# ECONOMIC & REVENUE UPDATE

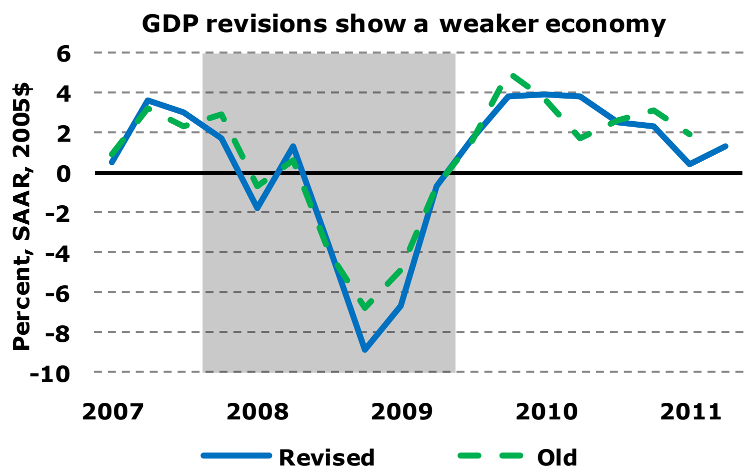
**11 August 2011**

summary

- **The national economic outlook has weakened significantly since our last forecast. There is now an even greater chance of slipping back into recession.**
- **Washington's economic outlook has also dimmed as consumer confidence has plummeted in the wake of U.S. budget wrangling and renewed European sovereign debt fears.**
- **Washington State revenues reported later in this publication correspond to economic activity in June, and their closeness to the last forecast unfortunately masks how much the economic outlook has weakened since then.**
- **Major General Fund-State (GF-S) revenue collections for the July 11 – August 10, 2011 collection period were $9.4 million (0.8%) below the June forecast. Cumulatively, collections are $30.8 million (1.3%) below the forecast. Due to the recent deterioration in national economic conditions, the shortfall is likely to increase in the remainder of the year.**

united states

## United States




Our guarded optimism about the second half prospects of the national economy has given way to a sinking feeling of pessimism. Revisions to real Gross Domestic Product (GDP) growth by the Bureau of Economic Analysis (BEA) show a much deeper recession than previously estimated, and an economy close to stall speed in the first half of this year. The European economy is in no better shape as its sovereign debt problems have now spread beyond Greece to Italy and Spain. To add to the mess, although Congress was able to lift the federal debt ceiling in time to avoid a default on U.S. Bonds, it was not timely enough to prevent a debt rating downgrade by Standard & Poor's (S&P). Bond, equity and commodity markets are now all pointing to a sharp economic slowdown ahead. Consumer confidence is in the tank. The risk of the economy slipping back into recession has increased significantly.

Real GDP grew 1.3% at a seasonally adjusted annualized rate (SAAR) in the second quarter, following a revised 0.4% (SAAR) in the first. The BEA revised real GDP growth estimates back to 2003, but the largest revisions were 2008 onward (see Figure). The peak to trough decline in real GDP was revised down from minus 4.1% to minus 5.1%, indicating a deeper recession than previously measured. The fourth quarter of 2008, right after the Lehman failure, now shows a minus 8.9% (SAAR) decline in GDP (revised from minus 6.8%). The data revisions also show a stronger initial bounce back from the recession - particularly, growth in the first half of 2010. However, real GDP growth in the united states

four quarters since then has averaged only 1.6% (SAAR). The Blue Chip Consensus real GDP growth forecasts, our objective starting point each forecast cycle, are now at 1.8% and 2.5%, for 2011 and 2012, respectively. At the time of the state revenue forecast in June those forecasts were for 2.6% real GDP growth this year, and 3.1% in the next.

Amidst the recent volatility in bond, equity, and commodity markets, there is one common theme - a markedly higher risk of recession. Since the third week of July and through the first 10 days of August, the DOW has dropped by around 15%, the S&P 500 by around 17%, and the yield on the 10-year Treasury by 80 basis points. The price of West Texas Intermediate crude oil has dropped by around $18 per barrel over the same period. All markets are clearly betting that economic activity is likely to slow considerably.

The July employment report surprised on the upside, but only because expectations were so low. The economy added just 117,000 net new jobs. Private employment grew by 154,000 while government jobs declined by 37,000. The net job gains in May and June were revised upward by 58,000. The unemployment rate fell to 9.1% in July but remained elevated. The manufacturing workweek was steady at 40.3 hours.

In other news, housing continues to bump along the bottom. Housing starts and permits were both up in June, with the strength mostly coming from multi-family units. However, both new and existing home sales fell in June. Prices remain weak, and are expected to remain so as more foreclosed properties hit the market. Light motor vehicle sales improved slightly in July to 12.2 million (SAAR) units, but are still below their February peak. Consumer spending is flat, and consumer confidence is at its lowest since March 2009, during the free-fall phase of the recession.

