

Date: February 20, 2015

Subject: Early Washington State Revenue Forecast Released slightly increased

On Friday, February 20, the Washington State Economic and Revenue Forecast Council (ERFC) released its quarterly update of State General Fund Revenues, nearly one month ahead of schedule. Substitute House Bill 1105, the final supplemental Budget of the current biennium, included a provision to release the revenue forecast ahead of schedule.

Overall, the February forecast is similar to the one adopted in November with some changes in the underlying assumptions pushing revenue higher than previously projected.

The General Fund-State (GF-S) revenue forecast increased by \$107 million for current 2013-2015 biennium and by \$129 million for 2015-2017.

- GF-S revenue for the 2013-2015 biennium is now \$33.547 billion (9.4% higher than collections in the 2011-13 biennium) and
- The forecasted GF-S revenue for the 2015-2017 biennium is now \$36.449 billion (8.7% higher than collections in the 2013-15 biennium)

Revenue collections through February 10th were \$69 million (1.5%) higher than forecasted. Of this amount, \$52 million came from Revenue Act Sources (retail sales, business and occupation, public utility and tobacco products taxes).

A few additional highlights from the update:

- Oil Prices have declined further since November forecast.
- Sales tax growth is strong and is driven by sales in construction, autos and building materials.
- Real estate excise tax since November forecast came in \$11 M higher than forecasted.

- Average monthly increase of 7,000 net new jobs in Washington. Seattle area employment is growing much faster than the rest of the state.

Factors outside the state account for the high level of risk to the forecast. A slowing Chinese economy, the potential for a Greek exit from the Eurozone, and geopolitical instability in the Middle East and Eastern Europe all remain major threats to the U.S. and Washington economies. Continued strength in employment and job openings data and lower oil prices suggest potential upside risks to the forecast.

Overall adjustments to the revenue forecast were relatively small, reflecting the slight changes in the state's economic forecast. Changes for each biennium amounted to less than half of one percent.

OPB and State Relations will continue to monitor developments in Olympia as House and Senate leadership in fiscal committees work toward release of their initial budget proposals.

For more information, please contact: