

Revenue Review Meeting

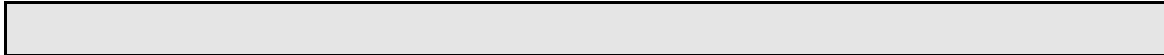
June 18, 2009

AGENDA

REVENUE REVIEW MEETING

June 18, 2009

10:00 a.m.



- De-facto approval of June 5, 2009 meeting minutes
- Forecast summary
- Forecast presentation
- Forecast detail
- Adoption of the official forecast



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

Meeting Minutes

Economic Review

June 5, 2009

John A. Cherberg, Hearing Room 3

Members Present

Economic and Revenue Forecast Council:

Craig Pridemore, Senate, Chair

Ed Orcutt, House of Representatives

Ross Hunter, House of Representatives (via telephone)

Cindi Holmstrom, Director, Department of Revenue

Staff:

Arun Raha, Executive Director, ERFC

Call to Order

The meeting was called to order by Chair Senator Pridemore at 2:30 p.m.

De-facto approval of the meeting minutes from the March 19, 2009, Revenue Review meeting.

Presentation on Economic Forecast

Arun Raha presented information on the preliminary economic forecast. Arun summarized the U.S. and Washington economic outlook, provided background information, and briefly reviewed current collections. There was discussion regarding the forecast.

Adjournment

Senator Pridemore adjourned the meeting at 2:55 p.m.

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



Revenue Review: June 18, 2009

Executive Summary

- Our projection of state revenues is based on an updated version of the preliminary state economic forecast presented on June 5, 2009. The update takes into account an additional month of data, as well as the June Blue Chip Consensus and Global Insight national forecasts, similar to our process in March. We also incorporated updated NYMEX futures prices for crude oil.
- Since our last official revenue forecast in March, there are signs that both the national and state economies are stabilizing. The free-fall phase of the recession is over, and the trough is in sight. Activity is still declining, but at a decreasing pace. However, the current level of economic activity is lower than we had projected in March.
- Our preliminary economic forecast presented earlier this month was modestly weaker than the one adopted in March. Compared to that preliminary forecast, our updated forecast is mildly stronger, as a result of an improving outlook for the national economy, and a slowing in the rate of job losses in the state. According to the Employment Security Department, the total jobs lost in Washington in April and May combined were half that lost in March alone.
- Credit conditions have eased significantly since the freeze in September. Equity markets, forward looking by nature, turned up early in March. Bond yields have moved higher, we believe, on expectations of an imminent return of economic growth. Both housing starts and car sales have stopped declining. Home sales have ticked up modestly, but home prices are still expected to decline further. Consumer spending appears to have stabilized, albeit at low levels.
- The recovery is likely to be gradual, or U-shaped, rather than V-shaped. Even with the improvement in the last two months, consumer confidence still remains weak. There is significant idle capacity in the economy, and business investment is very weak. The housing correction is likely to drag out into next year. The automotive sector will take time to get back on its legs. The federal government's plan to clean "toxic assets" from bank balance sheets appears to be faltering again. Banks may now have to deal with the problem through growing profits, which will be a slower process.
- We continue to believe that the state economy will recover at about the same time as the national economy. Washington's economy is well positioned to recover at the same time as the national economy. Boeing's order book is full, and Microsoft's balance sheet is still quite healthy. But, as with the national economy, the recovery will be slow and U-shaped.

- We have taken note of these mixed signals, and relative to March we are more confident of our baseline. But the outlook remains uncertain, and downside risks still predominate.
- In the three months since our March forecast revenue collections were just USD 5 million short of target. However, this overstates the accuracy of our forecast. Spending remains weak and collections excluding the property tax variance are USD 166 million below target. The low total variance is the result of a huge positive variance in May property tax collections, which is unlikely to be sustained.
- Our baseline forecast assumes that the recessions in the U.S. and WA economy trough in the third quarter, followed by weak growth in the fourth. Growth will remain modest in the first half of 2010, and improve only in the second half of the year. Job losses will continue even after the economy is in recovery. The trajectory of the recovery is similar to what we had assumed in March, except that we are starting from a lower position.
- Given that outlook, our baseline forecast makes the following changes to our **March** revenue forecast:
 - 2007-09 biennium: down USD 185 million to USD 27.7 billion
 - 2009-11 biennium: down USD 297 million to USD 29.8 billion

Note that ESSB 5073 changed what is included in the General Fund. For the 2009-11 biennium, what was previously known as the "General Fund and Related Funds" is now just the "General Fund." The Health Services Account, Violence Reduction and Drug Enforcement Account, Water Quality Account, Student Achievement Account, and the Public Safety and Education Account have been rolled into the General Fund. The forecast change noted above for the 2009-11 biennium compares our General Fund and Related Funds forecast in March to our current General Fund forecast.

Downside Risks: 15% probability

- Downside risks have diminished considerably since our March forecast, but remain significant and outweigh upside risks.
- Our baseline assumes that consumer confidence and spending will recover at the same pace as the economy. The biggest risk to revenue is that they do not. This would cause the gap between income growth and revenue growth to close at a slower pace than assumed. That could happen if the pace of household de-leveraging intensifies, keeping consumer spending soft.
- The biggest risk to the economic recovery still remains the health of the nation's banking system. Banks were profitable in the first quarter after a long series of losses. However, toxic assets based on housing values still remain on bank balance sheets, and not all the losses have yet been recognized. The treasury's plan to clean bank balance sheets appears to have run into a hitch. Now banks are faced with the prospect of having to grow

their earnings sufficiently to cover the losses from these assets. This will slow down the recovery.

- Housing prices are still declining, and that makes it harder to value the toxic assets on bank balance sheets or for banks to recognize the losses.
- The global economy is in recession, and Washington is a trade dependant state. Exports will support our recovery only late in the cycle, because our trading partners' economies tend to recover with a six-month lag to the nation's.
- Fears of deflation have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk of inflation. However, inflation expectations are "well anchored," which means the risk of inflation is low, even with the injection of liquidity. If expectations become "unanchored" and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned, further slowing the recovery.
- Policy errors.

Upside Risks: 10% probability

- The banking sector returns to health sooner than expected.
- Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy. If confidence returns quicker, the recovery will come quicker.
- Commodity prices do not strengthen too fast as the recovery gets underway.
- Good policy.

Revenue Review

June 18, 2009

Arun Raha
Chief Economist & Executive Director



Washington State Economic and Revenue Forecast Council



Summary

- There are mixed signals from the economy, but we are close to the recession trough
- Compared to our expectations in March, we are at a lower level of activity, but the recovery trajectory remains the same
- Our updated June economic forecast is a little stronger than the preliminary, but still modestly weaker than March
- Downside risks are less than before, but still outweigh upside risks
- Our June revenue forecast is weaker than our March forecast

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18 Jun 2009

Slide 1

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Mixed signals from the economy – but the outlook is improving

Pluses (+)

- Easing credit conditions
- Equity market rally
- Bond market sell-off
- Declining initial claims
- Housing starts stable at bottom
- Consumer spending stable at bottom
- Manufacturing orders growing, but barely
- “Toxic assets” less of an issue

Minuses (-)

- Confidence still in recessionary territory
- Business investment is weak
- Housing prices not yet at equilibrium
- Household de-leveraging continues
- Global economy will lag U.S. out of recession
- Significant slack in labor and product markets

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The recession trough is in sight

State Revenues will recover only after the economic recovery gains traction



Housing bubble bursts - sub-prime mortgage defaults trigger a credit crisis, bear market

Economy in recession - job losses; consumer and business spending falls

Recession trough in sight - rate of decline in activity slows or levels off, equity markets recover, initial jobless claims peak

Recession trough - expected in Q3; activity turns around, but job losses continue

Slow recovery - job losses level off, but the unemployment rate keeps rising; housing will be late to recover

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Slide 3

We are here

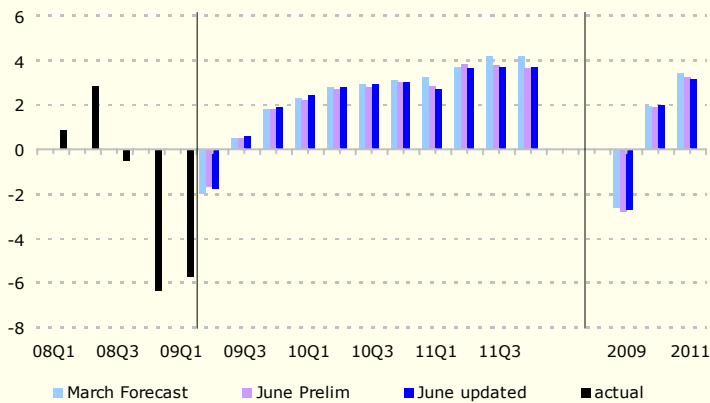
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U.S. GDP forecast is a little weaker than March, but mildly stronger than the preliminary

Percent change, Q/Q SAAR

annual



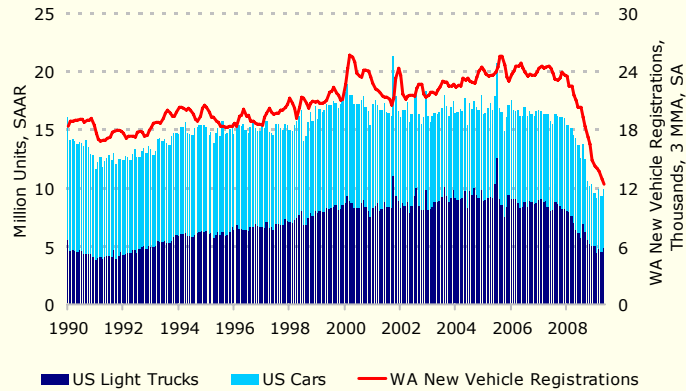
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Automotive sales are stabilizing nationally



