

**EMBARGOED**

*until June 17, 2020 10:00 am PST when it will be published at  
[www.erfc.wa.gov](http://www.erfc.wa.gov)*

Revenue Review

June 17, 2020



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

*This page left intentionally blank.*



WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

---

## AGENDA

### **REVENUE REVIEW**

June 17, 2020  
10:00 a.m.

- Call to order
- Approval meeting minutes: June 2, 2020
- Budget Outlook workgroup options – adding ending balances as percentage of revenues to Budget Outlook document
- Economic & Revenue Forecast
  - Adoption of official state economic and revenue forecast and unofficial optimistic and pessimistic alternative forecasts
- Adjournment

*This page left intentionally blank.*



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

**Meeting Minutes**  
**Revenue Review**  
June 2, 2020  
Conference Call

**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

**Call to Order**

Representative Orcutt called the meeting to order at 10:12 a.m.

**Approval of the Minutes**

Senator Rolfes moved, seconded by Representative Orcutt to adopt the meeting minutes from April 30, 2020. Senator Braun, Director Schumacher, Senator Rolfes, Director Smith, and Representative Orcutt voted aye. Motion passed at 10:14 a.m.

**Motion**

Senator Rolfes moved, seconded by Representative Orcutt, to adopt economic forecast. Council approved the motion unanimously at 10:35 a.m.

**Adjournment**

With no further business, the meeting adjourned at 10:55 a.m.

*This page left intentionally blank.*

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



**Economic & Revenue Review: June 17, 2020**

**Executive Summary**

**United States**

- The national economy officially entered recession in February 2020. The Business Cycle Dating Committee of the National Bureau of Economic Research has determined that a peak in monthly economic activity occurred in the US economy in February 2020. The peak marks the end of the expansion that began in June 2009 and the beginning of a recession. The expansion lasted 128 months.
- This forecast is based on a modified version of IHS Markit's June 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 now -6.1%, down from -5.8% in the preliminary June forecast. For 2021, real GDP growth is 4.0%, 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, 3.2% for 2023, and 2.3% for 2024 and 2025. This compares to GDP growth rates of 4.2%, 3.9%, 3.3% and 2.8% 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, June 10th closing prices for Brent and WTI futures. The latest futures prices indicate slightly higher oil prices than in the preliminary June forecast but still below prices expected in the February forecast. The refiner acquisition price of crude is \$38 per barrel in 2020, up from \$35 in the preliminary forecast. We expect oil prices to increase gradually, reaching approximately \$48 in 2025.
- National employment increased by 2.5 million net jobs in May, reflecting the limited resumption of economic activity that had been curtailed due to the COVID-19 pandemic. Employment data for March and April were revised down by 642,000 jobs. Sectors with the largest job gains in May included food services and drinking places (+1.4 million), construction (+464,000), retail trade (+368,000), health care (+312,000), manufacturing (+225,000), personal and laundry services (+182,000) and administrative and support services (+109,000). Sectors with declining employment in May included local government (-487,000), accommodations (-148,000), state government (-84,000) and air transportation (-50,000).
- Two key measures of consumer confidence stabilized in May after large declines in March and April. The University of Michigan (UM) consumer sentiment survey, which fell from 101.0 in February to 71.8 in April, increased by 1.9 points 73.7 in May. Despite the gain, most consumers expressed

concerns about financial prospects for the year ahead. The Conference Board index of consumer confidence, which fell from 132.6 in February to 85.7 in April, increased 0.9 points in May to 86.6. While the Conference Board found a slight improvement in expectations for the economy over the next month, they also found that consumers remain concerned about their financial prospects.

- Residential construction and new home sales data reflected the impacts of the COVID-19 pandemic this month. Housing units authorized by building permits in April were 20.8% (SA) below their March level and 19.2% below their year-ago level. April housing starts decreased by 30.2% (SA) compared to March and were 29.7% below their April 2019 level. New home sales in April increased by 0.6% (SA) compared to March but were 6.2% below their year-ago level. Existing home sales in April decreased by 17.8% (SA) compared to March and were down 17.2% compared to April 2019. The seasonally adjusted Case-Shiller national home price index for March was 0.5% above its February 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. Concerns about international trade policy and geopolitical risks remain.

## Washington

- We have five months of new Washington employment data since the February forecast was released. The 468,800 decline in Washington employment in April was unprecedented in its depth and speed. Even with a slight rebound in May, total nonfarm payroll employment fell 417,600 (seasonally adjusted) in the five-month period. The February forecast expected an increase of 32,600 in January, February, March, April, and May. Private services-providing sectors lost 322,900 jobs in the five-month period. Construction employment declined by 39,500 jobs and manufacturing declined by 32,000 jobs including the loss of 6,700 aerospace jobs. Government payrolls declined by 22,500 jobs in January, February, March, April, and May.
- 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 added 5,500 (0.2%) to the estimated level of total employment in December 2019. May employment is 444,700 (12.6%) lower than expected in the February forecast because of the huge decline from December through May.
- Washington's unemployment rate soared to 16.3% in April from 5.1% in March and 3.8% in February before declining to 15.1% in May. The April rate was an all-time high in the series that dates back to 1976. The February unemployment rate was an all-time low.
- 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. We have assumed a decline of 12,800 aerospace employees from March through September.
- In March, the Bureau of Economic Analysis released estimates for annual state personal income through 2019. Washington personal income rose to



- \$494.2 billion (SAAR) in 2019 from \$467.4 billion in 2018. The 5.7% growth rate in Washington personal income was the sixth largest among the states and District of Columbia and was much higher than the 4.4% growth rate for the U.S. as a whole. The difference between Washington and U.S. personal income and GDP growth was mostly due to two sectors: information (which includes software publishing and other IT services such as internet publishing and web search portals) and retail trade (which includes electronic shopping).
- Washington housing construction slowed in the first quarter of 2020 but still exceeded the February forecast. In the first quarter, 49,800 units (SAAR) were permitted, down from 53,900 in the fourth quarter of 2019. First quarter permits consisted of 24,800 single-family units and 25,000 multi-family units. The February forecast assumed an average rate of 44,900 (SAAR) units for the first quarter consisting of 23,700 single-family units and 21,200 multi-family units. Permits dropped sharply in April to just 28,600 units (SAAR) consisting of 12,000 single-family units and 16,600 multi-family units.
  - Seattle-area home prices rose over the year for an eighth consecutive month in March following year-over-year declines in the previous three months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle home prices increased 1.1% in March, the eleventh consecutive monthly increase. Because of the strong growth in the last several months, March Seattle home prices were up 6.9% over the year. In comparison, the composite-20 index was up 3.9% over the year. March Seattle home prices were up 102% since the December 2011 trough and exceeded the May 2007 peak by 40%. The reported March figure is for the three months ending in March. It is still too early to see any Covid impact on home prices.
  - Seattle-area consumer price inflation exceeded the national average due mostly to the volatile food and energy components. From April 2019 to April 2020, the Seattle CPI rose 1.3% compared to a 0.4% increase in the U.S. City Average index. Energy prices fell less in Seattle than elsewhere and food prices rose more. Core prices, which exclude food and energy, increased 1.6% over the year in Seattle compared to 1.4% for the U.S. City Average. Over-the-year shelter-cost inflation in Seattle was 3.1% compared to the national rate of 2.6%. Seattle inflation excluding shelter exceeded the national average at 0.3% compared to -0.7%.
  - Washington exports declined over the year for a sixth consecutive quarter. Year-over-year exports decreased 35.1% in the first quarter of 2020. The large decline was mostly because of transportation equipment exports (mostly Boeing planes) which fell 59.2% over the year. Boeing suspended deliveries of the 737 Max in March 2019. First quarter exports of agricultural products decreased 21.3% over the year and exports of all other commodities (mostly manufacturing) declined 5.7% over the year.
  - The Institute of Supply Management - Western Washington Index (ISM-WW) indicated declining manufacturing activity for a third consecutive month. The index, which measures conditions in the manufacturing sector, declined from 52.0 in February to 46.0 in March and 38.5 in April before improving to 41.0 in May (index values above 50 indicate growth while values below 50 indicate contraction). The production, employment, and inventory components all indicated contraction in May while the orders component was neutral at 50. As in March and April, only the deliveries components indicated expansion,

however this is misleading. A slowing of deliveries is a plus for the index as it normally reflects strong demand. In the current context the slowing of vendor deliveries is due to supply disruptions.

- Washington car and truck sales increased in May but remained at a very low level. The seasonally adjusted number of new vehicle registrations increased 20.4% in May following declines of 11.8% and 63.5% in March and April. April's sales were the lowest level in the history of the series which dates back to July 1970. The seasonally adjusted number of new vehicle registrations fell 61.8% over the year in May.
- We expect a 5.5% decline in Washington employment this year compared to the 1.8% increase in the February 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 2.1% per year in 2021 through 2025 compared to the 0.9% average rate expected in February. Our forecast for nominal personal income growth this year is 3.8%, down from 4.7% in the February forecast. The adverse effects of the recession on personal income this year are mitigated by substantial income support through the CARES Act. Our new forecast for nominal personal income growth in 2021 through 2025 averages 3.5% per year, which is down from the 4.7% rate expected in the February forecast. The effect of the recovery on growth in 2021-25 is offset by the loss of CARES Act support.

