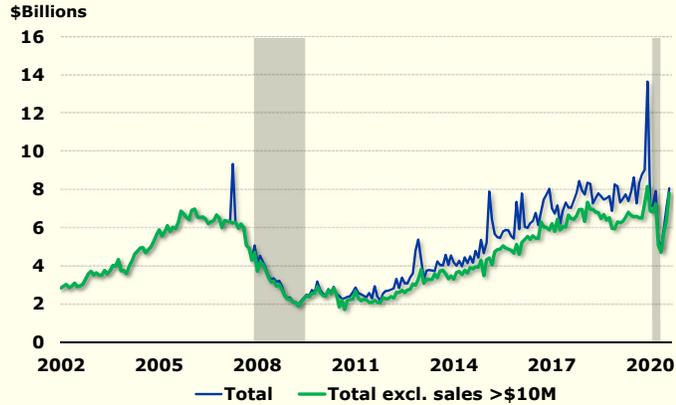
August taxable activity was close to the average level of Q3 2019.

Activity is forecasted to remain at or below the current level through the end of the year, which will result in negative YOY growth once again.

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Seasonally Adjusted Taxable Real Estate Excise Activity



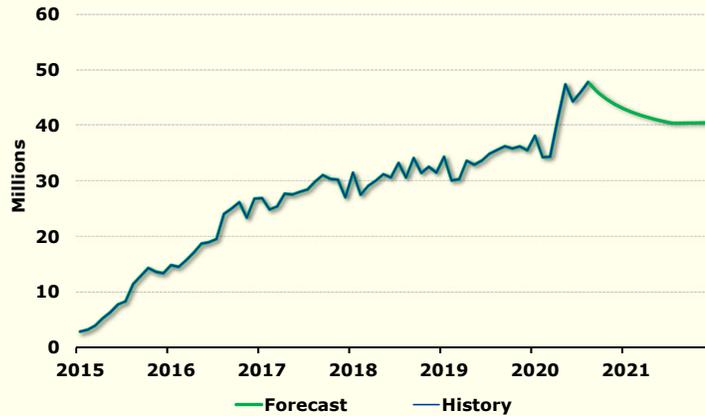
Source: ERFC; Monthly data through August 2020

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Cannabis revenues have spiked since April

Retail Cannabis Collections



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Source: ERFC September 2020 forecast; historical data through August 2020

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Cannabis excise tax and license fee estimates

Total change since June forecast:

- 2019-21 +\$66 M
- 2021-23 +\$68 M
- 2023-25 +\$58 M

\$Millions

Cannabis Forecast

	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
GF-S share of excise tax and license fees	\$351	\$359	\$387
Non-GF	\$629	\$635	\$664
Total	\$980	\$995	\$1,051

Revenue Review
September 23, 2020

Detail may not add to total due to rounding
Source: ERFC September 2020 forecast; historical data through August 2020

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: Near General Fund-State, 2019-2021 biennium, cash basis

\$Millions	<u>June 2020 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Sept 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$46,129	\$0	\$2,060	\$48,189	\$2,060
Education Legacy Trust Account	\$1,372	\$0	\$164	\$1,535	\$164
WA Opportunity Pathways Account	\$299	\$0	(\$1)	\$298	(\$1)
Total Near GF-S	\$47,800	\$0	\$2,222	\$50,022	\$2,222

Revenue Review
September 23, 2020

*Forecast for the 2019-21 biennium adopted June 17, 2020
Detail may not add to total due to rounding

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: Near General Fund-State, 2021-23 biennium, cash basis

\$Millions	<u>June 2020 Forecast*</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Sept 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$49,935	\$0	\$2,246	\$52,181	\$2,246
Education Legacy Trust Account	\$1,092	\$0	\$149	\$1,241	\$149
WA Opportunity Pathways Account	\$320	\$0	(\$5)	\$315	(\$5)
Total Near GF-S	\$51,347	\$0	\$2,390	\$53,737	\$2,390

Revenue Review
September 23, 2020

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*Forecast for the 2021-23 biennium adopted June 17, 2020
Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Near GF-S forecast comparison: February, June, September 2020

	\$ millions	
	2019 - 21	2021 - 23
February	\$52,339	\$55,690
June	\$47,800	\$51,342
September	\$50,022	\$53,737
June - February	(\$4,539)	(\$4,348)
September - February	(\$2,317)	(\$1,953)

Revenue Review
September 23, 2020

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Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Workforce Education Investment Account Forecast

\$Millions

	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
June 2020 Forecast	\$322	\$572	\$665
Forecast Change	\$17	\$30	\$35
Sept 2020 Forecast	\$339	\$601	\$700

Revenue Review
September 23, 2020

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Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2019-21 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2019-21 Biennium	Difference From the baseline*
Sept 2020 Baseline (50%)	\$48,189	
<u>Sept 2020 Alternative Forecasts</u>		
Optimistic (25%)	\$49,770	\$1,581
Pessimistic (25%)	\$46,201	(\$1,988)
Probability Weighted Average	\$48,087	(\$102)
GCEA*	\$47,806	(\$383)

Revenue Review
September 23, 2020

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*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2021-23 Biennium alternative General Fund-State forecasts

\$Millions (cash basis)	2021-23 Biennium	Difference From the baseline*
Sept 2020 Baseline (50%)	\$52,181	
<u>Sept 2020 Alternative Forecasts</u>		
Optimistic (25%)	\$56,372	\$4,191
Pessimistic (25%)	\$46,904	(\$5,277)
Probability Weighted Average	\$51,909	(\$271)
GCEA*	\$51,533	(\$648)

Revenue Review
September 23, 2020

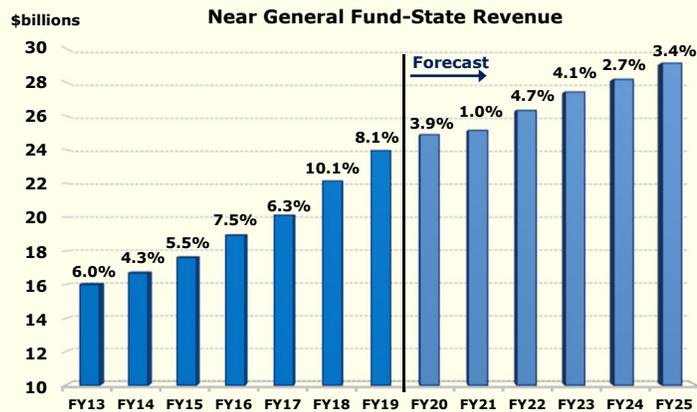
*Based on the Governor's Council of Economic Advisors' economic assumptions
#May not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Near General Fund-State* forecast by fiscal year