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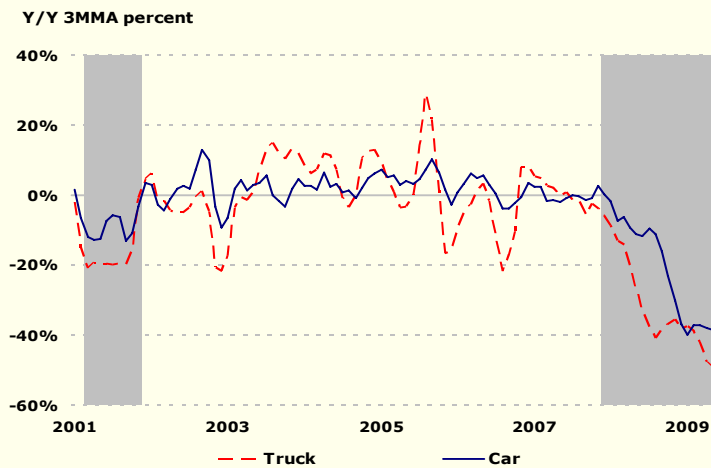
Source: Autodata Corporation, WA DOL; data through May 2009

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WA car sales appear to be bottoming out

WA new vehicle registrations



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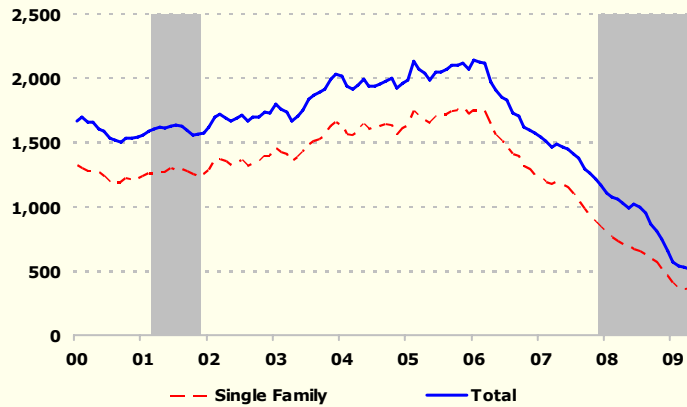
Source: WA State DOL, Data through May 2009

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U.S. housing starts have stopped declining

Thousands, SA, 3MMA



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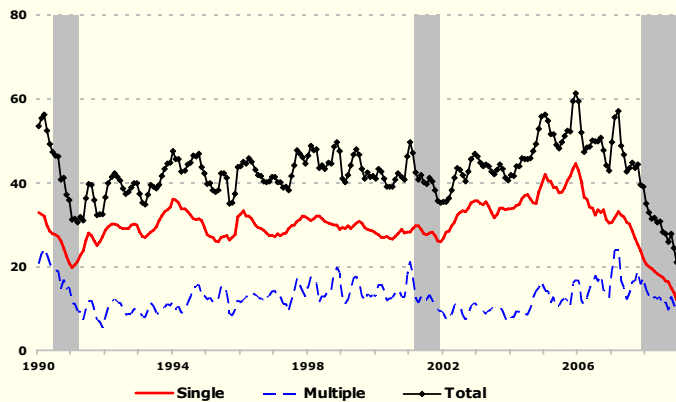
Source: U.S. Census, Data through May 2009

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WA single family building permits are showing signs of stabilization

Thousands, SA, 3MMA



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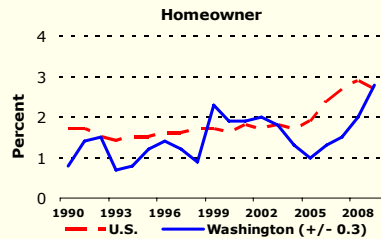
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Source: U.S. Census, Data through April 2009

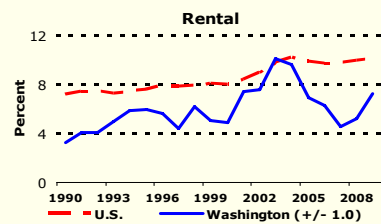
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Vacancy rates are rising in Washington



- Homeowner vacancy rates in Washington are rising, and are now at national levels



- Rental vacancies have gone up sharply

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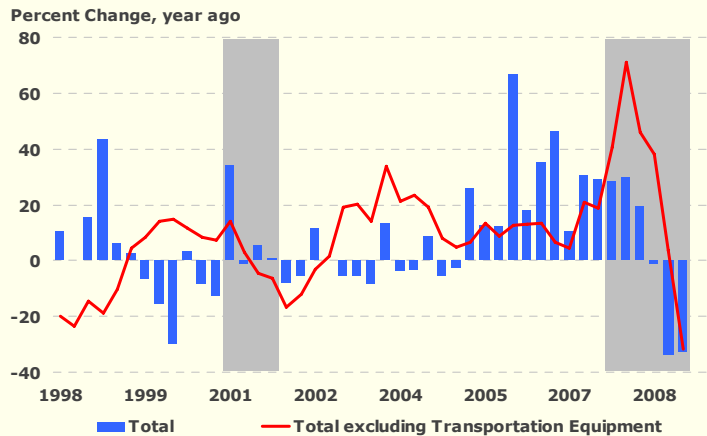
Source: Bureau of the Census; data through 2009 Q1

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WA exports are unlikely to help the recovery, until late in the cycle

2009 Q1 did not show much improvement, even with the resumption of Boeing production



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Source: Wiser Trade Data, through 2009 Q1

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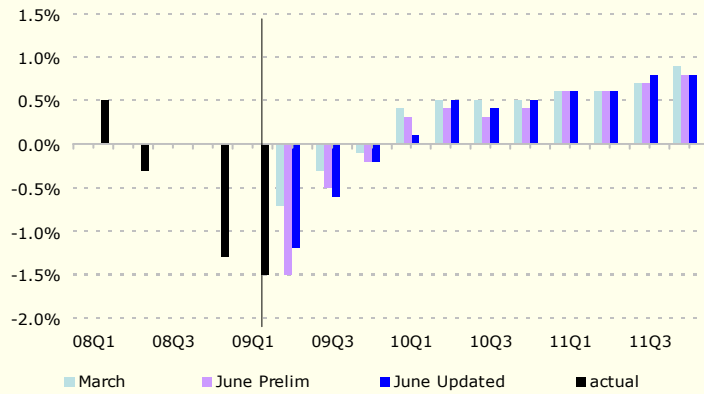


WA payroll employment is still expected to decline through the rest of 2009

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Percent change, Q/Q



Source: Employment Security Department, ERFC

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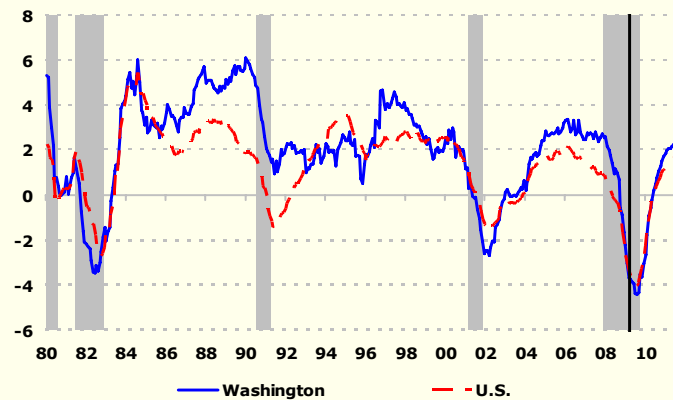


WA employment lagged the nation in the downturn, but will recover at about the same rate as the nation

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Percent change, year ago



Source: ERFC June 2009 updated forecast, actual through May 2009

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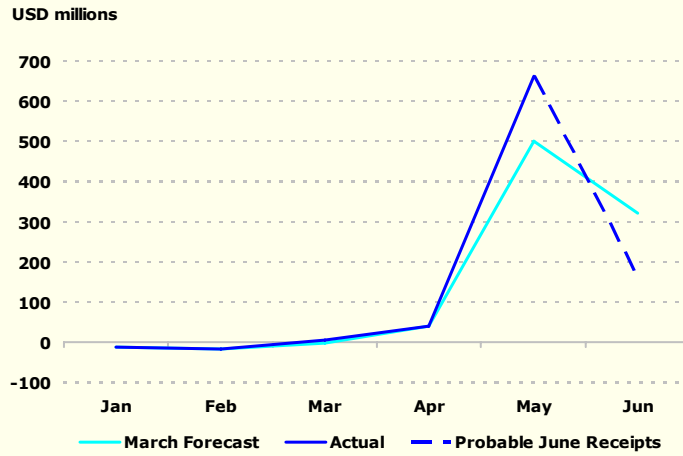


May property tax receipts represent early payments

2009
Property
Tax receipts

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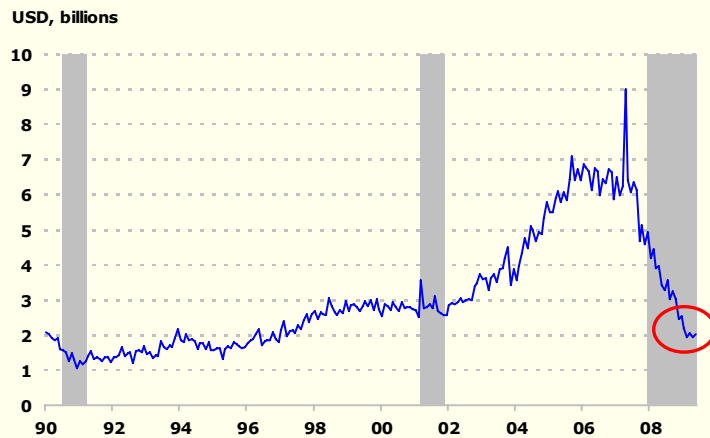


Is the decline in Real Estate Excise Tax coming to an end?