washington

**Washington**

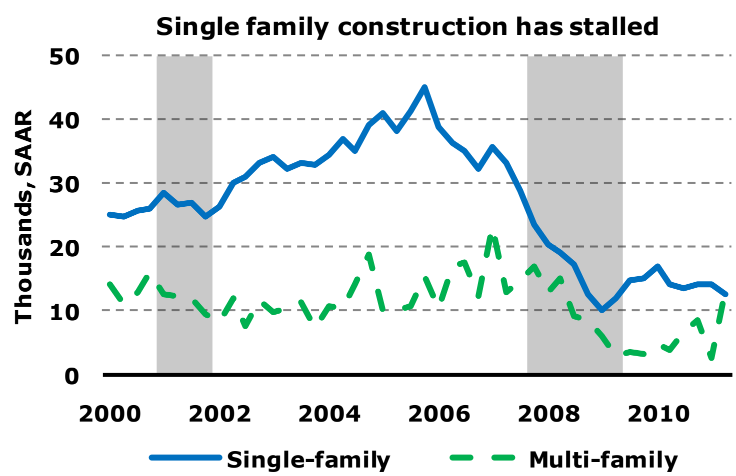
At the time of our June forecast, the lingering effects from higher oil and gas prices that eroded consumers' purchasing power and confidence clouded the immediate outlook while the Japanese disaster added another level of uncertainty to the state's recovery. We had expected stronger growth in the second half of 2011 as the impacts from these shocks subsided. However the state, along with the nation, is now facing additional shocks and uncertainties from the deteriorating European sovereign debt crisis, Congressional wrangling over the debt ceiling, and the S&P downgrade of U.S. debt. The resulting decline in consumer confidence is likely to slow growth in Washington in the second half of this year and has increased the risk of another recession in the state's economy.

As we go to press, Washington's July employment report has not been released. Nationally, July's mediocre jobs report was somewhat a relief after June's truly abysmal report. In Washington, payroll employment grew only 2,500 in June compared to our forecast of 4,800 net new jobs. The private sector added 3,100 jobs in the month of which more than half (1,600) were in the aerospace sector. The manufacturing sector added 1,700 jobs in June but only as a result of the strong aerospace growth. Excluding the 1,600 net new aerospace jobs, manufacturing employment was flat. Construction employment declined 200 in June. Among the private services-providing sectors, financial activities employment lost another 400 jobs but software publishing added 500 jobs. Consistent with the slow job growth, the state's unemployment rate inched up to 9.2% in June from 9.1% in May. The federal government added 600 jobs but state and local governments lost 1,200 jobs.

Boeing is growing again. The aerospace sector has added 6,200 employees since the trough in May 2010, more than all the jobs lost from the previous peak in February 2009 through the trough. We expect the aerospace job growth to continue over the next couple of years as Boeing plans significant production increases in all five models of commercial aircraft. Between now and early 2013, total production will rise from the 42 planes per month to 60 planes per month, an increase of more than 40%. The upturn in aerospace employment is certainly a welcome development but Boeing cannot, by itself, save us from the impact of another slowdown in the U.S. economy. Outside of the aerospace sector, the manufacturing picture is not so rosy. Non-aerospace employment has been flat the last two months after growing more than 2% over the previous year. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures activity in the state's manufacturing sector, confirms the slowdown in manufacturing. After peaking at 70.5 in February, the index has dropped in each of the last three months reaching 56.1 in June. This indicates positive (index readings above 50 indicate expansion) but slower manufacturing growth.

After our June forecast was released, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released new state personal income estimates through the first quarter of 2011. On the surface these estimates seem encouraging. The BEA reported that Washington personal income was $304.1 billion in the first quarter which was 4.9% above the previous year and $1.3 billion higher than our June estimate. However, this preliminary estimate is almost certain to be revised significantly lower. First, the ERFC has more up-to-date wage data than was available to the BEA when it made its personal income estimates for the first quarter. Our estimate of wages in the first quarter is $1.6 billion lower than the BEA estimate. Second, the annual revision to the National Income and Product Accounts (NIPA), noted above, affected personal income as well as GDP. The revised estimates show a much larger downturn in nonwage personal income than was previously believed. If Washington State gets its share of the national revision then we could see a $3.1 billion downward revision to nonwage income in the first quarter of 2011. Put together, the wage and nonwage revisions are likely amount to $4.7 billion (1.5%) less personal income than the latest BEA estimate and $3.2 billion (1.1%) less than the level assumed in the June forecast.

The Washington housing market continues to experience cross-currents. New single family home construction in Washington is approaching the 2009 lows but multi-family housing construction is trending up. We now have permit data for the full second quarter of 2011. Overall housing permits increased 9,000 (SAAR) to 25,900 in the second quarter from 16,900 in the first quarter but only because of a 10,700 increase in the volatile multi-family segment. Single-family permits declined 1,700 in the quarter to just 12,600 units which was the lowest since the second quarter of 2009 (see figure). We believe the trend is positive in multi-family housing due to rising rents and declining apartment vacancies but permits will retreat from the very high levels reached in the second quarter. The outlook for single-family construction is flat to negative. Single-family construction in Washington is in competition with a stream of foreclosures so it will likely stay weak for some time. Our June forecast had expected single family permits to drift down through mid-2012.




washington

revenue collections

## Revenue Collections

### Overview

At the time of the June revenue forecast, the state and national economies were experiencing a slowdown after moderately strong growth in the spring. The forecast assumed the slowdown would continue through June, with improvement beginning in July and then accelerating. Revenues so far have come in close to the forecast, but in recent weeks it has become clear that the increase in economic activity which was expected to be underway by now has not occurred. In addition, estimates of national growth for the remainder of the year have been revised down sharply. The small current shortfall is therefore likely to grow relative to the June forecast in the upcoming months.

