



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, September 17, 2009 – The national and state economies have performed about as expected in our June forecast. It now seems very likely that the recession ended in the third quarter of 2009. That only means that economic activity has stopped declining. It does not mean that good times are back. The recovery will be slow with consumer spending understandably restrained; and unemployment will remain elevated for some time. As a result of weaker than expected spending, we have made a relatively modest \$238 million reduction to our revenue forecast.

Actual General Fund State revenue in the 2007-09 biennium was \$27.7 billion, which was \$6.8 million less than expected in the June forecast. The September 2009 forecast for the 2009-11 biennium is \$29.6 billion, which is \$230.9 million less than expected in June. Of the \$230.9 million decrease in the forecast for the 2009-11 biennium, \$109.6 million is attributable to weaker forecasted spending by consumers. A decrease of \$46.1 million is from recognizing potential B&O refunds and lower collections going forward, as a result of the recent State Supreme Court decision in the HomeStreet case regarding B&O taxes on interest earnings. The remaining \$75.2 million forecast reduction was due to actual collection experience during the first two months of this biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 and 2009-11 biennia. The forecast based on more optimistic economic assumptions netted \$1,445 million (4.9%) more revenue in the 2009-11 biennium than did the baseline forecast. The pessimistic alternative was \$1,357 million (4.6%) lower in 2009-11. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$49 million (0.2%) less revenue in the 2009-11 biennium than did the baseline forecast.

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