WA
Taxable
REET
Activity, SA

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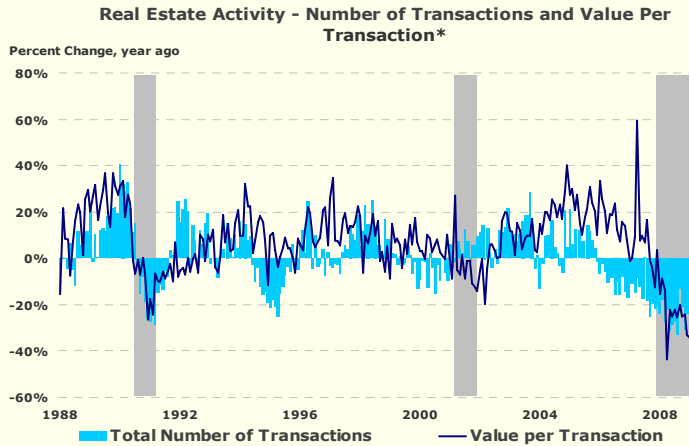
REET improvement is likely to come from more transactions, not value

*Taxable activity divided by the total number of transactions.

Activity based on real estate excise tax paid at closing.

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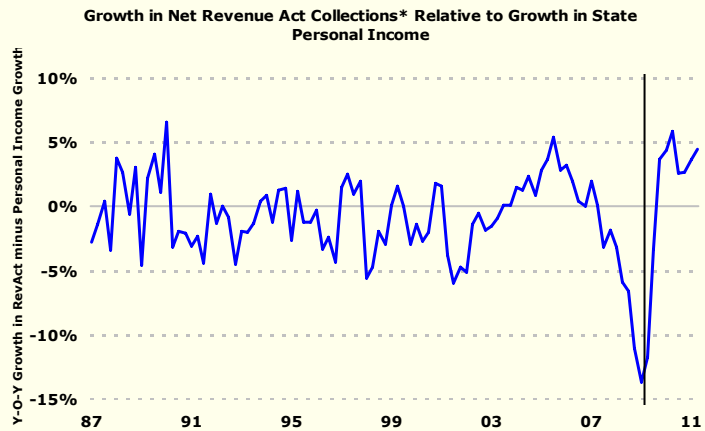


Revenue growth relative to income continues to drop, but we expect a return to positive territory by Q4

* Adjusted for new legislation and special factors

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Forecast changes: General Fund State

2007 – 2009
biennium

	Mar '09 Forecast	June '09 Forecast			Total Change*
		Forecast Change	Non- economic Change	Forecast	
Dept. of Revenue	\$27,041	(\$186)	\$0	\$26,855	(\$186)
All other agencies	\$850	\$3	(\$1)	\$852	\$2
Total GFS	\$27,891	(\$184)	(\$1)	\$27,706	(\$185)

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* Detail may not add to total due to rounding

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The definition of what is included in the General Fund has changed for the next biennium

- ESSB 5073 redefined the General Fund to include:
 - The Health Services Account
 - Violence Reduction and Drug Enforcement Account
 - Water Quality Account
 - Student Achievement Account
 - Public Safety and Education Account
- The new definition of General Fund is comparable to what we earlier called General Fund & Related Funds

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Forecast changes: General Fund State – new definition

2009 – 2011
biennium

	Mar '09 Forecast	June '09 Forecast			Total Change*
		Forecast Change	Non- economic Change	Forecast	
Dept. of Revenue	\$29,487	(\$509)	\$159	\$29,138	(\$349)
All other agencies	\$643	(\$15)	\$67	\$696	\$52
Total GFS**	\$30,131	(\$523)	\$226	\$29,834	(\$297)

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* Detail may not add to total due to rounding
** General Fund plus related Funds in March; General Fund State in June, per ESSB5073

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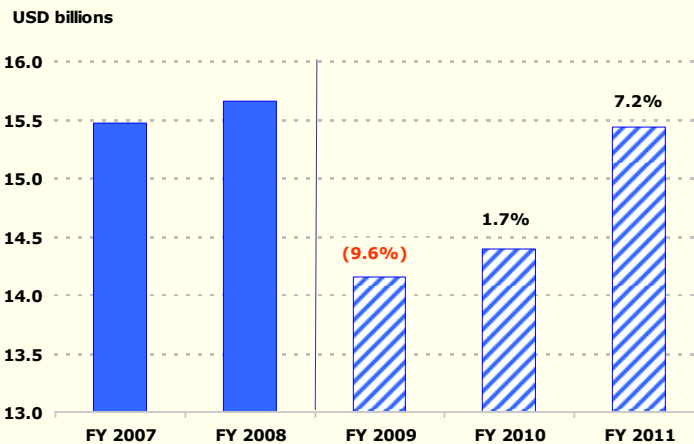
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General Fund* forecast by fiscal year

* General Fund & Related Funds for FY 07, 08, 09

General Fund – new definition, for FY 10, 11



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Source: ERFC forecast, June 2009

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2007-09 Biennium Alternative Forecasts – Cash Basis

USD millions	2007-09 biennium	Difference From the baseline
June 2009 Baseline (75%)	\$27,706	
<u>June 2009 Alternative Forecasts</u>		
Optimistic (10%)	\$27,737	\$31
Pessimistic (15%)	\$27,674	(\$32)
Probability Weighted Average	\$27,705	(\$2)
GCEA*	\$27,707	\$1

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

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2009-11 Biennium Alternative Forecasts – Cash Basis

USD millions	2007-09 biennium	Difference From the baseline
June 2009 Baseline (75%)	\$29,834	
<u>June 2009 Alternative Forecasts</u>		
Optimistic (10%)	\$31,470	\$1,636
Pessimistic (15%)	\$27,855	(\$1,979)
Probability Weighted Average	\$29,701	(\$133)
GCEA*	\$29,528	(\$306)

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

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Conclusion

- Although the current forecast is weaker than in March, there is room for cautious optimism
- There should be greater clarity by September about the direction of the economy and state revenues

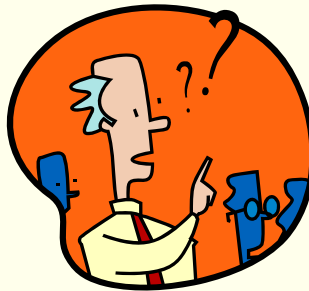
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Questions



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Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the June 2009 to the March 2009 Forecast

2007-09 Biennium

Millions of Dollars

	March 2009 <u>Forecast</u> ¹	June 2009 <u>Forecast</u> <u>Change</u>	June 2009 <u>Non-economic Changes</u> ²	June 2009 <u>Forecast</u>	Total <u>Change*</u>
Department of Revenue	\$27,041.0	(\$186.4)	\$0.0	\$26,854.6	(\$186.4)
All other Agencies	\$850.0	\$2.6	(\$0.9)	\$851.7	\$1.7
Total General Fund-State	\$27,891.0	(\$183.8)	(\$0.9)	\$27,706.3	(\$184.7)

*Detail may not add to totals due to rounding

1: Adopted by the ERFC in March 2009

2: 2009 Supplemental budget-driven change to Liquor Control Board excess funds distribution

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the June 2009 to the March 2009 Forecast
 2009-11 Biennium
 Millions of Dollars

	March 2009 Forecast ¹	June 2009 Forecast Change	June 2009 Non-economic Changes ²	June 2009 Forecast	Total Change*
Department of Revenue	\$29,487.4	(\$508.6)	\$159.4	\$29,138.2	(\$349.1)
All other Agencies	\$643.4	(\$14.6)	\$67.0	\$695.7	\$52.4
Total General Fund-State*	\$30,130.7	(\$523.2)	\$226.4	\$29,834.0	(\$296.8)

*New definition per ESSB 5073. Detail may not add to totals due to rounding.