## Revenue

- Business shutdowns from the COVID-19 pandemic have had a major negative impact on state revenue. Cumulative major General Fund-State (GF-S) revenue collections from February 11 through June 10, 2020 came in \$893 million below the February forecast. Much of the shortfall was due to the granting of payment deferrals for both property taxes and Revenue Act taxes, most of which will be received during the remainder of the biennium. Even taking the deferrals into account, however, the cumulative shortfall amounts to over \$450 million.
- The impact of lost economic activity from the COVID crisis will extend for many years. The June GF-S revenue forecast has been reduced by \$4.5 billion in the current biennium and \$4.4 billion in the next. Over half of the decrease is from declining sales taxes. The forecast of GF-S revenue for the 2023-25 biennium has been decreased by \$4.5 billion.
- Forecasted GF-S revenue is now \$46.129 billion for the current biennium and \$49.935 billion for the 2021-23 biennium. Forecasted GF-S revenue is \$53.457 billion for the 2023-25 biennium.
- Forecasted Education Legacy Trust Account (ELTA) revenue for the 2019-21 biennium decreased by \$76 million, mainly due to lower real estate excise tax receipts. The forecast for the 2021-23 biennium increased by \$6 million, as delayed real estate activity from this biennium is expected to boost receipts somewhat in the next. Forecasted ELTA revenue is now \$1.372 billion for the 2019-21 biennium and \$1.092 billion for the 2021-23 biennium. Forecasted ELTA revenue for the 2023-25 biennium is \$916 million.

- Forecasted revenue dedicated to the Opportunity Pathways Account (OPA) was increased by \$18 million in the 2019-21 biennium and \$8 million in the 2021-23 biennium. Forecasted OPA revenue is now \$299 million for the 2019-21 biennium and \$320 million for the 2021-23 biennium. Forecasted OPA revenue for the 2023-25 biennium is \$329 million.
- Summing the changes to the GF-S, ELTA and OPA forecasts, Near GF-S revenue is forecasted to decrease by \$4.539 billion in the 2019-21 biennium, \$4.343 billion in the 2021-23 biennium and \$4.473 billion in the 2023-25 biennium.
- Forecasted Near GF-S revenue for the 2019-21 biennium is now \$47.800 billion, 3.7% higher than 2017-19 biennial revenue, and forecasted Near GF-S revenue for the 2021-23 biennium is \$51.347 billion, an increase of 7.4% over expected 2019-21 biennial revenue. Forecasted Near GF-S revenue for the 2023-25 biennium is \$54.702 billion, an increase of 6.5% over expected 2021-23 biennial revenue.
- Forecasted revenue dedicated to the Workforce Education Investment Account (WEIA) was decreased by \$29 million in the 2019-21 biennium and \$56 million in the 2021-23 biennium. Forecasted WEIA revenue is now \$322 million for the 2019-21 biennium and \$572 million for the 2021-23 biennium. Forecasted WEIA revenue for the 2023-25 biennium is now \$665 million.

*This page left intentionally blank.*

# Revenue Review

Presented to  
Economic and Revenue Forecast Council

Steve Lerch  
Executive Director

June 17, 2020  
Olympia, Washington



**WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL**



## Summary

Federal Reserve  
chair Jerome  
Powell:

"Until the public  
is confident that  
the disease is  
contained, a full  
recovery is  
unlikely"

Revenue Review  
June 17, 2020

Slide 1

- The U.S. reached a peak in economic activity in February and is now in recession
- The baseline forecast has lower personal income and employment for both U.S., WA compared to February
- Forecast risks primarily relate to COVID-19 and the economic impacts of addressing the pandemic
- The Near General Fund-State forecast is decreased by \$4.5 billion for the 2019-21 biennium and \$4.3 billion for 2021-23 biennium

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Data updates since preliminary forecast

### U.S.

- May employment: +2.5 million jobs
- May unemployment rate decreased from 14.7% to 13.3%
- June Blue Chip GDP forecast: 2020 decreased from -5.8% to -6.1%; 2021 unchanged at +4.0%

### Washington

- May employment: +48,800 jobs
- May unemployment rate dropped from 16.3% to 15.1%

Revenue Review  
June 17, 2020

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Forecast risks

### Upside

- As states start to re-open, COVID infections remain low leading to greater consumer confidence and spending, increased employment
- Congress passes additional fiscal stimulus

### Downside

- As states start to re-open, a second spike in COVID infections leads to renewal of business closures
- Consumers remain concerned about COVID, response to business re-openings is muted

Revenue Review  
June 17, 2020

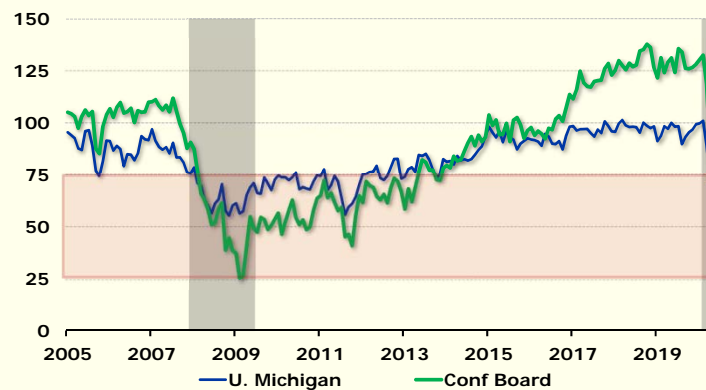
Slide 3

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## After big drops in March and April, consumer confidence showed slight improvement in May

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



Revenue Review  
June 17, 2020

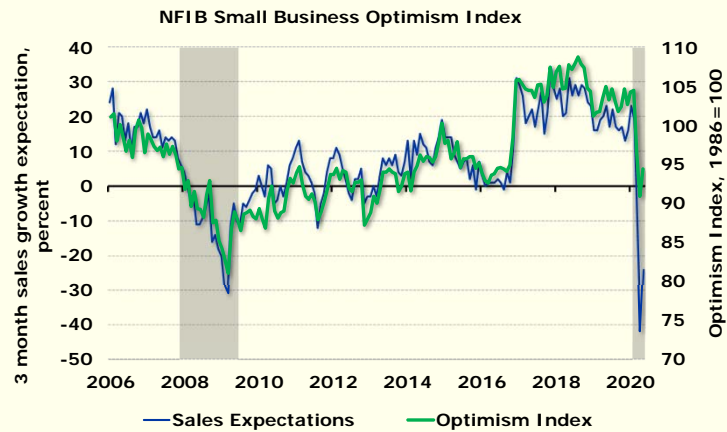
Slide 4

Sources: University of Michigan, Conference Board data through May 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Small business optimism and sales expectations also improved slightly in May



Revenue Review  
June 17, 2020

Slide 5

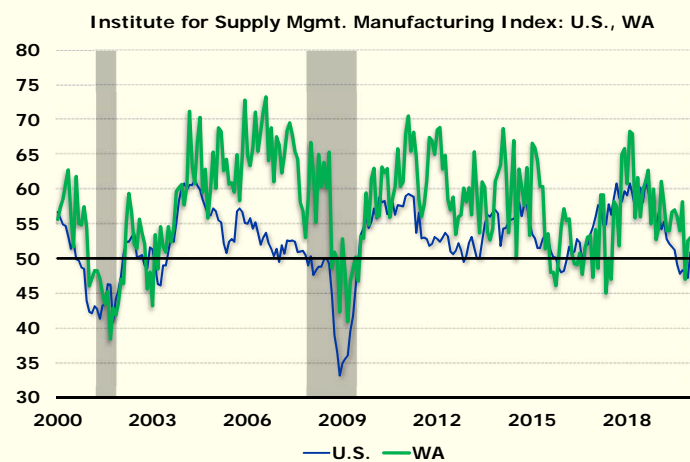
Source: National Federation of Independent Business; data through May 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## The ISM manufacturing index indicates slowing activity in May, slight improvement over March, April

Values above 50 indicate expansion, below 50 indicate contraction.



Revenue Review  
June 17, 2020

Slide 6

Source: ISM; data through May 2020

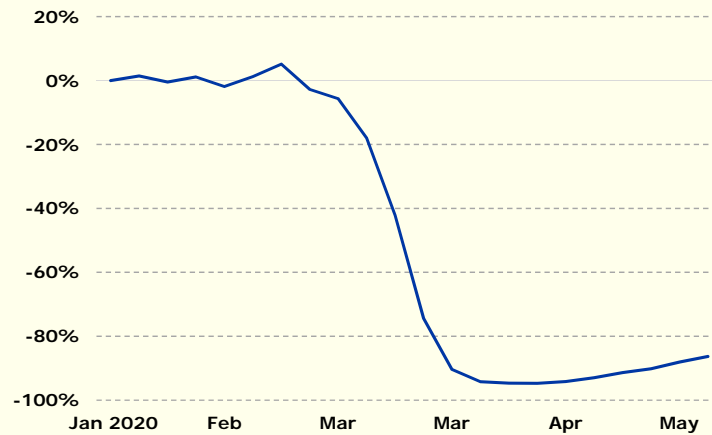
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL





## SeaTac passenger traffic has fallen dramatically, showing slight improvement in May

Weekly TSA screenings, year over year change



Source: Port of Seattle, data through week of May 31 2020

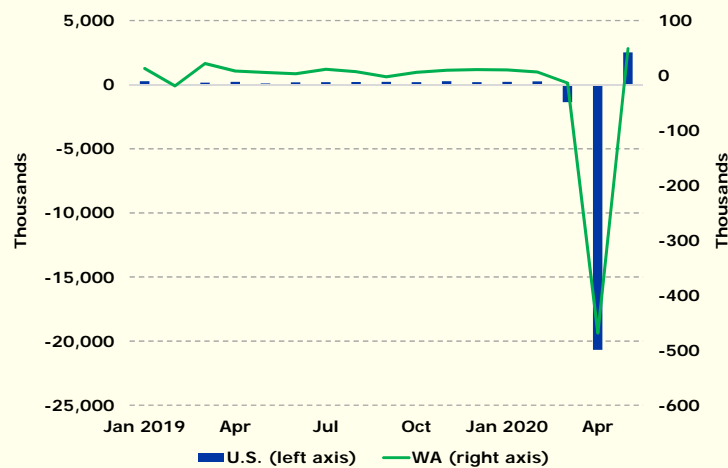
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Revenue Review  
June 17, 2020

Slide 7



## March and April employment collapsed, but WA and U.S. employment increased in May



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

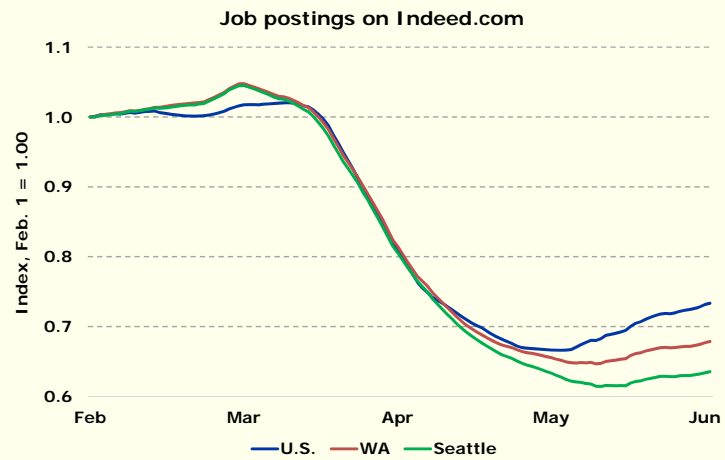
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Revenue Review  
June 17, 2020

Slide 8



## WA, Seattle job openings recovering more slowly than U.S.



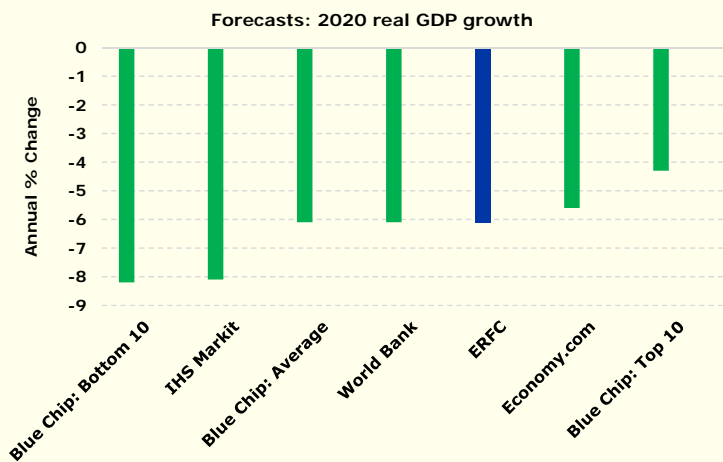
Revenue Review  
June 17, 2020

Slide 9

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Forecasts of 2020 GDP growth vary considerably



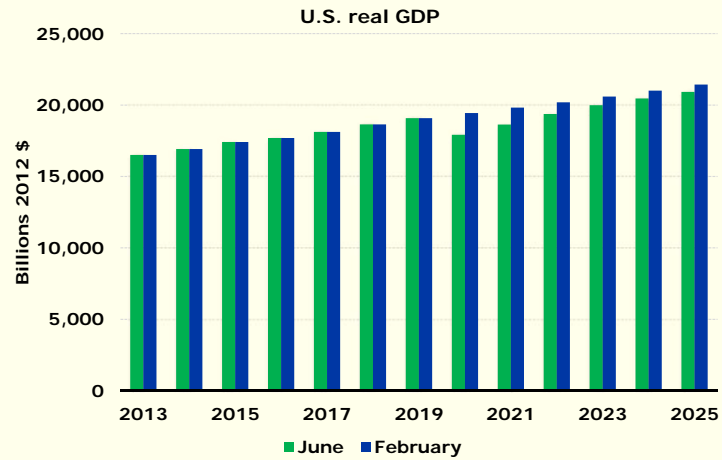
Revenue Review  
June 17, 2020

Slide 10

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## GDP is almost 8% lower in 2020 compared to February forecast



Revenue Review  
June 17, 2020

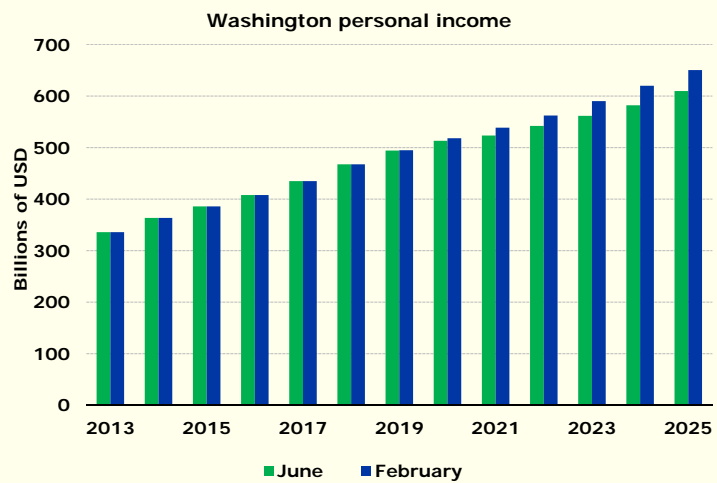
Slide 11

Source: ERFC June 2020 forecast; historical data through 2019

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Washington personal income is expected to remain below February forecast levels



Revenue Review  
June 17, 2020

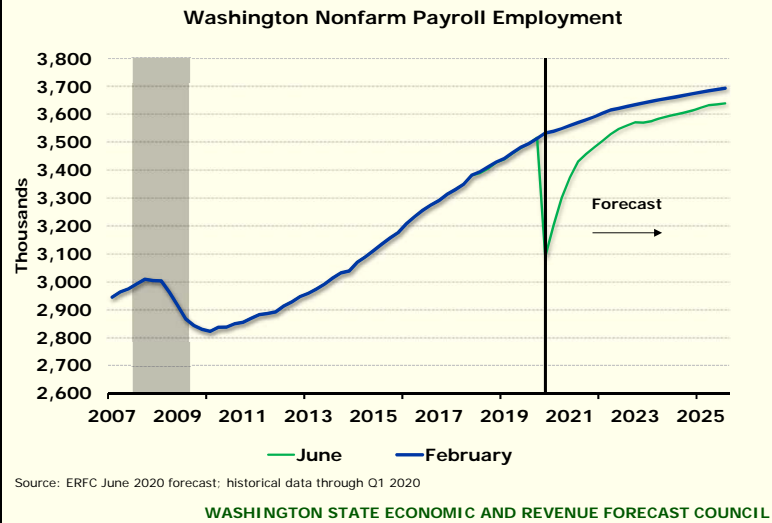
Slide 12

Source: ERFC June 2020 forecast; historical data through 2019

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Washington employment is expected to fall below 3.1 million in 2020 Q2 before gradually improving

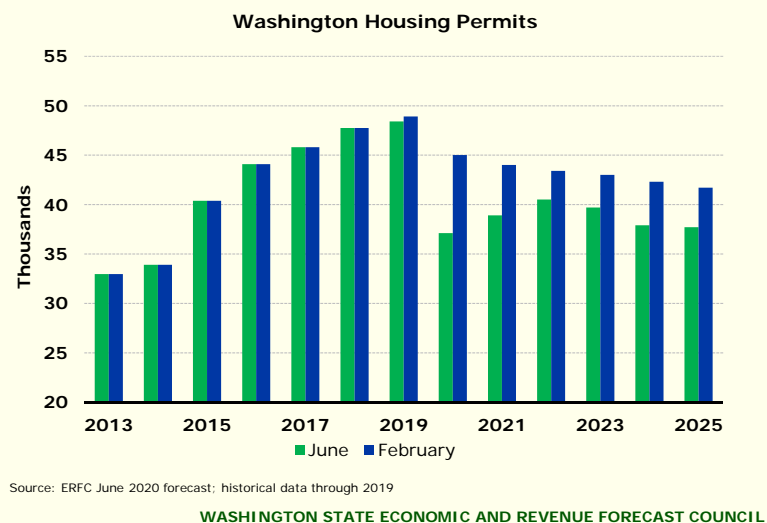


Revenue Review  
June 17, 2020

Slide 13



## WA annual housing permits forecast for 2020-2025 averages 4,500 fewer units compared to February



Revenue Review  
June 17, 2020

Slide 14

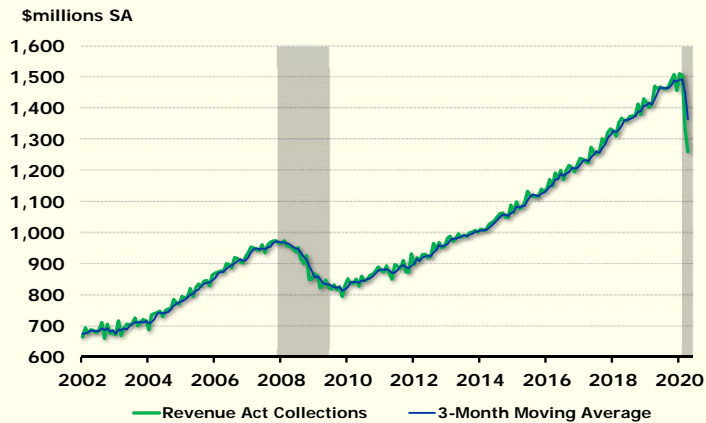


## Revenue Act collections for March and April activity dropped sharply

Adjusted for payment deferrals granted by DOR, Revenue Act receipts fell 6.0% YOY for March activity and 14.4% YOY for April activity.