Revenue Review
September 23, 2020

*Near General Fund-State equals General Fund-State plus Education Legacy Trust and Washington Opportunities Pathway Accounts
Source: ERFC forecast, September 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Conclusion

- U.S. and WA 2020 personal income are higher than expected in June due to an underestimate of stimulus payments
- Consumer retail spending has been stronger than expected in the June forecast
- The Near GF-S revenue forecast has been revised up compared to June but remains below pre-pandemic levels
- Near GF-S revenues expected to grow 8.6% between the 2017-19 and 2019-21 biennia and 7.4% between the 2019-21 and 2021-23 biennia
- The level of uncertainty in the baseline forecast is substantial

Revenue Review
September 23, 2020
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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions



Revenue Review
September 23, 2020
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Economic & Revenue Forecast Council
PO BOX 40912
Olympia WA 98504-0912
www.erc.wa.gov
360-534-1560

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

Comparison of the September 2020 to the June 2020 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	<u>June 2020 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>September 2020 Forecast</u>	<u>Total Change[#]</u>
General Fund-State	\$46,129.5	\$0.0	\$2,059.7	\$48,189.1	\$2,059.7
Education Legacy Trust Account	\$1,371.6	\$0.0	\$163.7	\$1,535.3	\$163.7
WA Opportunity Pathways Account	\$299.3	\$0.0	(\$1.4)	\$297.9	(\$1.4)
Workforce Education Investment Account	\$321.8	\$0.0	\$16.7	\$338.5	\$16.7
Total	\$48,122.2	\$0.0	\$2,238.6	\$50,360.8	\$2,238.6

*Forecast for the 2019-21 biennium adopted June 17, 2020

[#]Details may not add due to rounding

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

Comparison of the September 2020 to the June 2020 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	<u>June 2020 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>September 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$49,934.5	\$0.0	\$2,246.0	\$52,180.5	\$2,246.0
Education Legacy Trust Account	\$1,092.2	\$0.0	\$148.5	\$1,240.7	\$148.5
WA Opportunity Pathways Account	\$320.2	\$0.0	(\$5.0)	\$315.3	(\$5.0)
Workforce Education Investment Account	\$571.6	\$0.0	\$29.7	\$601.3	\$29.7
Total	\$51,918.5	\$0.0	\$2,419.3	\$54,337.8	\$2,419.3

*Forecast for the 2021-23 biennium adopted June 17, 2020

#Details may not add due to rounding

Track Record for the 2019-21 General Fund-State Cash Forecast

February 2016 through September 2020

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 2016 #	\$36,887	\$1,823				\$43,441
Changes to Forecast						
June 2016	172	(31)	141	(7) #1	134	43,575
September 2016	86	(31)	55	0	55	43,630
November 2016	21	4	26	0	26	43,656
March 2017	241	(55)	186	0	186	43,842
June 2017	47	(13)	34	(1) #2	34	43,875
September 2017	245	(3)	243	3,278 #3	3,521	47,396
November 2017	188	(2)	186	0	186	47,582
February 2018	655	16	671	0	671	48,253
June 2018	426	22	448	(181) #4	267	48,520
September 2018	295	22	317	38 #5	355	48,875
November 2018	186	3	189	0	189	49,064
March 2019	465	(35)	430	115 #6	545	49,609
June 2019	57	29	86	109 #7	195	49,804
September 2019	307	3	310	(84) #8	226	50,030
November 2019	283	(8)	274	0	274	50,304
February 2020	309	(2)	307	0	307	50,611
June 2020	(4,422)	(185)	(4,607)	125 #9	(4,482)	46,129
September 2020	1,990	69	2,060	0	2,060	48,189
Total change***:						
From February 2016	1,553	(198)	1,355	3,393	4,748	
Percent change	4.2	(10.9)	3.1	7.8	10.9	

* 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 2019-21 biennium.

#1 Legislative revenue changes from the 2016 regular and first special legislative sessions

#2 Sum of legislative revenue changes from 2017 legislative sessions through June 20, 2017

#3 Sum of legislative and budget driven revenue changes from 2017 special legislative sessions since the June 2017 forecast

#4 Sum of legislative and budget driven revenue changes from the 2018 legislative session

#5 Estimated increase in sales tax collections due US Supreme Court ruling of June 21, 2018.

#6 Effects of SSB 5581, passed in March of 2019 legislative session

#7 Sum of legislative and budget driven revenue changes from the 2018 legislative session subsequent to the March 2019 forecast

#8 Later-than-forecasted cash transfer of Property Tax out of GF-S into ELTA

#9 Legislative and budget-driven revenue changes from the 2020 legislative session

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

History and Forecast by Fiscal Year (Cash basis)