1: Forecast for GFS and related funds for the 2009-11 biennium adopted March 2009

2: Sum of 2009 legislation and budget-driven revenue

**Year-Over-Year Employment Growth by Industry
(May 2008 to May 2009)
Washington vs. U.S.**

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	-115.8	-3.9%	-4.0%
Software Publishers	1.4	2.8%	-
Education and Health Services	9.6	2.6%	2.3%
Government Education	4.5	1.8%	-0.2%
Government Non-Education	4.1	1.7%	-0.4%
Aerospace Product and Parts Manufacturing	-1.1	-1.2%	-
Leisure and Hospitality	-7.8	-2.7%	-2.5%
Transportation, Warehousing and Utilities	-2.6	-2.7%	-6.0%
Other Services	-3.2	-3.0%	-2.2%
Retail Trade	-14.6	-4.5%	-3.9%
Wholesale Trade	-6.3	-4.8%	-5.1%
Financial Activities	-9.3	-6.0%	-5.1%
Professional and Business Services	-26.3	-7.5%	-6.6%
Information Excluding Software	-4.4	-8.0%	-
Natural Resources and Mining	-0.8	-10.9%	-5.2%
Manufacturing Excluding Aerospace	-24.4	-11.7%	-
Construction	-35.4	-17.3%	-13.9%
Information	-3.0	-2.9%	-5.1%
Manufacturing	-25.5	-8.7%	-11.8%

Washington Geographic Breakdown

Seattle MSA	-55.5	-3.7%
Tacoma MSA	-12.5	-4.4%
Spokane MSA	-9.4	-4.2%
Rest of WA	-38.4	-3.9%

Source: WA State Employment Security Department, U.S. Bureau of Labor Statistics

Electronic Filers*
Year-over-year growth in payments,
Same tax payers
Percent

NAICS/Sector	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
441 Motor vehicles & parts	(20.0)	(18.4)	(20.7)	(28.7)	(26.2)	(26.8)	(9.6)	(29.2)	(27.2)	(20.7)
442 furniture and home furnishings	(7.7)	(13.8)	(11.8)	(17.9)	(18.2)	(30.0)	(7.1)	(20.8)	(18.6)	(19.9)
443 Electronics & appliances	3.4	(5.6)	(2.4)	(9.8)	(0.0)	(10.2)	9.4	(4.8)	(13.5)	(5.7)
444 Build. Mat./garden equip.	(6.9)	(12.5)	(12.0)	(9.8)	(17.6)	(17.9)	(22.3)	(20.1)	(23.4)	(8.1)
445 Food & beverage stores	16.0	(6.9)	0.4	(5.4)	(0.1)	9.5	(7.4)	(2.8)	(3.2)	3.9
446 Drug & health stores	6.5	5.1	3.7	3.6	(1.9)	(3.1)	4.9	(3.0)	3.8	8.3
447 Gas stations & convenience stores	25.3	17.8	4.7	0.1	(17.6)	(19.9)	(16.7)	(20.6)	(20.8)	(20.2)
448 Apparel & accessories	(1.0)	(1.9)	(9.4)	(13.2)	(15.1)	(18.6)	(6.6)	(14.5)	(16.1)	(1.7)
451 Sporting goods,toys,books,music	3.2	1.1	(6.1)	(11.7)	(12.8)	(12.7)	(2.9)	(10.8)	(8.0)	(4.1)
452 General merchandise stores	1.1	0.6	(5.0)	(3.7)	(7.2)	(5.0)	3.7	(1.5)	(7.7)	2.7
453 Miscellaneous retailers	(3.7)	(2.7)	(0.9)	(0.4)	(10.4)	(10.9)	(5.7)	(11.1)	(8.2)	(6.0)
454 Nonstore retailers	5.6	(0.8)	5.8	(8.1)	(15.6)	(5.7)	(11.4)	(12.1)	(6.6)	(13.6)
44-45 Sub total: Retail Trade	(4.3)	(7.3)	(8.6)	(12.0)	(13.4)	(12.7)	(5.8)	(14.0)	(15.1)	(7.7)
11 Agriculture,forestry,fishing	(2.9)	(9.1)	(9.1)	(5.4)	(7.3)	4.1	(3.9)	(11.0)	(24.2)	(8.0)
21 Mining	(17.1)	(5.1)	(4.1)	(14.7)	(49.5)	34.1	(1.8)	9.4	9.5	33.1
22 Utilities	0.2	(2.0)	1.9	(2.5)	(3.9)	(4.5)	13.8	1.9	10.4	2.2
23 Construction	2.9	(8.8)	(5.0)	(8.2)	(11.7)	(10.5)	(19.4)	(19.8)	(18.2)	(21.9)
31-33 Manufacturing	9.7	(12.9)	(11.7)	(3.2)	(41.0)	(20.6)	(37.5)	(32.0)	(38.1)	(39.2)
42 Wholesale trade	11.2	2.0	3.5	(1.0)	(9.0)	(11.8)	(13.3)	(17.0)	(17.4)	(14.1)
48-49 Transportation & Warehousing	34.4	5.8	12.0	11.4	(14.0)	(10.9)	(24.7)	(27.9)	(33.3)	(27.5)
51 Information (adjusted for one-time payments)	10.8	0.8	(0.3)	5.6	(1.2)	(4.2)	0.9	(0.5)	(5.3)	(3.0)
52 Finance, insurance	(7.9)	6.5	(9.8)	(11.7)	(12.8)	(1.0)	(2.1)	(9.7)	(8.7)	(8.9)
53 Real Estate, rental & leasing	(4.1)	(5.9)	(2.7)	(9.5)	(16.7)	(12.0)	(9.4)	(12.7)	(10.5)	(10.5)
54 Professional, scientific & Tech. services	15.4	(4.1)	2.0	2.1	(8.6)	3.8	(7.9)	(12.5)	(5.7)	(0.1)
55-62 Management,education & health services	3.7	0.5	11.3	6.2	(6.8)	1.2	4.4	2.9	6.4	5.8
71 Arts, entertainment & recreation	4.2	2.4	4.2	0.1	12.3	(22.6)	(4.5)	0.6	(7.8)	(2.0)
72 Accommodation & food services	2.9	3.2	0.2	(1.3)	(5.3)	(12.1)	(5.2)	(10.4)	(10.7)	(6.5)
81 Other services	0.8	(6.7)	2.3	(3.6)	(12.0)	(10.8)	(4.3)	(12.7)	(8.1)	(7.2)
92,99,00 Public Administration & all other	10.7	(9.1)	(13.0)	(5.2)	(31.1)	(28.7)	(1.4)	(15.1)	48.2	(5.5)
Total: All Industries	1.5	(4.9)	(4.1)	(6.2)	(12.8)	(10.7)	(9.0)	(13.6)	(13.9)	(11.2)
Addendum:										
Retail trade & Food services	(3.6)	(6.0)	(7.6)	(10.6)	(12.2)	(12.6)	(5.2)	(13.1)	(14.2)	(7.3)
Non retail trade & food services	5.8	(9.6)	(1.3)	(3.0)	(13.3)	(8.8)	(11.8)	(13.9)	(13.6)	(14.1)
Accommodations	2.6	2.6	(0.8)	(5.1)	(15.4)	(13.9)	(19.0)	(21.1)	(19.3)	(13.7)
Retail trade & food service-except auto	1.5	(2.2)	(4.0)	(5.5)	(8.7)	(9.7)	(4.1)	(8.6)	(10.6)	(3.6)
Real estate/construction related	(0.6)	(9.4)	(6.4)	(9.2)	(13.6)	(13.4)	(17.8)	(19.1)	(18.2)	(17.9)
Total less real estate/construction related	2.2	(3.4)	(3.3)	(5.2)	(12.5)	(10.1)	(6.5)	(12.0)	(12.7)	(9.2)
Non retail trade	5.5	(3.3)	(1.2)	(2.7)	(12.4)	(9.0)	(10.9)	(13.3)	(13.1)	(13.3)

*Electronic payments of EFT taxpayers and ELF taxpayers (includes some non-electronic payments of EFT taxpayers) received by two days after due date.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
1990	13.7	10.5	1.3
1991	5.8	8.9	0.6
1992	6.6	6.6	1.0
1993	4.2	6.9	0.6
1994	6.2	4.3	1.4
1995	4.6	5.8	0.8
1996	3.6	5.8	0.6
1997	7.1	8.0	0.9
1998	7.3	8.1	0.9
1999	7.1	7.8	0.9
2000	7.4	8.8	0.8
2001	3.1	3.9	0.8
2002	(0.6)	2.4	(0.3)
2003	2.3	2.0	1.1
2004	5.1	3.9	1.3
2005	7.9	6.0	1.3
2006	9.8	7.7	1.3
2007	8.2	8.0	1.0
2008	3.0	6.8	0.4
2009	(8.2)	1.7	(4.9)
2010	1.5	0.8	1.9
2011	7.0	4.8	1.4
Average 1990-2008:	5.9	6.4	0.9
II. Business & Occupation			
1990	14.3	10.5	1.4
1991	6.3	8.9	0.7
1992	6.3	6.6	0.9
1993	3.5	6.9	0.5
1994	2.0	4.3	0.5
1995	6.8	5.8	1.2
1996	4.5	5.8	0.8
1997	9.0	8.0	1.1
1998	7.2	8.1	0.9
1999	7.2	7.8	0.9
2000	5.5	8.8	0.6
2001	3.0	3.9	0.8
2002	(3.4)	2.4	(1.4)
2003	(2.4)	2.0	(1.2)
2004	6.6	3.9	1.7
2005	9.9	6.0	1.7
2006	11.4	7.7	1.5
2007	8.5	8.0	1.1
2008	8.2	6.8	1.2
2009	(8.8)	1.7	(5.3)
2010	(0.5)	0.8	(0.7)
2011	8.7	4.8	1.8
Average 1990-2008:	6.0	6.4	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