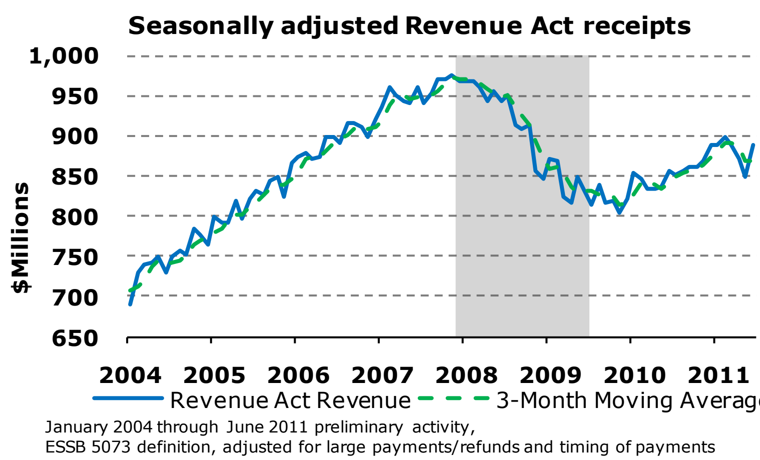
Major General Fund-State (GF-S) revenues for the July 11 – August 10, 2011 collection period came in $9.4 million (0.8%) lower than our June forecast. Revenue Act receipts were $1.7 million (0.2%) below the forecast and other receipts were in $7.7 million (6.0%) below the forecast. During the period there was an unanticipated $3.7 million one-time assessment payment. Without this payment, receipts would have come in $13.1 million (1.2%) below the forecast.

Cumulatively, major GF-S receipts since the June forecast are $30.8 million (1.3%) lower than forecasted. Revenue Act receipts are $54.8 million (3.0%) below the forecast and other receipts are $24.0 million (4.2%) above the forecast. Adjusted for large unanticipated payments and refunds since the June forecast, cumulative revenues are $30.5 million (1.3%) lower than forecasted.

### Revenue Act

The revenue collections reported here are for the July 11 – August 10, 2011 collection period. Collections correspond primarily to economic activity in June 2011 for monthly filers and activity in the second quarter of 2011 for quarterly filers.

Revenue Act collections for the current period came in $1.7 million (0.2%) below the June forecast. During the period, collections were increased by a $3.7 million assessment payment. Without the payment, receipts would have come in $5.4 million (0.5%) below the June forecast.
Cumulatively, the negative variance since the June forecast is $54.8 million (3.0%). Adjusted for large unanticipated payments and refunds since the June forecast, cumulative revenues are $54.4 million (2.9%) lower than forecasted.

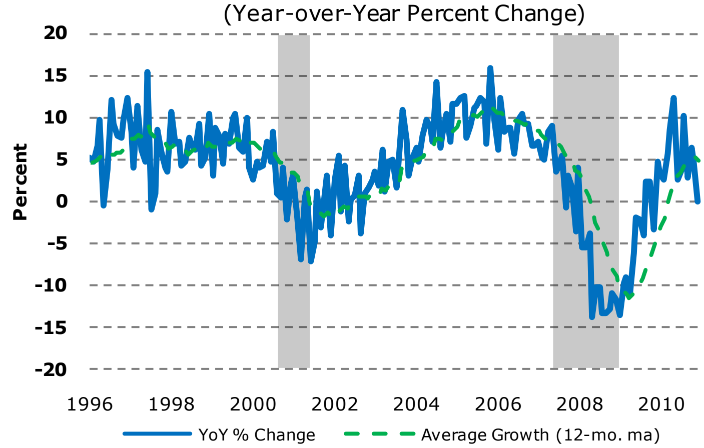



Seasonally adjusted collections rebounded in the current period but are still below the levels of the spring (see figure). Revised figures have lessened the degree of last month's decline. Due to a change in tax payment patterns beginning in the fourth quarter of 2010, discussed in prior Economic & Revenue Updates, it has been difficult to predict the monthly seasonal variation in collections, so the decline of the last two months may be less severe than indicated. The three-month moving average, however, is less sensitive to monthly variations. As shown in the chart, the moving average shows a more orderly decline and leveling-off in activity since the spring.

Revenue Act collections decreased 0.1% year-over year in the current period after adjustments for large one-time payments and refunds in current and prior periods (see figure). In the previous period adjusted revenues had increased 4.7%. As reported in earlier Economic & Revenue Updates, however, year-over-year growth rates since the December 2010 report have been distorted by the shift of a large number of taxpayers from quarterly to monthly filing status. Adjusting for both one-time payments/refunds and the estimated effect of the change in the timing of payments from new monthly taxpayers, revenues would have increased approximately 5.1% year-over year in the current period and 1.5% year-over year in the previous period.

Unadjusted for non-economic factors, revenue grew 2.0% year-over-year as shown in the "Key Revenue Variables" table. Preliminary ERFC monthly estimates indicate retail sales tax collections are up 2.9% year-over-year and B&O taxes are up 1.4%. Large year-over-year growth in B&O taxes for previous months shown in the table were largely the result of an increase in the tax rate for services that took effect on May 1, 2010. As the rate increase has now been in effect for over one year, it no longer results in inflated year-over-year growth.

