

Revenue Review Meeting

November 19, 2008

AGENDA

REVENUE REVIEW MEETING

November 19, 2008

10:00 a.m.



- Approval of November 7, 2008 Meeting Minutes
- Forecast Summary
- Background
- 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

Revenue Review

November 7, 2008

John L. O'Brien, Hearing Room E

Members Present

Economic and Revenue Forecast Council:

Jim McIntire, House of Representatives, Chair

Joseph Zarelli, Senate

Craig Pridemore, Senate

Ed Orcutt, House of Representatives

Cindi Holmstrom, Director, Department of Revenue

Victor Moore, Office of Financial Management

Staff:

Arun Raha, Executive Director, ERFC

Call to Order

The meeting was called to order by Chair Representative McIntire at 2:36 p.m.

Motion

Senator Pridemore moved, seconded by Senator Zarelli, to adopt the meeting minutes from the September 18, 2008 Revenue Review meeting.

Motion passed unanimously.

Presentation on Revenue 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 a national recession, particularly noting that many members of the Governor's Council of Economic Advisors believe that the U.S. is in recession.

Further discussion was held regarding what numbers are going to be used in the economic forecast. It was decided to use the November Global Insight, Inc. data released on November 6, 2008 as the council encourages the use of the most recent data available.

Motion

Director Moore moved to adopt an economic forecast based on the November Global Insight, Inc. control, seconded by Representative Orcutt.

Motion passed unanimously.

Adjournment

Representative McIntire adjourned the meeting at 3:14 p.m.

Economic & Revenue Forecast Council State of Washington

Revenue Review: November 19, 2008

Executive Summary

- Economic conditions in both the nation and the state have deteriorated sharply since the last Revenue Forecast in September. We have been hit by the worst financial crisis in our lifetimes, and its effects have spilled over to the real economy.
- Our baseline U.S. economic forecast assumes a national recession that will last four quarters, into the middle of 2009, with the current quarter being the weakest. We expect a modest recovery in the second half of 2009, and continued modest growth in 2010, gathering some momentum as the year progresses and into 2011.
- September's credit crunch knocked the wind out of an already weakening economy. Tight credit, declining household net worth, job losses, poor consumer and business confidence, and a global slowdown have contributed to a sharp retrenchment in consumer spending nationwide.
- Washington's economy is not immune to these headwinds that have buffeted the national economy. However, the downturn will be more muted – both in duration and depth - in our state, than for the nation.
- Construction employment in the state is expected to continue to decline, but we do not expect significant job losses in either aerospace or software publishing.
- In the immediate term, we expect a very weak holiday sales season, continued weakness in automobile sales and housing construction and purchases. We also expect a lull in new non-residential construction projects.
- Revenue collections in the two months since the September forecast are USD 108 million below what was forecast at that time.
- Recognizing the unprecedented changes in the economic environment since the Council's last revenue forecast in September, our outlook has dimmed considerably. We have, therefore, made the following changes to our revenue forecast:
 - 2007-2009 biennium: down USD 0.5 billion to USD 28.6 billion
 - 2009-2011 biennium: down USD 1.4 billion to USD 30.1 billion

Downside Risks: 25% probability

- This financial crisis is unprecedented. There is no historical guide to modeling how it will resolve itself. But, if credit conditions remain volatile beyond end-March 2009, which they could, the collateral damage to real economic activity will be much greater. The U.S. downturn would be both longer and deeper.
- If the economic weakness reverses the slowing in the rate of decline in home prices, and they again decline at an increasing rate. This will lead to further financial panic and delay stabilization in credit markets.
- Uncertainty about government policy or input prices, could delay business decisions on new investments. Although, commodity prices have now retreated from their peaks, the recent inflationary episode may yet have a residual effect by delaying the recovery.
- Policy errors: If there is a delay in implementing a further fiscal stimulus, either late this year, or early the next, the U.S. downturn could drag on further. Since Washington is more dependant than the nation on exports, continued weakness in Europe, as a result of the ECB not cutting rates aggressively enough would harm the state disproportionately to the nation.
- Regulatory over-reach: There is a need for developing an appropriate regulatory framework to prevent some of the excesses that led to the financial crisis. However, if there is regulatory over-reach, it will have the effect of locking the stable door after the horse has fled. Excessive regulations will only prevent credit from flowing freely again.

Upside Risks: 15% probability

- Energy prices drop below USD 50 bbl.
- Consumer and business confidence returns sooner 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 would come sooner.
- Good policy: If an effective and well crafted fiscal stimulus package can get money flowing in the economy again, the downturn may end quicker than expected. Larger rate cuts from the ECB would also help in this regard.
- Smaller slowdown in growth in emerging Asia than expected.
- New administration and Treasury Secretary evoke confidence in markets, and there is sufficient clarity about government policies.

Changes to the General Fund-State Cash Forecast-by Agency
 Comparison of the November 2008 to the September 2008 Forecast
 2007-09 Biennium
 Millions of Dollars

	<u>September 2008 Forecast¹</u>	<u>November 2008 Forecast Change</u>	<u>November 2008 Non-economic Changes²</u>	<u>November 2008 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$28,270.7	(\$505.6)	\$0.0	\$27,765.1	(\$505.6)
All other Agencies	\$858.6	\$2.9	\$0.0	\$861.5	\$2.9
Total General Fund-State*	\$29,129.3	(\$502.7)	\$0.0	\$28,626.6	(\$502.7)

*Detail may not add to totals due to rounding.

1: Adopted by the ERFC in September 2008.

2: Impact of 2008 legislative and budget-driven revenue changes

Changes to the General Fund-State Cash Forecast-by Agency
 Comparison of the November 2008 to the September 2008 Forecast
 2009-11 Biennium
 Millions of Dollars

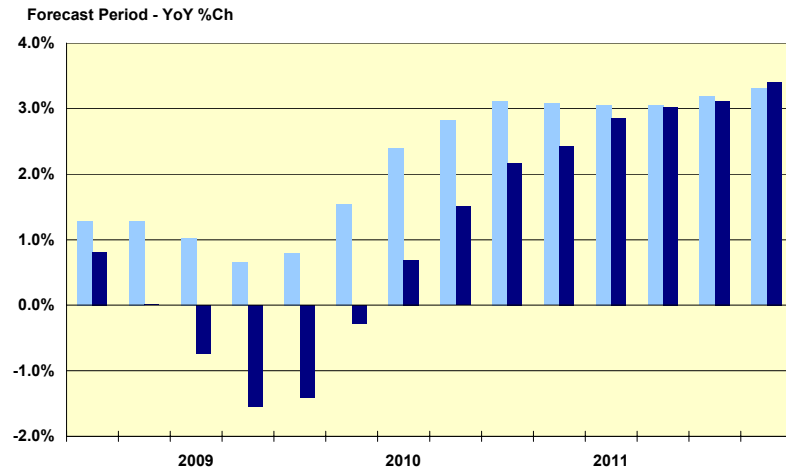
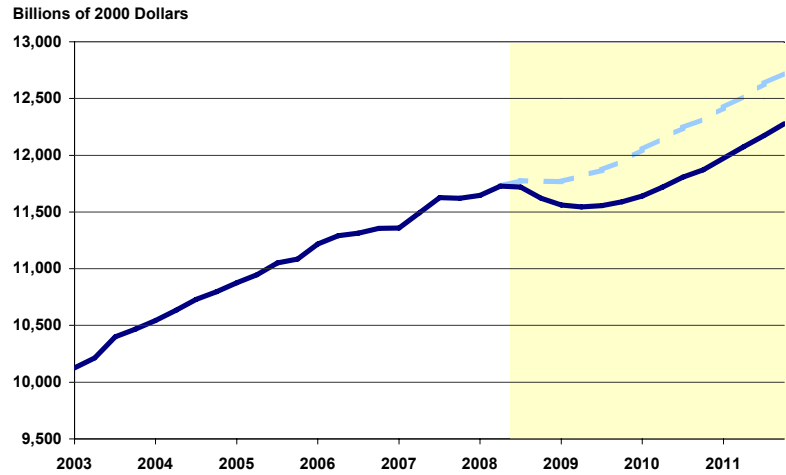
	September 2008 Forecast ¹	November 2008 Forecast Change	November 2008 Non-economic Changes ²	November 2008 Forecast	Total Change*
Department of Revenue	\$30,701.0	(\$1,386.5)	\$35.8	\$29,350.3	(\$1,350.7)
All other Agencies	\$797.3	(\$77.2)	\$0.0	\$720.1	(\$77.2)
Total General Fund-State	\$31,498.3	(\$1,463.6)	\$35.8	\$30,070.4	(\$1,427.9)

*Detail may not add to totals due to rounding.