June 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
1990	14.6	10.5	1.4
1991	9.9	8.9	1.1
1992	(0.9)	6.6	(0.1)
1993	6.8	6.9	1.0
1994	7.1	4.3	1.6
1995	5.8	5.8	1.0
1996	8.3	5.8	1.4
1997	5.5	8.0	0.7
1998	6.9	8.1	0.9
1999	0.8	7.8	0.1
2000	10.3	8.8	1.2
2001	8.2	3.9	2.1
2002	(8.2)	2.4	(3.5)
2003	(7.8)	2.0	(3.8)
2004	7.6	3.9	1.9
2005	13.5	6.0	2.2
2006	8.0	7.7	1.0
2007	4.4	8.0	0.6
2008	(1.6)	6.8	(0.2)
2009	(12.6)	1.7	(7.5)
2010	4.9	0.8	6.4
2011	14.3	4.8	3.0
Average 1990-2008:	5.2	6.4	0.6

Total Revenue Act Receipts

June 2009 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity***
	Tax Receipts	Personal Income ¹	
Revenue Act			
1990	13.8	10.5	1.3
1991	5.5	8.9	0.6
1992	5.7	6.6	0.9
1993	6.1	6.9	0.9
1994	7.2	4.3	1.7
1995	6.4	5.8	1.1
1996	1.8	5.8	0.3
1997	5.3	8.0	0.7
1998	6.3	8.1	0.8
1999	4.1	7.8	0.5
2000	7.4	8.8	0.8
2001	3.9	3.9	1.0
2002	(1.7)	2.4	(0.7)
2003	0.9	2.0	0.5
2004	4.7	3.9	1.2
2005	7.6	6.0	1.3
2006	10.6	7.7	1.4
2007	8.4	8.0	1.1
2008	4.3	6.8	0.6
2009	(9.8)	1.7	(5.9)
2010	1.9	0.8	2.4
2011	8.2	4.8	1.7
Average 1990-2008:	5.7	6.4	0.8

* Based on constant base taxable data.

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

*** 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: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

June 2009 - Millions of Dollars

	General Fund-State as Defined Pre-ESSB 5073		Related Funds as Defined Pre-ESSB 5073		General Fund-State as Defined by ESSB 5073 (Previously General Fund-State plus Related Funds)	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
Forecast:						
FY 2009	\$13,092	-10.4%	\$1,061	1.5%	\$14,153	-9.6%
FY 2010	\$13,331	1.8%	\$1,065	0.4%	\$14,396	1.7%
FY 2011	\$14,361	7.7%	\$1,077	1.1%	\$15,438	7.2%
Biennial Totals						
0507 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
0709 Biennium	\$27,706	-0.2%	\$2,106	4.6%	\$29,812	0.1%
0911 Biennium	\$27,692	-0.1%	\$2,142	1.7%	\$29,834	0.1%

Updated June Compared to March

U.S. Forecast Comparison

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2007	2008	2009	2010	2011
Real GDP (2000 USD billions)											
June Forecast, Updated	11,354	11,302	11,319	11,373	11,440	11,519	11,524	11,652	11,337	11,562	11,928
Percent Change	-5.7%	-1.8%	0.6%	1.9%	2.4%	2.8%	2.0%	1.1%	-2.7%	2.0%	3.2%
March Forecast	11,369	11,312	11,326	11,377	11,441	11,521	11,524	11,653	11,346	11,564	11,959
Percent Change	-5.3%	-2.0%	0.5%	1.8%	2.3%	2.8%	2.0%	1.1%	-2.6%	1.9%	3.4%
Implicit Price Deflator (2000=100)											
June Forecast, Updated	1.212	1.218	1.226	1.230	1.234	1.240	1.177	1.216	1.221	1.244	1.269
Percent Change	-1.0%	2.1%	2.4%	1.4%	1.5%	2.0%	2.6%	3.3%	0.5%	1.8%	2.0%
March Forecast	1.210	1.208	1.210	1.212	1.217	1.222	1.177	1.216	1.210	1.226	1.248
Percent Change	-1.5%	-0.7%	0.7%	0.8%	1.5%	1.8%	2.6%	3.3%	-0.5%	1.3%	1.8%
Real Personal Income (2000 USD billions)											
June Forecast, Updated	9,950	9,973	9,857	9,876	9,930	9,975	9,912	9,952	9,914	9,999	10,228
Percent Change	-0.9%	0.9%	-4.6%	0.8%	2.2%	1.8%	3.4%	0.4%	-0.4%	0.9%	2.3%
March Forecast	10,031	10,153	10,111	10,133	10,166	10,199	9,912	9,958	10,107	10,219	10,454
Percent Change	1.3%	5.0%	-1.7%	0.9%	1.3%	1.3%	3.4%	0.5%	1.5%	1.1%	2.3%
Nonfarm Payroll Employment (Millions)											
June Forecast, Updated	133.7	132.3	131.5	131.3	131.3	131.7	137.6	137.0	132.2	131.9	134.1
Percent Change	-5.9%	-4.1%	-2.2%	-0.9%	0.3%	1.1%	1.1%	-0.4%	-3.6%	-0.2%	1.7%
March Forecast	134.0	133.0	132.4	132.1	132.2	132.5	137.6	137.0	132.8	132.6	134.7
Percent Change	-5.1%	-2.9%	-1.8%	-0.9%	0.4%	0.7%	1.1%	-0.4%	-3.1%	-0.2%	1.6%
Unemployment Rate (Percent of Labor Force)											
June Forecast, Updated	8.1	9.2	9.7	9.9	10.0	10.0	4.6	5.8	9.2	9.9	9.4
March Forecast	8.0	8.7	9.2	9.5	9.6	9.6	4.6	5.8	8.8	9.5	8.9
30 Year Fixed Mortgage Rate (Percent, average)											
June Forecast, Updated	5.1	4.9	5.1	5.1	5.2	5.3	6.3	6.0	5.0	5.3	5.7
March Forecast	5.1	4.9	4.9	5.0	5.0	5.0	6.3	6.0	5.0	5.0	5.8
3 Month T-Bill Rate (Percent, average)											
June Forecast, Updated	0.2	0.2	0.3	0.3	0.4	0.5	4.4	1.4	0.2	0.6	2.3
March Forecast	0.3	0.3	0.3	0.4	0.5	0.6	4.4	1.4	0.3	0.7	2.4

Updated June Compared to March

Washington Forecast Comparison

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2007	2008	2009	2010	2011
Real Personal Income (2000 USD billions)											
June Forecast, Updated	227.9	226.9	225.2	225.2	227.5	228.7	225.8	227.2	226.3	229.8	237.2
Percent Change	0.5%	-1.7%	-3.1%	0.1%	4.1%	2.2%	5.4%	0.6%	-0.4%	1.5%	3.2%
March Forecast	229.8	231.5	231.6	231.5	234.0	235.2	225.7	227.5	231.1	236.0	243.9
Percent Change	3.4%	2.9%	0.2%	-0.2%	4.4%	1.9%	5.3%	0.8%	1.6%	2.1%	3.3%
Personal Income (USD billions)											
June Forecast, Updated	276.3	276.5	276.0	277.0	280.8	283.7	265.7	276.3	276.4	285.8	301.0
Percent Change	-0.5%	0.4%	-0.8%	1.4%	5.6%	4.2%	8.1%	4.0%	0.1%	3.4%	5.3%
March Forecast	278.1	279.6	280.2	280.6	284.8	287.4	265.6	276.6	279.6	289.3	304.3
Percent Change	1.8%	2.2%	0.9%	0.6%	6.0%	3.8%	8.0%	4.2%	1.1%	3.5%	5.2%
Nonfarm Payroll Employment (Thousands)											
June Forecast, Updated	2885	2852	2836	2829	2833	2846	2934	2959	2850	2852	2920
Percent Change	-5.8%	-4.6%	-2.2%	-1.0%	0.6%	1.9%	2.6%	0.9%	-3.7%	0.1%	2.4%
March Forecast	2905	2886	2877	2875	2886	2899	2934	2960	2886	2906	2977
Percent Change	-3.8%	-2.7%	-1.1%	-0.3%	1.4%	1.9%	2.6%	0.9%	-2.5%	0.7%	2.4%
Unemployment Rate (Percent of Labor Force)											
June Forecast, Updated	8.4	9.3	9.9	10.3	10.5	10.5	4.5	5.3	9.5	10.4	9.8
March Forecast	8.3	9.0	9.6	9.9	10.0	10.0	4.5	5.3	9.2	10.0	9.5
Manufacturing Employment (Thousands)											
June Forecast, Updated	277.4	268.7	263.6	259.6	257.8	255.5	293.3	291.2	267.3	256.5	260.7
Percent Change	-3.8%	-12.0%	-7.5%	-5.9%	-2.7%	-3.5%	2.6%	-0.7%	-8.2%	-4.1%	1.6%
March Forecast	278.0	271.3	265.8	262.8	263.0	263.2	293.3	291.0	269.5	264.4	273.4
Percent Change	-2.3%	-9.3%	-7.8%	-4.4%	0.2%	0.4%	2.6%	-0.8%	-7.4%	-1.9%	3.4%
Construction Employment (Thousands)											
June Forecast, Updated	178.8	168.5	163.4	160.0	156.8	155.6	208.2	200.7	167.7	156.1	160.9
Percent Change	-22.9%	-21.0%	-11.5%	-8.2%	-7.6%	-3.1%	6.8%	-3.6%	-16.5%	-6.9%	3.1%
March Forecast	187.4	179.7	172.8	168.4	166.6	164.9	208.2	201.5	177.1	165.4	170.5
Percent Change	-13.0%	-15.5%	-14.3%	-9.9%	-4.2%	-4.0%	6.8%	-3.2%	-12.1%	-6.6%	3.1%
Housing Permits (Thousands)											
June Forecast, Updated	15.1	12.8	13.8	16.0	19.4	22.2	47.4	28.9	14.4	23.6	35.5
Percent Change	-78.6%	-49.4%	36.0%	80.2%	115.9%	70.9%	-5.3%	-39.0%	-50.1%	63.7%	50.3%
March Forecast	19.3	19.0	19.1	23.2	26.4	28.8	47.4	27.3	20.1	30.2	40.3
Percent Change	-28.9%	-5.5%	2.2%	116.3%	68.6%	42.0%	-5.3%	-42.5%	-26.1%	50.2%	33.3%