**Revenue Act Collections***
(Year-over-Year Percent Change)




*Growth adjusted for definition change and unusually large assessment payments, refunds etc.

Tax payments as of July 27th from electronic filers who also paid in the July 11 – August 10 collection period of last year were up 3.8% year-over-year. While this number is lower than last month's increase of 4.7%, this growth rate and those presented below are understated due to the shift of taxpayers from monthly to quarterly status mentioned above. The understatement is due to the electronic filers who reported monthly receipts in the current period but reported receipts for an entire quarter when they filed in the same period last year.

Some details of payments from electronic filers:

- Payments in the retail trade sector were up 3.6% year-over-year. In the previous period, year-over-year payments increased 3.4%.

- Payments from the motor vehicle and parts sector were up 6.7% year-over-year. In the previous period, year-over-year payments increased 5.3%. Excluding the auto sector, payments from the retail trade sector were up 2.8% year-over-year in the current period and 2.9% in the previous period.

- Other retail trade sectors showing strong year-over-year increases in tax payments were non-store retailers (+9.6%), apparel and accessories (+8.2%), gas stations and convenience stores (+5.8%) and building materials and garden equipment stores (+5.8%). Food and beverage stores was the only retail trade sector to show a year-over-year decline (-3.1%), likely due to the change in reporting frequencies described above.

- Payments in non-retail trade sectors were up 3.9% year-over-year in the current period and 5.6% in the previous period.

- Payments in the construction sector were down 8.6% year-over-year. Payments in the manufacturing sector were up 24.8% due to strong growth in payments from the petroleum refining and transportation equipment sectors.

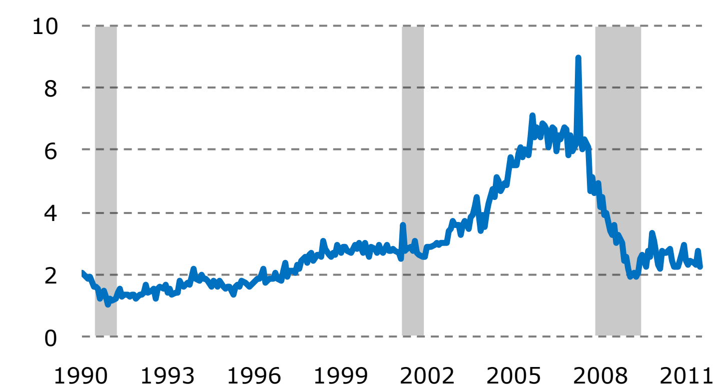
Excluding the construction sector, total payments were up 5.4% year-over-year and payments from non-retail trade sectors were up 6.6%. Excluding both construction and manufacturing, total payments were up 4.0% and payments from non-retail trade sectors were up 4.3%.

**DOR Non-Revenue Act**

July collections were $6.7 million (5.8%) below the June forecast. July DOR non-Revenue Act collections were up 11.2% year-over-year, due mainly to additional cigarette tax revenue that was formerly dedicated to the Education Legacy Trust Account but has instead been deposited into the General Fund as of June 2011. Cumulatively, DOR non-Revenue Act collections for June and July are $24.3 million (4.5%) above the June forecast due to last month's large positive variance in property taxes.

The largest contributor to this month's shortfall was "other" revenue, which came in $3.3 million (20.9%) below the June forecast. The shortfall was due to larger-than expected refunds of unclaimed property and lower-than expected collections of the brokered natural gas tax. Cumulatively, "other" revenues are $3.6 million (3.0%) below the June forecast.

**REET activity dropped again in July**




Source: ERFC, data through July 2011 preliminary activity

Real estate excise taxes were $2.1 million (6.3%) lower than forecasted. Seasonally adjusted taxable activity decreased sharply after a large increase in June (see figure). Year-over-year collections were down 8.7%. In June (the most recent month for which transaction details are available), the number of transactions declined 6.1% year-over-year but the average value per transaction increased 6.2%, resulting in a net year-over-year decline of 0.8% in collections. Cumulatively, collections are $2.7 million (4.0%) above the June forecast due to last month's spike.

Property tax collections were $1.0 million (9.7%) below the forecast. Cumulatively, however, collections are $26.3 million (15.6%) above the forecast due to last month's large positive variance.

July cigarette tax receipts came in $361,000 (0.9%) lower than forecasted. Collections were up 61.3% year-over-year due primarily to the addition of cigarette taxes which had previously been deposited into the Education Legacy Trust Account. Monthly taxes that

revenue collections

formerly went into the account will continue to be deposited into the GF-S cigarette tax account through the end of the biennium as the result of legislation from the 2011 session. Cumulatively, collections are $938,000 (0.6%) below the June forecast.

Liquor tax receipts came in $64,000 (0.4%) higher than forecasted. Cumulatively, collections are $140,000 (0.4%) below the June forecast.

**Other Revenue**

Department of Licensing receipts for July were $739,000 (19.7%) lower than the June forecast. Cumulatively, collections are $219,000 (2.3%) below the forecast after an $816,000 positive revision of previously reported June collections.