1: Forecast for the 2009-11 biennium adopted September 2008

2: Impact of 2008 legislative and budget-driven revenue changes

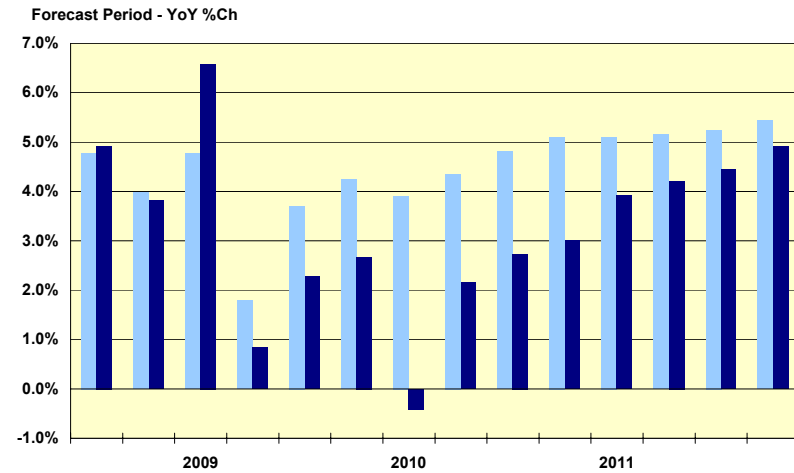
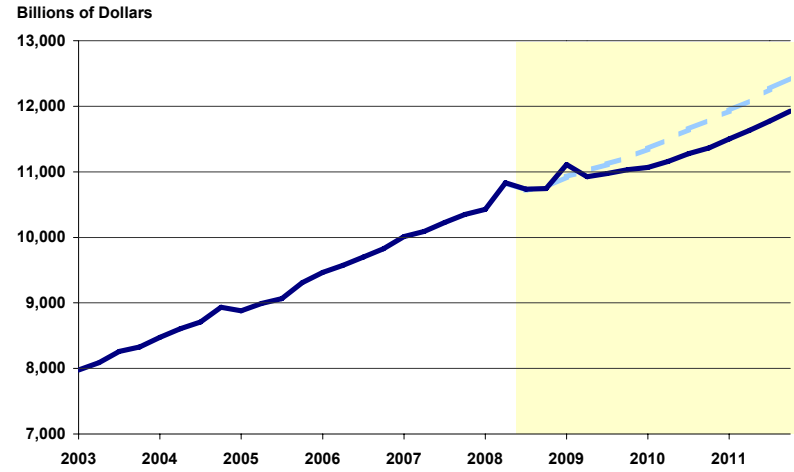
U.S. Real GDP



* Source: Bureau of Economic Analysis

September

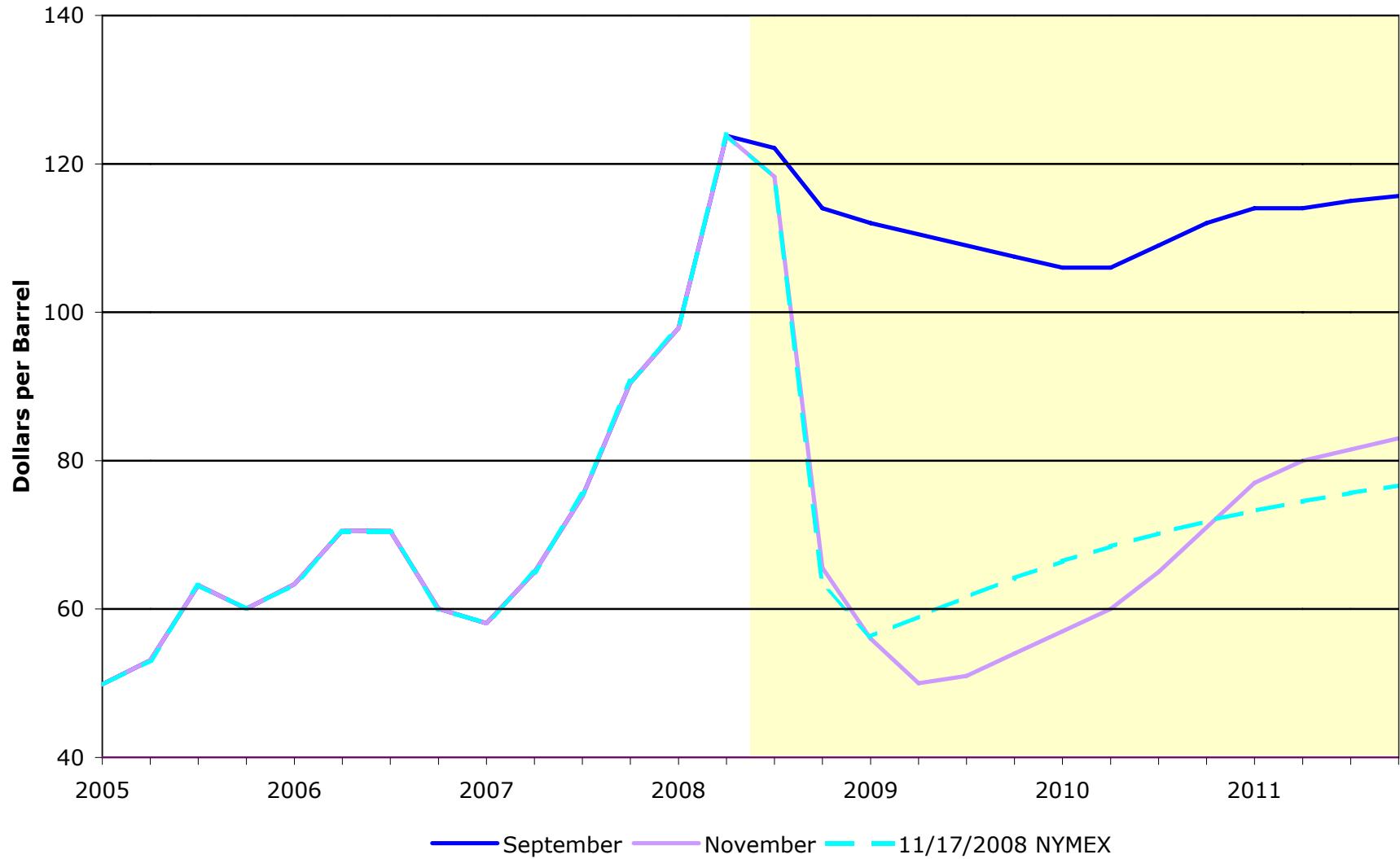
U.S. Disposable Personal Income



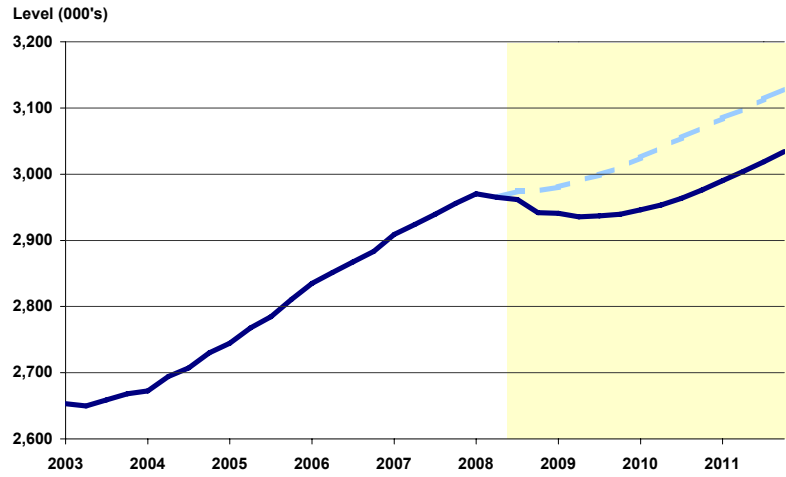
* Source: Bureau of Economic Analysis

November

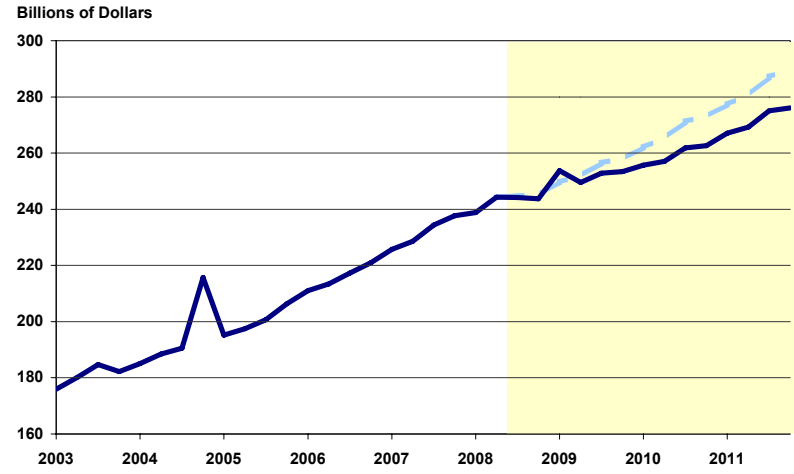
West Texas Intermediate (WTI) Oil Price Forecasts



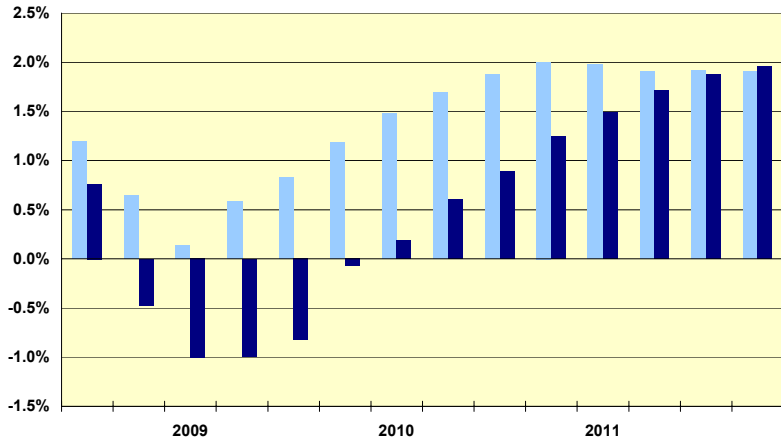
Washington Payroll Employment



Washington Disposable Personal Income



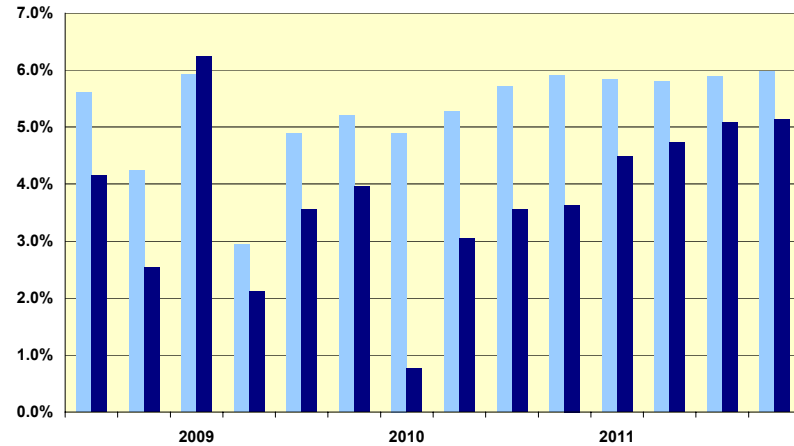
Forecast Period - YoY %Ch



* Source: ERFC

September

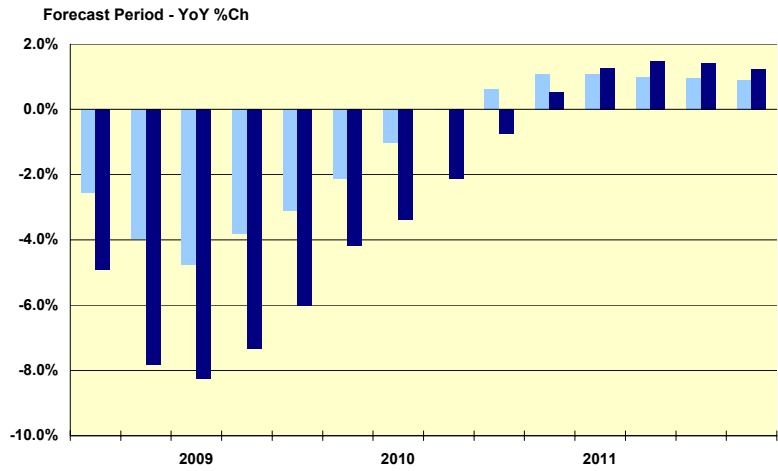
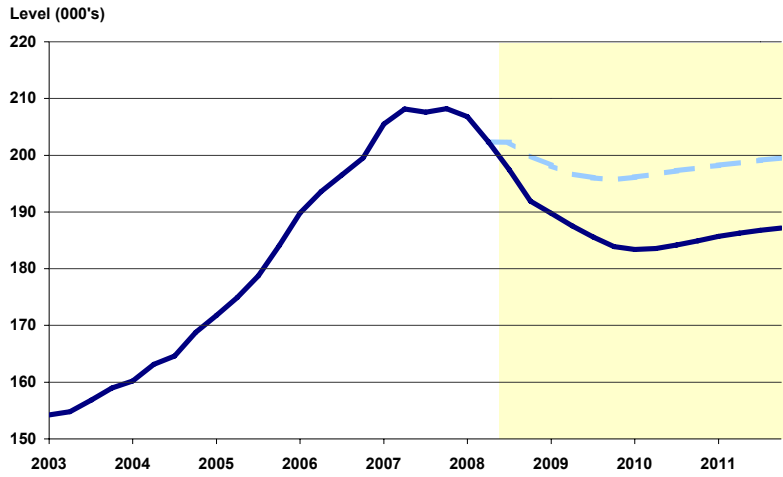
Forecast Period - YoY %Ch



* Source: ERFC

November

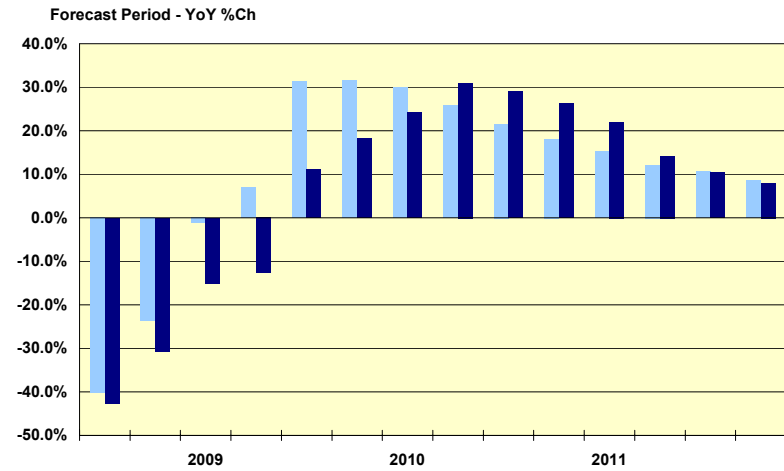
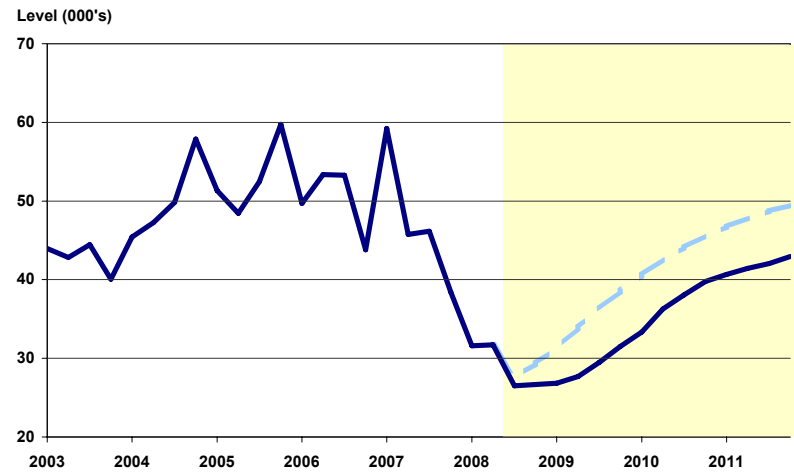
Washington Construction Employment



* Source: ERFC

September

Washington Housing Units Authorized by Building Permit



* Source: ERFC

November

Year-Over-Year Employment Growth by Industry (October 2007 to October 2008)

Washington vs. U.S.

	<u>Washington</u>		<u>U.S.</u>
	(000)	% Chg.	% Chg.
Total*	3.6	0.1%	-0.8%
Software Publishers	4.7	9.8%	-
Aerospace Product and Parts Manufacturing*	3.5	4.3%	-
Government Non-Education	7.4	3.2%	0.9%
Education and Health Services	11.0	3.1%	2.8%
Other Services	1.4	1.3%	0.5%
Professional and Business Services	2.8	0.8%	-1.8%
Government Education	1.1	0.5%	0.3%
Leisure and Hospitality	0.0	0.0%	-0.4%
Information Excluding Software	0.0	-0.1%	-
Wholesale Trade	-0.6	-0.4%	-1.4%
Transportation, Warehousing and Utilities	-0.7	-0.7%	-1.5%
Retail Trade	-2.7	-0.8%	-1.8%
Financial Activities	-2.1	-1.4%	-1.5%
Manufacturing Excluding Aerospace	-8.7	-4.0%	-
Construction	-13.8	-6.5%	-6.5%
Natural Resources and Mining	-0.9	-10.3%	10.3%
Information	4.7	4.6%	-1.6%
Manufacturing*	-5.2	-1.7%	-3.6%

Washington Geographic Breakdown

Seattle MSA*	14.1	1.0%
Tacoma MSA*	-1.1	-0.4%
Spokane MSA	-0.5	-0.2%
Rest of WA	-8.9	-0.9%

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

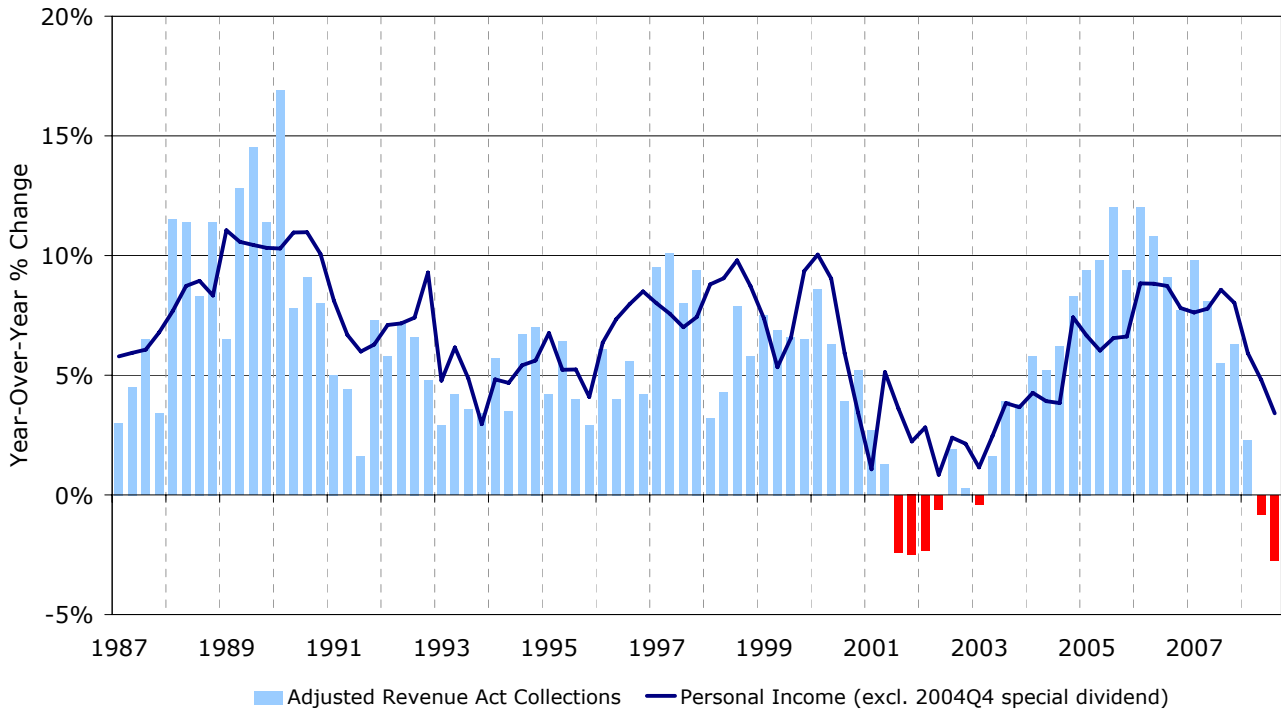
*Striking Boeing workers removed from data

