

EMBARGOED

*until November 16, 2016 10:00 am PDT when it will be published
at www.erfc.wa.gov*

Revenue Review Meeting

November 16, 2016



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

November 16, 2016
10:00 a.m.

- Call to order
- Approval meeting minutes from November 2, 2016
- Budget Outlook
- Economic & Revenue Forecast
- Adoption of the Official Forecast

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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 & Budget Outlook**

November 2, 2016

John A Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Jim Hargrove, Senate
Timm Ormsby, House of Representatives (via phone)
Terry Nealey, House of Representatives (via phone)
James McIntire, Treasurer
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff

Steve Lerch, Executive Director, ERFC
Michael Bezanson, Senate
Andy Toulon, House
Pam Davidson, OFM

Call to Order

The meeting was called to order by Director Schumacher at 2:30 pm.

Point of Personal Privilege

Senator Hargrove paid respects to Council Chair Andy Hill, Senate, who passed away Monday, October 31, 2016.

Motion

Senator Hargrove made a motion to approve the meeting minutes from the September 21, 2016 meeting, seconded by Director Smith. Council approved the motion at 2:33 p.m.

Motion

Senator Hargrove made a motion to approve the meeting minutes from September 7, 2016 meeting, seconded by Director Smith. Council approved the motion at 2:34 p.m.

Motion

Senator Hargrove made a motion to approve the meeting minutes from June 15, 2016 meeting, seconded by Director Smith. Council approved the motion at 2:35 p.m.

Discussion on the methodology of the November 2016 Budget Outlook

The budget outlook workgroup provided criteria for use of resources in preparation of the November 2016 outlook. Discussion ensued around the 2017 supplemental budget, ballot initiatives, and other items.

The Council agreed that they would continue to include the 2017 supplemental maintenance level budget in the outlook to be consistent with previous outlooks.

The Council also agreed the Work Group should incorporate the quantifiable fiscal impact of initiatives on the November ballot that appear to be passing and requested these be identified as distinct items.

The Council agreed that the November Outlook should include the Early Childhood Education and Assistance Program (ECEAP) entitlement costs in FY 2021 as stated in current law but not assume any phase in costs prior to FY 2021.

Next, the Council agreed that the Outlook should include recent court rulings regarding Hepatitis C Medications in the Medicaid program and to exclude it from the Public Employee Benefits Program until a policy decision is made.

Last, the Council directed the Work Group to provide outlooks for all of the following scenarios regarding the McCleary compensation costs:

1. An outlook without McCleary compensation costs reflected;
2. An outlook with a footnote that states there are costs but without specific numbers;
3. An outlook with a footnote that includes \$3.5 billion for compensation costs;
4. An alternative outlook with \$3.5 billion included for the compensation costs;
5. An outlook with the \$3.5 billion included for the compensation costs.

Presentation on the Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies.

Adjournment

Meeting adjourned at 3:30 pm.

Introduction

The purpose of this document is to provide an overview of the methodology used to develop the four-year budget projections pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636). This document summarizes the major components of the projection, the overall approach, as well as the assumptions used in the State Budget Outlook (Outlook) document.

The amounts reflected in the Outlook are the sum of the state General Fund, the Education Legacy Trust Account, and the Opportunity Pathways Account.

Resources

Pursuant to Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636), the amounts depicted include the actual/projected revenue and other resources. Some of the largest components include:

Beginning Fund Balance

The Outlook uses the certified fund balance in accordance with generally accepted accounting principles for the most recently closed biennium as the starting point.

The beginning fund balance for subsequent years is equal to the projected ending balance for the previous year.

Revenue Forecast

The amounts for 2015-17, 2017-19, and 2019-21 reflect the November 2016 quarterly revenue forecast by the Economic and Revenue Forecast Council (ERFC). The provisions of Chapter 8, Laws of 2012, 1st sp. sess. (SSB 6636) call for the ensuing biennium (in this instance, the 2019-21 biennium) to be balanced based on the greater of: (1) the official revenue forecast for the ensuing biennium; or (2) an assumed revenue increase of 4.5 percent per year for that ensuing biennium. Because the November 2016 forecast projects revenue growth of less than 4.5 percent per year in the 2019-21 biennium, the November 2016 Outlook uses the 4.5 percent growth rate.

Transfers to Budget Stabilization Account

Pursuant to a constitutional amendment approved by the voters in 2007, this reflects the transfer of one percent of general state revenues for each fiscal year (FY) to the Budget Stabilization Account. The estimated transfer amounts are based on the calculation of estimated general state revenues as defined in Article VIII, section 1, of the Constitution. The calculation of estimated general state revenues based on the November 2016 revenue forecast is not yet complete so this outlook uses the estimates based on the September 2016 revenue forecast.

Extraordinary Revenue Growth

Pursuant to a constitutional amendment approved by the voters in 2011, this reflects the transfer of three-quarters of extraordinary revenue growth into the budget stabilization account. Extraordinary revenue growth (ERG) is defined in the state Constitution as growth in general state revenues for the fiscal biennium that exceeds the average biennial

percentage growth of the prior five fiscal biennia by one-third. The state Constitution also provides that the transfer only occurs to the extent that it exceeds the normal transfer amount into the budget stabilization account. A transfer of \$526 million in 2015-17 is reflected from the GF-S into the BSA. The calculation of estimated general state revenues based on the November 2016 revenue forecast is not yet complete so this outlook uses the estimates based on the September 2016 revenue forecast for purposes of calculating the estimated ERG required transfer.

Chapter 2, Laws of 2015, 3rd sp. sess. (EHB 2286) directs the State Treasurer to transfer amounts attributable to extraordinary revenue growth that were deposited into the BSA to the GF-S. The transfer amounts were capped at \$75 million for 2015-17 and \$550 million for 2017-19. A transfer of \$75 million is projected to be deposited back to the GF-S in 2015-17.

Enacted Fund Transfers

This category reflects all enacted fund transfers made in the 2015 and 2016 legislative sessions (including special sessions) after accounting for vetoes. For more information, see the 2015 and 2016 Legislative Budget Notes at:

- <http://leap.leg.wa.gov/leap/budget/lbns/2015operating1517.pdf>
- <http://leap.leg.wa.gov/leap/budget/lbns/2016LBNOp.pdf>

Transfers for the FY 2017-19 biennia are only included to the extent they are either statutorily required or there was intent language adopted to maintain the transfers in the FY 2017-19 biennium. In accordance with prior ERFC guidance, transfers are not assumed in cases in which the Governor vetoed a transfer or the intent language to continue the transfer in the FY 2017-19 biennium.

Consistent with the adopted outlook for the enacted 2016 supplemental budget, a technical adjustment was made to the estimated transfer from the Disaster Response Account to the GF-S. This adjustment was made to reflect the impact of the Governor's veto of provisions specifying criteria for fire insurance premium distributions and language directing undistributed funds to the Disaster Response Account.

Expenditures

As the starting point for the expenditure projection, the Outlook utilizes the most recently enacted budget. In this case, this is based on the 2016 supplemental budget appropriation levels, and then reflects adjustments for carryforward level (CFL) and preliminary maintenance level (ML). For more information on the 2016 supplemental Budget, please see: <http://leap.leg.wa.gov/leap/budget/lbns/2016LBNOp.pdf>

Assumed Reversions

The general methodology for calculating future reversions was updated during the 2016 session to be based on 0.5% of the GF-S budget. Additionally, reversions were increased across the four-year timeframe to reflect amounts agencies were directed to hold in unallotted status. Reversion assumptions for fiscal year 2016 have been updated to reflect

actuals of \$122 million. In addition, an adjustment was made to the FY 2016 balance of the Budget Stabilization Account to reflect \$37 million less in spending of funds appropriated out of the BSA for fires. Reversions assumed for the remainder of the outlook period are as follows:

- FY 2017: \$105 million
- FY 2017-19 biennium: \$206 million
- FY 2019-21 biennium: \$223 million

Carryforward Level Revisions

The Outlook then adjusts the most recently enacted spending level to the Carryforward Level (CFL). In short, the CFL is a relatively mechanical calculation based on the removal of any one-time items and adjusting for the bow wave impact of items assumed in existing appropriations (costs or savings). In many instances, this means simply biennializing to the second year enacted funding levels. Some examples of the larger Carry Forward Level adjustments are:

Kindergarten – Grade 12 (K-12) Schools

The total K-12 CFL adjustment for 2017-19 is \$524 million. The largest adjustment translates school year costs to FY costs (\$205 million). Other larger CFL adjustments include K-3 compliance adjustment (\$202 million), enrollment/workload (\$135 million), levy equalization (\$26 million) and biennialization for inflation (\$17 million). There is also a CFL savings of \$78 million assumed for adjustments related to costs for initiative 732.

Low-Income Health Care

The total Low Income Health Care CFL adjustment for FY 2017-19 is \$63 million. Some of the larger increases are related to: Medicare cost share changes (\$36 million), managed care adjustments (\$33 million), caseload adjustments (\$33 million), federal match adjustments (\$23 million), utilization changes (-\$23 million), and adjustments related to innovative health care purchasing (-\$32 million).

Mental Health/Long Term Care/ Developmental Disability Services

The total CFL adjustment for this Outlook area in FY 2017-19 is \$235 million. Larger items include caseload and utilization adjustments (\$88 million), the In-Home Provider agreement (\$32 million), individual provider overtime (\$15 million), adjustments for one-time savings associated with excess Southwest Washington Regional Support Network reserves (\$11 million) and adjustments made for one-time transitional funding provided for Western State Hospital (-\$11 million).

Children's/Economic Services

The total CFL adjustment for this Outlook area in FY 2017-19 is \$102 million. Some of the larger items include adjustments for one-time savings on employment services (\$25 million), 12-month eligibility for Working Connections Child Care (\$22 million), child care rate adjustments (\$15 million), caseloads (\$14 million) and reversing one-time use of an excess Workfirst fund balance (\$10 million)

Overview of the Methodology for the State Budget Outlook (November 2016)

Department of Corrections/ Special Commitment/ Juvenile Rehabilitation

The total CFL adjustment for this Outlook area in FY 2017-19 is \$20 million. The largest item is related to the Teamsters arbitration award (\$16 million). There are also adjustments restoring one-time savings related to fund shifts (\$7 million).

Debt Service

The total CFL adjustment for this Outlook area in FY 2017-19 is \$68 million. The largest adjustments reflect the debt service for the adopted capital budget (\$86 million). There is also an adjustment related to changes in bond debt costs resulting from refunding and changes in interest rates (-\$18 million).

Higher Education

The total CFL adjustment for this Outlook area in FY 2017-19 is \$42 million. Some of the larger adjustments for this area include: state backfill related to capping of tuition (\$55 million), compensation related adjustments (\$43 million), and reductions related to reversing one-time funding for the state need grant (-\$18 million), the Moore Settlement (-\$20 million), and the Opportunity Scholarship Program (-\$41 million.)

Other

The total CFL adjustment related to this outlook area is -\$119 million. The larger adjustments are related to zero-basing Special Appropriations (-\$187 million). Other larger adjustments are related to adjusting for one-time program shifts (\$54 million), early achievers and tiered reimbursement adjustments (\$18 million), chemical dependency rate adjustments (\$10 million), reversing one-time funds provided for the Moore Settlement (-\$11 million), and reversing one-time funding provided for the presidential primary and voter's pamphlet (-\$11 million).

Maintenance Level Revisions

In this section, additional adjustments are made to reflect the costs of continuing to comply with current law provisions. This is often referred to as Maintenance Level (ML). Pursuant to the provisions of Chapter 8, Laws of 2012, 1st sp.s. (SSB 6636), this excludes the costs of policy enhancements, including new collective bargaining agreements not approved by the Legislature, other proposed compensation increases, and costs of any adverse court rulings within 90 days of each respective legislative session.

Note: The January 2017 Outlook will be updated based on the assumptions, including policy level enhancements, used in the Governor's proposed budget submitted in December 2016.

Kindergarten – Grade 12 (K-12) Schools

The updates are based on the most recent enrollment forecast and budget driver information for required K-12 entitlement changes. The K-12 funding is adjusted each year of the ensuing biennium using the K-12 model which updates the growth and inflationary factors with each forecast. The K-12 model is also continually updated for other factors such as levy equalization, student transportation, and staff mix.

Overview of the Methodology for the State Budget Outlook (November 2016)

Larger adjustments in the 2017-19 ML include: K-3 class size reductions (\$484 million in 2017-19 and \$576 million in 2019-21), enrollment/workload adjustments (\$385 million in 2017-19 and \$843 million in 2019-21), MSOC inflation (\$76 million in FY 2017-19 and \$203 million in FY 2019-21), national board bonus costs (\$33 million in FY 2017-19 and \$81 million in FY 2019-21), grandfathered salary adjustments (-\$17 million in FY 2017-19 and -\$19 million in FY 2019-21), local effort assistance (-\$67 million in FY 2017-19 and -\$139 million in FY 2019-21), and staff mix adjustments (-\$81 million in FY 2017-19 and -\$92 million in FY 2019-21).

The larger adjustments in the FY 2017 supplemental include enrollment/workload adjustments (\$43 million), local effort assistance (\$9 million), and staff mix adjustments (-\$11 million).

Low-Income Health Care

The amounts depicted reflect the caseload and per capita cost information prepared as part of the agencies budget submittal, as well as other mandatory maintenance level changes. Some of the major cost components include utilization, caseload, and medical inflation. Assumed future growth is estimated at 3.04 percent per year from FY 2019.

The largest adjustments in the 2017-19 ML are related to utilization changes and federal match adjustments (\$394 million in FY 2017-19 and \$891 million in FY 2019-21). Other large items include a reduction in federal funds used to support the Certified Public Expenditure hospital program (\$13 million in FY 2017-19 and \$18 million in FY 2019-21), and caseload adjustments (-\$13 million in FY 2017-19 and \$13 million in FY 2019-21).

The larger adjustments for the FY 2017 supplemental budget are related to caseload changes (-\$41 million).

Mental Health/Long Term Care/ Developmental Disability Services

The amounts depicted reflect the most recent caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. Some of the major cost components include utilization and severity of client needs. Assumed future growth is estimated at 4.12 percent per year from FY 2019.

Larger adjustments in the 2017-19 ML include: caseload, workload, and utilization changes (\$162 million in 2017-19 and \$253 million in 2019-21), loss of federal participation in facilities classified as Institutions of Mental Diseases (\$44 million in FY 2017-19 and \$47 million in FY 2019-21), reductions in federal Disproportionate Share Hospital funding (\$28 million in FY 2017-19 and \$50 million in FY 2019-21), addressing the civil and forensic waitlists at the state hospitals (\$29 million in FY 2017-19 and \$30 million in FY 2019-21), changes in federal Medicaid match rates (\$20 million in FY 2017-19 and \$21 million in FY 2019-21), and nursing home rebasing (\$18 million in FY 2019-21).

The larger adjustments for the FY 2017 supplemental budget are related to caseload and utilization changes (-\$30 million).

Overview of the Methodology for the State Budget Outlook (November 2016)

Children's/Economic Services

The amounts depicted reflect the most recent caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. Some of the major cost components include caseload and per capita cost increases and revised growth trends. Assumed future growth is estimated at 1.20 percent per year from FY 2019.

The larger adjustments in the 2017-19 ML are related to caseload changes (-\$34 million in 2017-19 and -\$29 million in 2019-21).

The larger adjustments for the FY 2017 supplemental budget are related to caseload changes (-\$13 million).

Department of Corrections/ Special Commitment/ Juvenile Rehabilitation

The amounts depicted reflect the most recent caseload and per capita cost information prepared through joint effort by legislative and executive branch staff, as well as other mandatory maintenance level changes. A major cost component is the proportion of community and institution population. Assumed future growth is estimated at 1.58 percent per year from FY 2019.

Larger adjustments in the 2017-19 ML include: caseload changes (\$46 million in 2017-19 and \$50 million in 2019-21), and equipment and facility maintenance (\$14 million in 2017-19 and \$13 million in 2019-21).

The larger adjustments for the FY 2017 supplemental budget are related to caseload changes (\$15 million).

Debt Service

The amounts depicted reflect the cost of debt service for the capital budget. Assumed future growth is estimated at 4.35 percent per year from FY 2019. The adjustments are \$74 million for the FY 2017-19 biennium and \$125 million for the FY 2019-21 biennium.

Higher Education

Higher Education adjustments are related to the College Bound Scholarship program and to maintenance and operations and lease adjustments. Higher Education items are adjusted by 0.07 percent per year from FY 2019.

Larger adjustments in the 2017-19 ML include the Opportunity Scholarship program (\$14.7 million in 2017-19), and operating costs for existing capital projects (\$9 million in FY 2017-19 and \$11 million for FY 2019-21).

Other

This area includes all other agencies not reflected in the preceding Outlook groups. Many are general government agencies, smaller human service agencies, natural resource agencies, legislative agencies and judicial agencies. Larger adjustments in the 2017-19 ML include: funding for a transfer to the local public safety enhancement account required

Overview of the Methodology for the State Budget Outlook (November 2016)

under RCW 41.26.802 (\$50 million in FY 2017-19 and \$50 million in FY 2019-21), and adjustments related to federal Medicaid match for chemical dependency treatment programs (\$10 million).

