



STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

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FOR IMMEDIATE RELEASE

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OLYMPIA, November 18, 2010 – The economy is off life-support, but still in intensive care. The immense damage from the Great Recession continues to linger, although that recession is now officially over. Real GDP grew at a 2.0% seasonally adjusted annualized rate (SAAR) in the third quarter. This was slightly higher than the second quarter's 1.7% growth rate, but still well below trend. Washington's economic expansion has also continued to be weak and the deceleration we noted in our prior forecast has continued. We have reduced our forecast for the current and next biennia due to the weaker forecast and lower-than-expected trend of Revenue Act and Real Estate Excise Tax collections. The passage of Initiative 1107 further reduced the revenue forecast.

The November 2010 General Fund-State forecast for the 2009-11 biennium is \$28.1 billion, which is \$385.4 million less than the September forecast. Revenue collections since the last forecast were \$20.8 million above our September forecast while the passage of initiative 1107 reduced revenue in the current biennium by \$63.5 million. The remaining reduction of \$342.7 million is due to weaker future revenue growth than assumed in September. The November 2010 General Fund-State forecast for the 2011-13 biennium is \$32.6 billion, which is \$809.0 million less than the September forecast. The passage of Initiative 1107 reduced revenue in the 2011-13 biennium by \$217.6 million and the weaker outlook for revenue growth accounted for the remaining \$591.4 million reduction.

As required by law, optimistic and pessimistic alternative forecasts were also prepared. The forecast based on more optimistic economic assumptions netted \$267 million (0.9%) more revenue in the 2009-11 biennium and \$2,387 million (7.3%) more revenue in the 2011-13 biennium than did the baseline forecast. The pessimistic alternative was \$305 million (1.1%) lower in 2009-11 and \$2,627 (8.1%) million lower in 2011-13. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$20 million (0.1%) less revenue in the 2009-11 biennium and \$197 million (0.6%) less in the 2011-13 biennium.

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