



## Planning and Budgeting Brief

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**Date Prepared:** June 19, 2009

**Subject:** June 2009 State General Fund Revenue Forecast Update for Washington State

On Thursday, June 18<sup>th</sup>, the State of Washington Economic and Revenue Forecast Council (ERFC) released its [quarterly update](#) of the State General Fund revenues for the remainder of Fiscal Year 2009 and for the 2009-11 biennium. The revenue forecast for Fiscal Year 2009 was reduced by \$185 million, and the forecast for the 2009-11 biennium was reduced by \$297 million, compared to the March forecast. Note that the forecast revision for the 2009-11 biennium would have been a reduction of \$523 million if not for the anticipation of \$226 million in new revenue (primarily the result of legislation related to sales tax compliance, account consolidation, tax collection tools, and other budget-driven enhancements).

Dr. Arun Raha, Washington State's chief economist and executive director of the ERFC, emphasizes that the June forecast update suggests that the nation and Washington State may be nearing the end of the current recession, possibly by the third quarter of this year. However, job losses will likely continue through the end of 2009 and the unemployment rate will likely continue to rise into 2010, peaking at around 10 percent for the U.S. and 10.5 percent for Washington State in the first half of 2010. The forecast predicts a continuing decline in manufacturing and construction related employment in Washington through 2010, even though housing permits may increase towards the end of 2009 and into 2010.

Although many indicators seem to point toward a slowing of the economic decline, and forecasts predict potential growth by the beginning of 2010, recovery is likely to be long and slow, lasting at least into 2011.

### ***Effect of the June 2009 Revenue Forecast Figures on the State and on the University of Washington***

Because the state's Rainy Day Fund still maintains a projected balance of \$248 million, the reduction of Fiscal Year 2009 revenues by \$185 million does not require immediate budget cuts on top of those recently enacted by the Legislature. However, to avoid depleting the Rainy Day Fund, the Governor directed all state agencies to continue the savings measures enacted by the spending freeze bill ([Engrossed Substitute Senate Bill 5460](#)), which is set to expire on June 30, including travel, contractor and equipment purchasing bans, as well as various restrictions and freezes on hiring and salary increases. Additionally, the Governor ordered cabinet agencies to cut payroll expenses by two percent, through tools like furloughs, reductions in overtime pay, or layoffs. All agencies are directed not to hire from outside state government until all qualified candidates affected by government layoffs have been considered.

In the process of implementing budget cuts resulting from the 2009 legislative session, the UW is relieved that this forecast did not require additional cuts at this time. However, the continually weakening economy makes additional budget cuts possible and therefore the University expects to continue operating efficiently and effectively by keeping in place many recently adopted existing cost saving measures.

### ***History of the Economic and Revenue Forecast Council***

The Washington State Legislature and Governor Spellman created the Economic and Revenue Forecast Council in 1984 ([Chapter 82.33 RCW](#)). The Council is comprised of two Governor-appointed members and four members from the Legislature. The Council produces quarterly economic and revenue forecasts and employs a revenue forecast supervisor to head the process, a position currently held by Dr. Arun Raha. Throughout the process, both the ERFC and the Governor's Council of Economic Advisors provide input and approve the forecast presented to them by Dr. Raha. Official and unofficial forecasts are submitted to the governor and the legislature in November, February (March in odd numbered years), June, and September. The legislature customarily passes a budget based on the February (or March) forecast, but can re-visit that budget if required by later forecasts that may create deficits.

For more information, please contact: Jessica Thompson at [jthomp@u.washington.edu](mailto:jthomp@u.washington.edu), or at 206.685.9955