Revenue Review  
June 17, 2020

Slide 15



\* 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 April 2020 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

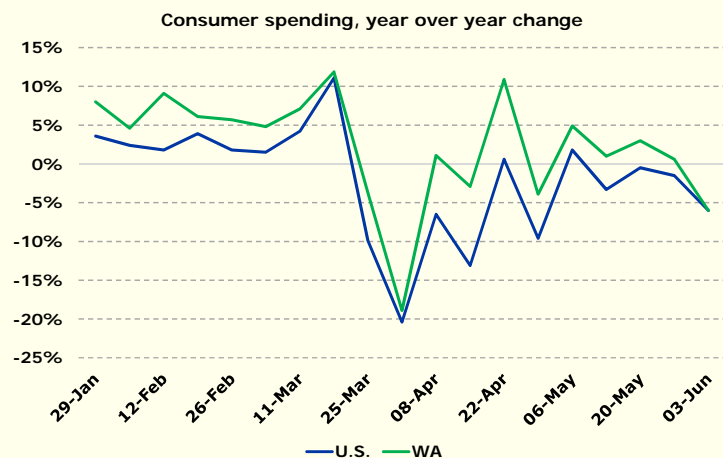


## Compared to the same week last year, consumer spending declined starting the week of March 25th

Earnest Research tracks a subset of credit and debit card transactions for large national chain stores and businesses, including online transactions

Revenue Review  
June 17, 2020

Slide 16



Source: Earnest Research COVID-19 tracker, data through week of June 3 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Taxable REET has fallen to levels last seen in 2014

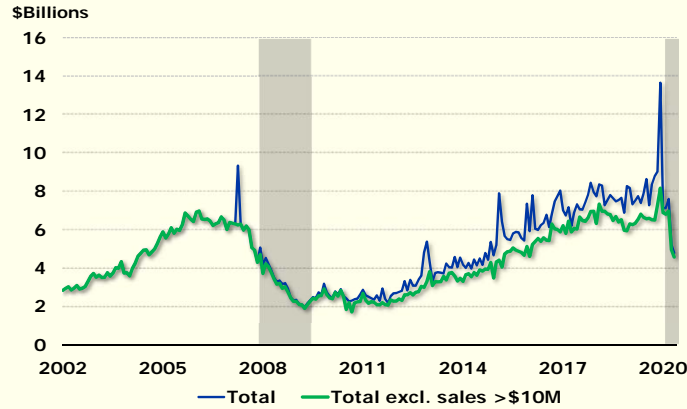
Large commercial sales (>\$10 million) averaged \$250 million per month for the last two months after averaging over \$1 billion per month for several years.

Though residential prices have not fallen, the number of transactions has.

Revenue Review  
June 17, 2020

Slide 17

Seasonally Adjusted Taxable Real Estate Excise Activity



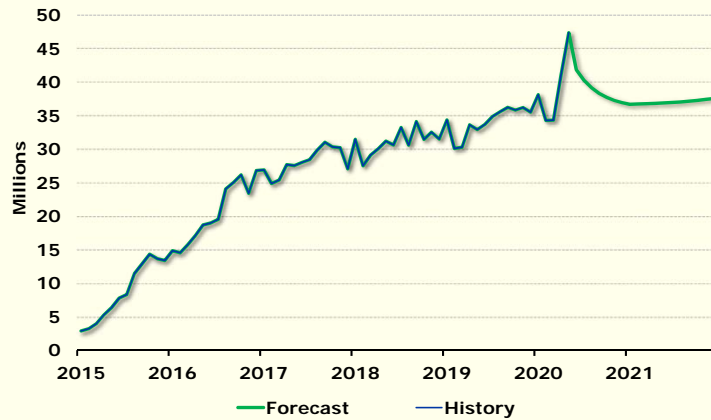
Source: ERFC; Monthly data through May 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Cannabis revenue spiked

Retail Cannabis Collections



Revenue Review  
June 17, 2020

Slide 18

Source: ERFC June 2020 forecast; historical data through May 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Cannabis excise tax and license fee estimates

Total change since February forecast:

- 2019-21 +\$36 M
- 2021-23 +\$18 M
- 2023-25 +\$25 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	\$318	\$325	\$358
Non-GF	\$591	\$601	\$635
<b>Total</b>	<b>\$909</b>	<b>\$927</b>	<b>\$993</b>

Revenue Review  
June 17, 2020

Slide 19

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



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

\$Millions	<u>February 2020 Forecast*</u>	<u>Non-economic Change**</u>	<u>Forecast Change</u>	<u>June 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$50,611	\$125	(\$4,607)	\$46,129	(\$4,482)
Education Legacy Trust Account	\$1,447	\$0	(\$76)	\$1,372	(\$76)
WA Opportunity Pathways Account	\$281	\$0	\$18	\$299	\$18
<b>Total Near GF-S</b>	<b>\$52,339</b>	<b>\$125</b>	<b>(\$4,664)</b>	<b>\$47,800</b>	<b>(\$4,539)</b>

Revenue Review  
June 17, 2020

Slide 20

\*Forecast for the 2019-21 biennium adopted February 19, 2020  
\*\*Revenue and budget-driven revenue changes from the 2020 legislative session subsequent to the February forecast.  
# Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



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

\$Millions	<u>February 2020 Forecast*</u>	<u>Non- economic Change**</u>	<u>Forecast Change</u>	<u>June 2020 Forecast</u>	<u>Total Change#</u>
General Fund-State	\$54,291	\$213	(\$4,570)	\$49,935	(\$4,357)
Education Legacy Trust Account	\$1,086	\$0	\$6	\$1,092	\$6
WA Opportunity Pathways Account	\$312	\$0	\$3	\$315	\$3
<b>Total Near GF-S</b>	<b>\$55,690</b>	<b>\$213</b>	<b>(\$4,561)</b>	<b>\$51,342</b>	<b>(\$4,348)</b>

Revenue Review  
June 17, 2020

Slide 21

\* Forecast for the 2021-23 biennium adopted February 19, 2020  
 \*\* Revenue and budget-driven revenue changes from the 2020 legislative session subsequent to the February forecast.  
 # 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>
February 2020 Forecast	\$350	\$627	\$667
Forecast Change	(\$29)	(\$56)	(\$3)
June 2020 Forecast	\$322	\$572	\$665

Revenue Review  
June 17, 2020

Slide 22

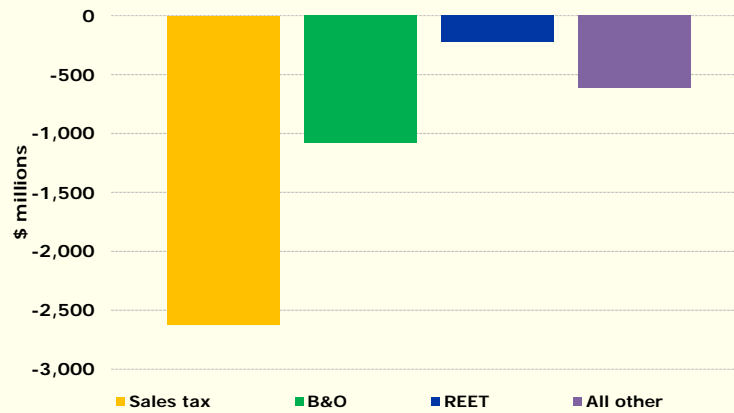
Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL





## Components of change in June NGF-S revenue forecast for 2019 – 2021 biennium



Revenue Review  
June 17, 2020

Source: ERFC June 2020 forecast

Slide 23

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 <sup>#</sup>
June 2020 Baseline (50%)	\$46,129	
<b><u>June 2020 Alternative Forecasts</u></b>		
Optimistic (25%)	\$48,217	\$2,087
Pessimistic (25%)	\$43,687	(\$2,443)
Probability Weighted Average	\$46,041	(\$89)
GCEA <sup>*</sup>	\$45,155	(\$975)

Revenue Review  
June 17, 2020

<sup>\*</sup>Based on the Governor's Council of Economic Advisors' economic assumptions

<sup>#</sup>May not add to total due to rounding

Slide 24

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 <sup>#</sup>
June 2020 Baseline (50%)	\$49,935	
<b><u>June 2020 Alternative Forecasts</u></b>		
Optimistic (25%)	\$54,721	\$4,787
Pessimistic (25%)	\$44,542	(\$5,393)
Probability Weighted Average	\$49,783	(\$152)
GCEA <sup>*</sup>	\$47,921	(\$2,013)