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

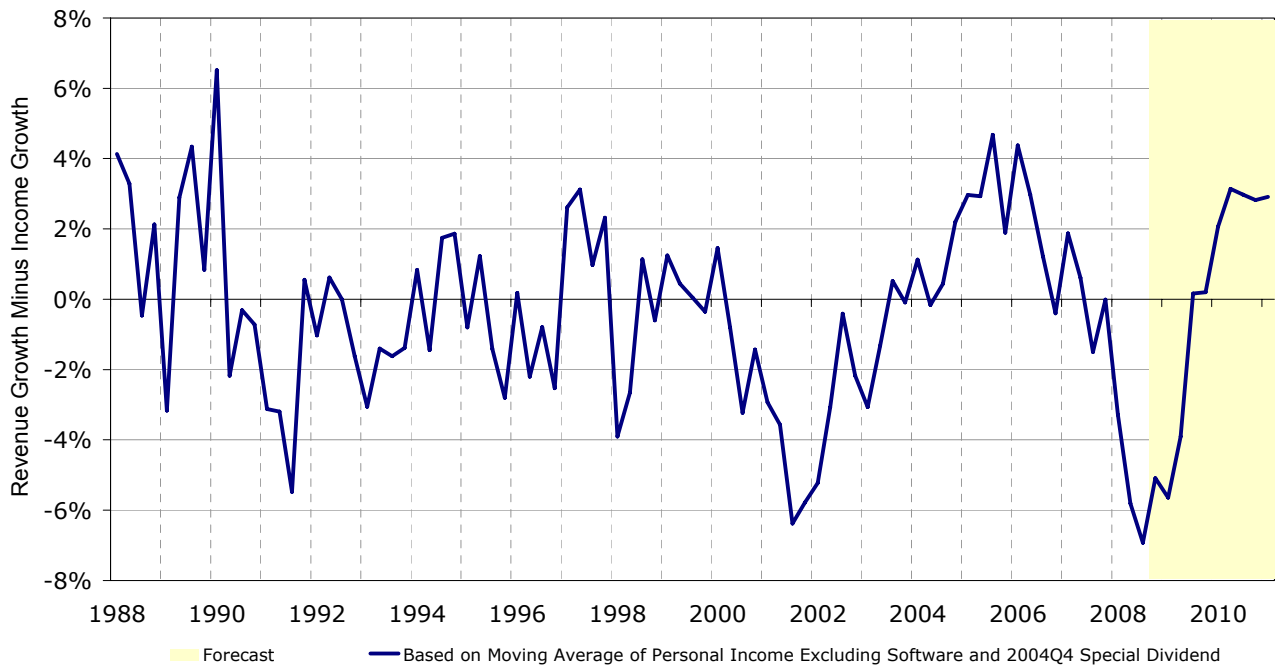
<u>NAICS/Sector</u>	Dec 07	Jan 08	Feb 08	Mar 08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
441 Motor vehicles & parts	(2.4)	(7.6)	(4.8)	(13.1)	(11.0)	(10.8)	(17.8)	(20.0)	(18.4)	(20.7)
442 furniture and home furnishings	(2.0)	(0.3)	(4.5)	(9.1)	(6.3)	(8.0)	(10.9)	(7.7)	(13.8)	(11.8)
443 Electronics & appliances	(12.3)	(12.8)	(4.9)	(4.7)	1.1	0.0	4.5	3.4	(5.6)	(2.4)
444 Build. Mat./garden equip.	(6.0)	2.0	(6.3)	(6.9)	(11.2)	(7.7)	(9.8)	(6.9)	(12.5)	(12.0)
445 Food & beverage stores	(9.0)	18.0	4.7	(3.4)	15.1	(5.7)	1.6	16.0	(6.9)	0.4
446 Drug & health stores	3.5	9.3	10.7	8.3	4.6	5.2	6.4	6.5	5.1	3.7
447 Gas stations & convenience stores	0.9	2.8	14.9	7.5	12.3	12.3	14.3	25.3	17.8	4.7
448 Apparel & accessories	1.4	(2.6)	3.8	(2.1)	(1.9)	6.5	(7.5)	(1.0)	(1.9)	(9.4)
451 Sporting goods,toys,books,music	1.8	(6.0)	5.6	0.7	3.6	4.8	(0.4)	3.2	1.1	(6.1)
452 General merchandise stores	1.8	(9.4)	1.5	1.0	(0.2)	4.8	1.5	1.1	0.6	(5.0)
453 Miscellaneous retailers	0.1	3.2	4.4	0.2	0.9	2.1	(3.1)	(3.7)	(2.7)	(0.9)
454 Nonstore retailers	14.6	5.1	12.4	5.4	12.0	6.5	6.4	5.6	(0.8)	5.8
44-45 Sub total: Retail Trade	(0.7)	(3.4)	0.1	(4.5)	(3.0)	(2.4)	(6.0)	(4.3)	(7.3)	(8.6)
11 Agriculture,forestry,fishing	(5.9)	(21.1)	(24.3)	0.3	(11.8)	(28.0)	(0.9)	(2.9)	(9.1)	(9.1)
21 Mining	(19.4)	(7.4)	(12.0)	(17.3)	(3.6)	(15.6)	(17.8)	(17.1)	(5.1)	(4.1)
22 Utilities	6.6	(19.4)	5.7	(2.5)	16.7	6.3	5.4	0.2	(2.0)	1.9
23 Construction	8.0	4.0	7.0	2.3	9.9	(3.1)	(5.3)	2.9	(8.8)	(5.0)
31-33 Manufacturing	(12.1)	14.3	13.8	3.3	11.1	(10.6)	(15.8)	9.7	(12.9)	(11.7)
42 Wholesale trade	10.7	3.2	9.6	4.4	5.6	6.5	(1.9)	11.2	2.0	3.5
48-49 Transportation & Warehousing	13.5	2.6	18.5	16.8	30.5	32.6	19.2	34.4	5.8	12.0
51 Information (adjusted for one-time payments)	11.4	0.2	10.1	11.8	15.0	7.1	9.3	10.8	0.8	(0.3)
52 Finance, insurance	(26.7)	(10.0)	(6.6)	(3.6)	(0.7)	(7.6)	(14.7)	(7.9)	6.5	(9.8)
53 Real Estate, rental & leasing	(1.7)	(4.0)	(1.2)	(5.3)	(4.6)	(7.0)	(7.5)	(4.1)	(5.9)	(2.7)
54 Professional, scientific & Tech. services	5.5	4.1	12.7	1.1	(9.2)	3.8	7.2	15.4	(4.1)	2.0
55-62 Management,education & health services	2.2	6.1	7.2	(2.1)	2.8	0.4	1.3	3.7	0.5	11.3
71 Arts, entertainment & recreation	8.6	17.4	5.2	13.5	6.0	5.3	2.6	4.2	2.4	4.2
72 Accommodation & food services	1.1	7.0	6.8	4.0	4.0	5.0	1.2	2.9	3.2	0.2
81 Other services	2.1	11.7	11.2	(3.0)	0.4	1.2	(4.0)	0.8	(6.7)	2.3
92,99,00 Public Administration & all other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total: All Industries	1.3	(0.4)	4.7	(0.3)	2.7	(0.7)	(4.1)	1.5	(4.9)	(4.1)
Addendum:										
Retail trade & Food services	(0.5)	(2.1)	0.9	(3.5)	(2.2)	(1.4)	(5.3)	(3.6)	(6.0)	(7.6)
Non retail trade & food services	3.2	0.8	7.7	2.3	6.7	(0.1)	(3.2)	5.8	(9.6)	(1.3)
Accommodations	2.0	0.9	7.1	3.7	3.2	1.0	2.4	2.6	2.6	(0.8)
Retail trade & food service-except auto	(0.1)	(1.3)	2.8	(0.4)	0.8	1.7	(1.3)	1.5	(2.2)	(4.0)
Real estate/construction related	3.6	2.3	2.9	(1.0)	2.2	(4.8)	(6.8)	(0.6)	(9.4)	(6.4)
Total less real estate/construction related	0.8	(1.1)	5.1	(0.1)	2.9	0.5	(3.3)	2.2	(3.4)	(3.3)
Non retail trade	3.0	1.4	7.6	2.5	6.5	0.4	(2.9)	5.5	(3.3)	(1.2)

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

Net Revenue Act Collections* and State Personal Income



Growth in Net Revenue Act Collections* Relative to Growth in State Personal Income



*Adjusted for new legislation and special factors.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

November 2008 Baseline Forecast

Source/Fiscal	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
I. Retail Sales			
1990	13.7	10.5	1.3
1991	5.7	8.9	0.6
1992	6.6	6.6	1.0
1993	4.2	6.9	0.6
1994	6.3	4.3	1.4
1995	4.7	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	5.2	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	2.9	6.8	0.4
2009	(3.0)	2.9	(1.0)
2010	2.9	2.8	1.0
2011	6.5	4.3	1.5
Average 1990-2008:	5.9	6.4	0.9
II. Use			
1990	14.6	10.5	1.4
1991	9.8	8.9	1.1
1992	(0.9)	6.6	(0.1)
1993	6.8	6.9	1.0
1994	7.0	4.3	1.6
1995	5.8	5.8	1.0
1996	8.2	5.8	1.4
1997	5.5	8.0	0.7
1998	6.8	8.1	0.8
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	7.7	3.9	2.0
2005	13.5	6.0	2.3
2006	8.0	7.7	1.0
2007	4.4	8.0	0.6
2008	(1.6)	6.8	(0.2)
2009	(4.1)	2.9	(1.4)
2010	8.4	2.8	3.0
2011	9.5	4.3	2.2
Average 1990-2008:	5.2	6.4	0.6

* Based on constant base taxable data.

** Percent changes in taxable activity relative to 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 2008 Baseline Forecast

Source/Fiscal	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Business & Occupation			
1990	14.3	10.5	1.4
1991	6.3	8.9	0.7
1992	6.3	6.6	1.0
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	10.0	6.0	1.7
2006	11.4	7.7	1.5
2007	8.6	8.0	1.1
2008	8.2	6.8	1.2
2009	(1.6)	2.9	(0.5)
2010	3.4	2.8	1.2
2011	7.1	4.3	1.7
Average 1990-2008:	6.0	6.4	0.8
IV. Public Utility			
1990	(1.2)		
1991	6.8		
1992	0.1		
1993	9.0		
1994	13.0		
1995	6.3		
1996	1.4		
1997	1.4		
1998	3.9		
1999	4.6		
2000	6.9		
2001	14.8		
2002	0.6		
2003	(2.0)		
2004	7.3		
2005	6.5		
2006	10.0		
2007	8.7		
2008	3.6		
2009	5.3		
2010	4.4		
2011	4.4		
Average 1990-2008:	5.4		

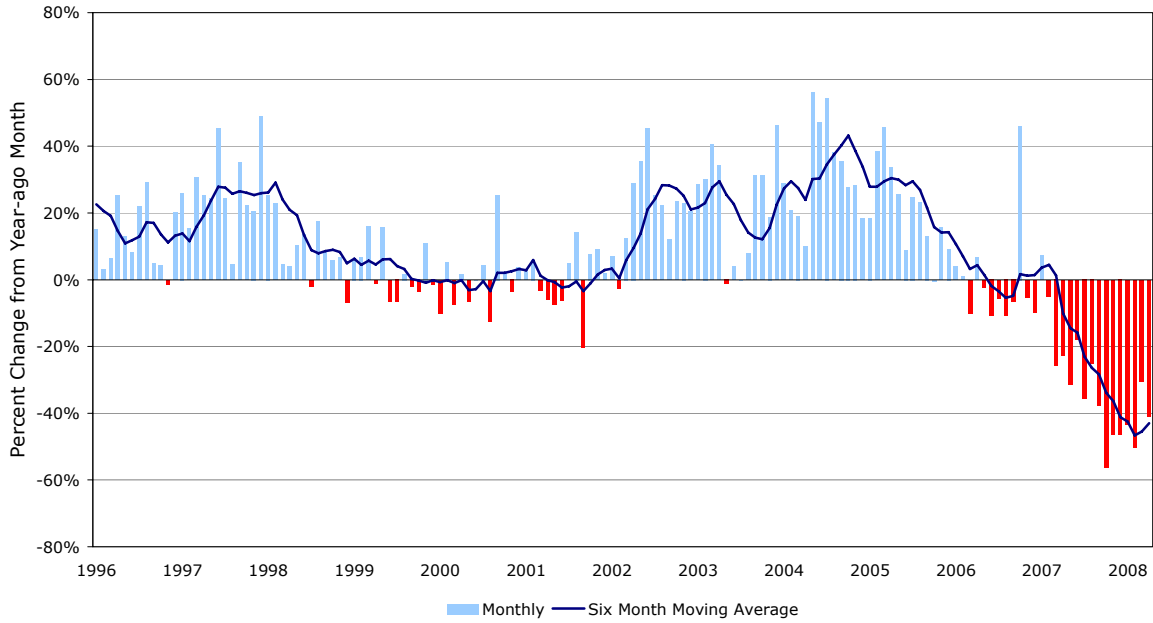
* Based on constant base taxable data.

** Percent changes in taxable activity relative to percent change in personal income.

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

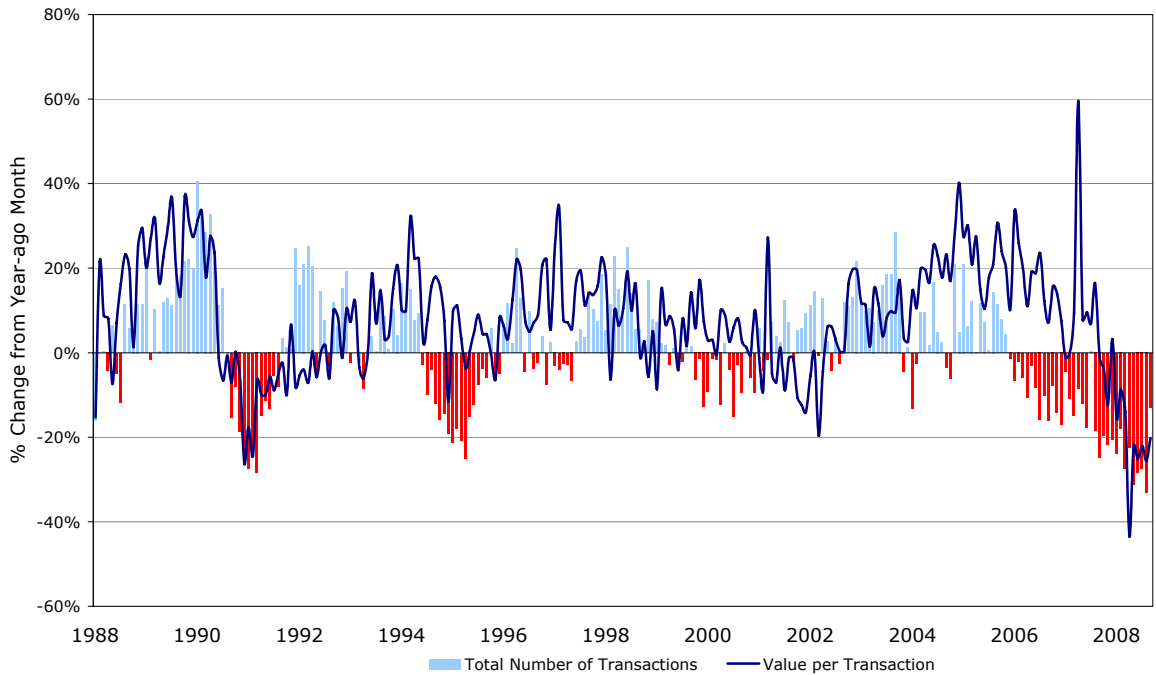
Year-Over-Year Growth of Taxable Real Estate Excise Activity

Monthly July 1996 to October 2008



Real Estate Activity - Number of Transactions and Value Per Transaction*

Monthly 1988 to September 2008



*Taxable activity divided by the total number of transactions. Activity based on real estate excise tax paid at closing (reported by the counties).

General Fund - State Cash Receipts
 November 2008 Forecast by Fiscal Year
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>	
Fiscal Years			
1986	\$4,566.2		
1987	5,008.4	9.7%	
1988	5,248.1	4.8%	
1989	5,686.0	8.3%	
1990	6,505.4	14.4%	
1991	6,803.5	4.6%	
1992	7,297.6	7.3%	
1993	7,564.6	3.7%	
1994	8,013.4	5.9%	
1995	8,551.3	6.7%	
1996	8,581.2	0.3%	
1997	9,056.6	5.5%	
1998	9,640.9	6.5%	
1999	9,979.2	3.5%	
2000	10,433.2	4.5%	
2001	10,828.9	3.8%	
2002	10,450.7	-3.5%	
2003	10,689.9	2.3%	
2004	11,321.2	5.9%	
2005	12,067.3	6.6%	
2006	13,328.8	10.5%	
2007	14,443.2	8.4%	<u>September Forecast</u>
2008	14,613.9	1.2%	1.2%
Forecast			
2009	14,012.7	-4.1%	-0.6%
2010	14,541.3	3.8%	5.6%
2011	15,529.1	6.8%	5.5%

General Fund-State and Related Fund *

History and Forecast by Fiscal Year (Cash basis)

November 2008 - Millions of Dollars

	General Fund-State Level	% Change	Related Fund* Level	% Change	Combined General Fund-State and Related Fund Level	% Change
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%	1,046	2.1%	15,660	1.2%
FY 2009	14,013	-4.1%	1,083	3.5%	15,095	-3.6%
FY 2010	14,541	3.8%	1,113	2.8%	15,654	3.7%
FY 2011	15,529	6.8%	1,133	1.8%	16,662	6.4%

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

General Fund-State Cash Estimates - Other Agencies
Comparison of November 2008 to September 2008 Forecast
2007-09 Biennium
(Amounts in Millions)

Source/Agency	September 2008 Baseline	Non-Economic Changes	Forecast Changes	November 2008 Baseline	Total Changes
Department of Licensing	\$44.9	\$0.0	(\$0.2)	\$44.7	(\$0.2)
Insurance Commissioner Insurance Premiums	\$532.2	\$0.0	\$0.0	\$532.2	\$0.0
Liquor Control Board Liquor Profits and Fees	\$78.4	\$0.0	\$0.0	\$78.4	\$0.0
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	\$167.9	\$0.0	(\$3.8)	\$164.1	(\$3.8)
Office of Financial Management Other Agencies	\$19.7	\$0.0	\$6.9	\$26.5	\$6.9
Total General Fund-State	\$858.6	\$0.0	\$2.9	\$861.5	\$2.9

General Fund-State Cash Estimates - Other Agencies
Comparison of November 2008 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.4	\$44.7	\$44.0
Insurance Commissioner Insurance Premiums	\$539.0	\$532.2	\$525.4
Liquor Control Board Liquor Profits and Fees	\$79.2	\$78.4	\$77.6
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$11.1	\$11.1	\$11.1
State Treasurer Interest Earnings	\$175.4	\$164.1	\$147.5
Office of Financial Management Other Agencies	\$31.5	\$26.5	\$21.5
Total General Fund-State	\$886.0	\$861.5	\$831.5
Change from Baseline	\$24.5		(\$29.9)
Change from Baseline	\$27.4	\$2.9	(\$27.0)

* Detail may not total due to rounding.