September 2020 - Millions of Dollars

	General Fund-State (GF-S) (current definition)		Education Legacy Trust Fund* (ELTA)		Total GF-S plus ELTA		WA Opportunity Pathways Account (OPA)		Total GF-S plus ELTA and OPA	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 2001	\$11,560	4.4%			\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$11,632	0.6%			\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$11,721	0.8%			\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$12,358	5.4%			\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$13,036	5.5%			\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$14,318	9.8%	\$115		\$14,432	10.7%			\$14,432	10.7%
FY 2007	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%			\$15,734	9.0%
FY 2008	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%			\$15,872	0.9%
FY 2009	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%			\$14,382	-9.4%
FY 2010	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%			\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%	\$99		\$14,859	8.2%
FY 2012	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%	\$118	19.1%	\$15,107	1.7%
FY 2013	\$15,783	6.1%	\$101	-11.5%	\$15,884	6.0%	\$126	5.9%	\$16,009	6.0%
FY 2014	\$16,383	3.8%	\$197	95.3%	\$16,580	4.4%	\$114	-9.4%	\$16,694	4.3%
FY 2015	\$17,283	5.5%	\$207	5.0%	\$17,491	5.5%	\$120	5.7%	\$17,611	5.5%
FY 2016	\$18,579	7.5%	\$215	3.6%	\$18,793	7.4%	\$139	15.7%	\$18,933	7.5%
FY 2017	\$19,739	6.2%	\$252	17.5%	\$19,991	6.4%	\$127	-9.0%	\$20,118	6.3%
FY 2018	\$21,712	10.0%	\$302	19.6%	\$22,014	10.1%	\$129	1.5%	\$22,143	10.1%
FY 2019	\$22,430	3.3%	\$1,352	348.1%	\$23,783	8.0%	\$156	21.1%	\$23,938	8.1%
Forecast:										
FY 2020	\$23,817	6.2%	\$913	-32.5%	\$24,731	4.0%	\$153	-2.0%	\$24,883	3.9%
FY 2021	\$24,372	2.3%	\$622	-31.9%	\$24,994	1.1%	\$145	-4.7%	\$25,139	1.0%
FY 2022	\$25,552	4.8%	\$613	-1.4%	\$26,166	4.7%	\$157	7.9%	\$26,323	4.7%
FY 2023	\$26,628	4.2%	\$627	2.3%	\$27,255	4.2%	\$158	1.0%	\$27,414	4.1%
FY 2024	\$27,491	3.2%	\$509	-18.8%	\$28,001	2.7%	\$160	1.1%	\$28,161	2.7%
FY 2025	\$28,425	3.4%	\$531	4.3%	\$28,957	3.4%	\$162	1.2%	\$29,119	3.4%
Biennial Totals										
07-09 Biennium	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%	\$0	NA	\$30,254	0.3%
09-11 Biennium	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%	\$99	NA	\$28,586	-5.5%
11-13 Biennium	\$30,657	8.6%	\$215	-19.9%	\$30,872	8.4%	\$244	145.2%	\$31,116	8.8%
13-15 Biennium	\$33,666	9.8%	\$405	88.0%	\$34,071	10.4%	\$234	-4.1%	\$34,305	10.2%
15-17 Biennium	\$38,317	13.8%	\$467	15.4%	\$38,785	13.8%	\$266	13.6%	\$39,050	13.8%
17-19 Biennium	\$44,143	15.2%	\$1,654	254.1%	\$45,797	18.1%	\$284	6.9%	\$46,081	18.0%
19-21 Biennium	\$48,189	9.2%	\$1,535	-7.2%	\$49,724	8.6%	\$298	4.8%	\$50,022	8.6%
21-23 Biennium	\$52,181	8.3%	\$1,241	-19.2%	\$53,421	7.4%	\$315	5.8%	\$53,737	7.4%
23-25 Biennium	\$55,917	7.2%	\$1,041	-16.1%	\$56,958	6.6%	\$322	2.2%	\$57,280	6.6%

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

Lottery Transfers by Fund

(GAAP basis, millions of dollars)

	Lottery: Total Transfers:*		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	Gambling Revolving Account
	General Fund											
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	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	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	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	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	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	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	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	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	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	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	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	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	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	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	0.0
2014	147.7	0.6	0.0	10.8	0.0	0.0	0.3	4.0	121.9	0.0	10.1	0.0
2015	141.3	0.0	0.0	11.2	0.0	0.0	0.3	4.7	119.0	0.0	6.1	0.0
2013-15 Biennium	288.9	0.6	0.0	22.0	0.0	0.0	0.6	8.7	240.9	0.0	16.1	0.0
2016	175.5	31.9	0.0	11.7	0.0	0.0	0.3	2.8	128.7	0.0	0.0	0.0
2017	161.9	16.8	0.0	12.2	0.0	0.0	0.3	4.9	126.8	0.0	0.0	1.0
2015-17 Biennium	337.4	48.7	0.0	23.8	0.0	0.0	0.7	7.7	255.5	0.0	0.0	1.0
2018	183.0	31.2	0.0	12.6	0.0	0.0	0.4	4.6	134.2	0.0	0.0	0.0
2019	215.8	30.9	0.0	13.1	0.0	0.0	0.4	4.6	166.7	0.0	0.0	0.0
2017-19 Biennium	398.8	62.1	0.0	25.8	0.0	0.0	0.8	9.2	300.9	0.0	0.0	0.0
2020	181.4	16.2	0.0	13.7	0.0	0.0	0.4	3.4	147.8	0.0	0.0	0.0
2021	187.8	26.1	0.0	14.2	0.0	0.0	0.4	4.3	142.8	0.0	0.0	0.0
2019-21 Biennium	369.2	42.3	0.0	27.9	0.0	0.0	0.8	7.7	290.6	0.0	0.0	0.0
2022	187.4	25.8	0.0	0.0	0.0	0.0	0.4	4.3	156.9	0.0	0.0	0.0
2023	189.3	26.1	0.0	0.0	0.0	0.0	0.4	4.3	158.6	0.0	0.0	0.0
2021-23 Biennium	376.7	51.9	0.0	0.0	0.0	0.0	0.8	8.6	315.4	0.0	0.0	0.0
2024	191.3	26.3	0.0	0.0	0.0	0.0	0.4	4.3	160.4	0.0	0.0	0.0
2025	193.4	26.3	0.0	0.0	0.0	0.0	0.4	4.3	162.4	0.0	0.0	0.0
2023-25 Biennium	384.7	52.6	0.0	0.0	0.0	0.0	0.8	8.6	322.7	0.0	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

(cash basis, millions of dollars)

