

Date: June 16, 2011

Subject: Latest Washington State Revenue Forecast Brings More Bad News

2011-2013 State Reserve Fund drops by a Dramatic \$570 million Based on New Revenue Projections

On Thursday, June 16, the Washington State Economic and Revenue and Forecast Council (ERFC) released its [quarterly update](#) of State General Fund Revenues. The forecast reduced expected revenue for the upcoming 2011-13 biennium to \$31.7 billion, \$183 million (.6%) less than the total predicted in the March forecast. Combined with other economic and non-economic revenue changes, this means that the over \$730 million in reserves included in the 2011-13 budget [signed](#) by Governor Gregoire yesterday is [estimated](#) to now total only \$163 million, a drop of over \$570 million.

Economist Arun Raha, executive director of ERFC, points out that while the aerospace and software industries are showing growth in Washington, non-residential construction remains embroiled in the worst downturn in over 30 years, overall job growth remains slow, unemployment high, and home prices continue to decline. He also pointed to high gas prices and the crisis in Japan as major contributing factors to slow economic growth in Washington.

Potential Impact of Continued Declining Revenue on the University of Washington

While the news released today has no immediate impact for the University, and does not affect the contents of the [budget letter](#) published on June 15, continued declines in state revenue would likely necessitate another round of mid-year and supplemental session budget cuts for state agencies, including the UW. The next quarterly forecast to be released in September will be a very important indicator. Another drop in revenue of this magnitude will erase budget reserves entirely.

Dr. Raha does predict economic and employment growth in the second half of the current year. He also highlights strong export growth for Washington, and predicts that recovery and rebuilding efforts in Japan will have a positive economic impact on the State. However, note that Raha assumes overall General Fund growth of 7.6 percent in 2011, 4.6 percent in 2012, and 7.0 percent in 2013. Should these assumptions turn out to be too optimistic, the State could quickly be facing another large deficit for 2011-13.

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