Special Appropriation Items (Part of Other in the Outlook)

This category reflects the typical special appropriation items that are removed in the development of the CFL, but have historically been restored in the ML. An itemization is listed in the table below:

| Detail of Items in Special Appropriations | \$ in Millions | |
|---|----------------|---------|
| | 2017-19 | 2019-21 |
| County Public Health Assistance | 72.8 | 72.9 |
| K-20 Telecommunications Network | 16.0 | 16.0 |
| SERA Repayment | 10.0 | 10.0 |
| Communication Services Reform | 10.0 | 0.0 |
| COP Repayment | 5.6 | 5.6 |
| Governor's Emergency Fund | 1.7 | 1.7 |
| Common School Construction Account | 1.2 | 1.2 |
| Cherberg Building COP | 1.1 | 1.1 |
| No Child Left Inside | 1.0 | 1.0 |
| Legal Financial Obligations | 1.0 | 0.9 |
| Impaired Driving | 0.7 | 0.7 |
| NR Real Property Replacement Acct | 0.6 | 0.6 |
| Total | 121.7 | 111.7 |

Other Outlook Items

These are items that are not in CFL or ML but are either statutorily obligated or otherwise required by law. These items include:

- Initiative 1351: These adjustments reflect costs associated with Initiative 1351 beginning in FY 2020 and are calculated using the K-12 model which updates the growth and inflationary factors with each forecast.
- Early Childhood Education and Assistance Program (ECEAP) Entitlement: Under RCW 43.215.456, ECEAP becomes an entitlement in FY 2021. The ERFC directed that the November 2016 outlook assume the full costs of the entitlement in FY 2021 but not to assume any phase in costs prior to FY 2021. The level of phase in is not specified under the statute and therefore will be a policy level decision prior to FY 2021.
- Hospital Safety Net: Under RCW 74.60.020, funding from Hospital Safety Net Assessments is used in lieu of state general fund payments for Medicaid hospital services. The Hospital Safety Net is set to expire in FY 2020.
- Initiative 1433 Labor Standards: Initiative 1433 was on the November 2016 ballot and currently appears to be passing with approximately 58 percent of voters approving the measure. While election results have not yet been certified, the ERFC directed that the quantifiable fiscal impacts of ballot measures that appear to be passing be included in the November 2016 outlook.

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November 2016 Outlook - Option 1
Near GF-S & Opportunity Pathways Account

(Dollars in Millions)

| | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2016 | FY 2017 | 2015-17 | FY 2018 | FY 2019 | 2017-19 | FY 2020 | FY 2021 | 2019-21 |
| Beginning Balance | 1,011 | 1,402 | 1,011 | 943 | 481 | 943 | 261 | -955 | 261 |
| Current Revenues | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 22,000 | 22,990 | 44,990 |
| November 2016 Revenue Forecast | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 21,729 | 22,537 | 44,266 |
| Addtl Revenue Based on 4.5% Growth Rate Assumption | 0 | 0 | 0 | 0 | 0 | 0 | 270 | 453 | 723 |
| Other Resource Changes | -36 | -516 | -552 | -128 | -121 | -249 | -193 | -202 | -395 |
| GF-S Transfer to BSA (1%) | -186 | -192 | -378 | -198 | -206 | -404 | -214 | -222 | -436 |
| GF-S Extraordinary Revenue to BSA | 0 | -526 | -526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | 75 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Driven Revenue | 0 | 0 | 0 | -1 | -1 | -2 | 0 | 0 | 0 |
| Prior Period Adjustments | 67 | 20 | 88 | 20 | 20 | 41 | 20 | 20 | 41 |
| CAFR Adjustments | -18 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers | 101 | 107 | 207 | 51 | 65 | 116 | 0 | 0 | 0 |
| Total Revenues and Resources | 19,907 | 20,658 | 39,163 | 21,047 | 21,412 | 41,978 | 22,068 | 21,834 | 44,856 |
| Enacted Appropriations | 18,627 | 19,826 | 38,454 | 18,627 | 19,826 | 38,454 | 20,157 | 20,497 | 40,654 |
| Carryforward Level Adjustments | 0 | 0 | 0 | 1,066 | -131 | 935 | -132 | -132 | -264 |
| K-12 Education | 0 | 0 | 0 | 538 | -15 | 524 | -15 | -15 | -29 |
| Higher Education | 0 | 0 | 0 | 86 | -43 | 42 | -43 | -43 | -86 |
| Dept of Early Learning | 0 | 0 | 0 | 21 | -3 | 18 | -3 | -3 | -7 |
| Mental Health/Dev. Disabilities/Long Term | 0 | 0 | 0 | 240 | -5 | 235 | -5 | -5 | -10 |
| Low Income Health Care | 0 | 0 | 0 | 80 | -17 | 63 | -17 | -18 | -36 |
| Corrections/JRA/SCC | 0 | 0 | 0 | 20 | 0 | 20 | 0 | 0 | 0 |
| Children's/Economic Svcs | 0 | 0 | 0 | 69 | 33 | 102 | 34 | 34 | 68 |
| Debt Service | 0 | 0 | 0 | 68 | 0 | 68 | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 | -56 | -82 | -137 | -82 | -82 | -164 |
| Maintenance Level Total | 0 | -6 | -6 | 974 | 1,560 | 2,535 | 3,106 | 3,777 | 6,883 |
| K-12 Education | 0 | 43 | 43 | 338 | 494 | 832 | 652 | 813 | 1,465 |
| I-732 COLAs | 0 | 0 | 0 | 107 | 258 | 366 | 412 | 567 | 979 |
| I-1351 Class Size Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 807 | 1,051 | 1,857 |
| Higher Education | 0 | 1 | 1 | 17 | 12 | 29 | 11 | 14 | 24 |
| Dept of Early Learning | 0 | -2 | -2 | 1 | 3 | 4 | 3 | 3 | 6 |
| ECEAP Entitlement Begins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 56 |
| Mental Health/Dev. Disabilities/Long Term | 0 | -36 | -36 | 108 | 205 | 313 | 224 | 262 | 485 |
| Low Income Health Care | 0 | -24 | -24 | 125 | 273 | 398 | 449 | 480 | 929 |
| Hospital Safety Net Expiration | 0 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 292 |
| Hepatitis C | 0 | 0 | 0 | 20 | 20 | 40 | 22 | 23 | 44 |
| Corrections/JRA/SCC | 0 | 30 | 30 | 40 | 43 | 82 | 43 | 44 | 87 |
| Children's/Economic Svcs | 0 | -10 | -10 | -19 | -14 | -33 | -14 | -15 | -29 |
| Pensions | 0 | 0 | 0 | 105 | 130 | 236 | 169 | 194 | 363 |
| Debt Service | 0 | -6 | -6 | 16 | 58 | 74 | 61 | 64 | 125 |
| All Other | 0 | 3 | 3 | 121 | 83 | 204 | 127 | 77 | 205 |
| Initiative 1433 Labor Standards | 0 | -5 | -5 | -5 | -5 | -10 | -4 | -1 | -6 |
| Reversions | -122 | -105 | -227 | -101 | -104 | -206 | -109 | -114 | -223 |
| Revised Appropriations | 18,506 | 19,715 | 38,220 | 20,566 | 21,151 | 41,717 | 23,022 | 24,028 | 47,050 |
| Projected Ending Balance | 1,402 | 943 | 943 | 481 | 261 | 261 | -955 | -2,194 | -2,194 |
| Budget Stabilization Account | | | | | | | | | |
| Beginning Balance | 513 | 546 | 513 | 1,190 | 1,387 | 1,190 | 1,593 | 1,807 | 1,593 |
| GF-S Transfer to BSA (1%) | 186 | 192 | 378 | 198 | 206 | 404 | 214 | 222 | 436 |
| GF-S Extraordinary Revenue to BSA | 0 | 526 | 526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | -75 | -75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations from BSA | -189 | 0 | -189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Actual Reversions | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Stabilization Account Ending Balance | 546 | 1,190 | 1,190 | 1,387 | 1,593 | 1,593 | 1,807 | 2,029 | 2,029 |
| Total Reserves | 1,948 | 2,133 | 2,133 | 1,869 | 1,855 | 1,855 | 852 | -165 | -165 |

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November 2016 Outlook - Option 2
Near GF-S & Opportunity Pathways Account

(Dollars in Millions)

| | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2016 | FY 2017 | 2015-17 | FY 2018 | FY 2019 | 2017-19 | FY 2020 | FY 2021 | 2019-21 |
| Beginning Balance | 1,011 | 1,402 | 1,011 | 943 | 481 | 943 | 261 | -955 | 261 |
| Current Revenues | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 22,000 | 22,990 | 44,990 |
| November 2016 Revenue Forecast | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 21,729 | 22,537 | 44,266 |
| Addtl Revenue Based on 4.5% Growth Rate Assumption | 0 | 0 | 0 | 0 | 0 | 0 | 270 | 453 | 723 |
| Other Resource Changes | -36 | -516 | -552 | -128 | -121 | -249 | -193 | -202 | -395 |
| GF-S Transfer to BSA (1%) | -186 | -192 | -378 | -198 | -206 | -404 | -214 | -222 | -436 |
| GF-S Extraordinary Revenue to BSA | 0 | -526 | -526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | 75 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Driven Revenue | 0 | 0 | 0 | -1 | -1 | -2 | 0 | 0 | 0 |
| Prior Period Adjustments | 67 | 20 | 88 | 20 | 20 | 41 | 20 | 20 | 41 |
| CAFR Adjustments | -18 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers | 101 | 107 | 207 | 51 | 65 | 116 | 0 | 0 | 0 |
| Total Revenues and Resources | 19,907 | 20,658 | 39,163 | 21,047 | 21,412 | 41,978 | 22,068 | 21,834 | 44,856 |
| Enacted Appropriations | 18,627 | 19,826 | 38,454 | 18,627 | 19,826 | 38,454 | 20,157 | 20,497 | 40,654 |
| Carryforward Level Adjustments | 0 | 0 | 0 | 1,066 | -131 | 935 | -132 | -132 | -264 |
| K-12 Education | 0 | 0 | 0 | 538 | -15 | 524 | -15 | -15 | -29 |
| Higher Education | 0 | 0 | 0 | 86 | -43 | 42 | -43 | -43 | -86 |
| Dept of Early Learning | 0 | 0 | 0 | 21 | -3 | 18 | -3 | -3 | -7 |
| Mental Health/Dev. Disabilities/Long Term | 0 | 0 | 0 | 240 | -5 | 235 | -5 | -5 | -10 |
| Low Income Health Care | 0 | 0 | 0 | 80 | -17 | 63 | -17 | -18 | -36 |
| Corrections/JRA/SCC | 0 | 0 | 0 | 20 | 0 | 20 | 0 | 0 | 0 |
| Children's/Economic Svcs | 0 | 0 | 0 | 69 | 33 | 102 | 34 | 34 | 68 |
| Debt Service | 0 | 0 | 0 | 68 | 0 | 68 | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 | -56 | -82 | -137 | -82 | -82 | -164 |
| Maintenance Level Total | 0 | -6 | -6 | 974 | 1,560 | 2,535 | 3,106 | 3,777 | 6,883 |
| K-12 Education | 0 | 43 | 43 | 338 | 494 | 832 | 652 | 813 | 1,465 |
| I-732 COLAs | 0 | 0 | 0 | 107 | 258 | 366 | 412 | 567 | 979 |
| I-1351 Class Size Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 807 | 1,051 | 1,857 |
| Higher Education | 0 | 1 | 1 | 17 | 12 | 29 | 11 | 14 | 24 |
| Dept of Early Learning | 0 | -2 | -2 | 1 | 3 | 4 | 3 | 3 | 6 |
| ECEAP Entitlement Begins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 56 |
| Mental Health/Dev. Disabilities/Long Term | 0 | -36 | -36 | 108 | 205 | 313 | 224 | 262 | 485 |
| Low Income Health Care | 0 | -24 | -24 | 125 | 273 | 398 | 449 | 480 | 929 |
| Hospital Safety Net Expiration | 0 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 292 |
| Hepatitis C | 0 | 0 | 0 | 20 | 20 | 40 | 22 | 23 | 44 |
| Corrections/JRA/SCC | 0 | 30 | 30 | 40 | 43 | 82 | 43 | 44 | 87 |
| Children's/Economic Svcs | 0 | -10 | -10 | -19 | -14 | -33 | -14 | -15 | -29 |
| Pensions | 0 | 0 | 0 | 105 | 130 | 236 | 169 | 194 | 363 |
| Debt Service | 0 | -6 | -6 | 16 | 58 | 74 | 61 | 64 | 125 |
| All Other | 0 | 3 | 3 | 121 | 83 | 204 | 127 | 77 | 205 |
| Initiative 1433 Labor Standards | 0 | -5 | -5 | -5 | -5 | -10 | -4 | -1 | -6 |
| Reversions | -122 | -105 | -227 | -101 | -104 | -206 | -109 | -114 | -223 |
| Revised Appropriations | 18,506 | 19,715 | 38,220 | 20,566 | 21,151 | 41,717 | 23,022 | 24,028 | 47,050 |
| Projected Ending Balance | 1,402 | 943 | 943 | 481 | 261 | 261 | -955 | -2,194 | -2,194 |
| Budget Stabilization Account | | | | | | | | | |
| Beginning Balance | 513 | 546 | 513 | 1,190 | 1,387 | 1,190 | 1,593 | 1,807 | 1,593 |
| GF-S Transfer to BSA (1%) | 186 | 192 | 378 | 198 | 206 | 404 | 214 | 222 | 436 |
| GF-S Extraordinary Revenue to BSA | 0 | 526 | 526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | -75 | -75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations from BSA | -189 | 0 | -189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Actual Reversions | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Stabilization Account Ending Balance | 546 | 1,190 | 1,190 | 1,387 | 1,593 | 1,593 | 1,807 | 2,029 | 2,029 |
| Total Reserves | 1,948 | 2,133 | 2,133 | 1,869 | 1,855 | 1,855 | 852 | -165 | -165 |

* The revenues and expenditures assumed in this Outlook do not include McCleary compensation costs or school district levy-related changes.

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November 2016 Outlook - Option 3
Near GF-S & Opportunity Pathways Account

(Dollars in Millions)

| | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2016 | FY 2017 | 2015-17 | FY 2018 | FY 2019 | 2017-19 | FY 2020 | FY 2021 | 2019-21 |
| Beginning Balance | 1,011 | 1,402 | 1,011 | 943 | 481 | 943 | 261 | -955 | 261 |
| Current Revenues | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 22,000 | 22,990 | 44,990 |
| November 2016 Revenue Forecast | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 21,729 | 22,537 | 44,266 |
| Addtl Revenue Based on 4.5% Growth Rate Assumption | 0 | 0 | 0 | 0 | 0 | 0 | 270 | 453 | 723 |
| Other Resource Changes | -36 | -516 | -552 | -128 | -121 | -249 | -193 | -202 | -395 |
| GF-S Transfer to BSA (1%) | -186 | -192 | -378 | -198 | -206 | -404 | -214 | -222 | -436 |
| GF-S Extraordinary Revenue to BSA | 0 | -526 | -526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | 75 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Driven Revenue | 0 | 0 | 0 | -1 | -1 | -2 | 0 | 0 | 0 |
| Prior Period Adjustments | 67 | 20 | 88 | 20 | 20 | 41 | 20 | 20 | 41 |
| CAFR Adjustments | -18 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers | 101 | 107 | 207 | 51 | 65 | 116 | 0 | 0 | 0 |
| Total Revenues and Resources | 19,907 | 20,658 | 39,163 | 21,047 | 21,412 | 41,978 | 22,068 | 21,834 | 44,856 |
| Enacted Appropriations | 18,627 | 19,826 | 38,454 | 18,627 | 19,826 | 38,454 | 20,157 | 20,497 | 40,654 |
| Carryforward Level Adjustments | 0 | 0 | 0 | 1,066 | -131 | 935 | -132 | -132 | -264 |
| K-12 Education | 0 | 0 | 0 | 538 | -15 | 524 | -15 | -15 | -29 |
| Higher Education | 0 | 0 | 0 | 86 | -43 | 42 | -43 | -43 | -86 |
| Dept of Early Learning | 0 | 0 | 0 | 21 | -3 | 18 | -3 | -3 | -7 |
| Mental Health/Dev. Disabilities/Long Term | 0 | 0 | 0 | 240 | -5 | 235 | -5 | -5 | -10 |
| Low Income Health Care | 0 | 0 | 0 | 80 | -17 | 63 | -17 | -18 | -36 |
| Corrections/JRA/SCC | 0 | 0 | 0 | 20 | 0 | 20 | 0 | 0 | 0 |
| Children's/Economic Svcs | 0 | 0 | 0 | 69 | 33 | 102 | 34 | 34 | 68 |
| Debt Service | 0 | 0 | 0 | 68 | 0 | 68 | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 | -56 | -82 | -137 | -82 | -82 | -164 |
| Maintenance Level Total | 0 | -6 | -6 | 974 | 1,560 | 2,535 | 3,106 | 3,777 | 6,883 |
| K-12 Education | 0 | 43 | 43 | 338 | 494 | 832 | 652 | 813 | 1,465 |
| I-732 COLAs | 0 | 0 | 0 | 107 | 258 | 366 | 412 | 567 | 979 |
| I-1351 Class Size Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 807 | 1,051 | 1,857 |
| Higher Education | 0 | 1 | 1 | 17 | 12 | 29 | 11 | 14 | 24 |
| Dept of Early Learning | 0 | -2 | -2 | 1 | 3 | 4 | 3 | 3 | 6 |
| ECEAP Entitlement Begins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 56 |
| Mental Health/Dev. Disabilities/Long Term | 0 | -36 | -36 | 108 | 205 | 313 | 224 | 262 | 485 |
| Low Income Health Care | 0 | -24 | -24 | 125 | 273 | 398 | 449 | 480 | 929 |
| Hospital Safety Net Expiration | 0 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 292 |
| Hepatitis C | 0 | 0 | 0 | 20 | 20 | 40 | 22 | 23 | 44 |
| Corrections/JRA/SCC | 0 | 30 | 30 | 40 | 43 | 82 | 43 | 44 | 87 |
| Children's/Economic Svcs | 0 | -10 | -10 | -19 | -14 | -33 | -14 | -15 | -29 |
| Pensions | 0 | 0 | 0 | 105 | 130 | 236 | 169 | 194 | 363 |
| Debt Service | 0 | -6 | -6 | 16 | 58 | 74 | 61 | 64 | 125 |
| All Other | 0 | 3 | 3 | 121 | 83 | 204 | 127 | 77 | 205 |
| Initiative 1433 Labor Standards | 0 | -5 | -5 | -5 | -5 | -10 | -4 | -1 | -6 |
| Reversions | -122 | -105 | -227 | -101 | -104 | -206 | -109 | -114 | -223 |
| Revised Appropriations | 18,506 | 19,715 | 38,220 | 20,566 | 21,151 | 41,717 | 23,022 | 24,028 | 47,050 |
| Projected Ending Balance | 1,402 | 943 | 943 | 481 | 261 | 261 | -955 | -2,194 | -2,194 |
| Budget Stabilization Account | | | | | | | | | |
| Beginning Balance | 513 | 546 | 513 | 1,190 | 1,387 | 1,190 | 1,593 | 1,807 | 1,593 |
| GF-S Transfer to BSA (1%) | 186 | 192 | 378 | 198 | 206 | 404 | 214 | 222 | 436 |
| GF-S Extraordinary Revenue to BSA | 0 | 526 | 526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | -75 | -75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations from BSA | -189 | 0 | -189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Actual Reversions | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Stabilization Account Ending Balance | 546 | 1,190 | 1,190 | 1,387 | 1,593 | 1,593 | 1,807 | 2,029 | 2,029 |
| Total Reserves | 1,948 | 2,133 | 2,133 | 1,869 | 1,855 | 1,855 | 852 | -165 | -165 |