Revenue Review  
June 17, 2020

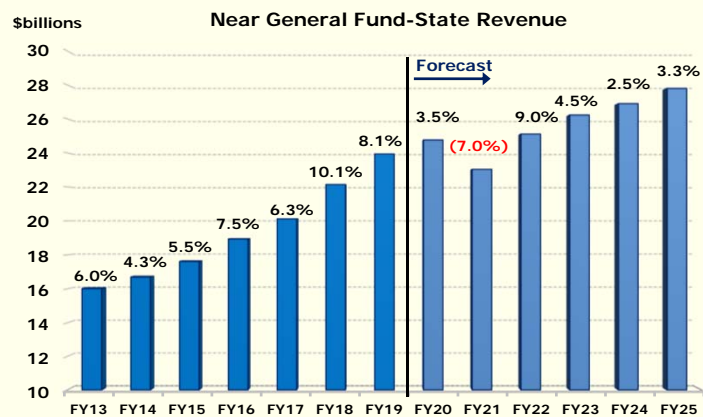
Slide 25

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

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Near General Fund-State\* forecast by fiscal year



Revenue Review  
June 17, 2020

Slide 26

<sup>\*</sup>Near General Fund-State equals General Fund-State plus Education Legacy Trust and Washington Opportunities Pathway Accounts  
Source: ERFC forecast, June 2020

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Conclusion

- As a result of COVID-19 and efforts to contain it, the economic forecast is substantially worse than in February
- The longest economic expansion is over as the U.S. economy entered a recession in 2020 Q1
- Near GF-S revenues expected to grow 3.7% 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  
June 17, 2020

Slide 27

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



## Questions



Economic & Revenue Forecast Council  
PO BOX 40912  
Olympia WA 98504-0912

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

Revenue Review  
June 17, 2020

Slide 28

*This page left intentionally blank.*

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

Comparison of the June 2020 to the February 2020 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

	<u>February 2020 Forecast*</u>	<u>Non-economic Changes</u>	<u>Forecast Change</u>	<u>June 2020 Forecast</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$50,611.1	\$125.2	(\$4,606.8)	\$46,129.5	(\$4,481.6)
Education Legacy Trust Account	\$1,447.5	\$0.0	(\$75.9)	\$1,371.6	(\$75.9)
WA Opportunity Pathways Account	\$280.9	\$0.0	\$18.5	\$299.3	\$18.5
<b>Total</b>	<b>\$52,339.5</b>	<b>\$125.2</b>	<b>(\$4,664.3)</b>	<b>\$47,800.4</b>	<b>(\$4,539.1)</b>

\*Forecast for the 2019-21 biennium adopted February 19, 2020

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

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

Comparison of the June 2020 to the February 2020 Forecast

2021-23 Biennium

Cash Forecast; Millions of Dollars

	<u>February 2020 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2020 Forecast</u>	<u>Total Change<sup>#</sup></u>
General Fund-State	\$54,291.3	\$213.5	(\$4,570.3)	\$49,934.5	(\$4,356.8)
Education Legacy Trust Account	\$1,086.2	\$0.0	\$6.1	\$1,092.2	\$6.1
WA Opportunity Pathways Account	\$312.3	\$0.0	\$8.0	\$320.2	\$8.0
<b>Total</b>	<b>\$55,689.8</b>	<b>\$213.5</b>	<b>(\$4,556.3)</b>	<b>\$51,347.0</b>	<b>(\$4,342.8)</b>

\*Forecast for the 2021-23 biennium adopted February 19, 2020

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

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

February 2016 through June 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>
<b>February 2016 #</b>	\$36,887	\$1,823				\$43,441
<b>Changes to Forecast</b>						
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
<b>Total change***:</b>						
From February 2016	(437)	(267)	(704)	3,393	2,688	
Percent change	(1.2)	(14.7)	(1.6)	7.8	6.2	

\* 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 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)

June 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	\$23,699	5.7%	\$913	-32.5%	\$24,612	3.5%	\$152	-2.0%	\$24,765	3.5%
FY 2021	\$22,430	-5.4%	\$458	-49.8%	\$22,889	-7.0%	\$147	-3.7%	\$23,035	-7.0%
FY 2022	\$24,419	8.9%	\$534	16.6%	\$24,953	9.0%	\$160	8.7%	\$25,113	9.0%
FY 2023	\$25,515	4.5%	\$558	4.4%	\$26,073	4.5%	\$161	0.7%	\$26,234	4.5%
FY 2024	\$26,292	3.0%	\$446	-20.1%	\$26,738	2.5%	\$163	1.5%	\$26,901	2.5%
FY 2025	\$27,165	3.3%	\$470	5.5%	\$27,635	3.4%	\$166	1.8%	\$27,802	3.3%
<b>Biennial Totals</b>										
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	\$46,129	4.5%	\$1,372	-17.1%	\$47,501	3.7%	\$299	5.3%	\$47,800	3.7%
21-23 Biennium	\$49,935	8.2%	\$1,092	-20.4%	\$51,027	7.4%	\$320	7.0%	\$51,347	7.4%
23-25 Biennium	\$53,457	7.1%	\$916	-16.1%	\$54,373	6.6%	\$329	2.8%	\$54,702	6.5%

\*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

(cash basis, millions of dollars)

	Lottery: <u>Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>	<u>Education Legacy Trust Account</u>	<u>Gambling Revolving Account</u>
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	185.3	15.6	0.0	13.7	0.0	0.0	0.4	3.2	152.5	0.0	0.0	0.0
2021	189.5	24.1	0.0	14.2	0.0	0.0	0.4	4.0	146.8	0.0	0.0	0.0
2019-21 Biennium	374.9	39.7	0.0	27.9	0.0	0.0	0.8	7.2	299.3	0.0	0.0	0.0
2022	187.2	23.0	0.0	0.0	0.0	0.0	0.4	4.3	159.6	0.0	0.0	0.0
2023	189.7	24.3	0.0	0.0	0.0	0.0	0.4	4.3	160.7	0.0	0.0	0.0
2021-23 Biennium	376.9	47.3	0.0	0.0	0.0	0.0	0.8	8.6	320.2	0.0	0.0	0.0
2024	192.3	24.5	0.0	0.0	0.0	0.0	0.4	4.3	163.1	0.0	0.0	0.0
2025	194.8	24.1	0.0	0.0	0.0	0.0	0.4	4.3	166.0	0.0	0.0	0.0
2023-25 Biennium	387.2	48.6	0.0	0.0	0.0	0.0	0.8	8.6	329.2	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

(GAAP basis, millions of dollars)

	Lottery: <u>Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>	<u>Education Legacy Trust Account</u>	<u>Gambling Revolving Account</u>
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	183.6	15.8	0.0	13.7	0.0	0.0	0.4	3.2	150.6	0.0	0.0	0.0
2021	184.6	23.3	0.0	14.2	0.0	0.0	0.4	4.3	142.4	0.0	0.0	0.0
2019-21 Biennium	368.2	39.1	0.0	27.9	0.0	0.0	0.8	7.5	293.0	0.0	0.0	0.0
2022	187.5	24.0	0.0	0.0	0.0	0.0	0.4	4.3	158.8	0.0	0.0	0.0
2023	189.9	24.3	0.0	0.0	0.0	0.0	0.4	4.3	160.9	0.0	0.0	0.0
2021-23 Biennium	377.3	48.3	0.0	0.0	0.0	0.0	0.8	8.6	319.6	0.0	0.0	0.0
2024	192.5	24.5	0.0	0.0	0.0	0.0	0.4	4.3	163.3	0.0	0.0	0.0
2025	195.0	24.6	0.0	0.0	0.0	0.0	0.4	4.3	165.7	0.0	0.0	0.0
2023-25 Biennium	387.6	49.1	0.0	0.0	0.0	0.0	0.8	8.6	329.1	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 June 2020 and February 2020 forecasts

2019-21 Biennium

(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,312.7	\$0.0	(\$168.3)	\$1,144.4	(\$168.3)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$563.6	(\$3.6)	\$25.7	\$585.7	\$22.1
Lottery Commission Lottery Revenue	\$52.3	(\$0.0)	(\$12.6)	\$39.7	(\$12.6)
State Treasurer Interest Earnings	\$17.4	\$0.0	(\$13.5)	\$3.9	(\$13.5)
Office of Financial Management Other Agencies	\$206.4	\$0.0	\$0.2	\$206.6	\$0.2
Administrative Office of the Courts Fines and Forfeitures	\$134.0	\$0.0	(\$16.8)	\$117.2	(\$16.8)
<b>Total General Fund-State</b>	<b>\$2,286.3</b>	<b>(\$3.6)</b>	<b>(\$185.3)</b>	<b>\$2,215.5</b>	<b>(\$188.9)</b>

**General Fund-State GAAP Estimates - Other Agencies**

Comparison of the June 2020 and February 2020 forecasts

2019-21 Biennium

(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,312.7	\$0.0	(\$168.3)	\$1,144.4	(\$168.3)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$563.6	(\$2.4)	\$24.5	\$585.7	\$22.1
Lottery Commission Lottery Revenue	\$51.7	(\$0.0)	(\$12.6)	\$39.1	(\$12.6)
State Treasurer Interest Earnings	\$16.1	\$0.0	(\$14.6)	\$1.5	(\$14.6)
Office of Financial Management Other Agencies	\$206.4	\$0.0	\$0.2	\$206.6	\$0.2
Administrative Office of the Courts Fines and Forfeitures	\$134.0	\$0.0	(\$16.8)	\$117.2	(\$16.8)
<b>Total General Fund-State</b>	<b>\$2,284.5</b>	<b>(\$2.4)</b>	<b>(\$187.6)</b>	<b>\$2,212.5</b>	<b>(\$190.0)</b>

