

Date: March 20, 2013

Subject: March Washington State Revenue Forecast Remains Relatively Stable

Adjusted Revenue Estimates Remain Relatively Stable

On Wednesday, March 20, the Washington State Economic & Revenue Forecast Council (ERFC) released its [quarterly update](#) of State General Fund Revenues. The updated forecast projects slightly weaker economic growth and assumes slightly higher federal tax rates and spending cuts than those in the November forecast. However, the ERFC expects greater-than-anticipated revenue collections to come from an increase in Washington housing permits and real estate excise tax receipts. Overall, revenue projections for both the 2011-13 and 2013-15 biennia remain relatively stable, with a slight net gain of about \$40 million across the two biennia. Despite uncertainties related to sequestration and the global market, the ERFC expects slow economic and job growth in both Washington and the US.

2011-13 (FY12 and FY13)

Expected revenue is up \$58.8 million for the 2011-13 biennium (FY 12 and FY 13), holding total estimated revenue at about \$30.5 billion. A slightly weaker forecast for the remainder of the biennium was offset by an increase in collections since the November forecast, resulting in a very minimal net gain. It is too early to tell whether this relatively slight increase will result in any adjustments to the current year budget. The ERFC's optimistic and pessimistic alternative forecasts for the current biennium suggest a possible variance of \$3 million from the baseline.

2013-15 (FY14 and FY15)

Expected revenue is down \$19.3 million for the 2013-15 biennium (FY 14 and FY 15), keeping total estimated revenue around \$32.5 billion. The modest decline is primarily due to concerns surrounding key economic factors including how Congress chooses to deal with the recent federal budget cuts and how Europe and China's economies perform in the coming years.

Implications for the University of Washington

This forecast serves as the revenue basis for the Legislature's 2013-15 biennium general fund budget. Even though the ERFC expects government revenues to see a net gain of \$40 million over the current and subsequent biennia, this is negated by approximately \$300 million in higher-than-expected Medicaid caseload costs. The state and its lawmakers now face a \$1.3 billion deficit in addition to court-mandated funding for K-12 education, which could cost another \$1 billion. Their upcoming budget proposals will have to reconcile these demands on the state purse.

We anticipate that the Senate Majority Caucus Coalition will release its operating budget proposal sometime next week, while the House will likely release its budget by early next month. Until that time, any specific impact on the UW cannot be assessed.

Please check the [OPBlog](#) regularly for state budget updates as they become available.

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