* The revenues and expenditures assumed in this Outlook do not include McCleary compensation costs or school district levy-related changes. For illustrative purposes only, the ERFC assumes that the state's McCleary compensation costs are \$3.5 billion per biennium when fully implemented.

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**November 2016 Alternate Outlook- Option 4
Near GF-S & Opportunity Pathways Account**

(Dollars in Millions)

| | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2016 | FY 2017 | 2015-17 | FY 2018 | FY 2019 | 2017-19 | FY 2020 | FY 2021 | 2019-21 |
| Beginning Balance | 1,011 | 1,402 | 1,011 | 943 | -1,269 | 943 | -3,239 | -6,205 | -3,239 |
| Current Revenues | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 22,000 | 22,990 | 44,990 |
| November 2016 Revenue Forecast | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 21,729 | 22,537 | 44,266 |
| Addtl Revenue Based on 4.5% Growth Rate Assumption | 0 | 0 | 0 | 0 | 0 | 0 | 270 | 453 | 723 |
| Other Resource Changes | -36 | -516 | -552 | -128 | -121 | -249 | -193 | -202 | -395 |
| GF-S Transfer to BSA (1%) | -186 | -192 | -378 | -198 | -206 | -404 | -214 | -222 | -436 |
| GF-S Extraordinary Revenue to BSA | 0 | -526 | -526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | 75 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Driven Revenue | 0 | 0 | 0 | -1 | -1 | -2 | 0 | 0 | 0 |
| Prior Period Adjustments | 67 | 20 | 88 | 20 | 20 | 41 | 20 | 20 | 41 |
| CAFR Adjustments | -18 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers | 101 | 107 | 207 | 51 | 65 | 116 | 0 | 0 | 0 |
| Total Revenues and Resources | 19,907 | 20,658 | 39,163 | 21,047 | 19,662 | 41,978 | 18,568 | 16,584 | 41,356 |
| Enacted Appropriations | 18,627 | 19,826 | 38,454 | 18,627 | 19,826 | 38,454 | 20,157 | 20,497 | 40,654 |
| Carryforward Level Adjustments | 0 | 0 | 0 | 1,066 | -131 | 935 | -132 | -132 | -264 |
| K-12 Education | 0 | 0 | 0 | 538 | -15 | 524 | -15 | -15 | -29 |
| Higher Education | 0 | 0 | 0 | 86 | -43 | 42 | -43 | -43 | -86 |
| Dept of Early Learning | 0 | 0 | 0 | 21 | -3 | 18 | -3 | -3 | -7 |
| Mental Health/Dev. Disabilities/Long Term | 0 | 0 | 0 | 240 | -5 | 235 | -5 | -5 | -10 |
| Low Income Health Care | 0 | 0 | 0 | 80 | -17 | 63 | -17 | -18 | -36 |
| Corrections/JRA/SCC | 0 | 0 | 0 | 21 | -1 | 20 | -1 | -1 | -2 |
| Children's/Economic Svcs | 0 | 0 | 0 | 69 | 33 | 102 | 34 | 34 | 68 |
| Debt Service | 0 | 0 | 0 | 68 | 0 | 68 | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 | -56 | -81 | -137 | -81 | -81 | -162 |
| Maintenance Level Total | 0 | -6 | -6 | 2,724 | 3,310 | 6,035 | 4,856 | 5,527 | 10,383 |
| K-12 Education | 0 | 43 | 43 | 338 | 494 | 832 | 652 | 813 | 1,465 |
| McCleary Compensation | 0 | 0 | 0 | 1,750 | 1,750 | 3,500 | 1,750 | 1,750 | 3,500 |
| I-732 COLAs | 0 | 0 | 0 | 107 | 258 | 366 | 412 | 567 | 979 |
| I-1351 Class Size Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 807 | 1,051 | 1,857 |
| Higher Education | 0 | 1 | 1 | 17 | 12 | 29 | 11 | 14 | 24 |
| Dept of Early Learning | 0 | -2 | -2 | 1 | 3 | 4 | 3 | 3 | 6 |
| ECEAP Entitlement Begins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 56 |
| Mental Health/Dev. Disabilities/Long Term | 0 | -36 | -36 | 108 | 205 | 313 | 224 | 262 | 485 |
| Low Income Health Care | 0 | -24 | -24 | 125 | 273 | 398 | 449 | 480 | 929 |
| Hospital Safety Net Expiration | 0 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 292 |
| Hepatitis C | 0 | 0 | 0 | 20 | 20 | 40 | 22 | 23 | 44 |
| Corrections/JRA/SCC | 0 | 30 | 30 | 40 | 43 | 82 | 43 | 44 | 87 |
| Children's/Economic Svcs | 0 | -10 | -10 | -19 | -14 | -33 | -14 | -15 | -29 |
| Pensions | 0 | 0 | 0 | 105 | 130 | 236 | 169 | 194 | 363 |
| Debt Service | 0 | -6 | -6 | 16 | 58 | 74 | 61 | 64 | 125 |
| All Other | 0 | -2 | -2 | 121 | 83 | 204 | 127 | 77 | 205 |
| Initiative 1433 Labor Standards | 0 | 0 | 0 | -5 | -5 | -10 | -4 | -1 | -6 |
| Reversions | -122 | -105 | -227 | -101 | -104 | -206 | -109 | -114 | -223 |
| Revised Appropriations | 18,506 | 19,715 | 38,220 | 22,316 | 22,901 | 45,217 | 24,772 | 25,777 | 50,550 |
| Projected Ending Balance | 1,402 | 943 | 943 | -1,269 | -3,239 | -3,239 | -6,205 | -9,194 | -9,194 |
| Budget Stabilization Account | | | | | | | | | |
| Beginning Balance | 513 | 546 | 513 | 1,190 | 1,387 | 1,190 | 1,593 | 1,807 | 1,593 |
| GF-S Transfer to BSA (1%) | 186 | 192 | 378 | 198 | 206 | 404 | 214 | 222 | 436 |
| GF-S Extraordinary Revenue to BSA | 0 | 526 | 526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | -75 | -75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations from BSA | -189 | 0 | -189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Actual Reversions | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Stabilization Account Ending Balance | 546 | 1,190 | 1,190 | 1,387 | 1,593 | 1,593 | 1,807 | 2,029 | 2,029 |
| Total Reserves | 1,948 | 2,133 | 2,133 | 119 | -1,645 | -1,645 | -4,398 | -7,165 | -7,165 |

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November 2016 Outlook- Option 5
Near GF-S & Opportunity Pathways Account

(Dollars in Millions)

| | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY 2016 | FY 2017 | 2015-17 | FY 2018 | FY 2019 | 2017-19 | FY 2020 | FY 2021 | 2019-21 |
| Beginning Balance | 1,011 | 1,402 | 1,011 | 943 | -1,269 | 943 | -3,239 | -6,205 | -3,239 |
| Current Revenues | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 22,000 | 22,990 | 44,990 |
| November 2016 Revenue Forecast | 18,933 | 19,772 | 38,705 | 20,232 | 21,052 | 41,284 | 21,729 | 22,537 | 44,266 |
| Addtl Revenue Based on 4.5% Growth Rate Assumption | 0 | 0 | 0 | 0 | 0 | 0 | 270 | 453 | 723 |
| Other Resource Changes | -36 | -516 | -552 | -128 | -121 | -249 | -193 | -202 | -395 |
| GF-S Transfer to BSA (1%) | -186 | -192 | -378 | -198 | -206 | -404 | -214 | -222 | -436 |
| GF-S Extraordinary Revenue to BSA | 0 | -526 | -526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | 75 | 75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Driven Revenue | 0 | 0 | 0 | -1 | -1 | -2 | 0 | 0 | 0 |
| Prior Period Adjustments | 67 | 20 | 88 | 20 | 20 | 41 | 20 | 20 | 41 |
| CAFR Adjustments | -18 | 0 | -18 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund Transfers | 101 | 107 | 207 | 51 | 65 | 116 | 0 | 0 | 0 |
| Total Revenues and Resources | 19,907 | 20,658 | 39,163 | 21,047 | 19,662 | 41,978 | 18,568 | 16,584 | 41,356 |
| Enacted Appropriations | 18,627 | 19,826 | 38,454 | 18,627 | 19,826 | 38,454 | 20,157 | 20,497 | 40,654 |
| Carryforward Level Adjustments | 0 | 0 | 0 | 1,066 | -131 | 935 | -132 | -132 | -264 |
| K-12 Education | 0 | 0 | 0 | 538 | -15 | 524 | -15 | -15 | -29 |
| Higher Education | 0 | 0 | 0 | 86 | -43 | 42 | -43 | -43 | -86 |
| Dept of Early Learning | 0 | 0 | 0 | 21 | -3 | 18 | -3 | -3 | -7 |
| Mental Health/Dev. Disabilities/Long Term | 0 | 0 | 0 | 240 | -5 | 235 | -5 | -5 | -10 |
| Low Income Health Care | 0 | 0 | 0 | 80 | -17 | 63 | -17 | -18 | -36 |
| Corrections/JRA/SCC | 0 | 0 | 0 | 21 | -1 | 20 | -1 | -1 | -2 |
| Children's/Economic Svcs | 0 | 0 | 0 | 69 | 33 | 102 | 34 | 34 | 68 |
| Debt Service | 0 | 0 | 0 | 68 | 0 | 68 | 0 | 0 | 0 |
| All Other | 0 | 0 | 0 | -56 | -81 | -137 | -81 | -81 | -162 |
| Maintenance Level Total | 0 | -6 | -6 | 2,724 | 3,310 | 6,035 | 4,856 | 5,527 | 10,383 |
| K-12 Education | 0 | 43 | 43 | 338 | 494 | 832 | 652 | 813 | 1,465 |
| McCleary Compensation | 0 | 0 | 0 | 1,750 | 1,750 | 3,500 | 1,750 | 1,750 | 3,500 |
| I-732 COLAs | 0 | 0 | 0 | 107 | 258 | 366 | 412 | 567 | 979 |
| I-1351 Class Size Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 807 | 1,051 | 1,857 |
| Higher Education | 0 | 1 | 1 | 17 | 12 | 29 | 11 | 14 | 24 |
| Dept of Early Learning | 0 | -2 | -2 | 1 | 3 | 4 | 3 | 3 | 6 |
| ECEAP Entitlement Begins | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56 | 56 |
| Mental Health/Dev. Disabilities/Long Term | 0 | -36 | -36 | 108 | 205 | 313 | 224 | 262 | 485 |
| Low Income Health Care | 0 | -24 | -24 | 125 | 273 | 398 | 449 | 480 | 929 |
| Hospital Safety Net Expiration | 0 | 0 | 0 | 0 | 0 | 0 | 146 | 146 | 292 |
| Hepatitis C | 0 | 0 | 0 | 20 | 20 | 40 | 22 | 23 | 44 |
| Corrections/JRA/SCC | 0 | 30 | 30 | 40 | 43 | 82 | 43 | 44 | 87 |
| Children's/Economic Svcs | 0 | -10 | -10 | -19 | -14 | -33 | -14 | -15 | -29 |
| Pensions | 0 | 0 | 0 | 105 | 130 | 236 | 169 | 194 | 363 |
| Debt Service | 0 | -6 | -6 | 16 | 58 | 74 | 61 | 64 | 125 |
| All Other | 0 | -2 | -2 | 121 | 83 | 204 | 127 | 77 | 205 |
| Initiative 1433 Labor Standards | 0 | 0 | 0 | -5 | -5 | -10 | -4 | -1 | -6 |
| Reversions | -122 | -105 | -227 | -101 | -104 | -206 | -109 | -114 | -223 |
| Revised Appropriations | 18,506 | 19,715 | 38,220 | 22,316 | 22,901 | 45,217 | 24,772 | 25,777 | 50,550 |
| Projected Ending Balance | 1,402 | 943 | 943 | -1,269 | -3,239 | -3,239 | -6,205 | -9,194 | -9,194 |
| Budget Stabilization Account | | | | | | | | | |
| Beginning Balance | 513 | 546 | 513 | 1,190 | 1,387 | 1,190 | 1,593 | 1,807 | 1,593 |
| GF-S Transfer to BSA (1%) | 186 | 192 | 378 | 198 | 206 | 404 | 214 | 222 | 436 |
| GF-S Extraordinary Revenue to BSA | 0 | 526 | 526 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Revenue from BSA to GF-S | 0 | -75 | -75 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appropriations from BSA | -189 | 0 | -189 | 0 | 0 | 0 | 0 | 0 | 0 |
| Actual Reversions | 37 | 0 | 37 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Stabilization Account Ending Balance | 546 | 1,190 | 1,190 | 1,387 | 1,593 | 1,593 | 1,807 | 2,029 | 2,029 |
| Total Reserves | 1,948 | 2,133 | 2,133 | 119 | -1,645 | -1,645 | -4,398 | -7,165 | -7,165 |

* The expenditures assumed in this Outlook include costs related to McCleary compensation. For purposes of the Outlook only, the ERFC assumes that the state's McCleary compensation costs are \$3.5 billion per biennium when fully implemented.

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



Economic & Revenue Review: November 16, 2016

Executive Summary

United States

- The final U.S. economic forecast is based on the November Global Insight and Blue Chip consensus forecasts. Global Insight continues to assume that the Federal Reserve will raise the federal funds rate in December. The rate change is expected to be an increase of 0.25%.
- The November Blue Chip forecast of real GDP growth was unchanged from October. As a result, real GDP growth for 2016 remains at 1.5% and 2017 real GDP growth is 2.2% as in the preliminary November economic forecast.
- Our oil price forecast continues to rely on the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the Wednesday, November 9, 2016 closing prices for Brent and WTI futures. Futures prices for both are quite similar to the September forecast. The price paid by refiners in 2017 is expected to average \$47 per barrel, down from an average of \$48 in the September forecast. Oil prices are expected to rise gradually to \$55 per barrel by 2021.
- Two key measures of consumer confidence both indicated less optimism in October. The University of Michigan (UM) index of consumer sentiment decreased by 4.0 points to 87.2. After two consecutive gains, the Conference Board index of consumer confidence decreased 4.9 points to 98.6 in October. The Conference Board survey noted more pessimistic consumer assessments regarding the labor market and business conditions, while the decrease in the UM index was attributed to less positive views on prospects for the economy despite optimism regarding personal finances.
- U.S. housing data for September were generally stronger than in August. Housing units authorized by building permits in September were 6.3% (SA) above their August level and 8.5% above their September 2015 level. September housing starts decreased for a second consecutive month, falling 9.0% (SA) compared to August and by 11.9% compared to their year-ago level. Existing home sales in September were 3.2% (SA) above their August level after two consecutive monthly declines. Existing home sales are now 0.6% above September 2015 sales. New single family home sales increased from a revised 575,000 (SAAR) in August to 593,000 in September, an increase of 3.1%. New single family home sales are now 29.8% above their year-ago level. The seasonally adjusted Case-Shiller national home price index for August was 0.6% above its July level and 5.3% above its year-ago level.

