



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, June 18, 2008 – It increasingly appears that we are finally approaching the end of this “Great Recession.” Initial claims for unemployment insurance appear to have peaked and monthly job losses are diminishing. However the bottom in this recession will be lower than assumed in March, particularly with respect to the labor market. Job losses will likely continue through the end of this year and the unemployment rate will peak even later. When the economy does turn around, the recovery is more likely to be a gradual U-shaped upturn rather than a strong V-shaped rebound.

The June 2009 General Fund State forecast for the 2007-09 biennium is \$27.2 billion, which is \$185 million lower than expected in the March forecast. The forecast for the 2009-11 biennium is \$29.8 billion, which is \$297 million less than expected in the March forecast. The 2009-11 forecast change includes \$226 million in new revenue as a result of legislation. Without this \$226 million non-economic change, the forecast revision for the 2009-11 biennium would have been a reduction of \$523 million.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 and 2009-11 biennia. The forecast based on more optimistic economic assumptions netted \$31 million (0.1 percent) more revenue in the 2007-09 biennium and \$1,636 million (5.5 percent) more revenue in the 2009-11 biennium than did the baseline. The pessimistic alternative was \$32 million (0.1 percent) lower in 2007-09 and \$1,979 million (6.6 percent) lower in 2009-11. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$1 million (0.0 percent) more revenue in the 2007-09 biennium and \$306 million (1.0 percent) less revenue in the 2009-11 biennium than did the baseline forecast.

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