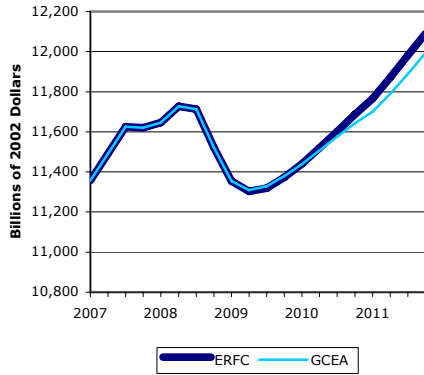
Governor's Council of Economic Advisor's Forecast

June 5, 2009

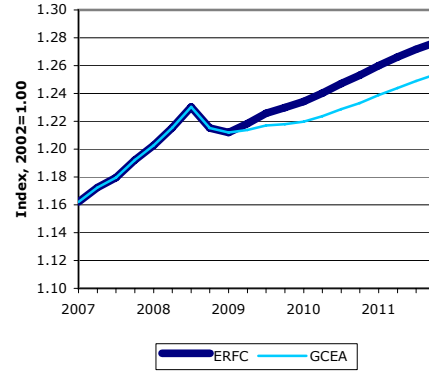
	2009	2010	2011
<u>U.S.</u>			
Real GDP			
<i>Growth</i>			
ERFC	-2.7	2.0	3.2
GCEA Average	-2.7	1.7	2.6
Implicit Price Deflator, PCE			
<i>Growth</i>			
ERFC	0.5	1.8	2.0
GCEA Average	-0.1	0.9	1.6
Mortgage Rate			
<i>Percent</i>			
ERFC	5.0	5.3	5.7
GCEA Average	5.1	5.5	5.8
Oil Price (WTI)			
<i>USD per barrel</i>			
ERFC	61.7	77.0	80.2
GCEA Average	58.0	70.8	77.4
In which quarter will the recession end?	2009Q4		
<u>Washington State</u>			
Real Personal Income			
<i>Growth</i>			
ERFC	-0.4	1.5	3.2
GCEA Average	0.0	1.1	2.6
Wage and Salary Employment			
<i>Growth</i>			
ERFC	-3.7	0.1	2.4
GCEA Average	-3.8	-0.5	1.8
Manufacturing Employment			
<i>Growth</i>			
ERFC	-8.2	-4.1	1.6
GCEA Average	-8.8	-5.0	1.1
Construction Employment			
<i>Growth</i>			
ERFC	-16.5	-6.9	3.1
GCEA Average	-15.9	-7.2	1.1
Housing Permits			
<i>Thousands of authorized units</i>			
ERFC	14.4	23.6	35.5
GCEA Average	15.0	21.3	30.4
Washington Average Annual Wage			
<i>Growth</i>			
ERFC	2.2	2.7	3.3
GCEA Average	2.1	2.3	2.6

U.S. Forecast Comparison

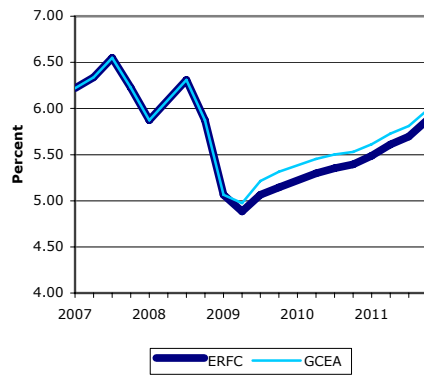
Real GDP



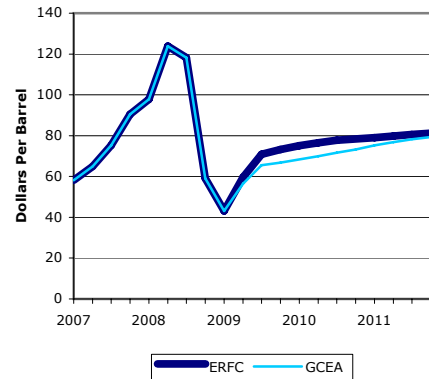
Implicit Price Deflator, PCE



Mortgage Rate

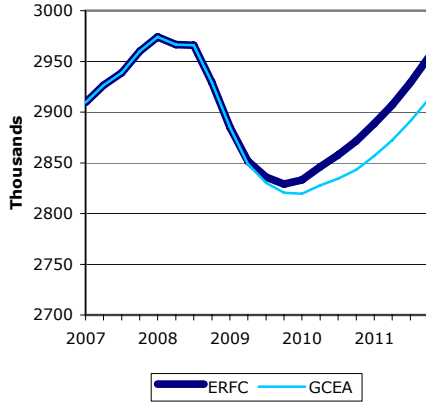


WTI Oil Price

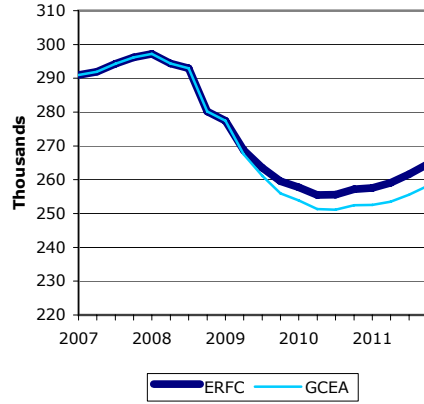


Washington Forecast Comparison

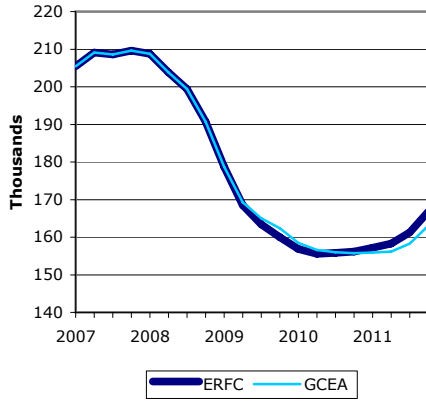
Nonfarm Payroll Employment



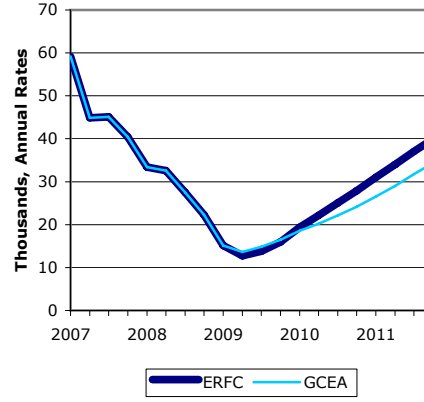
Manufacturing Employment



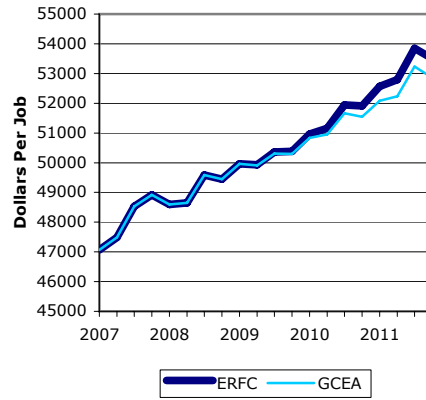
Construction Employment



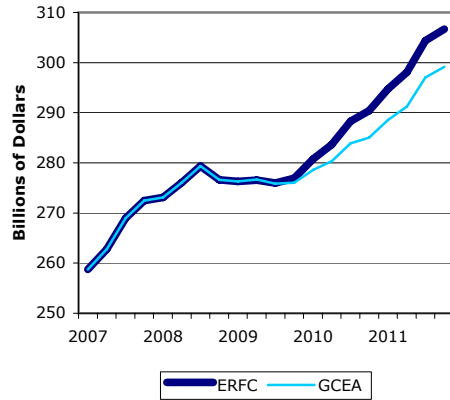
Housing Units Authorized



Average Annual Wage



Personal Income



**General Fund-State Cash Estimates - Other Agencies
Comparison of June 2009 to March 2009 Forecast
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	March 2009 Baseline	Non-Economic Changes	Forecast Changes	June 2009 Baseline	Total Changes
Department of Licensing	\$44.4	\$0.0	(\$0.2)	\$44.2	(\$0.2)
Insurance Commissioner Insurance Premiums	\$514.2	\$0.0	(\$0.9)	\$513.3	(\$0.9)
Liquor Control Board Liquor Profits and Fees	\$78.4	(\$0.9)	\$2.2	\$79.7	\$1.3
Beer and Wine Surtax	\$4.4	\$0.0	\$0.0	\$4.4	\$0.0
Lottery Commission Lottery Revenue	\$11.1	\$0.0	\$0.0	\$11.1	\$0.0
State Treasurer Interest Earnings	\$172.4	\$0.0	\$2.7	\$175.1	\$2.7
Office of Financial Management Other Agencies	\$25.1	\$0.0	(\$1.3)	\$23.8	(\$1.3)
Total General Fund-State	\$850.0	(\$0.9)	\$2.6	\$851.7	\$1.7

**General Fund-State Cash Estimates - Other Agencies
Comparison of June 2009 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$44.9	\$44.2	\$43.6
Insurance Commissioner Insurance Premiums	\$513.3	\$513.3	\$513.3
Liquor Control Board Liquor Profits and Fees	\$81.3	\$79.7	\$78.1
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$11.1	\$11.1	\$11.1
State Treasurer Interest Earnings	\$175.1	\$175.1	\$175.1
Office of Financial Management Other Agencies	\$28.8	\$23.8	\$18.8
Total General Fund-State	\$859.0	\$851.7	\$844.4
Change from Baseline	\$7.3		(\$7.3)
Change from Baseline	\$9.0	\$1.7	(\$5.6)

* Detail may not total due to rounding.