	Lottery: Total Transfers:*		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	Gambling Revolving Account
	General Fund											
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	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	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	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	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	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	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	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	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	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	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	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	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	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	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	0.0
2014	147.9	9.3	0.0	10.8	0.0	0.0	0.3	3.7	113.7	0.0	10.1	0.0
2015	143.1	0.6	0.0	11.2	0.0	0.0	0.3	4.7	120.2	0.0	6.1	0.0
2013-15 Biennium	291.0	9.9	0.0	22.0	0.0	0.0	0.6	8.4	233.9	0.0	16.1	0.0
2016	171.6	17.1	0.0	11.7	0.0	0.0	0.3	3.3	139.1	0.0	0.0	0.0
2017	159.7	14.8	0.0	12.2	0.0	0.0	0.3	4.8	126.6	0.0	0.0	1.0
2015-17 Biennium	331.2	31.9	0.0	23.8	0.0	0.0	0.7	8.0	265.7	0.0	0.0	1.0
2018	183.6	38.5	0.0	12.6	0.0	0.0	0.3	3.5	128.5	0.0	0.0	0.0
2019	213.8	38.7	0.0	13.1	0.0	0.0	0.4	5.8	155.7	0.0	0.0	0.0
2017-19 Biennium	397.3	77.3	0.0	25.8	0.0	0.0	0.8	9.3	284.2	0.0	0.0	0.0
2020	186.4	16.7	0.0	13.7	0.0	0.0	0.4	3.1	152.5	0.0	0.0	0.0
2021	189.2	24.9	0.0	14.2	0.0	0.0	0.4	4.3	145.4	0.0	0.0	0.0
2019-21 Biennium	375.6	41.7	0.0	27.9	0.0	0.0	0.8	7.4	297.9	0.0	0.0	0.0
2022	187.4	25.9	0.0	0.0	0.0	0.0	0.4	4.3	156.8	0.0	0.0	0.0
2023	189.2	26.0	0.0	0.0	0.0	0.0	0.4	4.3	158.4	0.0	0.0	0.0
2021-23 Biennium	376.6	51.9	0.0	0.0	0.0	0.0	0.8	8.6	315.3	0.0	0.0	0.0
2024	191.1	26.2	0.0	0.0	0.0	0.0	0.4	4.3	160.2	0.0	0.0	0.0
2025	193.2	26.4	0.0	0.0	0.0	0.0	0.4	4.3	162.1	0.0	0.0	0.0
2023-25 Biennium	384.3	52.7	0.0	0.0	0.0	0.0	0.8	8.6	322.3	0.0	0.0	0.0

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

Source: Lottery Commission, ERFC

General Fund-State Cash Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,144.4	\$0.0	\$11.0	\$1,155.3	\$11.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$585.7	\$0.0	\$43.6	\$629.3	\$43.6
Lottery Commission Lottery Revenue	\$39.7	\$0.0	\$2.0	\$41.7	\$2.0
State Treasurer Interest Earnings	\$3.9	\$0.0	(\$0.5)	\$3.4	(\$0.5)
Office of Financial Management Other Agencies	\$206.6	\$0.0	\$16.0	\$222.6	\$16.0
Administrative Office of the Courts Fines and Forfeitures	\$117.2	\$0.0	(\$2.7)	\$114.5	(\$2.7)
Total General Fund-State	\$2,097.5	\$0.0	\$69.3	\$2,166.8	\$69.3

General Fund-State GAAP Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2019-21 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,144.4	\$0.0	\$11.0	\$1,155.3	\$11.0
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$585.7	\$0.0	\$43.6	\$629.3	\$43.6
Lottery Commission Lottery Revenue	\$39.1	\$0.0	\$3.2	\$42.3	\$3.2
State Treasurer Interest Earnings	\$1.5	\$0.0	(\$1.6)	(\$0.1)	(\$1.6)
Office of Financial Management Other Agencies	\$206.6	\$0.0	\$16.0	\$222.6	\$16.0
Administrative Office of the Courts Fines and Forfeitures	\$117.2	\$0.0	(\$2.7)	\$114.5	(\$2.7)
Total General Fund-State	\$2,094.5	\$0.0	\$69.4	\$2,163.9	\$69.4

General Fund-State Cash Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,350.1	\$0.0	\$15.5	\$1,365.7	\$15.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$612.3	\$0.0	\$37.9	\$650.2	\$37.9
Lottery Commission Lottery Revenue	\$47.3	\$0.0	\$4.6	\$51.9	\$4.6
State Treasurer Interest Earnings	\$0.9	\$0.0	(\$7.8)	(\$6.9)	(\$7.8)
Office of Financial Management Other Agencies	\$201.4	\$0.0	\$15.8	\$217.3	\$15.8
Administrative Office of the Courts Fines and Forfeitures	\$106.3	\$0.0	(\$6.9)	\$99.4	(\$6.9)
Total General Fund-State	\$2,318.4	\$0.0	\$59.2	\$2,377.5	\$59.2

General Fund-State GAAP Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2021-23 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,350.1	\$0.0	\$15.5	\$1,365.7	\$15.5
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$612.3	\$0.0	\$37.9	\$650.2	\$37.9
Lottery Commission Lottery Revenue	\$48.3	\$0.0	\$3.5	\$51.9	\$3.5
State Treasurer Interest Earnings	\$1.0	\$0.0	(\$7.7)	(\$6.7)	(\$7.7)
Office of Financial Management Other Agencies	\$201.4	\$0.0	\$15.8	\$217.3	\$15.8
Administrative Office of the Courts Fines and Forfeitures	\$106.3	\$0.0	(\$6.9)	\$99.4	(\$6.9)
Total General Fund-State	\$2,319.5	\$0.0	\$58.2	\$2,377.7	\$58.2

General Fund-State Cash Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2023-25 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,476.9	\$0.0	\$6.4	\$1,483.3	\$6.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$663.0	\$0.0	\$34.5	\$697.4	\$34.5
Lottery Commission Lottery Revenue	\$48.6	\$0.0	\$4.1	\$52.7	\$4.1
State Treasurer Interest Earnings	\$3.4	\$0.0	(\$5.3)	(\$1.9)	(\$5.3)
Office of Financial Management Other Agencies	\$169.2	\$0.0	\$91.2	\$260.5	\$91.2
Administrative Office of the Courts Fines and Forfeitures	\$103.9	\$0.0	(\$8.4)	\$95.5	(\$8.4)
Total General Fund-State	\$2,465.0	\$0.0	\$122.5	\$2,587.5	\$122.5

General Fund-State GAAP Estimates - Other Agencies

Comparison of the September 2020 and June 2020 forecasts
2023-25 Biennium
(Amounts in Millions)