**General Fund-State Cash Estimates - Other Agencies**  
Comparison of the June 2020 and February 2020 forecasts  
2021-23 Biennium  
(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,426.3	\$0.0	(\$76.2)	\$1,350.1	(\$76.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$613.0	\$3.4	(\$4.1)	\$612.3	(\$0.7)
Lottery Commission Lottery Revenue	\$54.0	(\$0.0)	(\$6.7)	\$47.3	(\$6.7)
State Treasurer Interest Earnings	\$31.1	\$0.0	(\$30.2)	\$0.9	(\$30.2)
Office of Financial Management Other Agencies	\$198.2	\$0.0	\$3.3	\$201.4	\$3.3
Administrative Office of the Courts Fines and Forfeitures	\$131.6	\$0.0	(\$25.3)	\$106.3	(\$25.3)
<b>Total General Fund-State</b>	<b>\$2,454.2</b>	<b>\$3.4</b>	<b>(\$139.2)</b>	<b>\$2,439.6</b>	<b>(\$135.8)</b>

**General Fund-State GAAP Estimates - Other Agencies**  
Comparison of the June 2020 and February 2020 forecasts  
2021-23 Biennium  
(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,426.3	\$0.0	(\$76.2)	\$1,350.1	(\$76.2)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$613.0	(\$1.0)	\$0.4	\$612.3	(\$0.7)
Lottery Commission Lottery Revenue	\$55.4	(\$0.0)	(\$7.0)	\$48.3	(\$7.0)
State Treasurer Interest Earnings	\$31.4	\$0.0	(\$30.4)	\$1.0	(\$30.4)
Office of Financial Management Other Agencies	\$198.2	\$0.0	\$3.3	\$201.4	\$3.3
Administrative Office of the Courts Fines and Forfeitures	\$131.6	\$0.0	(\$25.3)	\$106.3	(\$25.3)
<b>Total General Fund-State</b>	<b>\$2,455.8</b>	<b>(\$1.0)</b>	<b>(\$135.3)</b>	<b>\$2,440.8</b>	<b>(\$136.3)</b>

**General Fund-State Cash Estimates - Other Agencies**

Comparison of the June 2020 and February 2020 forecasts

2023-25 Biennium

(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,538.3	\$0.0	(\$61.4)	\$1,476.9	(\$61.4)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$658.5	\$0.0	\$4.4	\$663.0	\$4.4
Lottery Commission Lottery Revenue	\$55.5	\$0.0	(\$6.9)	\$48.6	(\$6.9)
State Treasurer Interest Earnings	\$38.4	\$0.0	(\$35.0)	\$3.4	(\$35.0)
Office of Financial Management Other Agencies	\$168.8	\$0.0	\$0.4	\$169.2	\$0.4
Administrative Office of the Courts Fines and Forfeitures	\$130.5	\$0.0	(\$26.6)	\$103.9	(\$26.6)
<b>Total General Fund-State</b>	<b>\$2,590.0</b>	<b>\$0.0</b>	<b>(\$125.1)</b>	<b>\$2,586.9</b>	<b>(\$125.1)</b>

**General Fund-State GAAP Estimates - Other Agencies**

Comparison of the June 2020 and February 2020 forecasts

2023-25 Biennium

(Amounts in Millions)

Source/Agency	February 2020 Baseline	Non-Economic Changes	Economic Changes	June 2020 Baseline	Total Changes
Insurance Commissioner Insurance Premiums	\$1,538.3	\$0.0	(\$61.4)	\$1,476.9	(\$61.4)
Liquor & Cannabis Board Taxes, Licenses, and Fees	\$658.5	\$0.0	\$4.4	\$663.0	\$4.4
Lottery Commission Lottery Revenue	\$55.9	\$0.0	(\$6.8)	\$49.1	(\$6.8)
State Treasurer Interest Earnings	\$38.7	\$0.0	(\$35.2)	\$3.5	(\$35.2)
Office of Financial Management Other Agencies	\$168.8	\$0.0	\$0.4	\$169.2	\$0.4
Administrative Office of the Courts Fines and Forfeitures	\$130.5	\$0.0	(\$26.6)	\$103.9	(\$26.6)
<b>Total General Fund-State</b>	<b>\$2,590.8</b>	<b>\$0.0</b>	<b>(\$125.2)</b>	<b>\$2,587.6</b>	<b>(\$125.2)</b>

---

**June 2020**Alternative General Fund-State Forecasts  
Millions of Dollars

Cash Basis

**2019-21 Biennium**

	2019-21 <u>Biennium</u>	Difference From the <u>June 2020 Baseline</u>
June 2020 GF-S Baseline (50%)	\$46,129	

June 2020 Alternative GF-S Forecasts

Optimistic (25%)	\$48,217	\$2,087
Pessimistic (25%)	\$43,687	(\$2,443)
Probability Weighted Average	\$46,041	(\$89)
GCEA*	\$45,155	(\$975)

**2021-23 Biennium**

	2021-23 <u>Biennium</u>	Difference From the <u>June 2020 Baseline</u>
June 2020 GF-S Baseline (50%)	\$49,935	

June 2020 Alternative GF-S Forecasts

Optimistic (25%)	\$54,721	\$4,787
Pessimistic (25%)	\$44,542	(\$5,393)
Probability Weighted Average	\$49,783	(\$152)
GCEA*	\$47,921	(\$2,013)

---

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

**U.S. Forecast Comparison**

	2020Q1	2020Q2	2020Q3	2020Q4
<b>Real GDP (Billions of 2012 Dollars)</b>				
June Forecast	18,975	16,983	17,665	18,032
Percent Change	-5.0%	-35.8%	17.1%	8.6%
February Forecast	19,295	19,386	19,477	19,574
Percent Change	1.6%	1.9%	1.9%	2.0%
<b>Real Consumption (Billions of 2012 Dollars)</b>				
June Forecast	13,181	11,639	12,206	12,495
Percent Change	-6.8%	-39.2%	21.0%	9.8%
February Forecast	13,479	13,550	13,620	13,690
Percent Change	2.0%	2.1%	2.1%	2.1%
<b>PCE Price Index (2012=100)</b>				
June Forecast	110.7	110.2	110.7	111.0
Percent Change	1.3%	-1.6%	1.6%	1.2%
February Forecast	110.7	111.1	111.5	112.0
Percent Change	1.2%	1.5%	1.7%	1.6%
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
June Forecast	17,126	17,633	17,588	17,223
Percent Change	1.0%	12.4%	-1.0%	-8.0%
February Forecast	17,214	17,332	17,399	17,471
Percent Change	2.8%	2.8%	1.6%	1.7%
<b>Nonfarm Payroll Employment (Millions)</b>				
June Forecast	151.9	133.6	139.5	143.5
Percent Change	0.4%	-40.2%	18.7%	12.0%
February Forecast	152.7	153.2	153.3	153.5
Percent Change	1.2%	1.4%	0.3%	0.5%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast	3.8	12.9	10.2	8.6
February Forecast	3.5	3.5	3.5	3.5
<b>Oil Price, Refiner's Acquisition</b>				
June Forecast	47.3	27.1	38.9	39.4
February Forecast	53.0	50.7	51.2	51.2
<b>30 Year Fixed Mortgage Rate (Percent, average)</b>				
June Forecast	3.5	3.3	3.5	3.4
February Forecast	3.6	3.7	3.8	3.9
<b>3 Month T-Bill Rate (Percent, average)</b>				
June Forecast	1.1	0.2	0.3	0.2
February Forecast	1.5	1.6	1.5	1.5

2019	2020	2021	2022	2023	2024	2025
19,073	17,914	18,630	19,364	19,986	20,449	20,913
2.3%	-6.1%	4.0%	3.9%	3.2%	2.3%	2.3%
19,073	19,433	19,812	20,189	20,593	21,004	21,424
2.3%	1.9%	2.0%	1.9%	2.0%	2.0%	2.0%
13,280	12,380	12,922	13,357	13,742	14,102	14,471
2.6%	-6.8%	4.4%	3.4%	2.9%	2.6%	2.6%
13,280	13,585	13,869	14,146	14,457	14,761	15,071
2.6%	2.3%	2.1%	2.0%	2.2%	2.1%	2.1%
109.7	110.6	112.0	113.6	115.4	117.3	119.4
1.4%	0.9%	1.3%	1.4%	1.5%	1.6%	1.8%
109.7	111.3	113.3	115.5	117.9	120.4	122.9
1.4%	1.5%	1.8%	1.9%	2.0%	2.1%	2.1%
16,969	17,393	17,514	17,899	18,276	18,619	19,134
3.0%	2.5%	0.7%	2.2%	2.1%	1.9%	2.8%
16,982	17,354	17,681	18,043	18,464	18,878	19,312
3.1%	2.2%	1.9%	2.0%	2.3%	2.2%	2.3%
150.9	142.1	149.1	152.8	154.7	156.0	157.4
1.4%	-5.8%	4.9%	2.5%	1.2%	0.8%	0.9%
151.4	153.2	154.2	155.3	155.7	156.0	156.4
1.6%	1.2%	0.7%	0.7%	0.3%	0.2%	0.3%
3.7	8.9	6.2	5.0	4.4	4.3	4.1
3.7	3.5	3.5	3.7	3.9	4.1	4.2
59.3	38.2	40.7	42.6	44.5	46.2	47.9
59.2	51.5	51.0	51.2	51.6	52.2	52.7
3.9	3.4	3.1	3.0	3.0	3.2	3.4
3.9	3.8	4.2	4.4	4.6	4.6	4.7
2.1	0.5	0.1	0.1	0.1	0.1	0.2
2.1	1.5	1.6	2.0	2.2	2.3	2.4