**General Fund-State GAAP Estimates - Other Agencies
Comparison of June 2009 to March 2009 Forecast
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	March 2009 Baseline	Non-Economic Changes	Forecast Changes	June 2009 Baseline	Total Changes
Department of Licensing	\$44.7	\$0.0	(\$0.3)	\$44.4	(\$0.3)
Insurance Commissioner Insurance Premiums	\$514.2	\$0.0	(\$0.9)	\$513.3	(\$0.9)
Liquor Control Board Liquor Profits and Fees	\$78.4	(\$0.9)	\$2.2	\$79.7	\$1.3
Beer and Wine Surtax	\$4.4	\$0.0	\$0.0	\$4.4	\$0.0
Lottery Commission Lottery Revenue	\$11.1	\$0.0	\$0.0	\$11.1	\$0.0
State Treasurer Interest Earnings	\$160.4	\$0.0	\$3.6	\$164.0	\$3.6
Office of Financial Management Other Agencies	\$25.1	\$0.0	(\$1.3)	\$23.8	(\$1.3)
Total General Fund-State	\$838.3	(\$0.9)	\$3.3	\$840.8	\$2.4

**General Fund-State GAAP Estimates - Other Agencies
Comparison of June 2009 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.1	\$44.4	\$43.8
Insurance Commissioner Insurance Premiums	\$513.3	\$513.3	\$513.3
Liquor Control Board Liquor Profits and Fees	\$81.3	\$79.7	\$78.1
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$13.1	\$11.1	\$11.1
State Treasurer Interest Earnings	\$165.4	\$164.0	\$163.2
Office of Financial Management Other Agencies	\$28.8	\$23.8	\$18.8
Total General Fund-State	\$851.5	\$840.8	\$832.6
Change from Baseline	\$10.7		(\$8.2)
Change from Baseline	\$13.2	\$3.3	(\$5.7)

* Detail may not total due to rounding.

**General Fund-State Cash Forecast
Summary of Changes to GFS Forecast
2007-09 Biennium
Millions of Dollars**

	Collection Experience: March 11, 2009 - June 10, 2009			Remainder of the Biennium (6/11/2009 - 6/30/09)		Total Change 2007-09 Biennium
	Actual Variance*	Special Factors	Variance Excluding Special Factors	Forecast Change	Other#	
Revenue Act**	(\$138.4)	\$0.0	(\$138.4)	(\$14.1)	\$0.0	(\$152.5)
Non Revenue Act	\$133.6	\$0.0	\$133.6	(\$167.0)	\$0.0	(\$33.4)
Property tax	\$167.0		\$167.0	(\$158.4)		\$8.6
Real estate ex. tax	(\$20.7)		(\$20.7)	(\$9.8)	0.0	(\$30.4)
Cigarette	\$0.3		\$0.3	(\$0.8)		(\$0.5)
other	(\$13.0)		(\$13.0)	\$1.9	0.0	(\$11.0)
Department of Revenue Subtotal	(\$4.8)	\$0.0	(\$4.8)	(\$181.1)	\$0.0	(\$185.9)
Department of Licensing	(\$0.2)		(\$0.2)	\$0.0		(\$0.2)
Lottery	\$0.0		\$0.0	\$0.0		\$0.0
All other	NA		NA	\$2.2	(\$0.9)	\$1.4
Total General Fund-State	(\$4.9)	\$0.0	(\$4.9)	(\$178.9)	(\$0.9)	(\$184.7)

*Variance since the last (March 2009) forecast (March 11,2009 - June 10, 2009)

**Retail sales, business & occupation, use, public utilities and tobacco products taxes and penalties & interest.

2009 Supplemental budget-driven change to Liquor Control Board excess funds distribution

Track Record for the 2007-09 General Fund-State Cash Forecast

February 2006 through June 2009

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 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
March 2009	(650)	(20)	(670)	(66) #5	(736)	27,891
June 2009	(186)	3	(184)	(1) #6	(185)	27,706
Total change***:						
From February 2006	(1118)	48	(1070)	(252)	(1,321)	
Percent change	(4.0)	5.7	(3.7)	(0.9)	(4.6)	

* 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 2007-09 biennium

#1 Change to the forecast due to 2006 legislation

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement

#3 Change to the forecast due to change in federal law regarding taxation of internet access

#4 Impact of 2008 legislation and budget driven revenue

#5 Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

#6 2009 Supplemental budget-driven change to Liquor Control Board excess funds distribution

**General Fund-State Cash Estimates - Other Agencies
Comparison of June 2009 to March 2009 Forecast
2009-11 Biennium
(Amounts in Millions)**

Source/Agency	March 2009 Baseline	Non-Economic Changes	Forecast Changes	June 2009 Baseline	Total Changes
Department of Licensing	\$45.9	(\$0.1)	(\$1.8)	\$44.0	(\$1.9)
Insurance Commissioner Insurance Premiums	\$532.3	\$0.0	\$4.8	\$537.1	\$4.8
Liquor Control Board Liquor Profits and Fees	\$85.4	\$9.2	(\$11.4)	\$83.1	(\$2.2)
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$15.3	\$0.0	\$15.3	\$15.3
State Treasurer Interest Earnings	\$12.4	\$0.0	\$0.0	\$12.4	\$0.0
Office of Financial Management Other Agencies	(\$37.6)	\$42.7	(\$6.3)	(\$1.2)	\$36.4
Total General Fund-State	\$643.4	\$67.0	(\$14.7)	\$695.7	\$52.4

**General Fund-State Cash Estimates - Other Agencies
Comparison of June 2009 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.4	\$44.0	\$42.7
Insurance Commissioner Insurance Premiums	\$558.2	\$537.1	\$516.0
Liquor Control Board Liquor Profits and Fees	\$84.8	\$83.1	\$81.5
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$20.0	\$15.3	\$12.0
State Treasurer Interest Earnings	\$53.9	\$12.4	(\$9.1)
Office of Financial Management Other Agencies	\$8.8	(\$1.2)	(\$11.2)
Total General Fund-State	\$776.1	\$695.7	\$636.7
Change from Baseline	\$80.4		(\$59.0)
Change from Baseline	\$132.7	\$52.4	(\$6.7)

**General Fund-State GAAP Estimates - Other Agencies
Comparison of June 2009 to March 2009 Forecast
2009-11 Biennium
(Amounts in Millions)**

Source/Agency	March 2009 Baseline	Non-Economic Changes	Forecast Changes	June 2009 Baseline	Total Changes
Department of Licensing	\$46.6	(\$0.1)	(\$1.8)	\$44.7	(\$1.9)
Insurance Commissioner Insurance Premiums	\$532.3	\$0.0	\$4.8	\$537.1	\$4.8
Liquor Control Board Liquor Profits and Fees	\$85.4	\$9.2	(\$11.4)	\$83.1	(\$2.2)
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$15.3	\$0.0	\$15.3	\$15.3
State Treasurer Interest Earnings	\$8.9	\$0.0	(\$0.3)	\$8.6	(\$0.3)
Office of Financial Management Other Agencies	(\$37.6)	\$42.7	(\$6.3)	(\$1.2)	\$36.4
Total General Fund-State	\$640.5	\$67.0	(\$15.0)	\$692.5	\$52.0

**General Fund-State GAAP Estimates - Other Agencies
Comparison of June 2009 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$46.0	\$44.7	\$43.4
Insurance Commissioner Insurance Premiums	\$558.2	\$537.1	\$516.0
Liquor Control Board Liquor Profits and Fees	\$84.8	\$83.1	\$81.5
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$20.0	\$15.3	\$12.0
State Treasurer Interest Earnings	\$50.1	\$8.6	(\$12.9)
Office of Financial Management Other Agencies	\$8.8	(\$1.2)	(\$11.2)
Total General Fund-State	\$772.9	\$692.5	\$633.5
Change from Baseline	\$80.4		(\$59.0)
Change from Baseline	\$132.4	(\$15.0)	(\$7.0)