Source/Agency	June 2020 Baseline	Non-Economic Changes	Economic Changes	September 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,476.9	\$0.0	\$6.4	\$1,483.3	\$6.4
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$663.0	\$0.0	\$34.5	\$697.4	\$34.5
Lottery Commission Lottery Revenue	\$49.1	\$0.0	\$3.5	\$52.6	\$3.5
State Treasurer Interest Earnings	\$3.5	\$0.0	(\$5.2)	(\$1.7)	(\$5.2)
Office of Financial Management Other Agencies	\$169.2	\$0.0	\$91.2	\$260.5	\$91.2
Administrative Office of the Courts Fines and Forfeitures	\$103.9	\$0.0	(\$8.4)	\$95.5	(\$8.4)
Total General Fund-State	\$2,465.6	\$0.0	\$121.9	\$2,587.5	\$121.9

September 2020Alternative General Fund-State Forecasts
Millions of Dollars

Cash Basis

2019-21 Biennium

	2019-21 <u>Biennium</u>	Difference From the <u>September 2020 Baseline</u>
September 2020 GF-S Baseline (50%)	\$48,189	
September 2020 Alternative GF-S Forecasts		
Optimistic (25%)	\$49,770	\$1,581
Pessimistic (25%)	\$46,201	(\$1,988)
Probability Weighted Average	\$48,087	(\$102)
GCEA*	\$47,806	(\$383)

2021-23 Biennium

	2021-23 <u>Biennium</u>	Difference From the <u>September 2020 Baseline</u>
September 2020 GF-S Baseline (50%)	\$52,181	
September 2020 Alternative GF-S Forecasts		
Optimistic (25%)	\$56,372	\$4,191
Pessimistic (25%)	\$46,904	(\$5,277)
Probability Weighted Average	\$51,909	(\$271)
GCEA*	\$51,533	(\$648)

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

U.S. Forecast Comparison

	2020Q2	2020Q3	2020Q4	2021Q1
Real GDP (Billions of 2012 Dollars)				
September Forecast	17,282	18,183	18,384	18,612
Percent Change	-31.7%	22.5%	4.5%	5.1%
June Forecast	16,983	17,665	18,032	18,319
Percent Change	-35.8%	17.1%	8.6%	6.5%
Real Consumption (Billions of 2012 Dollars)				
September Forecast	11,820	12,603	12,750	12,886
Percent Change	-34.1%	29.3%	4.7%	4.3%
June Forecast	11,639	12,206	12,495	12,682
Percent Change	-39.2%	21.0%	9.8%	6.1%
PCE Price Index (2012=100)				
September Forecast	110.4	111.3	111.7	112.3
Percent Change	-1.8%	3.5%	1.1%	2.3%
June Forecast	110.2	110.7	111.0	111.4
Percent Change	-1.6%	1.6%	1.2%	1.4%
Real Personal Income (Billions of 2012 Dollars)				
September Forecast	18,482	17,472	18,196	16,804
Percent Change	36.7%	-20.1%	17.6%	-27.3%
June Forecast	17,633	17,588	17,223	17,344
Percent Change	12.4%	-1.0%	-8.0%	2.8%
Nonfarm Payroll Employment (Millions)				
September Forecast	133.7	140.3	143.4	145.3
Percent Change	-40.0%	21.3%	9.0%	5.6%
June Forecast	133.6	139.5	143.5	146.6
Percent Change	-40.2%	18.7%	12.0%	9.0%
Unemployment Rate (Percent of Labor Force)				
September Forecast	13.0	9.3	8.0	7.1
June Forecast	12.9	10.2	8.6	7.1
Oil Price, Refiner's Acquisition				
September Forecast	25.7	40.0	39.4	40.5
June Forecast	27.1	38.9	39.4	39.9
30 Year Fixed Mortgage Rate (Percent, average)				
September Forecast	3.2	3.0	3.0	3.1
June Forecast	3.3	3.5	3.4	3.1
3 Month T-Bill Rate (Percent, average)				
September Forecast	0.1	0.1	0.1	0.1
June Forecast	0.2	0.3	0.2	0.1

	2019	2020	2021	2022	2023	2024	2025
Real GDP (Billions of 2012 Dollars)							
September Forecast	19,092	18,215	18,912	19,641	20,195	20,702	21,181
Percent Change	2.2%	-4.6%	3.8%	3.9%	2.8%	2.5%	2.3%
June Forecast	19,073	17,914	18,630	19,364	19,986	20,449	20,913
Percent Change	2.3%	-6.1%	4.0%	3.9%	3.2%	2.3%	2.3%
Real Consumption (Billions of 2012 Dollars)							
September Forecast	13,240	12,573	13,093	13,575	13,969	14,322	14,668
Percent Change	2.4%	-5.0%	4.1%	3.7%	2.9%	2.5%	2.4%
June Forecast	13,280	12,380	12,922	13,357	13,742	14,102	14,471
Percent Change	2.6%	-6.8%	4.4%	3.4%	2.9%	2.6%	2.6%
PCE Price Index (2012=100)							
September Forecast	109.9	111.1	113.2	115.1	116.8	118.9	121.2
Percent Change	1.5%	1.1%	1.9%	1.7%	1.5%	1.7%	2.0%
June Forecast	109.7	110.6	112.0	113.6	115.4	117.3	119.4
Percent Change	1.4%	0.9%	1.3%	1.4%	1.5%	1.6%	1.8%
Real Personal Income (Billions of 2012 Dollars)							
September Forecast	16,888	17,810	16,972	17,491	18,014	18,449	18,921
Percent Change	2.4%	5.5%	-4.7%	3.1%	3.0%	2.4%	2.6%
June Forecast	16,969	17,393	17,514	17,899	18,276	18,619	19,134
Percent Change	3.0%	2.5%	0.7%	2.2%	2.1%	1.9%	2.8%
Nonfarm Payroll Employment (Millions)							
September Forecast	150.9	142.3	146.9	150.9	153.7	155.7	157.1
Percent Change	1.4%	-5.7%	3.2%	2.7%	1.9%	1.3%	0.9%
June Forecast	150.9	142.1	149.1	152.8	154.7	156.0	157.4
Percent Change	1.4%	-5.8%	4.9%	2.5%	1.2%	0.8%	0.9%
Unemployment Rate (Percent of Labor Force)							
September Forecast	3.7	8.5	6.5	5.0	4.2	3.7	3.6
June Forecast	3.7	8.9	6.2	5.0	4.4	4.3	4.1
Oil Price, Refiner's Acquisition							
September Forecast	59.4	38.1	41.9	44.0	45.5	46.8	48.1
June Forecast	59.3	38.2	40.7	42.6	44.5	46.2	47.9
30 Year Fixed Mortgage Rate (Percent, average)							
September Forecast	3.9	3.2	3.1	3.1	3.1	3.3	3.5
June Forecast	3.9	3.4	3.1	3.0	3.0	3.2	3.4
3 Month T-Bill Rate (Percent, average)							
September Forecast	2.1	0.4	0.1	0.1	0.1	0.1	0.1
June Forecast	2.1	0.5	0.1	0.1	0.1	0.1	0.2