**Washington Forecast Comparison**

	2020Q1	2020Q2	2020Q3	2020Q4
<b>Real Personal Income (Billions of 2012 Dollars)</b>				
June Forecast	456.1	470.9	468.1	460.0
Percent Change	0.8%	13.6%	-2.3%	-6.8%
February Forecast	460.4	464.8	466.8	469.0
Percent Change	3.4%	3.8%	1.8%	1.9%
<b>Personal Income (Billions of Dollars)</b>				
June Forecast	504.7	519.0	518.0	510.5
Percent Change	2.1%	11.8%	-0.7%	-5.7%
February Forecast	509.6	516.3	520.7	525.2
Percent Change	4.7%	5.4%	3.5%	3.5%
<b>Disposable Personal Income (Billions of Dollars)</b>				
June Forecast	449.7	478.3	475.9	463.7
Percent Change	2.6%	28.0%	-2.0%	-9.9%
February Forecast	452.5	458.3	462.4	466.7
Percent Change	4.4%	5.2%	3.7%	3.7%
<b>Nonfarm Payroll Employment (Thousands)</b>				
June Forecast	3516	3090	3202	3300
Percent Change	2.3%	-40.4%	15.3%	12.8%
February Forecast	3513	3533	3539	3548
Percent Change	2.1%	2.2%	0.7%	1.0%
<b>Unemployment Rate (Percent of Labor Force)</b>				
June Forecast	4.3	14.1	11.1	9.3
February Forecast	4.3	4.3	4.3	4.3
<b>Manufacturing Employment (Thousands)</b>				
June Forecast	291.8	260.9	254.5	255.5
Percent Change	-1.6%	-36.1%	-9.5%	1.6%
February Forecast	294.3	293.6	292.3	291.8
Percent Change	1.6%	-1.0%	-1.7%	-0.8%
<b>Construction Employment (Thousands)</b>				
June Forecast	224.7	175.7	178.2	184.2
Percent Change	5.6%	-62.6%	5.8%	14.0%
February Forecast	222.5	222.3	221.3	220.5
Percent Change	1.1%	-0.3%	-1.8%	-1.5%
<b>Housing Permits (Thousands)</b>				
June Forecast	49.8	28.9	33.5	36.2
Percent Change	-26.9%	-88.6%	78.5%	37.7%
February Forecast	44.9	45.9	45.8	45.3
Percent Change	-53.8%	9.7%	-0.7%	-4.8%

2019	2020	2021	2022	2023	2024	2025
450.7	463.8	467.1	476.9	486.7	496.3	510.5
4.3%	2.9%	0.7%	2.1%	2.1%	2.0%	2.9%
451.0	465.2	475.4	486.7	500.7	514.9	529.3
4.3%	3.2%	2.2%	2.4%	2.9%	2.9%	2.8%
494.2	513.0	523.2	541.9	561.6	582.1	609.5
5.7%	3.8%	2.0%	3.6%	3.6%	3.6%	4.7%
494.6	517.9	538.6	562.1	590.1	619.8	650.3
5.8%	4.7%	4.0%	4.4%	5.0%	5.0%	4.9%
440.0	466.9	470.9	488.1	505.5	522.0	545.0
5.3%	6.1%	0.9%	3.7%	3.6%	3.3%	4.4%
440.0	460.0	479.1	500.0	523.2	547.7	573.8
5.3%	4.5%	4.2%	4.4%	4.6%	4.7%	4.8%
3469	3277	3436	3535	3575	3603	3633
2.0%	-5.5%	4.9%	2.9%	1.1%	0.8%	0.8%
3470	3533	3575	3617	3644	3665	3686
1.9%	1.8%	1.2%	1.2%	0.7%	0.6%	0.6%
4.3	9.7	6.8	5.7	5.2	5.2	5.1
4.6	4.3	4.4	4.6	4.8	5.0	5.1
293.6	265.7	261.2	267.1	269.7	273.2	275.8
2.0%	-9.5%	-1.7%	2.3%	1.0%	1.3%	1.0%
293.5	293.0	291.4	293.3	295.7	296.7	296.1
2.1%	-0.2%	-0.6%	0.7%	0.8%	0.3%	-0.2%
219.4	190.7	190.0	198.3	200.2	200.2	199.1
3.0%	-13.1%	-0.4%	4.4%	0.9%	0.0%	-0.5%
219.1	221.6	217.8	215.6	213.5	213.3	213.4
2.7%	1.2%	-1.7%	-1.0%	-1.0%	-0.1%	0.1%
48.4	37.1	38.9	40.5	39.7	37.9	37.7
1.4%	-23.4%	4.9%	4.1%	-2.1%	-4.4%	-0.5%
48.9	45.5	44.0	43.4	43.0	42.3	41.7
2.5%	-7.0%	-3.3%	-1.4%	-0.9%	-1.7%	-1.4%



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

**Calendar Years**

	2020	2021	2022	2023	2024
<b><u>U.S.</u></b>					
<b>Real GDP</b>					
<i>Growth</i>					
ERFC	-6.1	4.0	3.9	3.2	2.3
GCEA Average	-6.7	3.6	3.3	3.1	2.5
<b>Real Consumption</b>					
<i>Growth</i>					
ERFC	-6.8	4.4	3.4	2.9	2.6
GCEA Average	-6.9	3.3	3.4	3.2	2.7
<b>PCE Price Index</b>					
<i>Growth</i>					
ERFC	0.9	1.3	1.4	1.5	1.6
GCEA Average	0.4	1.6	1.6	1.5	1.6
<b>Mortgage Rate</b>					
<i>Percent</i>					
ERFC	3.4	3.1	3.0	3.0	3.2
GCEA Average	3.2	2.9	3.2	3.3	3.4
<b>Oil Price (Brent)</b>					
<i>Dollars per barrel</i>					
ERFC	41.0	44.1	46.4	48.4	50.3
GCEA Average	36.0	42.4	46.2	48.6	50.9

**Washington State**

**Real Personal Income**

<i>Growth</i>					
ERFC	2.9	0.7	2.1	2.1	2.0
GCEA Average	0.4	0.7	1.7	2.4	2.6

**Wage and Salary Employment**

<i>Growth</i>					
ERFC	-5.5	4.9	2.9	1.1	0.8
GCEA Average	-11.3	1.9	3.8	3.1	2.6

**Manufacturing Employment**

<i>Growth</i>					
ERFC	-9.5	-1.7	2.3	1.0	1.3
GCEA Average	-13.8	-0.8	2.6	1.3	1.5

**Construction Employment**

<i>Growth</i>					
ERFC	-13.1	-0.4	4.4	0.9	0.0
GCEA Average	-12.2	-4.5	1.8	1.4	0.9

**Housing Permits**

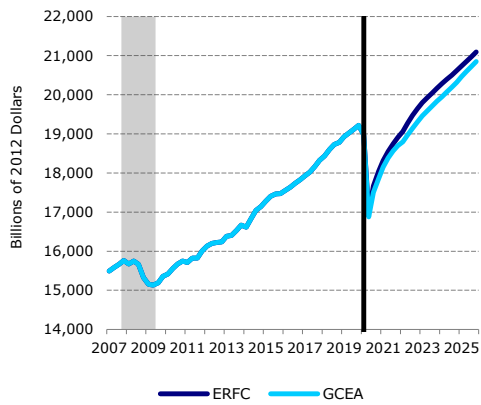
<i>Thousands of authorized units</i>					
ERFC	37.1	38.9	40.5	39.7	37.9
GCEA Average	35.0	39.2	41.3	40.8	40.7

**Washington Average Annual Wage**

<i>Growth</i>					
ERFC	4.6	2.8	1.9	2.4	2.5
GCEA Average	4.5	1.8	0.4	0.4	1.0

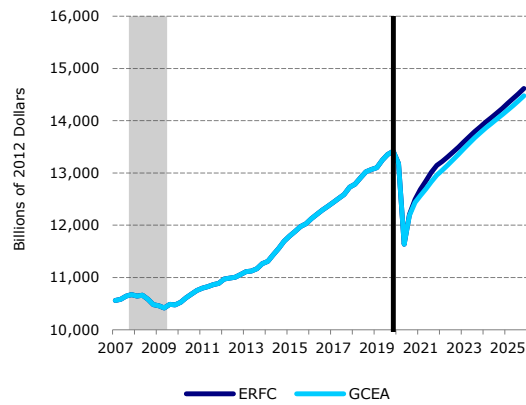
## U.S. Forecast Comparison

**Real GDP**



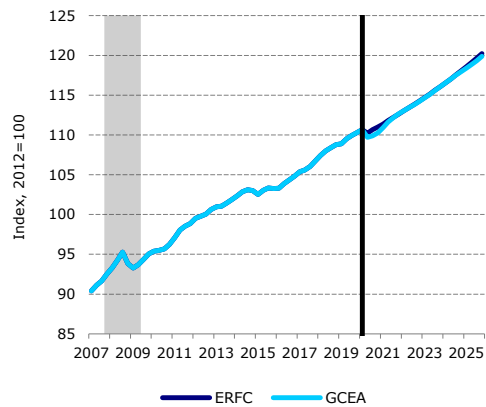
Source: BEA, ERFC, GCEA; data through 2020 Q1