July revenue from the Administrative Office of the Courts was $260,000 (3.0%) lower than forecasted. Cumulatively, collections are $74,000 (0.5%) above the forecast.

**Key U.S. Economic Variables**

| | 2011 Feb. | Mar. | Apr. | May | Jun. | Jul. | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Real GDP (SAAR) | - | 0.4 | - | - | 1.3 | - | -2.6 | 2.9 |
| Industrial Production (SA, 2002 = 100) | 92.5 | 93.1 | 93.0 | 92.9 | 93.1 | - | 85.5 | 90.1 |
| *Y/Y % Change* | *5.2* | *5.3* | *4.8* | *3.3* | *3.4* | - | *-11.2* | *5.3* |
| ISM Manufacturing Index (50+ = growth) | 61.4 | 61.2 | 60.4 | 53.5 | 55.3 | 50.9 | 46.3 | 57.3 |
| ISM Non-Manuf. Index (50+ = growth) | 59.7 | 57.3 | 52.8 | 54.6 | 53.3 | 52.7 | 46.2 | 54.1 |
| Housing Starts (SAAR, 000) | 518 | 593 | 549 | 549 | 629 | - | 554 | 585 |
| *Y/Y % Change* | *-14.1* | *-5.3* | *-20.1* | *-5.3* | *16.7* | - | *-38.4* | *5.6* |
| Light Motor Vehicle Sales (SAAR, mil.) | 13.4 | 13.1 | 13.2 | 11.8 | 11.5 | 12.2 | 10.4 | 11.6 |
| *Y/Y % Change* | *27.5* | *11.8* | *16.9* | *1.3* | *2.5* | *5.9* | *-21.5* | *11.5* |
| CPI (SA, 1982-84 = 100) | 222.3 | 223.5 | 224.4 | 224.8 | 224.3 | - | 31.5 | 32.5 |
| *Y/Y % Change* | *2.2* | *2.7* | *3.1* | *3.4* | *3.4* | - | *1.6* | *3.0* |
| Core CPI (SA, 1982-84 = 100) | 223.0 | 223.3 | 223.7 | 224.4 | 225.0 | - | 32.7 | 33.6 |
| *Y/Y % Change* | *1.1* | *1.2* | *1.3* | *1.5* | *1.6* | - | *1.3* | *2.5* |
| IPD for Consumption (2000=100) | 112.7 | 113.2 | 113.6 | 113.7 | 113.6 | - | 109.2 | 111.1 |
| *Y/Y % Change* | *1.8* | *2.0* | *2.3* | *2.6* | *2.6* | - | *0.2* | *1.8* |
| Nonfarm Payroll Empl., e-o-p (SA, mil.) | 130.6 | 130.8 | 131.0 | 131.0 | 131.1 | 131.2 | 129.3 | 130.3 |
| *Monthly Change* | *0.24* | *0.19* | *0.22* | *0.05* | *0.05* | *0.12* | *-5.06* | *0.94* |
| Unemployment Rate (SA, percent) | 8.9 | 8.8 | 9.0 | 9.1 | 9.2 | 9.1 | 9.3 | 9.6 |
| Yield on 10-Year Treasury Note (percent) | 3.58 | 3.41 | 3.46 | 3.17 | 3.00 | 3.00 | 3.26 | 3.21 |
| Yield on 3-Month Treasury Bill (percent) | 0.13 | 0.10 | 0.06 | 0.04 | 0.04 | 0.04 | 0.15 | 0.14 |
| Broad Real USD Index** (Mar. 1973=100) | 83.5 | 82.8 | 81.6 | 81.5 | 81.1 | 80.6 | 91.4 | 87.3 |
| Federal Budget Deficit ($ bil.)* | 222.5 | 188.2 | 40.4 | 57.6 | 43.1 | 129.4 | 1,415.7 | 1,294.2 |
| *FYTD sum* | *641.3* | *829.4* | *869.8* | *927.4* | *970.5* | *1,099.9* | | |
| US Trade Balance ($ bil.) | -46.0 | -46.8 | -43.6 | -50.8 | -53.1 | - | -381.3 | -500.0 |
| *YTD Sum* | *-94.0* | *-140.8* | *-184.4* | *-235.3* | *-288.3* | - | | |

**Federal Fiscal Year 2009 runs from Oct. 1, 2008 to Sept. 30, 2009.*

***Weighted average of U.S. dollar foreign exchange values against currencies of major U.S. trading partners, Federal Reserve.*