General Fund-State, Related Fund*, and Near General Fund**

June 2009 and March 2009 Cash Forecasts

2007-09 & 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change Due to Forecast	Change Due to ESSB 5073
	Mar. 2009 Forecast	Jun. 2009 Forecast	Difference	Mar. 2009 Forecast	Jun. 2009 Forecast	Difference		
General Fund-State	\$27,891.0	\$27,706.3	(\$184.7)	\$27,945.3	\$29,834.0	\$1,888.7	(\$253.7)	\$2,142.3
Related Fund*								
Health Services Account	\$1,239.3	\$1,237.2	(\$2.1)	\$1,246.7	\$0.0	(\$1,246.7)	\$13.5	(\$1,260.2)
Violence Reduction and Drug Enforcement Acct.	92.8	92.2	(0.5)	100.0	0.0	(100.0)	(9.9)	(90.1)
Water Quality Account	71.7	68.0	(3.7)	89.8	0.0	(89.8)	(47.2)	(42.6)
Student Achievement Account	503.4	503.4	0.1	542.7	0.0	(542.7)	0.0	(542.7)
Public Safety and Education Account	202.7	205.1	2.4	206.2	0.0	(206.2)	0.4	(206.7)
Total Related Fund	\$2,109.9	\$2,106.0	(\$3.9)	\$2,185.4	\$0.0	(\$2,185.4)	(\$43.1)	(\$2,142.3)
Total General Fund and Related Fund	\$30,000.9	\$29,812.2	(\$188.7)	\$30,130.7	\$29,834.0	(\$296.8)	(\$296.8)	NA
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	\$413.8	\$415.6	\$1.8	\$372.7	\$375.8	\$3.1		
Pension Funding Stabilization Account	22.6	22.8	0.1	0.0	0.0	0.0		
Total Near General Fund	\$2,546.4	\$2,544.3	(\$2.1)	\$2,558.1	\$375.8	(\$2,182.4)	\$3.1	(\$2,185.4)
Total General Fund and Near General Fund	\$30,437.4	\$30,250.6	(\$186.8)	\$30,503.4	\$30,209.7	(\$293.7)	(\$293.7)	NA

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Prior to FY2010 Near General Fund included all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts
Per ESSB 5073, as of FY2010 Near General Fund includes the Education Legacy Trust and Pension Funding Stabilization Accounts

June 2009
Alternative Forecasts
2007-09 Biennium
Millions of Dollars

Cash Basis

	<u>2007-09 Biennium</u>	<u>Difference From the June 2009 Baseline</u>
June 2009 Baseline (75%)	\$27,706	
June 2009 Alternative Forecasts		
Optimistic (10%)	\$27,737	\$31
Pessimistic (15%)	\$27,674	(\$32)
Probability Weighted Average	\$27,705	(\$2)
GCEA*	\$27,707	\$1

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

June 2009
Alternative Forecasts
2009-11 Biennium
Millions of Dollars

Cash Basis

	<u>2009-11 Biennium</u>	<u>Difference From the June 2009 Baseline</u>
June 2009 Baseline (75%)	\$29,834	
June 2009 Alternative Forecasts		
Optimistic (10%)	\$31,470	\$1,636
Pessimistic (15%)	\$27,855	(\$1,979)
Probability Weighted Average	\$29,701	(\$133)
GCEA*	\$29,528	(\$306)

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

Track Record for the 2009-11 General Fund-State Cash Forecast

February 2008 through June 2009

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 2008 **	\$33,291	\$867				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
Total change***:						
From February 2008	(4,237)	(227)	(4,479)	155	(4,324)	
Percent change	(12.7)	(26.2)	(13.1)	0.5	(12.7)	

* 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.

New definition of General Fund-State per ESSB 5073

** First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment

#3 Adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

#4 Sum of 2009 legislation and budget-driven revenue

**Summary of 2009 Legislation
GFS Impact 2007-09 and 2009-11 Biennia By Agency; thousands of dollars**

I. 2009 Legislation

	<u>fiscal 2010</u>	<u>fiscal 2011</u>	<u>2009-11 Biennium</u>	
Department of Revenue				
SHB 1062	Electrolytic process tx exem	0.00	(0.31)	(0.31)
HB 1287	Intrastate commuter aircraft	(0.04)	(0.06)	(0.09)
2SHB 1481	Electric vehicles	(0.14)	(0.17)	(0.32)
2SHB 1484	Habitat open space	(0.00)	(0.00)	(0.00)
HB 1579	Nonprofit legal services	(0.02)	(0.03)	(0.06)
SHB 1733	Current use valuation progs	(0.01)	(0.02)	(0.03)
ESHB 2075	Excise taxation	(1.25)	(1.38)	(2.64)
EHB 2122	Newspaper industry B & O tax	(1.20)	(1.30)	(2.50)
2SSB 5045	Community revitalization	0.00	(2.25)	(2.25)
SB 5470	Low-income senior housing	(0.07)	(0.08)	(0.15)
SSB 5571	Electr methods/revenue dept	0.04	0.20	0.24
SSB 5616	Business customized training	0.08	0.01	0.09
ESSB 6169	Tax collection tools	4.19	4.57	8.76
ESSB 6170	Environmental tax incentives	4.29	(8.27)	(3.98)
SB 6173	Sales tax compliance	<u>28.87</u>	<u>73.69</u>	<u>102.55</u>
Subtotal: DOR		34.73	64.58	99.32
Insurance Commissioner				
EHB 1568	Persons selling insurance	0.00	0.00	0.01
SSB 5480	WA health care discount plan	0.01	0.01	0.02
SSB 5195	Life settlements model act	0.01	0.00	0.01
SHB 2013	Self-service storage insur	<u>0.00</u>	<u>0.05</u>	<u>0.05</u>
Subtotal: Insurance Commissioner		0.02	0.06	0.08
Department of Licensing				
SB 6126	Boxing & similar events	(0.07)	(0.07)	(0.14)
Subtotal: Department of Licensing		(0.07)	(0.07)	(0.14)
Other Agencies (OFM)				
SHB 1067	Limited partnership act	0.39	0.78	1.16
ESHB 1326	Pacific sardines	0.00	0.00	0.01
ESHB 1244	Operating budget	0.48	1.43	1.92
SHB 1592	Registering w/ sec of state	0.02	0.02	0.04
ESSB 5073	Consolidating accts/gen fund	9.11	8.93	18.04
SSB 5793	One-occupant farm conveyance	(0.00)	(0.00)	(0.00)
Subtotal: Other agencies		10.00	11.16	21.16
Total GFS Impact of 2009 Legislation		44.68	75.73	120.42
<u>II. 2009 Budget Driven Revenue and Revenue Adjustments</u>				
OFM/Lottery				
	Liquor Related - GFS (Incl. PSEA&VRDE)	4.33	4.84	9.17
Lottery				
	Lottery Unclaimed Property	10.09	5.67	15.76
Department of Revenue				
	DOR Collection Efforts	<u>25.26</u>	<u>34.85</u>	<u>60.11</u>
Total GFS Budget Driven Revenue and Adjustments		39.68	45.35	85.03
Total: Legislation and Budget Driven Revenue		<u>84.36</u>	<u>121.09</u>	<u>205.44</u>
Detail of OFM Other Agencies Non-Economic Change				
	WQA Subsidy Removed	19.41	20.27	39.68
	Remove Criminal/Alcohol Treatment Transfer	<u>1.49</u>	<u>1.49</u>	<u>2.98</u>
		20.90	21.76	42.66

**2007-09 with 2009 Supplemental Budget, and 2009-11 Enacted Budget
Balance Sheet
General Fund-State
Dollars in Millions**

	2007-09	2009-11*
RESOURCES		
Beginning Fund Balance	780.5	194.2
March 2009 Forecast	27,891.0	30,130.7
June 2009 Update	(183.8)	(502.2)
Current Revenue Totals	27,707.1	29,628.5
Legislatively Enacted Fund Transfers (2007/2008 sessions)	147.0	-
2008: Prior Period Adjustments	(6.9)	-
Transfer to Budget Stabilization Account	(117.1)	(268.8)
2009 Session: ESHB 1694	91.3	-
2009 Session: ESHB 1244	826.3	873.9
2009 Session: Budget Driven Revenue	(0.9)	85.0
2009 Session: Legislation with Revenue Impacts	-	120.4
Transfer Related Fund Balances	-	90.4
Total Resources (including beginning fund balance)	29,427.3	30,723.6
EXPENDITURES		
2007-09 Enacted Budget (Including 2008 Supplemental)	29,838.2	-
2009 Session: ESHB 1694	(565.1)	-
2009 Session: ESHB 1244	(72.3)	30,919.7
Governor's Vetos: ESHB 1244	32.3	(1.6)
	29,233.1	30,918.1
RESERVES		
Projected General Fund Ending Balance	194.2	(194.5)
Budget Stabilization Account Beginning Balance	0.0	23.5
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2	-
Transfer from General Fund and Interest Earnings	120.3	269.3
Transfer to General Fund	(400.0)	(45.1)
Projected Budget Stabilization Account Ending Balance	23.5	247.7
Total Reserves (General Fund plus Budget Stabilization)	217.7	53.2

* - 2009-11 includes revenue and spending changes required by ESSB 5073 - Account Consolidation, Chapter 479, Laws of 2009, which consolidates the public safety and education account, health services account, violence reduction and drug enforcement account, student achievement fund, water quality account, and equal justice subaccount, into the General Fund as of June 30, 2009.