- Factors inside and outside the state account for the high level of risk to the forecast. Slow U.S. and global economic growth, slow growth in labor productivity and uncertainty regarding federal fiscal and trade policy all remain threats to the U.S. and Washington economies. Lower unemployment rates and rising wages suggest potential upside risks to the forecast.

Washington

- We have two months of new Washington employment data since the September forecast was released. Total nonfarm payroll employment rose 13,500 (seasonally adjusted) in September and October which was 7,500 more than the 6,000 expected in the September forecast. Manufacturing employment declined 2,700 in the last two months but this was better than the 3,400 reduction expected in the September forecast. The reason was the aerospace industry which was expected to lose 3,600 jobs but instead lost only 2,100 jobs. Construction employment increased 1,900 and government payrolls expanded by 1,500 jobs in September and October. As is usually the case, the bulk of the job growth was in private, service-providing sectors which added 12,800 jobs in the last two months.
- Though aerospace employment declined less than expected in September and October, we have retained the overall decline in aerospace employment implied by the Boeing announcement earlier this year. In 2017 through 2019 we expect a more gradual decline in aerospace employment similar to the assumption made in September. We project no change in aerospace employment in the final two years of the forecast.
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in August 2016 by 3,000 jobs (0.1%). As a result of the upward revision to history and stronger-than-expected growth, the total effect is 10,400 (0.3%) more jobs in October 2016 than expected in the September forecast.
- In September, the Bureau of Economic Analysis released estimates for state personal income through the second quarter of 2016. This release also reflected the results of the annual revision to the national income and product accounts (NIPA). We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) and other wage data also through the second quarter. Our current estimate of Washington personal income in the second quarter of 2016 is \$388.3 billion which is \$5.1 billion (1.3%) higher than assumed in the September forecast. Wages and salaries were \$1.6 billion higher than believed in September and other sources of personal income were \$3.5 billion higher. The large increase in the estimate of nonwage income was due to the annual NIPA revision.
- Washington housing construction was weaker than expected in the third quarter. Washington housing units authorized by building permits averaged 38,400 units (SAAR) in the third quarter of 2016, down from 45,300 in the second quarter. The September forecast expected an average rate of 40,500 units in the third quarter. Multi-family permits averaged 17,900 units in the third quarter which was exactly the amount expected in the September

- forecast. Single-family permits, however, averaged 20,500 units in third quarter which was 2,100 fewer than expected.
- Seattle home prices continue to rise rapidly. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 0.8% in August following four monthly increases that averaged just 0.4%. As we have been saying, we believe the slowdown in April through July was due to problems with the seasonal adjustment process. A more reliable measure is the over-the-year growth which shows an 11.4% increase in prices since the previous August and which is more the double the 5.2% increase in the Composite-20 index. Seattle home prices are up 51.8% since the November 2011 trough and prices now exceed the May 2007 peak by 5.5%.
 - Seattle area consumer price inflation is well above the national average. Over the last year, from August 2015 to August 2016, consumer prices in the Seattle area rose 2.1% compared to 1.1% for the U.S. city average. Lower energy costs this year are helping to keep the headline rate down both nationally and in the Seattle area. Core prices, which exclude food and energy, were up 3.3% in Seattle compared to 2.3% for the nation. The higher Seattle inflation is due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 6.1% compared to 3.4% for the nation. With shelter excluded, Seattle inflation was the same as the U.S. city average at 0.0% over the year.
 - The Institute of Supply Management - Western Washington Index (ISM-WW) remained in positive territory for the second consecutive month. The index, which measures conditions in the manufacturing sector, increased from 51.4 in September to 53.1 in October (index values above 50 indicate positive growth while values below 50 indicate contraction). The production, orders, and inventories components all increased in October while the employment and deliveries components declined. Manufacturing has fluctuated around the 50 mark since mid-2015.
 - Washington car and truck sales declined slightly in October. Seasonally adjusted new vehicle registrations fell 1.0% in October following a 3.9% increase in September. Car and truck sales are down 8.5% since the post-recession peak in January and 0.2% over the year.
 - Third quarter 2016 Washington exports were down 2.9% from the third quarter of 2015. While this was the sixth consecutive year-over-year decline in exports, it was also the smallest. Transportation equipment exports (mostly Boeing planes) declined 7.7% over the year but exports of agricultural products increased 43.4%. Exports of all other commodities declined 4.3% over the year. The quarterly data suggest that exports may be finally turning around. While exports are down nearly 10% since the peak in the fourth quarter of 2014, they are up more than 9% since the first quarter of 2016.
 - Washington employment is expected to grow 2.9% this year, up slightly from 2.8% in the September forecast. As in September, we expect growth to gradually decelerate as the recovery matures. We expect employment growth to average 1.4% per year in 2017 through 2021 which is slightly higher than the 1.3% rate assumed in September. Our forecast for nominal personal income growth this year is 4.7%, down slightly from the 4.8% expected in

the September forecast. As in September, our forecast for nominal personal income growth in 2017 through 2021 averages 4.9% per year.

Revenue

- Cumulative General Fund-State (GF-S) revenue collections from September 11 through November 10, 2016 were \$132 million (4.7%) higher than forecasted in September.
- Cumulative Revenue Act tax collections were \$83.4 million (3.4%) higher than forecasted. Part of the surplus was due to \$15.3 million in forecasted large refunds that did not occur at their expected times. Had the refunds occurred as expected, cumulative Revenue Act taxes would have been \$68 million (2.8%) higher than forecasted. The refunds are still expected to occur at a future date.
- Cumulative real estate excise taxes (REET) came in \$34 million (23.0%) higher than forecasted. Most of the surplus collections occurred in October, due to a spike in sales of large commercial properties. Large commercial sales continued above forecasted levels. Residential sales have also been stronger than forecasted, driven by increases in price more than increases in the number of sales. While the forecasted volume of large commercial sales is expected to diminish, other sales are expected to increase, resulting in an increase in forecasted REET collections.
- Forecasted revenue for the current (2015-17) biennium was increased by \$215 million, due mainly to forecasted increases in retail sales tax and REET collections. Forecasted GF-S revenue for the 2015-17 biennium is now \$37.980 billion, an increase of 12.8% above that of the 2013-15 biennium.
- Forecasted revenue for the 2017-19 biennium was increased by \$137 million. Most of the increase was from retail sales taxes. Forecasted GF-S revenue for the 2017-19 biennium is now \$40.514 billion, 6.7% more than that of the 2015-17 biennium.
- Forecasted GF-S revenue for the 2019-21 biennium is \$43.656 billion, \$26 million more than projected in June. This is an 7.8% increase from forecasted 2017-19 biennial revenue.

Revenue Review

Presented to The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

November 16, 2016
Olympia, Washington



**WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The WA economic forecast is similar to September but with slightly higher personal income and lower housing permits
- Risks to the baseline include slow global and U.S. economic growth, weak labor productivity growth and uncertainty regarding fiscal and trade policy
- The revenue collection variance since the September forecast is \$132 million
- The GF-S revenue forecast has been increased by \$215 million for the 2015-17 biennium and increased by \$137 million for the 2017-19 biennium

Revenue Review
November 16, 2016

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Few updates since November preliminary economic forecast

November Blue Chip

- 2016 real GDP growth unchanged from October at 1.5%; 2017 real GDP growth unchanged from October at 2.2%

Oil prices

- Futures prices are slightly lower than in preliminary forecast

WA employment data

- Employment up by 13,500 net new jobs in September and October; unemployment rate drops from 5.7% to 5.6%

Revenue Review
November 16, 2016

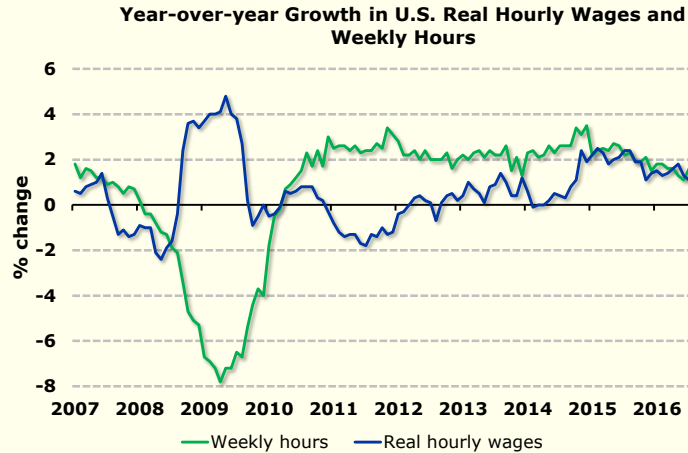
Slide 2

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Average U.S. wage growth is positive but remains slow

Growth in both hourly wages and hours worked means weekly pay is also rising



Revenue Review
November 16, 2016

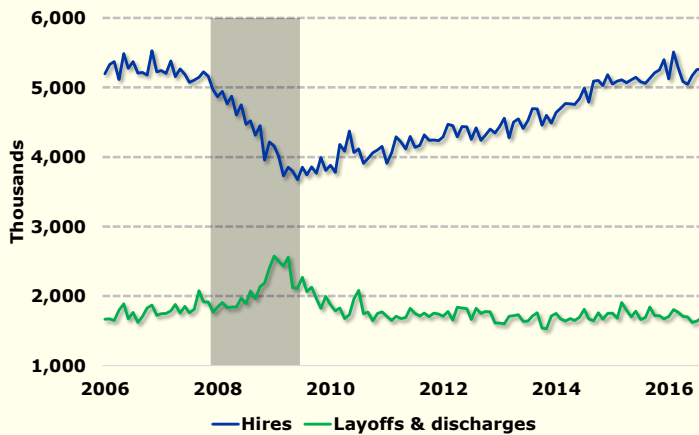
Source: U.S. Bureau of Labor Statistics, data through September 2016

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The number of newly hired and newly laid off or discharged workers both fell in September



Revenue Review
November 16, 2016

Source: U.S. Bureau of Labor Statistics, data through September 2016

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Real consumer expenditure growth slowed in the third quarter of this year



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November 16, 2016

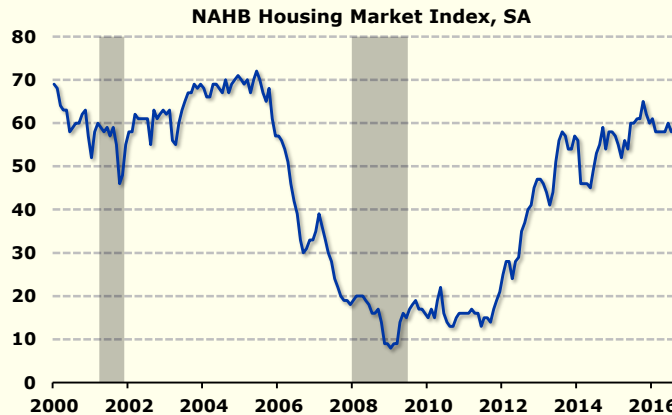
Source: U.S. Bureau of Economic Analysis, data through 2016 Q3

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Homebuilder confidence has largely recovered since the recession



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November 16, 2016

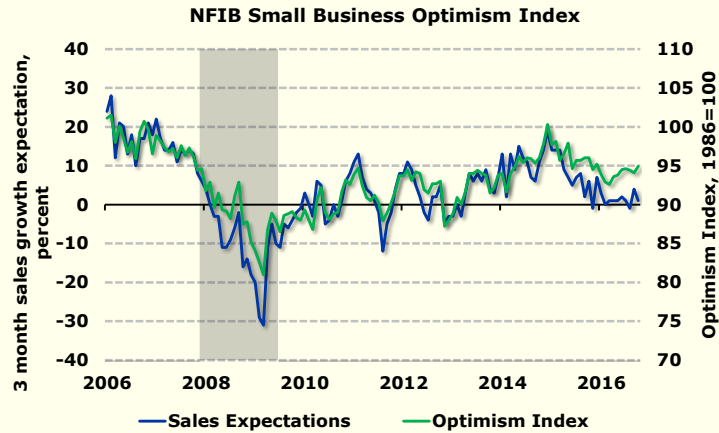
Source: National Association of Home Builders, data through Oct. 2016

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Small business optimism and sales expectations remain below pre-recession levels



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November 16, 2016

Source: National Federation of Independent Business; data through October 2016

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Global GDP growth has slowed, expected to gradually increase starting in 2017



Revenue Review
November 16, 2016

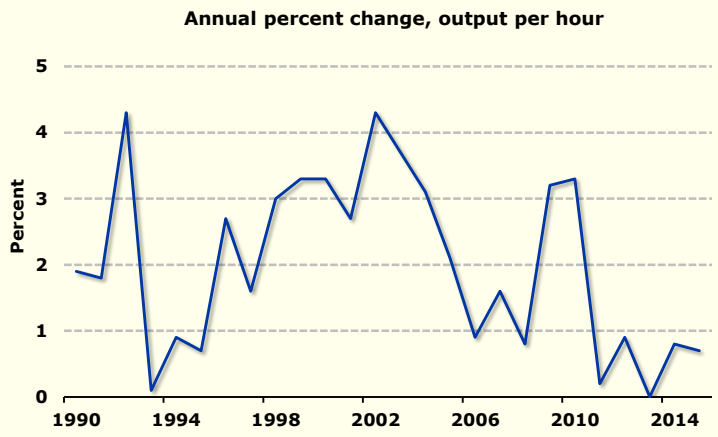
Source: International Monetary Fund, October 2016; historical data through 2015

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Labor productivity growth has slowed



Revenue Review
November 16, 2016

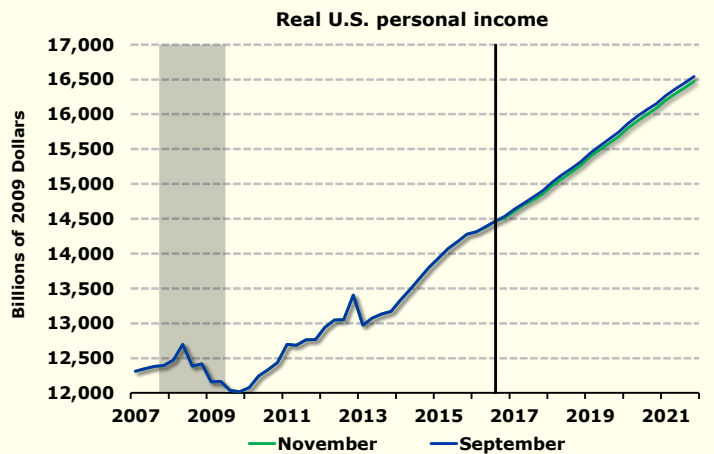
Source: U.S. Bureau of Labor Statistics, annual data through 2015

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Real U.S. personal income is nearly identical to the September forecast



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November 16, 2016

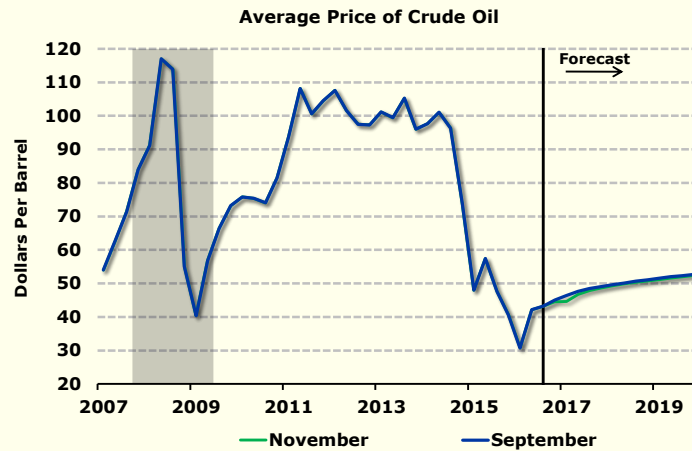
Source: Global Insight, ERFC November 2016 forecast; historical data through 2016Q3

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Oil prices are expected to gradually rise as in September



Revenue Review
November 16, 2016

Source: DOE, ERFC November 2016 forecast; historical data through 2016Q3

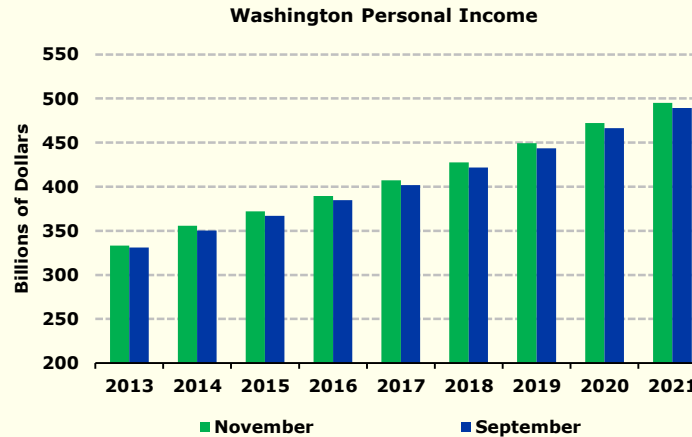
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Washington personal income is slightly higher compared to the September forecast

Historic personal income data has been revised since the September forecast



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November 16, 2016

Source: ERFC November 2016 forecast; historical data through 2015

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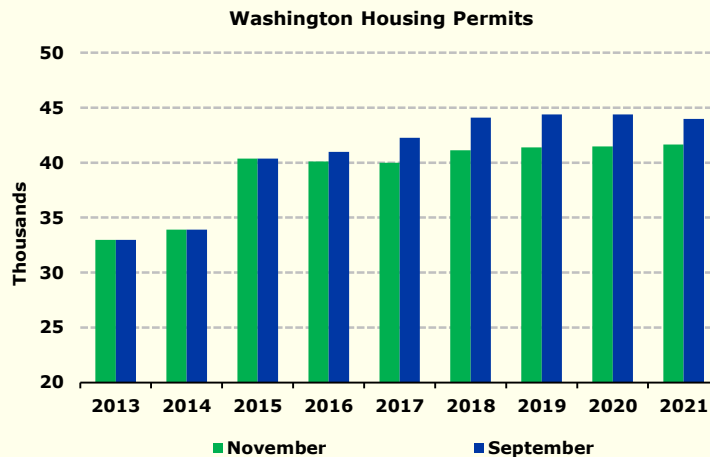


Washington housing permits forecast is weaker than in September

2017-21 average:

September: 43,800

November: 41,100



Revenue Review
November 16, 2016

Source: ERFC November 2016 forecast; historical data through 2015

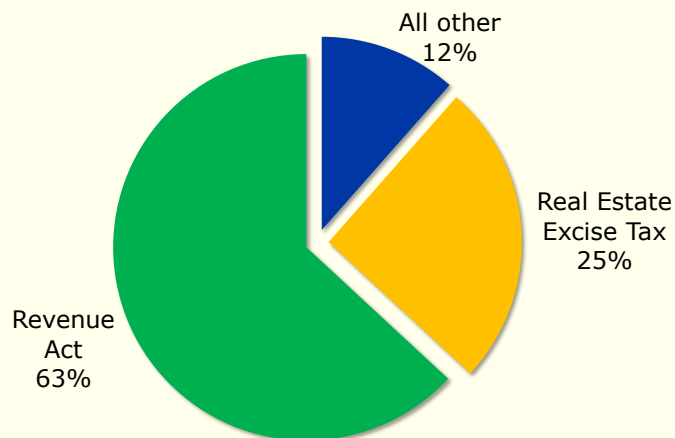
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Components of revenue collection variance since September forecast

The cumulative GF-S variance is \$132 million since September



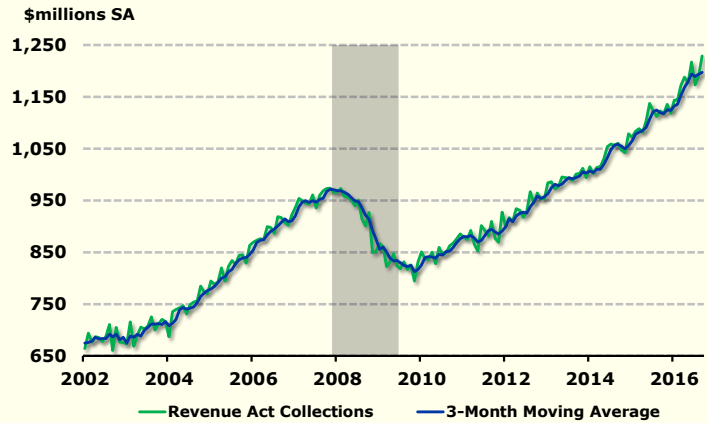
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Revenue Act collections for September activity were strong



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* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act
Source: DOR and ERFC; monthly data through estimated September 2016 activity

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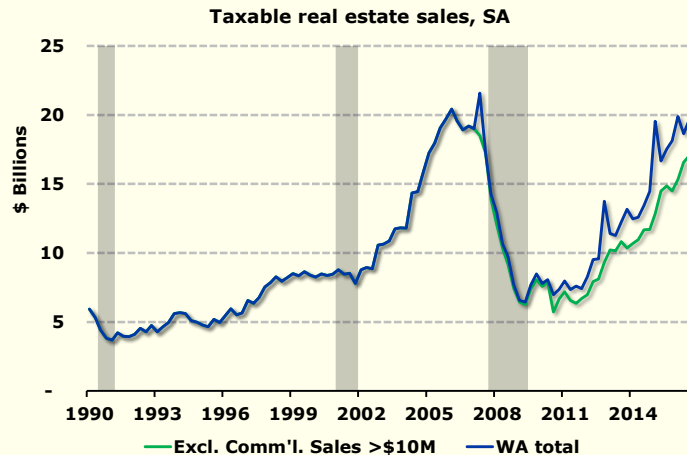
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Large commercial property sales continue to have major impact on REET collections

Large commercial property sales over \$10 million totaled \$1.4 billion in October, up from \$564 million in September.

Recent strong growth in residential activity is due more to price than volume.



Revenue Review
November 16, 2016

Source: ERFC, data through 2016 Q3

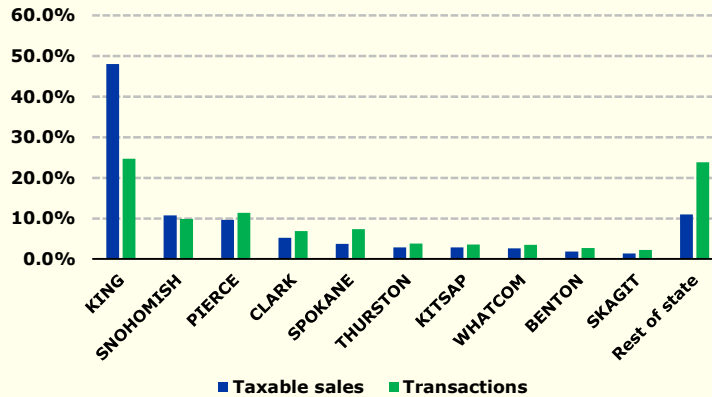
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Nearly half of REET taxable sales, one quarter of transactions are in King County

% of 2016 Q3 statewide REET taxable sales and transactions



Revenue Review
November 16, 2016

Source: Dept. of Revenue, ERFC; data through 2016 Q3

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Cannabis excise tax and license fee estimates

General Fund change since June forecast:

•2015-17
+\$2.8 M

•2017-19
+\$3.2M

\$Millions

November Forecast

| | <u>2013-15</u> | <u>2015-17</u> | <u>2017-19</u> |
|---|----------------|----------------|----------------|
| GF-S share of excise tax and license fees | \$15 | \$149 | \$241 |
| Non-GF | \$52 | \$323 | \$490 |
| Total | \$67 | \$472 | \$730 |

Revenue Review
November 16, 2016

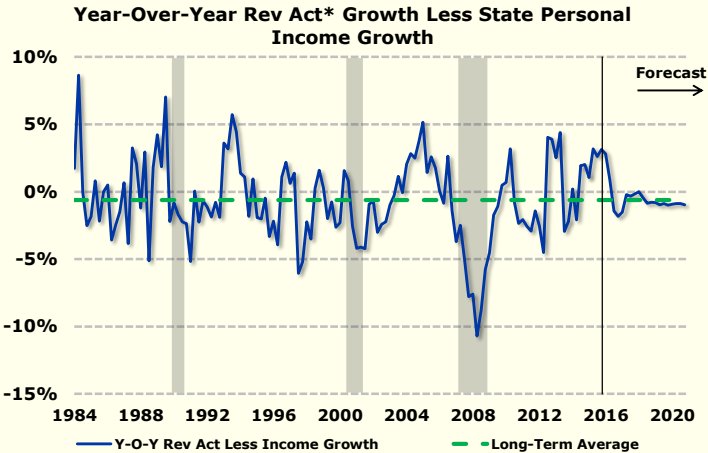
* Detail may not add to total due to rounding
Source: ERFC November 2016 forecast, LCB, BOTEC Analysis

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Rev Act growth relative to income is projected to return to average level



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November 16, 2016

*Adjusted for large one-time payments and refunds and payments under the amnesty program
Source: ERFC; Quarterly revenue data through Q3 2016, November 2016 income estimates

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Forecast changes: General Fund State, 2015-2017 Biennium

September Forecast:

\$37,765 million

| | \$Millions | | | | |
|--------------------|-----------------------|---------------------|-----------------|-----------------|---------------|
| | | November Forecast | | | |
| | Collection Experience | Non-economic Change | Forecast Change | Forecast | Total Change* |
| Dept. of Revenue | \$132 | \$0 | \$73 | \$36,097 | \$205 |
| All other agencies | (\$0) | \$0 | \$9 | \$1,883 | \$9 |
| Total GF-S | \$132 | \$0 | \$82 | \$37,980 | \$215 |

Revenue Review
November 16, 2016

* Detail may not add to total due to rounding

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2015-17 Biennium alternative forecasts – cash basis

| \$Millions | 2015-17 Biennium | Difference From the baseline |
|---|---------------------|------------------------------------|
| November 2016 Baseline (60%) | \$37,980 | |
| <u>November 2016 Alternative Forecasts</u> | | |
| Optimistic (15%) | \$38,811 | \$831 |
| Pessimistic (25%) | \$37,137 | (\$843) |
| Probability Weighted Average | \$37,894 | (\$86) |
| GCEA* | \$37,915 | (\$65) |

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

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Forecast changes: General Fund State, 2017-2019 Biennium

**September
Forecast:**

**\$40,377
million**

| \$Millions | November Forecast | | | |
|--------------------|----------------------------|--------------------|-----------------|------------------|
| | Non- economic Change | Forecast Change | Forecast | Total Change* |
| Dept. of Revenue | \$0 | \$131 | \$38,428 | \$131 |
| All other agencies | \$0 | \$6 | \$2,086 | \$6 |
| Total GF-S | \$0 | \$137 | \$40,514 | \$137 |

Revenue Review
November 16, 2016

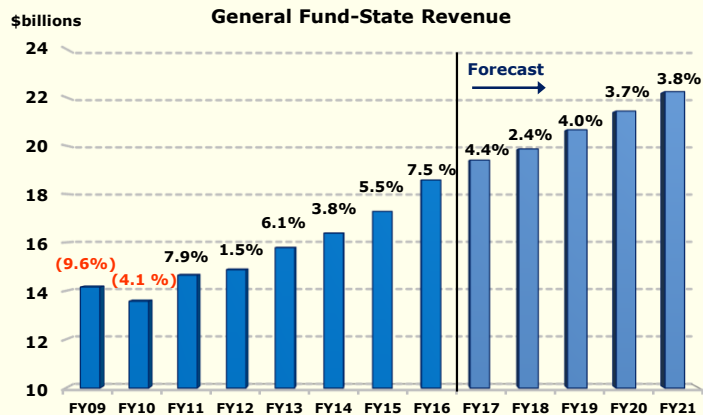
* Detail may not add to total due to rounding

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General Fund-State* forecast by fiscal year



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November 16, 2016

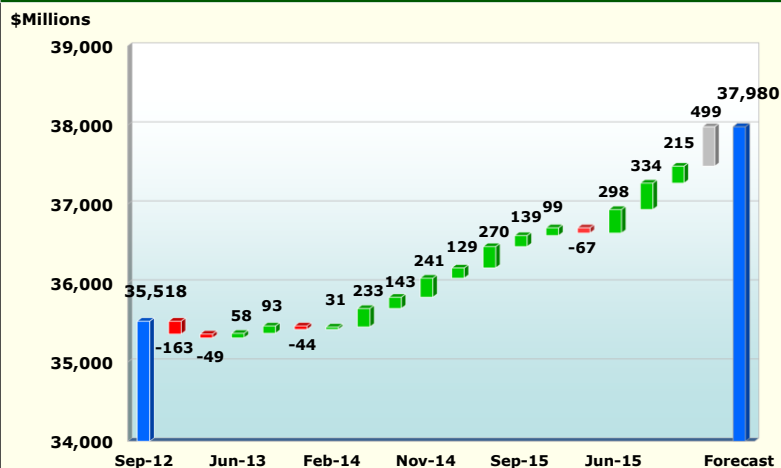
*General Fund-State & Related Funds for FY 09, General Fund-State current definition for FY 10-21
Source: ERFC forecast, November 2016

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GF-S forecast revisions to the 2015-17 biennium



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November 16, 2016

Source: ERFC September 2012 - November 2016 forecasts
Gray area indicates total noneconomic change

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Conclusion

- WA personal income and employment forecasts are slightly higher than in September; WA and U.S. housing are lower
- We continue to expect the WA economy to outperform the U.S. economy
- GF-S revenues are expected to grow 12.8% between the 2013-15 and 2015-17 biennia and 6.7% between the 2015-17 and 2017-19 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

Revenue Review
November 16, 2016

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Questions



Revenue Review
November 16, 2016

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Economic & Revenue Forecast Council
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Changes to the General Fund-State Cash Forecast-by Agency
 Comparison of the November 2016 to the September 2016 Forecast
 2015-17 Biennium
 Millions of Dollars

| | <u>September 2016 Forecast*</u> | <u>Collection Experience</u> | <u>Non-economic Changes**</u> | <u>Forecast Change</u> | <u>November 2016 Forecast</u> | <u>Total Change[#]</u> |
|---------------------------------|-------------------------------------|----------------------------------|-----------------------------------|----------------------------|-----------------------------------|-------------------------------------|
| Department of Revenue | \$35,891.8 | \$132.3 | \$0.0 | \$73.1 | \$36,097.2 | \$205.4 |
| All other Agencies | \$1,873.3 | (\$0.0) | \$0.0 | \$9.2 | \$1,882.5 | \$9.2 |
| Total General Fund-State | \$37,765.1 | \$132.3 | \$0.0 | \$82.4 | \$37,979.7 | \$214.6 |

*Forecast for GF-S for the 2015-17 biennium adopted September 21, 2016

**Sum of large audit expected audit payments

[#]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 November 2016 to the September 2016 Forecast
 2015-17 Biennium
 Cash Forecast; Millions of Dollars

| | September 2016 <u>Forecast*</u> | Non-economic <u>Changes</u> | Forecast <u>Change</u> | November 2016 <u>Forecast</u> | Total <u>Change[#]</u> |
|---------------------------------|------------------------------------|--------------------------------|---------------------------|----------------------------------|------------------------------------|
| General Fund-State | \$37,765.1 | \$0.0 | \$214.6 | \$37,979.7 | \$214.6 |
| Education Legacy Trust Account | \$453.0 | \$0.0 | \$5.3 | \$458.3 | \$5.3 |
| WA Opportunity Pathways Account | \$264.1 | \$0.0 | \$2.5 | \$266.5 | \$2.5 |
| Total | \$38,482.1 | \$0.0 | \$222.4 | \$38,704.5 | \$222.4 |

*Forecast for GF-S for the 2015-17 biennium adopted September 21, 2016

[#]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 November 2016 to the September 2016 Forecast
 2017-19 Biennium
 Cash Forecast; Millions of Dollars

| | September 2016 <u>Forecast*</u> | Non-economic <u>Changes</u> | Forecast <u>Change</u> | November 2016 <u>Forecast</u> | Total <u>Change[#]</u> |
|---------------------------------|------------------------------------|--------------------------------|---------------------------|----------------------------------|------------------------------------|
| General Fund-State | \$40,377.1 | \$0.0 | \$136.6 | \$40,513.7 | \$136.6 |
| Education Legacy Trust Account | \$521.5 | \$0.0 | (\$2.2) | \$519.3 | (\$2.2) |
| WA Opportunity Pathways Account | \$253.6 | \$0.0 | (\$2.2) | \$251.5 | (\$2.2) |
| Total | \$41,152.3 | \$0.0 | \$132.2 | \$41,284.4 | \$132.2 |

*Forecast for GF-S for the 2017-19 biennium adopted September 21, 2016

[#]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 November 2016 to the September 2016 Forecast

2019-21 Biennium

Cash Forecast; Millions of Dollars

| | September 2016 <u>Forecast*</u> | Non-economic <u>Changes</u> | Forecast <u>Change</u> | November 2016 <u>Forecast</u> | Total <u>Change[#]</u> |
|---------------------------------|------------------------------------|--------------------------------|---------------------------|----------------------------------|------------------------------------|
| General Fund-State | \$43,630.0 | \$0.0 | \$25.6 | \$43,655.6 | \$25.6 |
| Education Legacy Trust Account | \$360.3 | \$0.0 | (\$3.0) | \$357.3 | (\$3.0) |
| WA Opportunity Pathways Account | \$253.4 | \$0.0 | (\$0.1) | \$253.3 | (\$0.1) |
| Total | \$44,243.7 | \$0.0 | \$22.5 | \$44,266.2 | \$22.5 |