## Key Washington Economic Variables

| | 2011 Feb. | Mar. | Apr. | May | Jun. | Jul. | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| **Employment** | | | | | | | | *End-of-period* |
| Total Nonfarm (SA, 000) | 2,804.3 | 2,804.8 | 2,811.1 | 2,812.4 | 2,814.9 | - | 2,773.7 | 2,795.1 |
| *Change from Previous Month (000)* | *2.0* | *0.5* | *6.4* | *1.3* | *2.5* | - | *-141.5* | *21.4* |
| Construction | 138.2 | 137.5 | 138.2 | 138.3 | 138.1 | - | 146.0 | 138.5 |
| *Change from Previous Month* | *0.2* | *-0.7* | *0.7* | *0.1* | *-0.2* | - | *-38.6* | *-7.5* |
| Manufacturing | 262.5 | 263.5 | 264.8 | 265.8 | 267.4 | - | 257.1 | 260.4 |
| *Change from Previous Month* | *1.7* | *1.0* | *1.3* | *0.9* | *1.7* | - | *-27.7* | *3.3* |
| Aerospace | 82.8 | 83.3 | 83.8 | 84.7 | 86.4 | - | 81.1 | 81.9 |
| *Change from Previous Month* | *0.6* | *0.5* | *0.5* | *1.0* | *1.6* | - | *-4.4* | *0.8* |
| Software | 51.4 | 51.4 | 51.5 | 51.5 | 52.0 | - | 50.5 | 51.1 |
| *Change from Previous Month* | *0.1* | *0.0* | *0.1* | *0.0* | *0.5* | - | *-2.5* | *0.6* |
| All Other | 2,352.2 | 2,352.4 | 2,356.6 | 2,356.8 | 2,357.4 | - | 2,320.1 | 2,345.1 |
| *Change from Previous Month* | *0.0* | *0.1* | *4.3* | *0.2* | *0.5* | - | *-72.7* | *25.0* |
| **Other Indicators** | | | | | | | | *Annual Average* |
| Seattle CPI (1982-84=100) | 229.5 | - | 231.3 | - | 233.3 | - | 226.0 | 226.7 |
| | 1.5% | - | 2.1% | - | 3.2% | - | *0.6%* | *0.3%* |
| Housing Permits (SAAR, 000) | 15.5 | 16.9 | 34.6 | 26.7 | 16.6 | - | 16.0 | 19.6 |
| | *-20.9%* | *-12.9%* | *104.1%* | *83.9%* | *-17.9%* | - | *-42.0%* | *22.9%* |
| WA Index of Leading Ind. (2004=100) | 118.5 | 119.8 | 121.8 | 122.3 | 122.0 | - | 108.9 | 114.8 |
| | *5.3%* | *5.4%* | *6.9%* | *7.6%* | *7.2%* | - | *-5.9%* | *5.4%* |
| WA Business Cycle Ind. (Trend=50) | 5.8 | 6.6 | 12.0 | 9.8 | 8.4 | - | 7.8 | 4.6 |
| | *171.0%* | *80.1%* | *244.2%* | *183.2%* | *40.8%* | - | *-80.7%* | *-40.7%* |
| Avg. Weekly Hours in Manuf. (SA) | 40.9 | 41.7 | 42.3 | 43.1 | 42.6 | - | 42.0 | 41.8 |
| | *-0.2%* | *0.7%* | *1.6%* | *1.4%* | *2.9%* | - | *-1.0%* | *-0.3%* |
| Avg. Hourly Earnings in Manuf. | 24.1 | 24.2 | 24.2 | 23.9 | 24.0 | - | 23.4 | 23.5 |
| | *0.8%* | *1.6%* | *3.6%* | *3.7%* | *3.7%* | - | *11.4%* | *0.4%* |
| New Vehicle Registrations (SA, 000) | 17.5 | 17.2 | 18.0 | 16.8 | 16.3 | 16.6 | 14.0 | 15.5 |
| | *9.5%* | *23.7%* | *13.3%* | *3.6%* | *3.6%* | *11.7%* | *-26.4%* | *10.8%* |
| Initial Unemployment Claims (SA, 000) | 50.0 | 48.9 | 52.7 | 52.7 | 51.0 | 52.9 | 69.2 | 56.7 |
| | *-12.0%* | *-12.7%* | *-6.3%* | *-7.8%* | *-14.7%* | *-12.5%* | *51.4%* | *-18.0%* |
| Personal Income (SAAR, $bil.) | - | 304.1 | - | - | - | - | 285.7 | 293.9 |
| | - | *4.9%* | - | - | - | - | *-0.5%* | *2.9%* |
| Median Home Price ($000) | - | 228.2 | - | - | 226.9 | - | 255.7 | 245.2 |
| | - | *-7.2%* | - | - | *-8.1%* | - | *-9.8%* | *-4.1%* |