General Fund-State GAAP Estimates - Other Agencies
Comparison of November 2008 to September 2008 Forecast
2007-09 Biennium
(Amounts in Millions)

Source/Agency	September 2008 Baseline	Non-Economic Changes	Forecast Changes	November 2008 Baseline	Total Changes
Department of Licensing	\$45.1	\$0.0	(\$0.2)	\$45.0	(\$0.2)
Insurance Commissioner Insurance Premiums	\$532.2	\$0.0	\$0.0	\$532.2	\$0.0
Liquor Control Board Liquor Profits and Fees	\$78.4	\$0.0	\$0.0	\$78.4	\$0.0
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	\$158.9	\$0.0	(\$5.1)	\$153.8	(\$5.1)
Office of Financial Management Other Agencies	\$19.7	\$0.0	\$6.9	\$26.5	\$6.9
Total General Fund-State	\$849.8	\$0.0	\$1.6	\$851.4	\$1.6

General Fund-State GAAP Estimates - Other Agencies
Comparison of November 2008 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.6	\$45.0	\$44.3
Insurance Commissioner Insurance Premiums	\$539.0	\$532.2	\$525.4
Liquor Control Board Liquor Profits and Fees	\$79.2	\$78.4	\$77.6
Beer and Wine Surtax	\$4.5	\$4.4	\$4.4
Lottery Commission Lottery Revenue	\$13.6	\$11.1	\$11.1
State Treasurer Interest Earnings	\$166.7	\$153.8	\$134.8
Office of Financial Management Other Agencies	\$31.5	\$26.5	\$21.5
Total General Fund-State	\$880.1	\$851.4	\$819.1
Change from Baseline	\$28.7		(\$32.3)
Change from Baseline	\$30.3	\$1.6	(\$30.7)

* Detail may not total due to rounding.

**Department of Revenue General Fund Forecast
2007-09 Biennium; Cash Forecast
Comparison of the November 2008 to the September 2008 Forecast
Millions of Dollars**

Source	September 2008 Forecast¹	Non-Economic Change²	Forecast Change	November 2008 Baseline	Total Change
Retail Sales	\$15,375.3	\$0.0	(\$358.8)	\$15,016.4	(\$358.8)
Business & Occupation Use	\$5,671.8	\$0.0	(\$79.2)	\$5,592.6	(\$79.2)
Public Utility	\$1,009.0	\$0.0	(\$12.0)	\$997.0	(\$12.0)
Tobacco Products	\$771.2	\$0.0	(\$17.8)	\$753.4	(\$17.8)
Penalty & Interest	\$0.8	\$0.0	\$0.0	\$0.9	\$0.0
	\$305.6	\$0.0	(\$7.9)	\$297.7	(\$7.9)
Revenue Act Subtotal	\$23,133.7	\$0.0	(\$475.8)	\$22,657.9	(\$475.8)
Liquor Sales/Liter	\$321.5	\$0.0	\$0.0	\$321.5	\$0.0
PUD Privilege	\$85.5	\$0.0	(\$0.9)	\$84.6	(\$0.9)
Cigarette	\$101.3	\$0.0	\$0.1	\$101.4	\$0.1
Property (State School Levy)	\$2,993.6	\$0.0	(\$3.8)	\$2,989.8	(\$3.8)
Inheritance/Estate	\$4.6	\$0.0	\$1.0	\$5.6	\$1.0
Leasehold Excise	\$46.6	(\$0.0)	(\$0.6)	\$46.0	(\$0.6)
Fish Excise	\$5.2	\$0.0	(\$0.2)	\$5.0	(\$0.2)
Real Estate Excise other	\$1,204.5	(\$0.0)	(\$29.3)	\$1,175.2	(\$29.3)
	\$360.3	\$0.0	\$3.9	\$364.3	\$3.9
Non Revenue Act Subtotal	\$5,123.2	(\$0.0)	(\$29.7)	\$5,093.4	(\$29.7)
State Share- Timber Ex.	\$13.8	\$0.0	(\$0.1)	\$13.8	(\$0.1)
Total DOR General Fund	\$28,270.7	(\$0.0)	(\$505.6)	\$27,765.1	(\$505.6)

1-Adopted by the Forecast Council in September 2008.

2-2008 Legislative and budget-driven revenue changes

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

	Collection Experience: September 11 - November 10, 2008			Remainder of the Biennium (11/11/2008 - 6/30/09) Forecast Change	Total Change 2007-09 Biennium
	Actual Variance*	Special Factors ¹	Variance Excluding Special Factors		
Revenue Act**	(\$103.9)	6.5	(\$110.4)	(\$371.9)	(\$475.8)
Non Revenue Act	\$2.6	0.0	\$2.6	(\$32.4)	(\$29.8)
Property tax	(\$2.1)		(\$2.1)	(\$1.7)	(\$3.8)
Real estate ex. tax	(\$6.6)		(\$6.6)	(\$22.8)	(\$29.3)
Cigarette	\$0.5		\$0.5	(\$0.3)	\$0.1
other	\$10.9		\$10.9	(\$7.6)	\$3.2
Department of Revenue Subtotal	(\$101.3)	\$6.5	(\$107.8)	(\$404.3)	(\$505.6)
Department of Licensing	(\$0.1)		(\$0.1)	(\$0.1)	(\$0.2)
Lottery	\$0.0		\$0.0	(\$0.0)	(\$0.0)
All other	#N/A		#N/A	\$3.0	\$3.0
Total General Fund-State	(\$101.4)	\$6.5	(\$107.9)	(\$401.3)	(\$502.7)

*Variance since the last (September 2008) forecast (September 11 - November 10, 2008.)

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

¹ Unusually large Audit Assessment

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

February 2006 through November 2008

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
Total change***:						
From February 2006	(281)	66	(216)	(185)	(401)	
Percent change	-1.0%	7.8%	-0.7%	-0.6%	-1.4%	

* 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.

General Fund-State Cash Estimates - Other Agencies
Comparison of November 2008 to September 2008 Forecast
2009-11 Biennium
(Amounts in Millions)

Source/Agency	September 2008 Baseline	Non-Economic Changes	Forecast Changes	November 2008 Baseline	Total Changes
Department of Licensing	\$46.3	\$0.0	(\$0.2)	\$46.1	(\$0.2)
Insurance Commissioner Insurance Premiums	\$586.7	\$0.0	\$0.0	\$586.7	\$0.0
Liquor Control Board Liquor Profits and Fees	\$85.4	\$0.0	\$0.0	\$85.4	\$0.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$1.1	\$0.0	\$0.0	\$1.1	\$0.0
State Treasurer Interest Earnings	\$107.2	\$0.0	(\$75.6)	\$31.5	(\$75.6)
Office of Financial Management Other Agencies	(\$34.3)	\$0.0	(\$1.3)	(\$35.6)	(\$1.3)
Total General Fund-State	\$797.3	\$0.0	(\$77.2)	\$720.1	(\$77.2)

General Fund-State Cash Estimates - Other Agencies
Comparison of November 2008 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$47.5	\$46.1	\$44.8
Insurance Commissioner Insurance Premiums	\$601.4	\$586.7	\$572.0
Liquor Control Board Liquor Profits and Fees	\$87.1	\$85.4	\$83.7
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$1.1	\$1.1	\$0.0
State Treasurer Interest Earnings	\$59.6	\$31.5	\$6.0
Office of Financial Management Other Agencies	(\$25.6)	(\$35.6)	(\$45.6)
Total General Fund-State	\$776.0	\$720.1	\$665.6
Change from Baseline	\$55.9		(\$54.5)
Change from Baseline	(\$21.3)	(\$77.2)	(\$131.7)

* Detail may not total due to rounding.