*Forecast for GF-S for the 2019-21 biennium adopted September 21, 2016

[#]Details may not add due to rounding

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

September 2012 through November 2016

Cash Basis - Millions of Dollars

| <u>Date of Forecast</u> | <u>Department of Revenue*</u> | <u>Other Agencies</u> | <u>Subtotal*</u> | <u>Non-Economic Changes**</u> | <u>Total Change</u> | <u>Total General Fund-State Cash Basis</u> |
|----------------------------|-------------------------------|-----------------------|------------------|-------------------------------|---------------------|--|
| September 2012 # | \$34,102 | \$1,416 | | | | \$35,518 |
| Changes to Forecast | | | | | | |
| November 2012 | (196) | 33 | (163) | 0 | (163) | 35,355 |
| March 2013 | (92) | 44 | (49) | 0 | (49) | 35,306 |
| June 2013 | 56 | 2 | 58 | (7) #1 | 51 | 35,357 |
| September 2013 | 95 | (2) | 93 | 249 #2 | 342 | 35,699 |
| November 2013 | (47) | 3 | (44) | (41) #3 | (85) | 35,615 |
| February 2014 | 5 | 26 | 31 | 51 #4 | 82 | 35,697 |
| June 2014 | 194 | 40 | 233 | 5 #5 | 238 | 35,935 |
| September 2014 | 168 | (25) | 143 | 0 | 143 | 36,078 |
| November 2014 | 239 | 3 | 241 | 0 | 241 | 36,319 |
| February 2015 | 108 | 22 | 129 | 0 | 129 | 36,449 |
| June 2015 | 201 | 70 | 270 | 39 #6 | 309 | 36,758 |
| September 2015 | 80 | 60 | 139 | 193 #7 | 333 | 37,091 |
| November 2015 | 107 | (8) | 99 | 15 #8 | 113 | 37,204 |
| February 2016 | (101) | 33 | (67) | 0 | (67) | 37,137 |
| June 2016 | 330 | (32) | 298 | (5) #9 | 294 | 37,431 |
| September 2016 | 327 | 8 | 334 | 0 | 334 | 37,765 |
| November 2016 | 205 | 9 | 215 | 0 | 215 | 37,980 |
| Total change***: | | | | | | |
| From September 2012 | 1,678 | 284 | 1,962 | 499 | 2,461 | |
| Percent change | 4.9 | 20.1 | 5.5 | 1.4 | 6.9 | |

Track Record for the 2017-19 General Fund-State Cash Forecast

February 2014 through November 2016

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 2014 ## | \$36,887 | \$1,823 | | | | \$38,710 |
| Changes to Forecast | | | | | | |
| June 2014 | 265 | 50 | 315 | (1) #5 | 313 | 39,023 |
| September 2014 | 227 | (63) | 164 | 0 | 164 | 39,188 |
| November 2014 | 388 | 26 | 415 | 0 | 415 | 39,602 |
| February 2015 | 126 | 28 | 154 | 0 | 154 | 39,757 |
| June 2015 | 257 | 64 | 321 | 122 #6 | 443 | 40,200 |
| September 2015 | 4 | 47 | 52 | 286 #7 | 338 | 40,538 |
| November 2015 | 35 | (5) | 30 | 0 | 30 | 40,567 |
| February 2016 | (449) | 7 | (442) | 0 | (442) | 40,125 |
| June 2016 | 188 | (53) | 135 | (9) #10 | 126 | 40,252 |
| September 2016 | 135 | (10) | 125 | 0 | 125 | 40,377 |
| November 2016 | 131 | 6 | 137 | 0 | 137 | 40,514 |
| Total change***: | | | | | | |
| From February 2014 | 1,309 | 96 | 1,406 | 398 | 1,804 | |
| Percent change | 3.5 | 5.3 | 3.6 | 1.0 | 4.7 | |

* 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 2015-17 biennium.

First official forecast for the 2017-19 biennium.

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

#2 Legislative and budget-driven revenue changes from 2013 second special session

#3 Re-classification of prior period adjustments as non-revenue resources, tobacco settlement arbitration payment to state.

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

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

#6 Legislative revenue changes from 2015 regular legislative session

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

#8 Sum of large expected audit payments

#9 Legislative and budget-driven revenue changes from the 2016 regular and first special legislative sessions plus \$3.3 million AG settlement

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2016 Baseline Forecast

| Source/Fiscal Year | Percentage Change | | Personal Income Elasticity** |
|--------------------------------------|--------------------|------------------------------|------------------------------|
| | Tax Base Adjusted* | Personal Income ¹ | |
| I. Retail Sales | | | |
| 2000 | 8.0 | 8.3 | 1.0 |
| 2001 | 2.8 | 3.9 | 0.7 |
| 2002 | (1.4) | 1.4 | (1.0) |
| 2003 | 2.1 | 3.1 | 0.7 |
| 2004 | 4.6 | 4.8 | 1.0 |
| 2005 | 7.9 | 5.7 | 1.4 |
| 2006 | 10.1 | 8.3 | 1.2 |
| 2007 | 7.9 | 8.2 | 1.0 |
| 2008 | 2.7 | 8.4 | 0.3 |
| 2009 | (10.4) | (0.9) | 11.0 |
| 2010 | (5.4) | (2.5) | 2.1 |
| 2011 | 1.8 | 4.7 | 0.4 |
| 2012 | 4.1 | 6.9 | 0.6 |
| 2013 | 6.7 | 5.6 | 1.2 |
| 2014 | 5.8 | 3.8 | 1.5 |
| 2015 | 8.1 | 6.4 | 1.3 |
| 2016 | 8.4 | 4.3 | 1.9 |
| 2017 | 3.8 | 4.6 | 0.8 |
| 2018 | 4.4 | 4.7 | 0.9 |
| 2019 | 4.4 | 5.1 | 0.9 |
| 2020 | 3.8 | 5.0 | 0.8 |
| 2021 | 3.8 | 5.0 | 0.8 |
| Average 2000-2015: | 3.0 | 4.5 | 0.7 |
| II. Business & Occupation | | | |
| 2000 | 5.6 | 8.3 | 0.7 |
| 2001 | 3.0 | 3.9 | 0.8 |
| 2002 | (3.5) | 1.4 | (2.5) |
| 2003 | (1.6) | 3.1 | (0.5) |
| 2004 | 6.8 | 4.8 | 1.4 |
| 2005 | 9.7 | 5.7 | 1.7 |
| 2006 | 11.2 | 8.3 | 1.3 |
| 2007 | 8.3 | 8.2 | 1.0 |
| 2008 | 6.9 | 8.4 | 0.8 |
| 2009 | (8.8) | (0.9) | 9.3 |
| 2010 | (2.9) | (2.5) | 1.1 |
| 2011 | 4.4 | 4.7 | 0.9 |
| 2012 | 8.0 | 6.9 | 1.2 |
| 2013 | 6.8 | 5.6 | 1.2 |
| 2014 | 5.4 | 3.8 | 1.4 |
| 2015 | 5.4 | 6.4 | 0.8 |
| 2016 | 2.9 | 4.3 | 0.7 |
| 2017 | 4.3 | 4.6 | 0.9 |
| 2018 | 5.0 | 4.7 | 1.1 |
| 2019 | 5.0 | 5.1 | 1.0 |
| 2020 | 4.5 | 5.0 | 0.9 |
| 2021 | 4.3 | 5.0 | 0.9 |
| Average 1998-2015: | 3.8 | 4.5 | 0.8 |

* Based on constant base taxable data.

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

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

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2016 Baseline Forecast

| Source/Fiscal Year | Percentage Change | | Personal Income Elasticity** |
|--------------------|--------------------|------------------------------|------------------------------|
| | Tax Base Adjusted* | Personal Income ¹ | |
| III. Use | | | |
| 2000 | 14.4 | 8.3 | 1.7 |
| 2001 | 8.4 | 3.9 | 2.2 |
| 2002 | (5.8) | 1.4 | (4.1) |
| 2003 | (1.4) | 3.1 | (0.4) |
| 2004 | 5.6 | 4.8 | 1.2 |
| 2005 | 14.0 | 5.7 | 2.5 |
| 2006 | 2.3 | 8.3 | 0.3 |
| 2007 | 9.0 | 8.2 | 1.1 |
| 2008 | 2.1 | 8.4 | 0.2 |
| 2009 | (13.0) | (0.9) | 13.8 |
| 2010 | (5.9) | (2.5) | 2.3 |
| 2011 | 11.4 | 4.7 | 2.4 |
| 2012 | 1.9 | 6.9 | 0.3 |
| 2013 | 7.4 | 5.6 | 1.3 |
| 2014 | 9.7 | 3.8 | 2.6 |
| 2015 | 8.9 | 6.4 | 1.4 |
| 2016 | 2.0 | 4.3 | 0.5 |
| 2017 | 1.2 | 4.6 | 0.3 |
| 2018 | 2.8 | 4.7 | 0.6 |
| 2019 | 4.0 | 5.1 | 0.8 |
| 2020 | 3.8 | 5.0 | 0.8 |
| 2021 | 3.5 | 5.0 | 0.7 |
| Average 1998-2015: | 3.4 | 4.5 | 0.8 |

Total Revenue Act Receipts

November 2016 Baseline Forecast

| Source/Fiscal Year | Percentage Change | | Personal Income Elasticity** |
|--------------------|---------------------------|------------------------------|------------------------------|
| | Tax Receipts [#] | Personal Income ¹ | |
| Revenue Act | | | |
| 2000 | 7.4 | 8.3 | 0.9 |
| 2001 | 3.9 | 3.9 | 1.0 |
| 2002 | (1.7) | 1.4 | (1.2) |
| 2003 | 1.0 | 3.1 | 0.3 |
| 2004 | 4.8 | 4.8 | 1.0 |
| 2005 | 7.6 | 5.7 | 1.3 |
| 2006 | 10.6 | 8.3 | 1.3 |
| 2007 | 8.3 | 8.2 | 1.0 |
| 2008 | 4.2 | 8.4 | 0.5 |
| 2009 | (9.5) | (0.9) | 10.1 |
| 2010 | (5.3) | (2.5) | 2.1 |
| 2011 | 8.1 | 4.7 | 1.7 |
| 2012 | 1.3 | 6.9 | 0.2 |
| 2013 | 5.9 | 5.6 | 1.1 |
| 2014 | 4.6 | 3.8 | 1.2 |
| 2015 | 5.6 | 6.4 | 0.9 |
| 2016 | 8.5 | 4.3 | 2.0 |
| 2017 | 5.1 | 4.6 | 1.1 |
| 2018 | 3.2 | 4.7 | 0.7 |
| 2019 | 4.6 | 5.1 | 0.9 |
| 2020 | 4.1 | 5.0 | 0.8 |
| 2021 | 4.1 | 5.0 | 0.8 |
| Average 1998-2015: | 3.5 | 4.5 | 0.8 |

* Based on constant base taxable data.

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

Post-ESSB 5073 definition of Revenue Act

Percent changes in tax receipts divided by percent change in personal income.

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

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

History and Forecast by Fiscal Year (Cash basis)

November 2016 - 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 1997 | \$9,449 | 5.8% | | | \$9,449 | 5.8% | | | \$9,449 | 5.8% |
| FY 1998 | \$10,057 | 6.4% | | | \$10,057 | 6.4% | | | \$10,057 | 6.4% |
| FY 1999 | \$10,414 | 3.6% | | | \$10,414 | 3.6% | | | \$10,414 | 3.6% |
| FY 2000 | \$11,068 | 6.3% | | | \$11,068 | 6.3% | | | \$11,068 | 6.3% |
| FY 2001 | \$11,560 | 4.4% | | | \$11,560 | 4.4% | | | \$11,560 | 4.4% |
| FY 2002 | \$11,632 | 0.6% | | | \$11,632 | 0.6% | | | \$11,632 | 0.6% |
| FY 2003 | \$11,721 | 0.8% | | | \$11,721 | 0.8% | | | \$11,721 | 0.8% |
| FY 2004 | \$12,358 | 5.4% | | | \$12,358 | 5.4% | | | \$12,358 | 5.4% |
| FY 2005 | \$13,036 | 5.5% | | | \$13,036 | 5.5% | | | \$13,036 | 5.5% |
| FY 2006 | \$14,318 | 9.8% | \$115 | | \$14,432 | 10.7% | | | \$14,432 | 10.7% |
| FY 2007 | \$15,467 | 8.0% | \$266 | 132.2% | \$15,734 | 9.0% | | | \$15,734 | 9.0% |
| FY 2008 | \$15,659 | 1.2% | \$213 | -20.1% | \$15,872 | 0.9% | | | \$15,872 | 0.9% |
| FY 2009 | \$14,158 | -9.6% | \$224 | 5.4% | \$14,382 | -9.4% | | | \$14,382 | -9.4% |
| FY 2010 | \$13,571 | -4.1% | \$157 | -29.9% | \$13,728 | -4.6% | | | \$13,728 | -4.6% |
| FY 2011 | \$14,648 | 7.9% | \$112 | -29.0% | \$14,759 | 7.5% | \$99 | | \$14,859 | 8.2% |
| FY 2012 | \$14,874 | 1.5% | \$114 | 2.3% | \$14,988 | 1.6% | \$118 | 19.1% | \$15,107 | 1.7% |
| FY 2013 | \$15,783 | 6.1% | \$101 | -11.5% | \$15,884 | 6.0% | \$126 | 5.9% | \$16,009 | 6.0% |
| FY 2014 | \$16,383 | 3.8% | \$197 | 95.3% | \$16,580 | 4.4% | \$114 | -9.4% | \$16,694 | 4.3% |
| FY 2015 | \$17,283 | 5.5% | \$207 | 5.0% | \$17,491 | 5.5% | \$120 | 5.7% | \$17,611 | 5.5% |
| FY 2016 | \$18,579 | 7.5% | \$215 | 3.6% | \$18,793 | 7.4% | \$139 | 15.7% | \$18,933 | 7.5% |
| Forecast: | | | | | | | | | | |
| FY 2017 | \$19,401 | 4.4% | \$244 | 13.4% | \$19,645 | 4.5% | \$127 | -8.5% | \$19,772 | 4.4% |
| FY 2018 | \$19,860 | 2.4% | \$248 | 1.7% | \$20,107 | 2.4% | \$125 | -2.1% | \$20,232 | 2.3% |
| FY 2019 | \$20,654 | 4.0% | \$272 | 9.7% | \$20,926 | 4.1% | \$127 | 1.6% | \$21,052 | 4.1% |
| FY 2020 | \$21,426 | 3.7% | \$177 | -35.0% | \$21,603 | 3.2% | \$127 | 0.0% | \$21,729 | 3.2% |
| FY 2021 | \$22,230 | 3.8% | \$181 | 2.2% | \$22,410 | 3.7% | \$127 | -0.2% | \$22,537 | 3.7% |
| Biennial Totals | | | | | | | | | | |
| 05-07 Biennium | \$29,785 | 17.3% | \$381 | NA | \$30,166 | 18.8% | \$0 | NA | \$30,166 | 18.8% |
| 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 | \$37,980 | 12.8% | \$458 | 13.2% | \$38,438 | 12.8% | \$267 | 13.9% | \$38,705 | 12.8% |
| 17-19 Biennium | \$40,514 | 6.7% | \$519 | 13.3% | \$41,033 | 6.8% | \$251 | -5.6% | \$41,284 | 6.7% |
| 19-21 Biennium | \$43,656 | 7.8% | \$357 | -31.2% | \$44,013 | 7.3% | \$253 | 0.7% | \$44,266 | 7.2% |

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

General Fund-State Cash Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2015-17 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$37.4 | \$0.0 | \$0.5 | \$37.9 | \$0.5 |
| Insurance Commissioner Insurance Premiums | \$1,050.7 | \$0.0 | \$0.6 | \$1,051.3 | \$0.6 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$370.0 | \$0.0 | \$1.0 | \$371.0 | \$1.0 |
| Lottery Commission Lottery Revenue | \$27.0 | \$0.0 | \$4.4 | \$31.4 | \$4.4 |
| State Treasurer Interest Earnings | \$16.1 | \$0.0 | \$1.2 | \$17.3 | \$1.2 |
| Office of Financial Management Other Agencies | \$213.9 | \$0.0 | \$2.6 | \$216.5 | \$2.6 |
| Administrative Office of the Courts Fines and Forfeitures | \$158.2 | \$0.0 | (\$1.0) | \$157.2 | (\$1.0) |
| Total General Fund-State | \$1,873.3 | \$0.0 | \$9.2 | \$1,882.5 | \$9.2 |

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2015-17 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$37.4 | \$0.0 | \$0.5 | \$37.8 | \$0.5 |
| Insurance Commissioner Insurance Premiums | \$1,050.7 | \$0.0 | \$0.6 | \$1,051.3 | \$0.6 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$370.0 | \$0.0 | \$1.0 | \$371.0 | \$1.0 |
| Lottery Commission Lottery Revenue | \$45.6 | \$0.0 | \$0.4 | \$46.0 | \$0.4 |
| State Treasurer Interest Earnings | \$15.8 | \$0.0 | \$1.3 | \$17.1 | \$1.3 |
| Office of Financial Management Other Agencies | \$213.9 | \$0.0 | \$2.6 | \$216.5 | \$2.6 |
| Administrative Office of the Courts Fines and Forfeitures | \$158.2 | \$0.0 | (\$1.0) | \$157.2 | (\$1.0) |
| Total General Fund-State | \$1,891.6 | \$0.0 | \$5.3 | \$1,896.9 | \$5.3 |

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2017-19 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$36.9 | \$0.0 | \$0.0 | \$37.0 | \$0.0 |
| Insurance Commissioner Insurance Premiums | \$1,130.9 | \$0.0 | \$1.0 | \$1,131.9 | \$1.0 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$483.1 | \$0.0 | \$4.8 | \$487.9 | \$4.8 |
| Lottery Commission Lottery Revenue | \$34.6 | \$0.0 | \$1.1 | \$35.8 | \$1.1 |
| State Treasurer Interest Earnings | \$28.6 | \$0.0 | \$0.1 | \$28.8 | \$0.1 |
| Office of Financial Management Other Agencies | \$211.2 | \$0.0 | \$2.1 | \$213.3 | \$2.1 |
| Administrative Office of the Courts Fines and Forfeitures | \$154.7 | \$0.0 | (\$3.5) | \$151.2 | (\$3.5) |
| Total General Fund-State | \$2,080.1 | \$0.0 | \$5.7 | \$2,085.8 | \$5.7 |