**Employment data has been Kalman filtered and does not match figures released by the BLS*

**Percentage Change is Year-over-Year*

## Key Revenue Variables

| | 2010 | | | | | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aug 11-<br>Sep 10 | Sep 11-<br>Oct 10 | Oct 11-<br>Nov 10 | Nov 11-<br>Dec 10 | Dec 11-<br>Jan 10 | Jan 11-<br>Feb 10 | Feb 11-<br>Mar 10 | Mar 11-<br>Apr 10 | Apr 11-<br>May 10 | May 11-<br>Jun 10 | Jun 11-<br>Jul 10 | Jul 11-<br>Aug 10* |
| **Department of Revenue-Total** | 951,439 | 928,373 | 1,150,677 | 1,584,564 | 1,106,158 | 1,153,220 | 834,514 | 870,549 | 1,335,204 | 1,641,571 | 1,270,126 | 1,092,390 |
| | *3.8* | *3.9* | *8.0* | *5.7* | *10.4* | *1.0* | *6.6* | *10.4* | *27.7* | *2.5* | *16.1* | *2.9* |
| **Revenue Act** | 843,523 | 835,533 | 983,708 | 857,053 | 835,444 | 1,047,776 | 754,431 | 767,732 | 1,179,888 | 861,245 | 816,518 | 983,045 |
| | *1.9* | *4.2* | *6.3* | *11.3* | *13.2* | *0.0* | *5.0* | *11.7* | *32.2* | *7.0* | *2.0* | *2.0* |
| Retail Sales Tax | 551,943 | 533,504 | 605,478 | 540,948 | 528,065 | 662,598 | 453,708 | 458,338 | 664,871 | 524,437 | 505,397 | 610,499 |
| | *-1.4* | *-0.5* | *2.3* | *8.6* | *10.0* | *-1.9* | *2.4* | *3.5* | *19.1* | *3.8* | *-3.3* | *2.9* |
| Business and Occupation Tax | 213,939 | 221,128 | 293,354 | 236,261 | 227,441 | 284,676 | 214,154 | 219,836 | 342,902 | 239,931 | 230,620 | 288,193 |
| | *9.6* | *14.1* | *14.1* | *17.3* | *30.0* | *-0.4* | *12.3* | *30.1* | *35.7* | *13.3* | *17.8* | *1.4* |
| Use Tax | 38,363 | 36,873 | 42,233 | 34,719 | 35,461 | 45,743 | 32,900 | 36,181 | 109,077 | 41,435 | 38,934 | 39,645 |
| | *8.7* | *10.5* | *15.3* | *8.5* | *18.2* | *7.3* | *4.5* | *12.3* | *191.1* | *16.1* | *10.2* | *-5.2* |
| Public Utility Tax | 25,848 | 26,868 | 28,555 | 29,190 | 27,393 | 39,451 | 39,836 | 36,583 | 40,003 | 33,817 | 30,194 | 29,546 |
| | *0.3* | *1.8* | *4.9* | *12.9* | *-22.2* | *19.9* | *10.5* | *23.6* | *23.0* | *9.1* | *3.7* | *7.3* |
| Tobacco Products Tax | 3,524 | 3,530 | 4,332 | 4,210 | 3,413 | 4,342 | 3,983 | 3,338 | 4,053 | 3,865 | 4,243 | 3,646 |
| | *34.0* | *-24.8* | *56.7* | *56.2* | *37.0* | *43.8* | *81.3* | *36.5* | *24.1* | *12.1* | *78.1* | *1.3* |
| Penalties and Interest | 9,906 | 13,630 | 9,756 | 11,726 | 13,671 | 10,967 | 9,851 | 13,456 | 18,982 | 17,759 | 7,130 | 11,515 |
| | *11.0* | *87.8* | *2.6* | *22.5* | *-11.2* | *32.0* | *-35.3* | *17.5* | *139.1* | *-1.6* | *-54.4* | *-13.4* |
| **Non-Revenue Act**** | 107,916 | 92,840 | 166,968 | 727,511 | 270,714 | 105,444 | 80,083 | 102,817 | 155,316 | 780,325 | 453,608 | 109,345 |
| | *21.6* | *1.4* | *19.0* | *-0.2* | *2.4* | *12.1* | *24.9* | *1.5* | *1.4* | *-2.1* | *54.7* | *11.2* |
| Liquor Sales/Liter | 18,220 | 16,531 | 15,859 | 16,725 | 16,848 | 23,633 | 13,913 | 14,524 | 16,020 | 16,164 | 16,594 | 17,247 |
| | *-2.8* | *3.5* | *2.1* | *-1.9* | *5.7* | *2.4* | *-0.1* | *2.8* | *4.3* | *3.9* | *3.3* | *6.3* |
| Cigarette | 39,860 | 29,057 | 33,520 | 26,149 | 36,538 | 29,800 | 25,441 | 27,921 | 28,463 | 23,966 | 107,936 | 38,924 |
| | *54.7* | *16.2* | *42.8* | *16.9* | *40.6* | *15.7* | *98.3* | *17.2* | *20.8* | *-33.4* | *210.6* | *61.3* |
| Property (State School Levy) | 7,094 | 9,871 | 33,355 | 613,332 | 173,492 | 12,406 | 6,857 | 25,700 | 67,364 | 694,837 | 184,883 | 9,491 |
| | *6.6* | *7.5* | *24.0* | *0.4* | *-3.4* | *13.0* | *8.8* | *4.8* | *1.2* | *0.3* | *13.7* | *-12.5* |
| Real Estate Excise | 31,762 | 27,326 | 31,038 | 26,960 | 33,257 | 22,902 | 19,704 | 27,816 | 28,763 | 27,102 | 39,094 | 31,156 |
| | *1.7* | *-20.0* | *-6.7* | *-14.5* | *-6.9* | *10.7* | *4.9* | *-12.9* | *-11.9* | *-19.9* | *-0.8* | *-8.7* |
| Timber (state share) | 1,354 | 0 | 0 | 1,058 | 0 | 0 | 788 | 0 | 0 | 825 | 0 | 0 |
| | *85.6* | *NA* | *NA* | *31.1* | *NA* | *NA* | *-14.2* | *NA* | *NA* | *27.6* | *NA* | *NA* |
| Other | 9,626 | 10,055 | 53,196 | 43,286 | 10,579 | 16,703 | 13,379 | 6,855 | 14,707 | 17,432 | 105,100 | 12,527 |
| | *106.3* | *56.8* | *29.3* | *-6.1* | *52.2* | *23.6* | *18.6* | *-20.1* | *-2.5* | *-2.9* | *160.8* | *-3.6* |
| **Department of Licensing**** | 1,230 | 494 | 319 | 121 | 131 | 129 | 341 | 521 | 1,733 | 2,861 | 6,300 | 3,004 |
| | *37.0* | *18.6* | *13.3* | *-39.4* | *-34.0* | *-23.4* | *20.5* | *16.6* | *65.8* | *23.0* | *-14.4* | *-20.6* |
| **Lottery**** | 0 | 0 | 0 | 1,912 | 0 | 0 | 0 | 0 | 0 | 0 | 6,651 | 0 |
| | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* | *NA* |
| **Administrative Office of the Courts**** | 8,131 | 7,922 | 7,796 | 8,747 | 7,372 | 7,958 | 6,350 | 8,165 | 9,371 | 8,399 | 7,997 | 8,416 |
| | *-5.7* | *-7.6* | *-7.0* | *-2.8* | *-4.0* | *0.4* | *-5.1* | *-0.3* | *-6.4* | *-4.9* | *11.9* | *-6.1* |
| **Total General Fund-State***** | 960,800 | 936,789 | 1,158,791 | 1,595,344 | 1,113,661 | 1,161,307 | 841,205 | 879,235 | 1,346,308 | 1,652,830 | 1,291,073 | 1,103,809 |
| | *3.8* | *3.8* | *7.9* | *5.8* | *10.2* | *1.0* | *6.5* | *10.2* | *27.4* | *2.5* | *16.5* | *2.7* |