Washington Forecast Comparison

	2020Q2	2020Q3	2020Q4	2021Q1
Real Personal Income (Billions of 2012 Dollars)				
September Forecast	495.5	472.3	489.9	457.0
Percent Change	35.1%	-17.5%	15.8%	-24.3%
June Forecast	470.9	468.1	460.0	463.1
Percent Change	13.6%	-2.3%	-6.8%	2.7%
Personal Income (Billions of Dollars)				
September Forecast	547.0	525.9	547.1	513.3
Percent Change	32.7%	-14.5%	17.1%	-22.5%
June Forecast	519.0	518.0	510.5	515.7
Percent Change	11.8%	-0.7%	-5.7%	4.1%
Disposable Personal Income (Billions of Dollars)				
September Forecast	498.4	473.5	494.7	459.2
Percent Change	46.7%	-18.5%	19.1%	-25.8%
June Forecast	478.3	475.9	463.7	465.6
Percent Change	28.0%	-2.0%	-9.9%	1.6%
Nonfarm Payroll Employment (Thousands)				
September Forecast	3097	3267	3340	3394
Percent Change	-39.5%	23.8%	9.3%	6.7%
June Forecast	3090	3202	3300	3373
Percent Change	-40.4%	15.3%	12.8%	9.2%
Unemployment Rate (Percent of Labor Force)				
September Forecast	13.8	9.1	8.0	7.1
June Forecast	14.1	11.1	9.3	7.8
Manufacturing Employment (Thousands)				
September Forecast	261.5	261.1	266.9	266.2
Percent Change	-36.1%	-0.7%	9.2%	-1.0%
June Forecast	260.9	254.5	255.5	258.0
Percent Change	-36.1%	-9.5%	1.6%	3.9%
Construction Employment (Thousands)				
September Forecast	180.0	196.1	205.0	204.6
Percent Change	-58.2%	40.7%	19.5%	-0.8%
June Forecast	175.7	178.2	184.2	187.5
Percent Change	-62.6%	5.8%	14.0%	7.4%
Housing Permits (Thousands)				
September Forecast	40.3	41.0	45.5	44.8
Percent Change	-57.0%	6.5%	52.4%	-6.7%
June Forecast	28.9	33.5	36.2	37.9
Percent Change	-88.6%	78.5%	37.7%	19.0%

	2019	2020	2021	2022	2023	2024	2025
Real Personal Income (Billions of 2012 Dollars)							
September Forecast	450.0	479.4	461.6	475.5	489.8	501.8	515.5
Percent Change	4.2%	6.5%	-3.7%	3.0%	3.0%	2.4%	2.7%
June Forecast	450.7	463.8	467.1	476.9	486.7	496.3	510.5
Percent Change	4.3%	2.9%	0.7%	2.1%	2.1%	2.0%	2.9%
Personal Income (Billions of Dollars)							
September Forecast	494.4	532.4	522.4	547.5	572.3	596.4	624.7
Percent Change	5.8%	7.7%	-1.9%	4.8%	4.5%	4.2%	4.7%
June Forecast	494.2	513.0	523.2	541.9	561.6	582.1	609.5
Percent Change	5.7%	3.8%	2.0%	3.6%	3.6%	3.6%	4.7%
Disposable Personal Income (Billions of Dollars)							
September Forecast	439.7	479.9	467.2	488.5	510.2	531.4	556.1
Percent Change	5.2%	9.1%	-2.6%	4.6%	4.4%	4.1%	4.7%
June Forecast	440.0	466.9	470.9	488.1	505.5	522.0	545.0
Percent Change	5.3%	6.1%	0.9%	3.7%	3.6%	3.3%	4.4%
Nonfarm Payroll Employment (Thousands)							
September Forecast	3468	3304	3440	3545	3616	3662	3701
Percent Change	2.0%	-4.7%	4.1%	3.1%	2.0%	1.3%	1.1%
June Forecast	3469	3277	3436	3535	3575	3603	3633
Percent Change	2.0%	-5.5%	4.9%	2.9%	1.1%	0.8%	0.8%
Unemployment Rate (Percent of Labor Force)							
September Forecast	4.3	8.8	6.6	5.2	4.6	4.2	4.1
June Forecast	4.3	9.7	6.8	5.7	5.2	5.2	5.1
Manufacturing Employment (Thousands)							
September Forecast	293.6	270.5	268.2	272.9	274.1	272.9	272.9
Percent Change	2.0%	-7.9%	-0.8%	1.8%	0.4%	-0.5%	0.0%
June Forecast	293.6	265.7	261.2	267.1	269.7	273.2	275.8
Percent Change	2.0%	-9.5%	-1.7%	2.3%	1.0%	1.3%	1.0%
Construction Employment (Thousands)							
September Forecast	219.3	201.2	203.1	201.2	200.4	199.1	200.6
Percent Change	2.9%	-8.3%	0.9%	-0.9%	-0.4%	-0.6%	0.7%
June Forecast	219.4	190.7	190.0	198.3	200.2	200.2	199.1
Percent Change	3.0%	-13.1%	-0.4%	4.4%	0.9%	0.0%	-0.5%
Housing Permits (Thousands)							
September Forecast	48.4	44.2	44.1	42.8	41.5	39.5	38.5
Percent Change	1.4%	-8.8%	-0.1%	-3.0%	-3.1%	-4.7%	-2.6%
June Forecast	48.4	37.1	38.9	40.5	39.7	37.9	37.7
Percent Change	1.4%	-23.4%	4.9%	4.1%	-2.1%	-4.4%	-0.5%