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2017-19 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$36.9 | \$0.0 | \$0.0 | \$37.0 | \$0.0 |
| Insurance Commissioner Insurance Premiums | \$1,130.9 | \$0.0 | \$1.0 | \$1,131.9 | \$1.0 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$483.1 | \$0.0 | \$4.8 | \$487.9 | \$4.8 |
| Lottery Commission Lottery Revenue | \$35.8 | \$0.0 | \$1.2 | \$37.0 | \$1.2 |
| State Treasurer Interest Earnings | \$29.8 | \$0.0 | \$0.0 | \$29.8 | \$0.0 |
| Office of Financial Management Other Agencies | \$211.2 | \$0.0 | \$2.1 | \$213.3 | \$2.1 |
| Administrative Office of the Courts Fines and Forfeitures | \$154.7 | \$0.0 | (\$3.5) | \$151.2 | (\$3.5) |
| Total General Fund-State | \$2,082.5 | \$0.0 | \$5.6 | \$2,088.1 | \$5.6 |

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2019-21 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$36.8 | \$0.0 | \$0.0 | \$36.9 | \$0.0 |
| Insurance Commissioner Insurance Premiums | \$1,208.5 | \$0.0 | \$1.8 | \$1,210.3 | \$1.8 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$534.8 | \$0.0 | \$3.9 | \$538.7 | \$3.9 |
| Lottery Commission Lottery Revenue | \$43.8 | \$0.0 | \$1.1 | \$44.9 | \$1.1 |
| State Treasurer Interest Earnings | \$64.8 | \$0.0 | \$0.0 | \$64.8 | \$0.0 |
| Office of Financial Management Other Agencies | \$203.2 | \$0.0 | \$2.5 | \$205.7 | \$2.5 |
| Administrative Office of the Courts Fines and Forfeitures | \$160.2 | \$0.0 | (\$5.0) | \$155.2 | (\$5.0) |
| Total General Fund-State | \$2,252.1 | \$0.0 | \$4.3 | \$2,256.4 | \$4.3 |

General Fund-State GAAP Estimates - Other Agencies

Comparison of the November 2016 and September 2016 forecasts
2019-21 Biennium
(Amounts in Millions)

| Source/Agency | September 2016 Baseline | Non-Economic Changes | Economic Changes | November 2016 Baseline | Total Changes |
|--|----------------------------|-------------------------|---------------------|---------------------------|------------------|
| Department of Licensing Taxes and Fees | \$36.8 | \$0.0 | \$0.0 | \$36.9 | \$0.0 |
| Insurance Commissioner Insurance Premiums | \$1,208.5 | \$0.0 | \$1.8 | \$1,210.3 | \$1.8 |
| Liquor & Cannabis Board Taxes, Licenses, and Fees | \$534.8 | \$0.0 | \$3.9 | \$538.7 | \$3.9 |
| Lottery Commission Lottery Revenue | \$43.8 | \$0.0 | \$1.1 | \$44.9 | \$1.1 |
| State Treasurer Interest Earnings | \$65.9 | \$0.0 | \$0.0 | \$65.9 | \$0.0 |
| Office of Financial Management Other Agencies | \$203.2 | \$0.0 | \$2.5 | \$205.7 | \$2.5 |
| Administrative Office of the Courts Fines and Forfeitures | \$160.2 | \$0.0 | (\$5.0) | \$155.2 | (\$5.0) |
| Total General Fund-State | \$2,253.2 | \$0.0 | \$4.3 | \$2,257.5 | \$4.3 |

* Detail may not total due to rounding.

Lottery transfers by fund

(cash basis, millions of dollars)

| | <u>Lottery: Total Transfers:*</u> | <u>General Fund</u> | <u>Mariners Stadium</u> | <u>Exhibition Center & 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 | 158.8 | 14.3 | 0.0 | 12.2 | 0.0 | 0.0 | 0.3 | 3.6 | 127.4 | 0.0 | 0.0 | 1.0 |
| 2015-17 Biennium | 330.3 | 31.4 | 0.0 | 23.8 | 0.0 | 0.0 | 0.7 | 6.9 | 266.5 | 0.0 | 0.0 | 1.0 |
| 2018 | 157.9 | 16.1 | 0.0 | 12.6 | 0.0 | 0.0 | 0.3 | 3.6 | 124.7 | 0.0 | 0.0 | 0.5 |
| 2019 | 164.0 | 19.7 | 0.0 | 13.1 | 0.0 | 0.0 | 0.3 | 3.6 | 126.7 | 0.0 | 0.0 | 0.5 |
| 2017-19 Biennium | 321.9 | 35.8 | 0.0 | 25.8 | 0.0 | 0.0 | 0.7 | 7.3 | 251.5 | 0.0 | 0.0 | 1.0 |
| 2020 | 166.6 | 21.6 | 0.0 | 13.7 | 0.0 | 0.0 | 0.3 | 3.6 | 126.8 | 0.0 | 0.0 | 0.5 |
| 2021 | 168.0 | 23.3 | 0.0 | 14.2 | 0.0 | 0.0 | 0.3 | 3.6 | 126.5 | 0.0 | 0.0 | 0.0 |
| 2019-21 Biennium | 334.6 | 44.9 | 0.0 | 27.9 | 0.0 | 0.0 | 0.7 | 7.3 | 253.3 | 0.0 | 0.0 | 0.5 |

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

Source: Lottery Commission, ERF

Lottery transfers by fund

(GAAP basis, millions of dollars)

| | Lottery: Total Transfers:* | General Fund | Mariners Stadium | Exhibition Center & Stadium | Student Achievement Account | School Construction Account | Problem Gambling Account | Economic Development Account | Opportunity Pathways Account | Veteran's VIP Account | Education Legacy Trust Account | Gambling Revolving Account |
|------------------|---------------------------------------|---------------------|-----------------------------|--|--|--|---|---|---|--------------------------------------|---|---|
| 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 | 157.1 | 14.0 | 0.0 | 12.2 | 0.0 | 0.0 | 0.3 | 3.6 | 126.0 | 0.0 | 0.0 | 1.0 |
| 2015-17 Biennium | 332.6 | 46.0 | 0.0 | 23.8 | 0.0 | 0.0 | 0.7 | 6.5 | 254.7 | 0.0 | 0.0 | 1.0 |
| 2018 | 159.9 | 17.3 | 0.0 | 12.6 | 0.0 | 0.0 | 0.3 | 3.6 | 125.5 | 0.0 | 0.0 | 0.5 |
| 2019 | 162.8 | 19.7 | 0.0 | 13.1 | 0.0 | 0.0 | 0.3 | 3.6 | 125.5 | 0.0 | 0.0 | 0.5 |
| 2017-19 Biennium | 322.7 | 37.0 | 0.0 | 25.8 | 0.0 | 0.0 | 0.7 | 7.3 | 251.0 | 0.0 | 0.0 | 1.0 |
| 2020 | 165.4 | 21.6 | 0.0 | 13.7 | 0.0 | 0.0 | 0.3 | 3.6 | 125.6 | 0.0 | 0.0 | 0.5 |
| 2021 | 167.9 | 23.3 | 0.0 | 14.2 | 0.0 | 0.0 | 0.3 | 3.6 | 125.9 | 0.0 | 0.0 | 0.5 |
| 2019-21 Biennium | 333.3 | 44.9 | 0.0 | 27.9 | 0.0 | 0.0 | 0.7 | 7.3 | 251.5 | 0.0 | 0.0 | 1.0 |

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

Source: Lottery Commission, ERF

U.S. Forecast Comparison

2016Q3 2016Q4 2017Q1 2017Q2

Real GDP (Billions of 2009 Dollars)

| | | | | |
|--------------------|--------|--------|--------|--------|
| November Forecast | 16,702 | 16,789 | 16,882 | 16,977 |
| Percent Change | 2.9% | 2.1% | 2.2% | 2.3% |
| September Forecast | 16,692 | 16,793 | 16,884 | 16,978 |
| Percent Change | 3.0% | 2.4% | 2.2% | 2.2% |

Real Consumption (Billions of 2009 Dollars)

| | | | | |
|--------------------|--------|--------|--------|--------|
| November Forecast | 11,546 | 11,620 | 11,687 | 11,754 |
| Percent Change | 2.1% | 2.6% | 2.3% | 2.3% |
| September Forecast | 11,569 | 11,641 | 11,709 | 11,778 |
| Percent Change | 2.9% | 2.5% | 2.3% | 2.4% |

Implicit Price Deflator, PCE (2009=1.00)

| | | | | |
|--------------------|-------|-------|-------|-------|
| November Forecast | 1.109 | 1.115 | 1.119 | 1.124 |
| Percent Change | 1.4% | 2.3% | 1.4% | 1.7% |
| September Forecast | 1.109 | 1.116 | 1.120 | 1.125 |
| Percent Change | 1.6% | 2.3% | 1.5% | 1.7% |

Real Personal Income (Billions of 2009 Dollars)

| | | | | |
|--------------------|--------|--------|--------|--------|
| November Forecast | 14,467 | 14,510 | 14,603 | 14,698 |
| Percent Change | 2.4% | 1.2% | 2.6% | 2.6% |
| September Forecast | 14,466 | 14,537 | 14,634 | 14,722 |
| Percent Change | 2.2% | 2.0% | 2.7% | 2.4% |

Nonfarm Payroll Employment (Millions)

| | | | | |
|--------------------|-------|-------|-------|-------|
| November Forecast | 144.6 | 145.1 | 145.6 | 145.9 |
| Percent Change | 1.7% | 1.4% | 1.3% | 1.0% |
| September Forecast | 144.7 | 145.3 | 145.7 | 146.0 |
| Percent Change | 2.0% | 1.6% | 1.2% | 0.9% |

Unemployment Rate (Percent of Labor Force)

| | | | | |
|--------------------|-----|-----|-----|-----|
| November Forecast | 4.9 | 4.9 | 4.8 | 4.7 |
| September Forecast | 4.8 | 4.8 | 4.7 | 4.7 |

30 Year Fixed Mortgage Rate (Percent, average)

| | | | | |
|--------------------|-----|-----|-----|-----|
| November Forecast | 3.4 | 3.5 | 3.7 | 3.8 |
| September Forecast | 3.5 | 3.6 | 3.8 | 4.0 |

3 Month T-Bill Rate (Percent, average)

| | | | | |
|--------------------|-----|-----|-----|-----|
| November Forecast | 0.3 | 0.4 | 0.6 | 0.6 |
| September Forecast | 0.3 | 0.4 | 0.6 | 0.7 |

2015 2016 2017 2018 2019 2020 2021

| | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
| 16,397 | 16,650 | 17,019 | 17,376 | 17,741 | 18,114 | 18,476 |
| 2.6% | 1.5% | 2.2% | 2.1% | 2.1% | 2.1% | 2.0% |
| 16,397 | 16,645 | 17,019 | 17,394 | 17,759 | 18,150 | 18,531 |
| 2.6% | 1.5% | 2.2% | 2.2% | 2.1% | 2.2% | 2.1% |

| | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
| 11,215 | 11,504 | 11,783 | 12,042 | 12,307 | 12,565 | 12,829 |
| 3.2% | 2.6% | 2.4% | 2.2% | 2.2% | 2.1% | 2.1% |
| 11,215 | 11,516 | 11,809 | 12,081 | 12,347 | 12,618 | 12,896 |
| 3.2% | 2.7% | 2.6% | 2.3% | 2.2% | 2.2% | 2.2% |

| | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|
| 1.095 | 1.107 | 1.127 | 1.148 | 1.168 | 1.191 | 1.215 |
| 0.4% | 1.1% | 1.8% | 1.8% | 1.8% | 1.9% | 2.0% |
| 1.095 | 1.107 | 1.127 | 1.145 | 1.166 | 1.188 | 1.212 |
| 0.4% | 1.1% | 1.7% | 1.6% | 1.8% | 1.9% | 2.0% |

| | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
| 14,113 | 14,418 | 14,732 | 15,121 | 15,535 | 15,947 | 16,336 |
| 4.0% | 2.2% | 2.2% | 2.6% | 2.7% | 2.7% | 2.4% |
| 14,113 | 14,426 | 14,767 | 15,170 | 15,590 | 16,014 | 16,405 |
| 4.0% | 2.2% | 2.4% | 2.7% | 2.8% | 2.7% | 2.4% |

| | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|
| 141.8 | 144.3 | 146.1 | 147.2 | 148.4 | 149.7 | 150.7 |
| 2.1% | 1.7% | 1.2% | 0.8% | 0.8% | 0.8% | 0.7% |
| 141.8 | 144.4 | 146.2 | 147.3 | 148.4 | 149.5 | 150.5 |
| 2.1% | 1.8% | 1.2% | 0.8% | 0.8% | 0.8% | 0.7% |

| | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|
| 5.3 | 4.9 | 4.7 | 4.6 | 4.7 | 4.7 | 4.8 |
| 5.3 | 4.8 | 4.7 | 4.6 | 4.6 | 4.7 | 4.8 |

| | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|
| 3.9 | 3.6 | 3.9 | 4.7 | 5.3 | 5.6 | 5.6 |
| 3.9 | 3.6 | 4.1 | 4.9 | 5.5 | 5.8 | 5.8 |

| | | | | | | |
|-----|-----|-----|-----|-----|-----|-----|
| 0.1 | 0.3 | 0.7 | 1.4 | 2.2 | 2.6 | 2.6 |
| 0.1 | 0.3 | 0.9 | 1.6 | 2.5 | 2.8 | 2.8 |

Washington Forecast Comparison

| | 2016Q3 | 2016Q4 | 2017Q1 | 2017Q2 |
|--|--------|--------|--------|--------|
| Real Personal Income (Billions of 2009 Dollars) | | | | |
| November Forecast | 352.7 | 353.9 | 359.9 | 360.5 |
| Percent Change | 1.6% | 1.3% | 6.9% | 0.7% |
| September Forecast | 347.8 | 348.8 | 355.0 | 355.3 |
| Percent Change | 1.3% | 1.1% | 7.3% | 0.3% |
| Personal Income (Billions of Dollars) | | | | |
| November Forecast | 391.2 | 394.7 | 402.8 | 405.2 |
| Percent Change | 3.1% | 3.6% | 8.4% | 2.5% |
| September Forecast | 385.9 | 389.1 | 397.6 | 399.6 |
| Percent Change | 2.8% | 3.4% | 9.0% | 2.1% |
| Nonfarm Payroll Employment (Thousands) | | | | |
| November Forecast | 3249 | 3265 | 3278 | 3291 |
| Percent Change | 2.0% | 2.0% | 1.6% | 1.6% |
| September Forecast | 3245 | 3255 | 3268 | 3280 |
| Percent Change | 1.8% | 1.2% | 1.6% | 1.5% |
| Unemployment Rate (Percent of Labor Force) | | | | |
| November Forecast | 5.7 | 5.4 | 5.3 | 5.2 |
| September Forecast | 5.7 | 5.7 | 5.6 | 5.5 |
| Manufacturing Employment (Thousands) | | | | |
| November Forecast | 287.6 | 282.6 | 281.2 | 281.8 |
| Percent Change | -3.4% | -6.8% | -2.0% | 0.9% |
| September Forecast | 288.5 | 284.1 | 284.2 | 284.5 |
| Percent Change | -2.0% | -6.0% | 0.2% | 0.5% |
| Construction Employment (Thousands) | | | | |
| November Forecast | 184.2 | 185.6 | 185.4 | 186.2 |
| Percent Change | 1.4% | 3.2% | -0.4% | 1.8% |
| September Forecast | 184.0 | 183.8 | 183.7 | 184.9 |
| Percent Change | 1.7% | -0.6% | -0.1% | 2.6% |
| Housing Permits (Thousands) | | | | |
| November Forecast | 38.4 | 39.2 | 39.4 | 39.8 |
| Percent Change | -48.3% | 8.6% | 1.7% | 4.7% |
| September Forecast | 40.5 | 40.5 | 41.3 | 42.1 |
| Percent Change | -35.9% | 0.2% | 7.4% | 8.2% |