*Revenue Act components: ERFC preliminary estimates
**Monthly Revenues (month of beginning of collection period)
*** Detail may not add due to rounding. The GFS total in this report includes only collections from larger state agencies: the DOR, Lottery Commission, AOC and DOL.
*Note: Italic figures refer to Year-over-Year percent change.*

**Revenue Forecast Variance**
Thousands of Dollars

| Period/Source | Estimate* | Actual | Difference Amount | Percent |
|---|---|---|---|---|
| ***July 11, 2011 - August 10, 2011*** | | | | |
| **August 10, 2011 Collections Compared to the June 2011 Forecast** | | | | |
| Department of Revenue-Total | $1,100,794 | $1,092,390 | ($8,404) | -0.8% |
| Revenue Act** (1) | 984,722 | 983,045 | (1,678) | -0.2% |
| Non-Revenue Act(2) | 116,071 | 109,345 | (6,726) | -5.8% |
| Liquor Sales/Liter | 17,184 | 17,247 | 64 | 0.4% |
| Cigarette | 39,285 | 38,924 | (361) | -0.9% |
| Property (State School Levy) | 10,509 | 9,491 | (1,018) | -9.7% |
| Real Estate Excise | 33,265 | 31,156 | (2,109) | -6.3% |
| Timber (state share) | 0 | 0 | 0 | 0.0% |
| Other | 15,829 | 12,527 | (3,302) | -20.9% |
| Department of Licensing (2) | 3,743 | 3,004 | (739) | -19.7% |
| Lottery (5) | 0 | 0 | 0 | 0.0% |
| Administrative Office of the Courts (2) | 8,676 | 8,416 | (260) | -3.0% |
| Total General Fund-State*** | $1,113,212 | $1,103,809 | ($9,403) | -0.8% |
| **Cumulative Variance Since the June Forecast (June 11, 2011 - August 10, 2011)** | | | | |
| Department of Revenue-Total | $2,392,973 | $2,362,515 | ($30,458) | -1.3% |
| Revenue Act** (3) | 1,854,366 | 1,799,562 | (54,804) | -3.0% |
| Non-Revenue Act(4) | 538,607 | 562,953 | 24,346 | 4.5% |
| Liquor Sales/Liter | 33,981 | 33,841 | (140) | -0.4% |
| Cigarette | 147,799 | 146,860 | (938) | -0.6% |
| Property (State School Levy) | 168,095 | 194,374 | 26,279 | 15.6% |
| Real Estate Excise | 67,530 | 70,250 | 2,721 | 4.0% |
| Timber (state share) | 0 | 0 | 0 | 0.0% |
| Other | 121,203 | 117,627 | (3,576) | -3.0% |
| Department of Licensing (4) | 9,522 | 9,303 | (219) | -2.3% |
| Lottery | 6,888 | 6,651 | (237) | -3.4% |
| Administrative Office of the Courts | 16,339 | 16,413 | 74 | 0.5% |
| Total General Fund-State*** | $2,425,722 | $2,394,882 | ($30,839) | -1.3% |

1 Collections June 11, 2011 - July 10, 2011. Collections primarily reflect June 2011 activity of monthly filers and Q2, 2011 activity of quarterly filers.
2 July 2011 collections.
3 Cumulative collections, estimates and variance since the June 2011 forecast; (June 11, 2011 -August 10, 2011) and revisions to history.
4 Cumulative collections, estimates and variance since the June forecast (June-July 2011) and revisions to history.
5 Lottery transfers to the General Fund
* Based on the June 2011 economic and revenue forecast.
**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.
*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, Department of Licensing, Lottery Commission and Administrative Office of the Courts.