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2020	2021	2022	2023	2024	2025
U.S.						
Real GDP						
<i>Growth</i>						
ERFC	-4.6	3.8	3.9	2.8	2.5	2.3
GCEA Average	-5.0	4.1	3.2	2.5	2.5	2.3
Real Consumption						
<i>Growth</i>						
ERFC	-5.0	4.1	3.7	2.9	2.5	2.4
GCEA Average	-5.2	4.5	3.3	2.7	2.5	2.4
PCE Price Index						
<i>Growth</i>						
ERFC	1.1	1.9	1.7	1.5	1.7	2.0
GCEA Average	0.9	1.9	1.9	1.6	1.6	1.5
Mortgage Rate						
<i>Percent</i>						
ERFC	3.2	3.1	3.1	3.1	3.3	3.5
GCEA Average	3.1	2.9	3.0	3.1	3.3	3.5
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	41.4	45.2	47.7	49.5	50.9	52.4
GCEA Average	42.0	48.6	52.5	54.8	56.1	57.4

Washington State

Real Personal Income

<i>Growth</i>						
ERFC	6.5	-3.7	3.0	3.0	2.4	2.7
GCEA Average	4.5	-3.2	2.6	2.6	2.5	2.9

Wage and Salary Employment

<i>Growth</i>						
ERFC	-4.7	4.1	3.1	2.0	1.3	1.1
GCEA Average	-5.2	2.1	2.8	2.2	1.8	1.6

Manufacturing Employment

<i>Growth</i>						
ERFC	-7.9	-0.8	1.8	0.4	-0.5	0.0
GCEA Average	-8.6	-2.8	1.2	0.8	0.6	0.3

Construction Employment

<i>Growth</i>						
ERFC	-8.3	0.9	-0.9	-0.4	-0.6	0.7
GCEA Average	-7.9	-1.0	0.3	0.6	0.7	0.8

Housing Permits

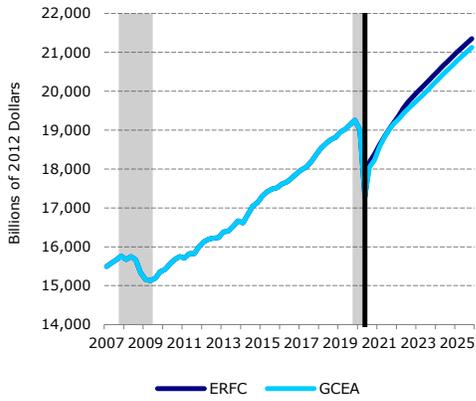
<i>Thousands of authorized units</i>						
ERFC	44.2	44.1	42.8	41.5	39.5	38.5
GCEA Average	43.5	44.9	45.1	44.0	43.8	42.6

Washington Average Annual Wage

<i>Growth</i>						
ERFC	7.5	1.9	2.4	2.5	3.0	3.5
GCEA Average	5.5	1.8	1.9	1.9	2.2	2.5

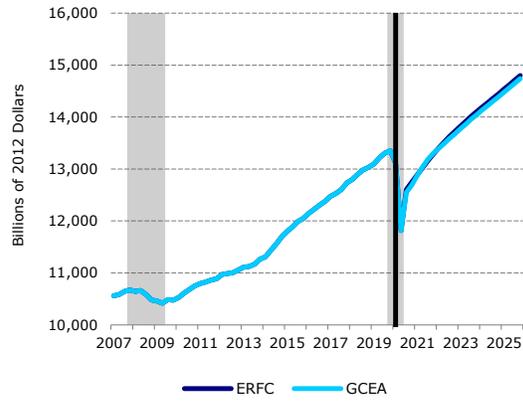
U.S. Forecast Comparison

Real GDP



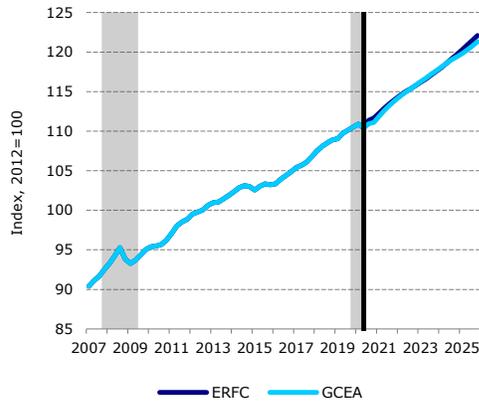
Source: BEA, ERFC, GCEA; data through 2020 Q2

Real Consumption



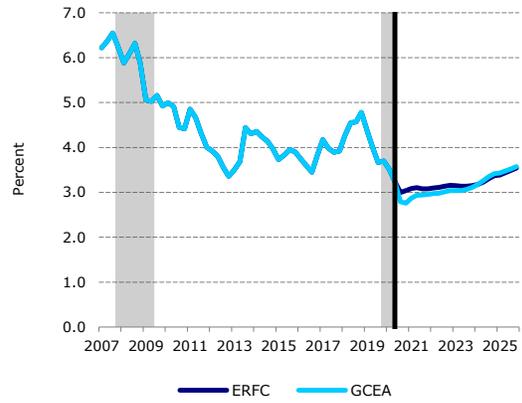
Source: BEA, ERFC, GCEA; data through 2020 Q2

PCE Price Index



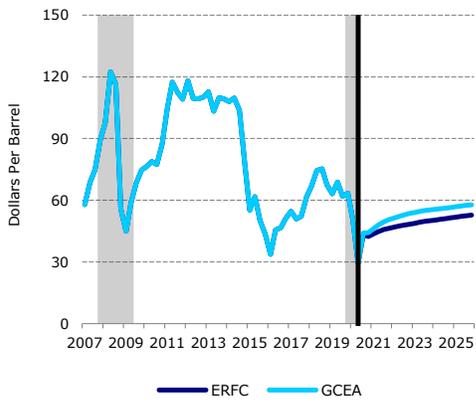
Source: BEA, ERFC, GCEA; data through 2020 Q2