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|
| November Forecast | 339.7 | 351.7 | 361.2 | 372.7 | 384.8 | 396.5 | 407.5 |
| Percent Change | 4.3% | 3.5% | 2.7% | 3.2% | 3.2% | 3.1% | 2.8% |
| September Forecast | 335.0 | 347.4 | 356.4 | 368.3 | 380.4 | 392.4 | 403.5 |
| Percent Change | 4.4% | 3.7% | 2.6% | 3.3% | 3.3% | 3.1% | 2.8% |
| November Forecast | 372.1 | 389.4 | 407.1 | 427.7 | 449.5 | 472.1 | 495.0 |
| Percent Change | 4.6% | 4.7% | 4.5% | 5.1% | 5.1% | 5.0% | 4.8% |
| September Forecast | 367.0 | 384.7 | 401.7 | 421.8 | 443.6 | 466.3 | 489.1 |
| Percent Change | 4.7% | 4.8% | 4.4% | 5.0% | 5.2% | 5.1% | 4.9% |
| November Forecast | 3146 | 3238 | 3298 | 3350 | 3398 | 3442 | 3479 |
| Percent Change | 2.8% | 2.9% | 1.9% | 1.6% | 1.4% | 1.3% | 1.1% |
| September Forecast | 3146 | 3235 | 3286 | 3333 | 3375 | 3414 | 3450 |
| Percent Change | 2.8% | 2.8% | 1.6% | 1.4% | 1.3% | 1.2% | 1.0% |
| November Forecast | 5.7 | 5.7 | 5.2 | 4.9 | 4.9 | 4.9 | 4.9 |
| September Forecast | 5.7 | 5.8 | 5.5 | 5.2 | 5.1 | 5.1 | 5.1 |
| November Forecast | 290.7 | 287.8 | 281.9 | 283.9 | 286.5 | 290.0 | 293.5 |
| Percent Change | 0.7% | -1.0% | -2.0% | 0.7% | 0.9% | 1.2% | 1.2% |
| September Forecast | 290.8 | 288.4 | 284.7 | 285.3 | 287.7 | 290.3 | 293.0 |
| Percent Change | 0.7% | -0.8% | -1.3% | 0.2% | 0.9% | 0.9% | 0.9% |
| November Forecast | 173.2 | 183.6 | 187.3 | 194.5 | 199.2 | 202.1 | 204.5 |
| Percent Change | 8.5% | 6.0% | 2.0% | 3.8% | 2.4% | 1.4% | 1.2% |
| September Forecast | 173.2 | 183.2 | 186.1 | 194.2 | 199.4 | 202.4 | 204.6 |
| Percent Change | 8.5% | 5.7% | 1.6% | 4.3% | 2.7% | 1.5% | 1.1% |
| November Forecast | 40.4 | 40.1 | 40.0 | 41.1 | 41.4 | 41.5 | 41.6 |
| Percent Change | 19.1% | -0.6% | -0.3% | 2.9% | 0.6% | 0.2% | 0.4% |
| September Forecast | 40.4 | 41.0 | 42.3 | 44.1 | 44.4 | 44.4 | 44.0 |
| Percent Change | 19.1% | 1.5% | 3.1% | 4.4% | 0.7% | 0.0% | -0.9% |

November 2016
Alternative Forecasts
Millions of Dollars

Cash Basis

2015-17 Biennium

| | <u>2015-17 Biennium</u> | <u>Difference From the November 2016 Baseline</u> |
|-------------------------------------|-----------------------------|---|
| November 2016 Baseline (60%) | \$37,980 | |
| November 2016 Alternative Forecasts | | |
| Optimistic (15%) | \$38,811 | \$831 |
| Pessimistic (25%) | \$37,137 | (\$843) |
| Probability Weighted Average | \$37,894 | (\$86) |
| GCEA* | \$37,915 | (\$65) |

2017-19 Biennium

| | <u>2017-19 Biennium</u> | <u>Difference From the November 2016 Baseline</u> |
|-------------------------------------|-----------------------------|---|
| November 2016 Baseline (60%) | \$40,514 | |
| November 2016 Alternative Forecasts | | |
| Optimistic (15%) | \$43,571 | \$3,057 |
| Pessimistic (25%) | \$37,561 | (\$2,953) |
| Probability Weighted Average | \$40,234 | (\$280) |
| GCEA* | \$40,138 | (\$376) |

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

Governor's Council of Economic Advisor's Forecast

Calendar Years

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|------|------|------|------|------|------|
| U.S. | | | | | | |
| Real GDP | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.5 | 2.2 | 2.1 | 2.1 | 2.1 | 2.0 |
| GCEA Average | 1.6 | 1.6 | 1.7 | 2.3 | 2.3 | 2.0 |
| Real Consumption | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 2.6 | 2.4 | 2.2 | 2.2 | 2.1 | 2.1 |
| GCEA Average | 2.6 | 2.0 | 1.8 | 2.1 | 2.2 | 2.1 |
| Implicit Price Deflator, PCE | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.1 | 1.8 | 1.8 | 1.8 | 1.9 | 2.0 |
| GCEA Average | 1.2 | 1.9 | 2.0 | 2.0 | 1.9 | 1.9 |
| Mortgage Rate | | | | | | |
| <i>Percent</i> | | | | | | |
| ERFC | 3.6 | 3.9 | 4.7 | 5.3 | 5.6 | 5.6 |
| GCEA Average | 3.7 | 4.0 | 4.4 | 4.8 | 5.1 | 5.2 |
| Oil Price (Brent) | | | | | | |
| <i>Dollars per barrel</i> | | | | | | |
| ERFC | 43.3 | 49.9 | 53.4 | 55.4 | 57.1 | 58.7 |
| GCEA Average | 44.2 | 51.2 | 54.6 | 56.5 | 58.4 | 59.3 |

Washington State

Real Personal Income

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| <i>Growth</i> | | | | | | |
| ERFC | 3.5 | 2.7 | 3.2 | 3.2 | 3.1 | 2.8 |
| GCEA Average | 3.3 | 2.6 | 2.9 | 3.2 | 3.0 | 2.7 |

Wage and Salary Employment

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| <i>Growth</i> | | | | | | |
| ERFC | 2.9 | 1.9 | 1.6 | 1.4 | 1.3 | 1.1 |
| GCEA Average | 2.7 | 1.5 | 1.2 | 1.3 | 1.3 | 1.1 |

Manufacturing Employment

| | | | | | | |
|---------------|------|------|------|-----|-----|-----|
| <i>Growth</i> | | | | | | |
| ERFC | -1.0 | -2.0 | 0.7 | 0.9 | 1.2 | 1.2 |
| GCEA Average | -0.7 | -1.3 | -0.1 | 0.1 | 0.1 | 0.4 |

Construction Employment

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| <i>Growth</i> | | | | | | |
| ERFC | 6.0 | 2.0 | 3.8 | 2.4 | 1.4 | 1.2 |
| GCEA Average | 5.7 | 2.2 | 1.3 | 2.2 | 1.7 | 1.7 |

Housing Permits

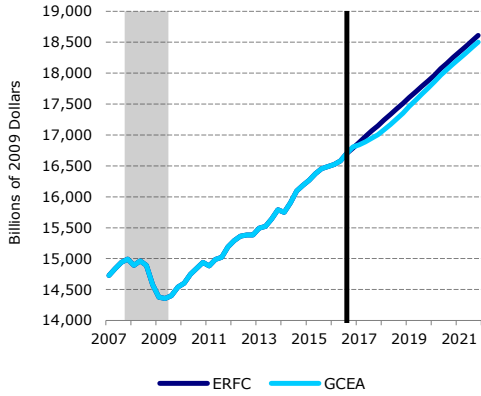
| | | | | | | |
|--------------------------------------|------|------|------|------|------|------|
| <i>Thousands of authorized units</i> | | | | | | |
| ERFC | 40.1 | 40.0 | 41.1 | 41.4 | 41.5 | 41.6 |
| GCEA Average | 40.2 | 40.6 | 41.7 | 43.5 | 44.5 | 44.7 |

Washington Average Annual Wage

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| <i>Growth</i> | | | | | | |
| ERFC | 4.0 | 3.0 | 3.2 | 3.1 | 3.2 | 3.5 |
| GCEA Average | 3.2 | 3.1 | 3.3 | 3.3 | 3.2 | 3.3 |

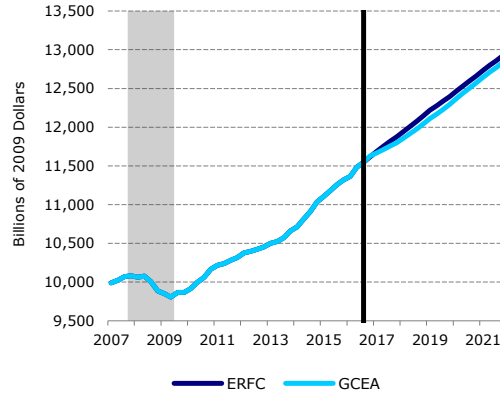
U.S. Forecast Comparison

Real GDP



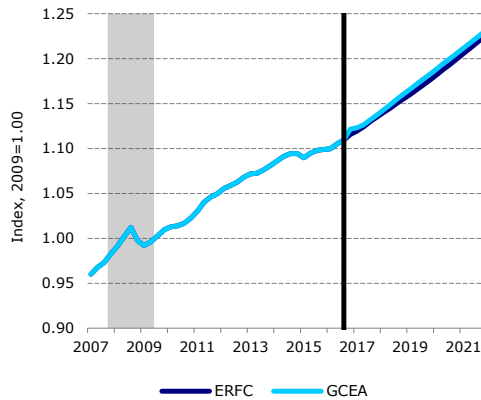
Source: BEA, ERFC, GCEA; data through 2016 Q3

Real Consumption



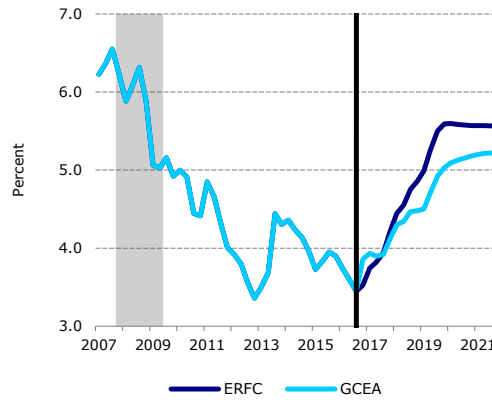
Source: BEA, ERFC, GCEA; data through 2016 Q3

Implicit Price Deflator, PCE



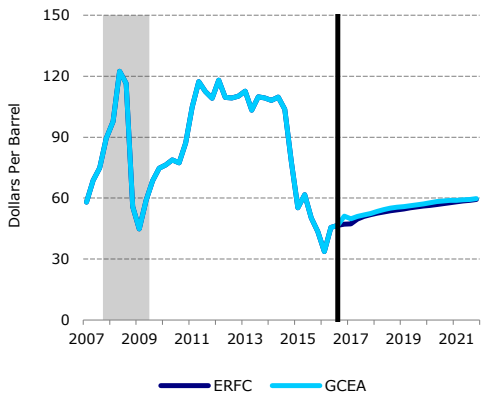
Source: BEA, ERFC, GCEA; data through 2016 Q3

Mortgage Rate



Source: Freddie Mac, ERFC, GCEA; data through 2016 Q3

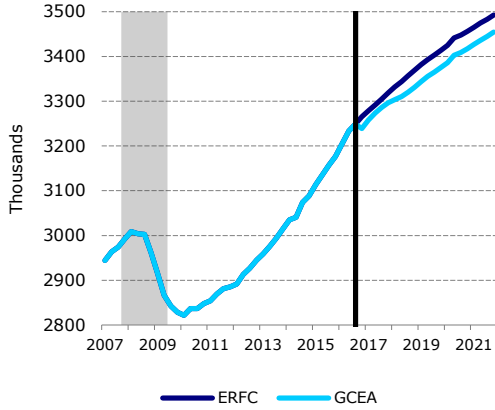
Brent Oil Price



Source: EIA, ERFC, GCEA; data through 2016 Q3

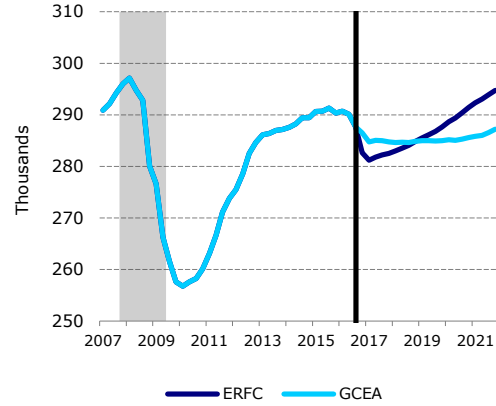
Washington Forecast Comparison

Nonfarm Payroll Employment



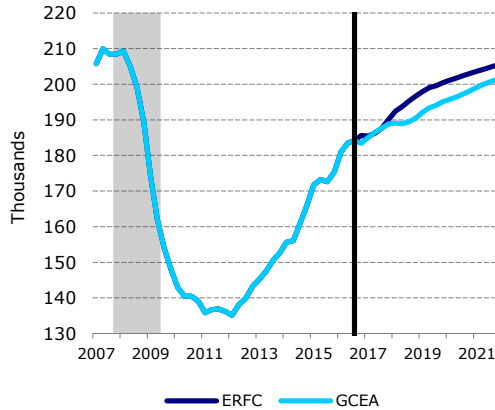
Source: ESD, ERFC, GCEA; data through 2016 Q3

Manufacturing Employment



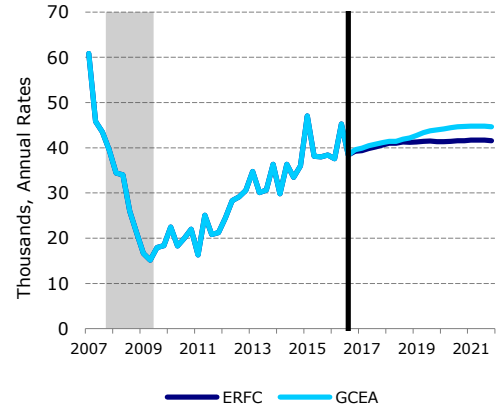
Source: ESD, ERFC, GCEA; data through 2016 Q3

Construction Employment



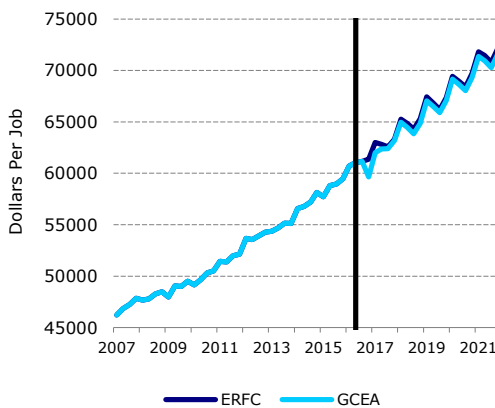
Source: ESD, ERFC, GCEA; data through 2016 Q3

Housing Units Authorized



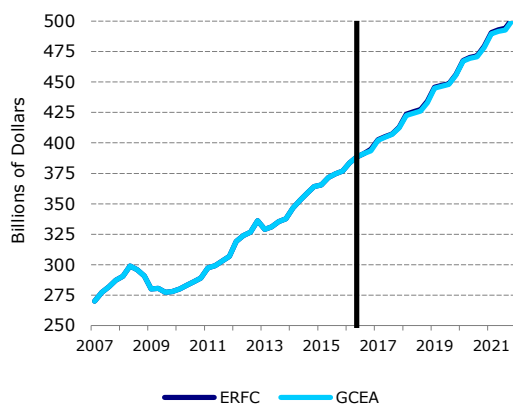
Source: Census, ERFC, GCEA; data through 2016 Q3

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2016 Q2

Personal Income



Source: BEA, ERFC, GCEA; data through 2016 Q2

2015-17 Enacted Budget Balance Sheet

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

| | 2015-17 | | |
|---|-----------------|-----------------|-----------------|
| | GFS | ELTA and OPA | TOTAL |
| RESOURCES | | | |
| Beginning Fund Balance | 990.9 | 20.3 | 1,011.2 |
| September 2016 Revenue Forecast | 37,765.1 | 717.0 | 38,482.1 |
| November 2016 Revenue Forecast Change | 214.6 | 7.8 | 222.4 |
| Current Revenue Totals | 37,979.7 | 724.8 | 38,704.5 |
| Transfer to Budget Stabilization Account (1% of GSR) | (377.8) | | (377.8) |
| Transfer to Budget Stabilization Account (EORG) | (526.3) | | (526.3) |
| Transfer from BSA (EORG) | 75.0 | | 75.0 |
| CAFR Adjustment | (8.3) | (10.0) | (18.3) |
| Other Enacted Fund Transfers | 207.4 | | 207.4 |
| Actual/Assumed Prior Period Adjustments | 87.6 | | 87.6 |
| Total Resources (including beginning fund balance) | 38,428.2 | 735.1 | 39,163.3 |
| EXPENDITURES | | | |
| 2015-17 Biennium | | | |
| Enacted Budget | 37,754.4 | 699.1 | 38,453.5 |
| Actual/Assumed Reversions | (225.5) | - | (225.5) |
| | - | | - |
| Total Expenditures | 37,528.9 | 699.1 | 38,228.0 |
| RESERVES | | | |
| Projected Ending Balance (GFS + ELTA + OPA) | 899.3 | 36.0 | 935.3 |
| Budget Stabilization Account | | | |
| Budget Stabilization Account Beginning Balance | 513.1 | | 513.1 |
| Plus Transfers from General Fund, Interest Earnings and Adjustments | 911.1 | | 911.1 |
| Less 2016 Appropriations From BSA: Fires | (189.5) | | (189.5) |
| Actual 2016 Reversions | 37.0 | | 37.0 |
| Less Transfers Out to GFS (Extraordinary Revenue) | (75.0) | | (75.0) |
| Projected Budget Stabilization Account Ending Balance | 1,196.7 | | 1,196.7 |
| Total Reserves (Near General Fund plus Budget Stabilization) | 2,096.1 | 36.0 | 2,132.1 |