**Real Consumption**



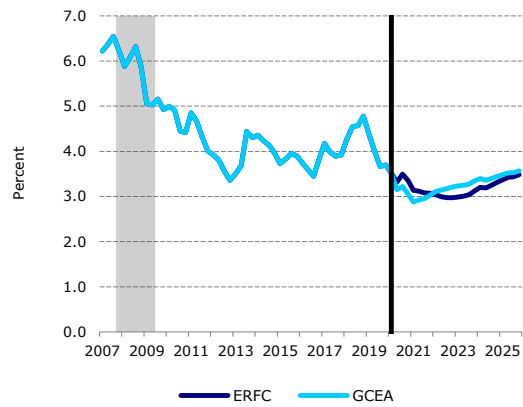
Source: BEA, ERFC, GCEA; data through 2020 Q1

**PCE Price Index**



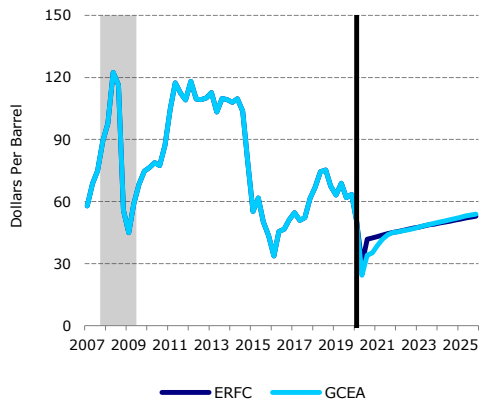
Source: BEA, ERFC, GCEA; data through 2020 Q1

**Mortgage Rate**



Source: Freddie Mac, ERFC, GCEA; data through 2020 Q1

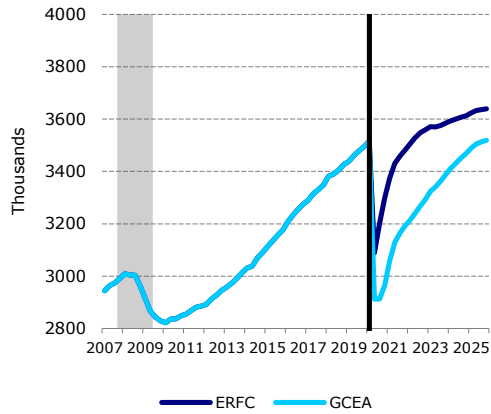
**Brent Oil Price**



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

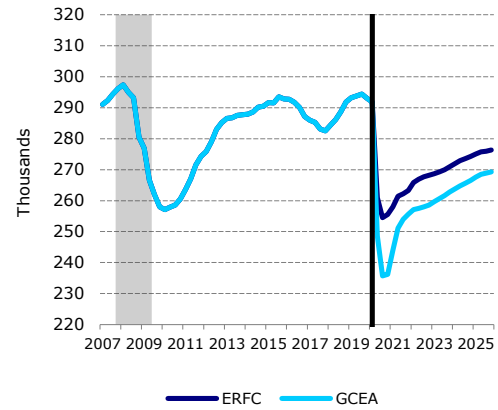
## Washington Forecast Comparison

**Nonfarm Payroll Employment**



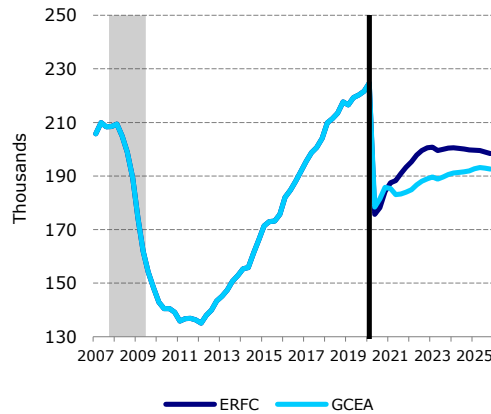
Source: ESD, ERFC, GCEA; data through 2020 Q1

**Manufacturing Employment**



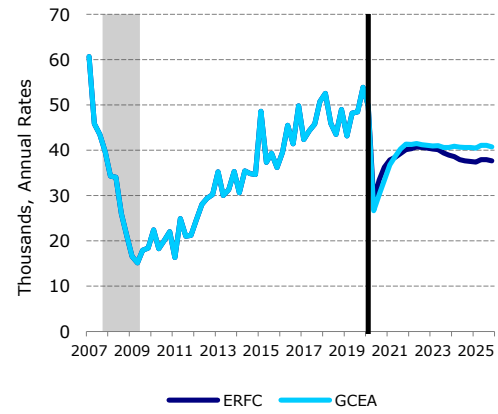
Source: ESD, ERFC, GCEA; data through 2020 Q1

**Construction Employment**



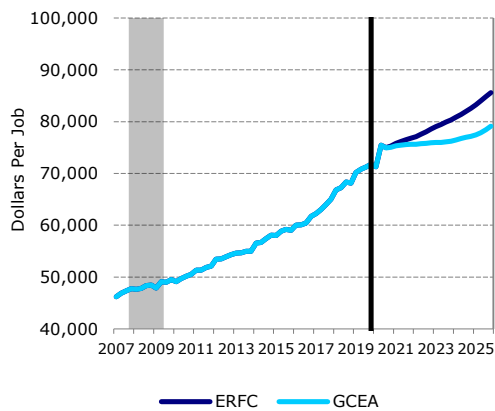
Source: ESD, ERFC, GCEA; data through 2020 Q1

**Housing Units Authorized**



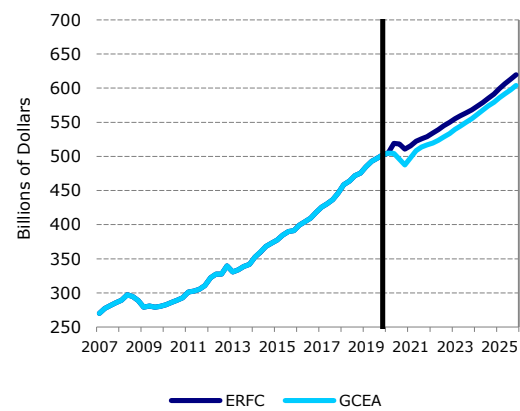
Source: Census, ERFC, GCEA; data through 2020 Q1

**Average Annual Wage**



Source: BEA, ERFC, GCEA; data through 2019 Q4

**Personal Income**



Source: BEA, ERFC, GCEA; data through 2019 Q4

## 2019-21 Enacted Budget Balance Sheet

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

	2019-21		
	GFS	ELTA and OPA	TOTAL
<b>RESOURCES</b>			
<b>Beginning Fund Balance</b>	999.3	981.9	1,981.2
February 2020 Revenue Forecast change	50,611.1	1,728.4	52,339.5
June 2020 Revenue Forecast change	(4,606.8)	(57.4)	(4,664.3)
<b>Current Revenue Totals</b>	<b>46,004.3</b>	<b>1,670.9</b>	<b>47,675.2</b>
Transfer to Budget Stabilization Account (1% of GSR)	(506.9)		(506.9)
Transfer to Budget Stabilization Account (EGSR)	-		-
Enacted Fund Transfers	49.0	160.0	209.0
Assumed Prior Period Adjustments	38.5		38.5
Revenue technical adjustment- stadium	9.4		9.4
2020 Legislative session			
Revenue Legislation	114.8	(0.2)	114.6
Governor Vetoes-revenue legislation	14.0	0.2	14.2
New Fund Transfers	(55.1)	-	(55.1)
Governor Vetoes- new fund transfers	41.3	-	41.3
Budget driven revenue	(3.6)		(3.6)
<b>Total Resources (including beginning fund balance)</b>	<b>46,705.1</b>	<b>2,812.8</b>	<b>49,517.9</b>
<b>EXPENDITURES</b>			
Enacted Budgets			
2019-21 Biennium	50,395.5	2,103.2	52,498.6
2020 Supplemental	323.3	637.7	961.0
Governor's vetoes	(115.9)	(33.5)	(149.4)
Assumed Reversions	(420.1)	-	(420.1)
<b>Total Expenditures</b>	<b>50,182.7</b>	<b>2,707.4</b>	<b>52,890.1</b>
<b>RESERVES</b>			
<b>Projected Ending Balance (GFS + ELTA + OPA)</b>	<b>(3,477.7)</b>	<b>105.4</b>	<b>(3,372.2)</b>
<b>Budget Stabilization Account</b>			
Budget Stabilization Account Beginning Balance	1,618.4		1,618.4
Transfers from General Fund (1% of GSR)	506.9		506.9
Transfers from GFS (EGSR)	-		-
Assumed Interest Earnings	37.2		37.2
Less 2020 Supplemental Approp from BSA-Coronavirus	(200.0)		(200.0)
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>1,962.5</b>		<b>1,962.5</b>
<b>Total Reserves (Near General Fund plus Budget Stabilization)</b>	<b>(1,515.1)</b>	<b>105.4</b>	<b>(1,409.7)</b>

### Acronyms

GSR- General State Revenues

EGSR- Extraordinary General State Revenues

CAFR- Comprehensive Annual Financial Report