General Fund-State GAAP Estimates - Other Agencies
Comparison of November 2008 to September 2008 Forecast
2009-11 Biennium
(Amounts in Millions)

Source/Agency	September 2008 Baseline	Non-Economic Changes	Forecast Changes	November 2008 Baseline	Total Changes
Department of Licensing	\$47.0	\$0.0	(\$0.2)	\$46.8	(\$0.2)
Insurance Commissioner Insurance Premiums	\$586.7	\$0.0	\$0.0	\$586.7	\$0.0
Liquor Control Board Liquor Profits and Fees	\$85.4	\$0.0	\$0.0	\$85.4	\$0.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$10.2	\$0.0	\$0.0	\$10.2	\$0.0
State Treasurer Interest Earnings	\$108.6	\$0.0	(\$78.8)	\$29.8	(\$78.8)
Office of Financial Management Other Agencies	(\$34.3)	\$0.0	(\$1.3)	(\$35.6)	(\$1.3)
Total General Fund-State	\$808.4	\$0.0	(\$80.3)	\$728.1	(\$80.3)

General Fund-State GAAP Estimates - Other Agencies
Comparison of November 2008 Baseline to Alternative Forecasts
2009-11 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$48.2	\$46.8	\$45.4
Insurance Commissioner Insurance Premiums	\$601.4	\$586.7	\$572.0
Liquor Control Board Liquor Profits and Fees	\$87.1	\$85.4	\$83.7
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$10.2	\$10.2	\$0.0
State Treasurer Interest Earnings	\$57.8	\$29.8	\$4.2
Office of Financial Management Other Agencies	(\$25.6)	(\$35.6)	(\$45.6)
Total General Fund-State	\$784.0	\$728.1	\$664.5
Change from Baseline	\$55.9		(\$63.6)
Change from Baseline	(\$24.4)	(\$80.3)	(\$143.9)

* Detail may not total due to rounding.

**Department of Revenue General Fund Forecast
2009-11 Biennium; Cash Forecast
Comparison of the November 2008 to the September 2008 Forecast
Millions of Dollars**

Source	September 2008 Forecast⁻¹	Non-Economic Change²	Forecast Change	November 2008 Baseline	Total Change
Retail Sales	\$16,443.0	\$35.8	(\$891.7)	\$15,587.0	(\$856.0)
Business & Occupation Use	\$6,253.3	\$0.0	(\$145.2)	\$6,108.1	(\$145.2)
Public Utility	\$1,168.9	\$0.0	(\$82.0)	\$1,086.8	(\$82.0)
Tobacco Products	\$879.8	\$0.0	(\$43.4)	\$836.4	(\$43.4)
Penalty & Interest	\$21.6	\$0.0	(\$0.5)	\$21.0	(\$0.5)
	\$348.4	\$0.0	(\$2.5)	\$345.9	(\$2.5)
Revenue Act Subtotal	\$25,115.0	\$35.8	(\$1,165.5)	\$23,985.2	(\$1,129.7)
Liquor Sales/Liter	\$340.7	\$0.0	\$0.0	\$340.7	\$0.0
PUD Privilege	\$94.6	\$0.0	(\$3.3)	\$91.3	(\$3.3)
Cigarette	\$99.2	\$0.0	(\$0.9)	\$98.3	(\$0.9)
Property (State School Levy)	\$3,186.4	\$0.0	(\$83.4)	\$3,102.9	(\$83.4)
Inheritance/Estate	\$1.5	\$0.0	\$0.0	\$1.5	\$0.0
Leasehold Excise	\$53.8	\$0.0	(\$1.3)	\$52.5	(\$1.3)
Fish Excise	\$5.6	\$0.0	(\$0.3)	\$5.3	(\$0.3)
Real Estate Excise	\$1,437.9	\$0.0	(\$108.1)	\$1,329.8	(\$108.1)
Other	\$355.5	\$0.0	(\$23.5)	\$332.0	(\$23.5)
Non Revenue Act Subtotal	\$5,123.2	\$0.0	(\$29.7)	\$5,093.4	(\$29.7)
State Share- Timber Ex.	\$10.9	\$0.0	(\$0.2)	\$10.7	(\$0.2)
Total DOR General Fund	\$30,701.0	\$35.8	(\$1,386.5)	\$29,350.3	(\$1,350.7)

1-Adopted by the Forecast Council September 2008.
2-2008 Legislative and budget-driven revenue changes

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

November 2008 and September 2008 Cash Forecasts

2007-09 & 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change From 2007-08	
	Sept. 2008 Forecast	Nov. 2008 Forecast	Difference	Sept. 2008 Forecast	Nov. 2008 Forecast	Difference	Amount	Percent
General Fund-State	\$29,129.3	\$28,626.6	(\$502.7)	\$31,498.3	\$30,070.4	(\$1,427.9)	\$1,443.8	5.0%
Related Fund*								
Health Services Account	\$1,242.6	\$1,252.1	\$9.6	\$1,284.4	\$1,297.0	\$12.6	\$44.9	3.6%
Violence Reduction and Drug Enforcement Acct.	\$94.1	\$94.2	\$0.0	\$106.3	\$104.5	(\$1.7)	\$10.3	11.0%
Water Quality Account	\$71.8	\$72.0	\$0.2	\$90.9	\$90.5	(\$0.4)	\$18.5	25.7%
Student Achievement Account	\$503.4	\$503.4	(\$0.0)	\$539.0	\$542.0	\$3.1	\$38.6	7.7%
Public Safety and Education Account	\$205.1	\$206.9	\$1.8	\$214.4	\$211.6	(\$2.7)	\$4.8	2.3%
Total Related Fund	\$2,117.1	\$2,128.6	\$11.5	\$2,234.9	\$2,245.7	\$10.8	\$117.1	5.5%
Total General Fund and Related Fund	\$31,246.4	\$30,755.2	(\$491.2)	\$33,733.2	\$32,316.1	(\$1,417.1)	\$1,560.9	5.1%
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	\$449.4	\$434.9	(\$14.5)	\$460.5	\$449.3	(\$11.1)	\$14.4	3.3%
Pension Funding Stabilization Account	\$24.4	\$23.7	(\$0.7)	\$0.0	\$0.0	\$0.0	(\$23.7)	-100.0%
Total Near General Fund	\$2,590.9	\$2,587.2	(\$3.7)	\$2,695.4	\$2,695.0	(\$0.3)	\$107.8	4.2%
Total General Fund and Near General Fund	\$31,720.2	\$31,213.8	(\$506.4)	\$34,193.6	\$32,765.5	(\$1,428.2)	\$1,551.7	5.0%

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

**Near General Fund includes all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts

November 2008

Cash Basis

Alternative Forecasts
2007-09 Biennium
Millions of Dollars

	<u>2007-09 Biennium</u>	<u>Difference From the November 2008 Baseline</u>
November 2008 Baseline (60%)	\$28,627	
November 2008 Alternative Forecasts		
Optimistic (15%)	\$28,946	\$320
Pessimistic (25%)	\$28,319	(\$308)
GCEA*	\$28,578	(\$49)

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

November 2008

Cash Basis

Alternative Forecasts
2009-11 Biennium
Millions of Dollars

	<u>2009-11 Biennium</u>	<u>Difference From the November 2008 Baseline</u>
November 2008 Baseline (60%)	\$30,070	
November 2008 Alternative Forecasts		
Optimistic (15%)	\$32,354	\$2,283
Pessimistic (25%)	\$28,141	(\$1,929)
GCEA*	\$29,997	(\$73)

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

Track Record for the 2009-11 General Fund-State Cash Forecast
 February through November 2008
 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****	\$31,051	\$867				\$31,918
Changes to Forecast						
June 2008	(90)	(28)	(117)	(46) #1	(163)	31755
September 2008	(228)	(29)	(256)	0	(256)	31498
November 2008	(1386)	(77)	(1464)	36 #2	(1428)	30070
Total change***:						
From February 2008	(1704)	(133)	(1837)	(10)	(1847)	
Percent change	(0)	(0)	(0)	(0)	(0)	

* 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 2009-11 biennium.
 #1 Impact of 2008 legislation and budget driven revenue.

2007-09 Enacted Budget Balance Sheet Including 2008 Supplemental General Fund-State

Dollars in Millions

RESOURCES	
Beginning Fund Balance	780.5
September 2008 Forecast	29,129.3
November 2008 Update	(502.7)
Current Revenue Totals	28,626.6
Legislatively Enacted Fund Transfers	147.0
Transfer to Budget Stabilization Account	(129.4)
Total Resources (including beginning fund balance)	29,424.8
EXPENDITURES	
2007-09 Enacted Budget (Including 2008 Supplemental)	29,838.2
RESERVES	
Projected General Fund Ending Balance	(413.4)
Budget Stabilization Account Beginning Balance	0.0
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2
Transfer from General Fund and Interest Earnings	133.4
Projected Budget Stabilization Account Ending Balance	436.6
Total Reserves (General Fund plus Budget Stabilization)	23.2