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2020 Q2

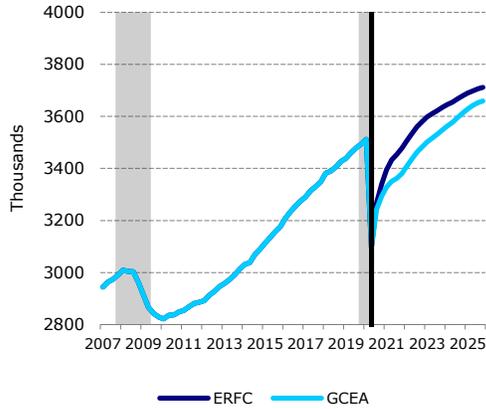
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2020 Q2

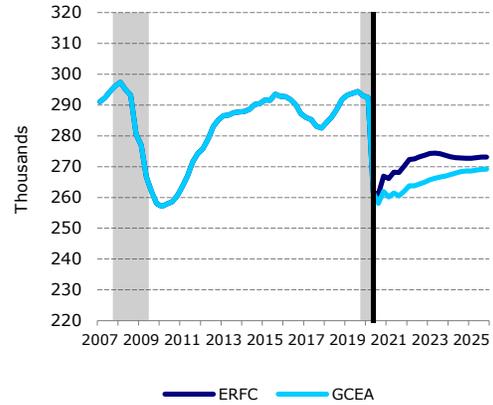
Washington Forecast Comparison

Nonfarm Payroll Employment



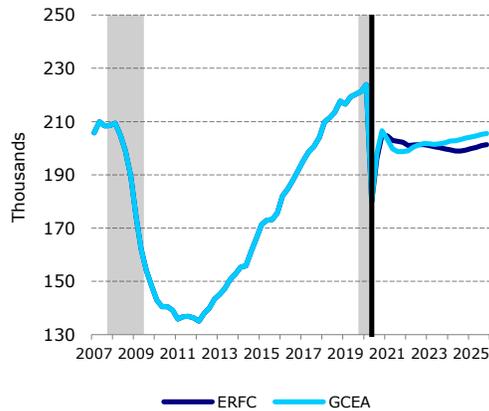
Source: ESD, ERFC, GCEA; data through 2020 Q2

Manufacturing Employment



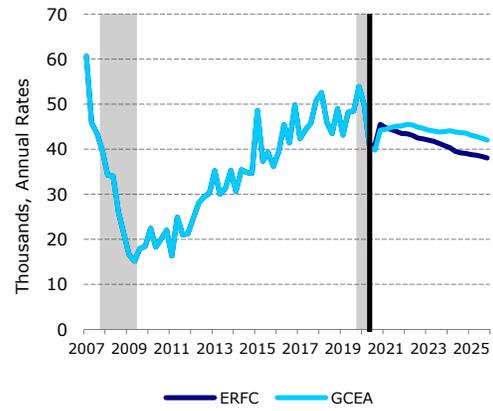
Source: ESD, ERFC, GCEA; data through 2020 Q2

Construction Employment



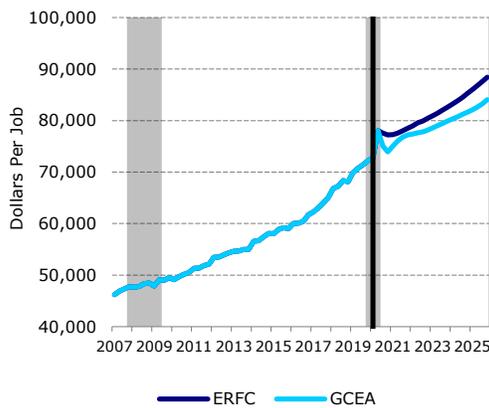
Source: ESD, ERFC, GCEA; data through 2020 Q2

Housing Units Authorized



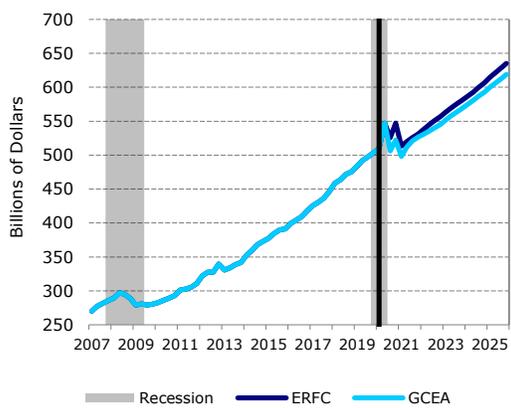
Source: Census, ERFC, GCEA; data through 2020 Q2

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2020 Q1

Personal Income



Source: BEA, ERFC, GCEA; data through 2020 Q1

2019-21 Enacted Budget Balance Sheet

General Fund-State (GFS), Education Legacy Trust Account (ELTA),
Washington Opportunity Pathways Account (OPA),
Workforce Education Investment Account (WEIA) and Budget Stabilization Account (BSA)
Dollars in Millions

	2019-21		
	GFS	ELTA, OPA and WEIA	TOTAL
RESOURCES			
Beginning Fund Balance	999.3	981.9	1,981.2
June 2020 Revenue Forecast	46,129.5	1,992.7	48,122.2
September 2020 Revenue Forecast change	2,059.7	179.0	2,238.6
Current Revenue Totals	48,189.1	2,171.7	50,360.8
Transfer to Budget Stabilization Account (1% of GSR)	(460.7)		(460.7)
Transfer to Budget Stabilization Account (EGSR)	-		-
Enacted Fund Transfers	35.2	160.0	195.2
Assumed Prior Period Adjustments	38.5		38.5
Total Resources (including beginning fund balance)	48,801.5	3,313.6	52,115.1
EXPENDITURES			
2019-21 Biennium			
Enacted Budgets	50,602.8	3,096.9	53,699.7
Assumed Reversions	(420.1)	-	(420.1)
Total Expenditures	50,182.7	3,096.9	53,279.6
RESERVES			
Projected Ending Balance	(1,381.2)	216.7	(1,164.5)
Budget Stabilization Account			
Budget Stabilization Account Beginning Balance	1,618.4		1,618.4
Transfers from General Fund (1% of GSR)	460.7		460.7
Transfers from GFS (EGSR)	-		-
Assumed Interest Earnings	44.0		44.0
Less 2020 Supplemental Approp from BSA-Coronavirus	(200.0)		(200.0)
Projected Budget Stabilization Account Ending Balance	1,923.2		1,923.2
Total Reserves (Near General Fund plus Budget Stabilization)	541.9	216.7	758.7

Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report