



STATE OF WASHINGTON

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Washington quarterly revenue projection down \$482 million

Governor directs agencies to further slow spending in response

OLYMPIA – The June revenue forecast for Washington state government shows projected General Fund revenue down a combined \$482 million for the remainder of this biennium, which ends June 30, and the next two-year budget period.

Dr. Arun Raha, chief revenue forecaster, said that while the overall economic outlook for next biennium is slightly bleaker than in March, the prospect for a recovery beginning in late 2009 is more certain. He noted, however, that consumer spending and tax collections are lagging the recovery, as consumers pay down debts and wait for more evidence that the economy is on stronger footing. The bleaker revenue forecast is related to weak revenue collections and consumer caution.

“Like most other states across the nation, Washington has not yet experienced the economic turnaround needed to stabilize our revenues,” Gov. Chris Gregoire said. “While we have already demonstrated that we can make the hard decisions to develop and enact a responsible budget, we will have to take additional actions.”

The governor signed a balanced budget in May to close a nearly \$9 billion shortfall. The budget left a total of \$739 million in savings, with \$248 million in the constitutionally protected rainy day fund and \$491 million in unobligated revenue.

“The budget I signed in May requires everyone to sacrifice,” Gregoire said. “Those cuts and the further action I am taking today will have real effects on the people of our state. It will take all of us working together, with shared responsibility, and a sense of community to get through this downturn.”

To manage the reduced revenue projected in this forecast, Gregoire is directing agencies to further curtail their spending for the 2009–11 biennium.

“We have been aware of the likelihood of a negative forecast and are prepared to take action,” Gregoire said. “I am directing Cabinet state agencies to decrease their General Fund employee costs by 2 percent from what was budgeted. Agencies can hire employees where needed to accomplish their core business and enact the reforms I am asking for, but they cannot exceed the cap I am instituting today.”

In a letter to agency leaders, Gregoire also directed that controls on spending be maintained for equipment purchases, out-of-state travel and personal service contracts.

She also asked that higher education and separately elected officials voluntarily follow her hiring and purchasing directives.

Revenue for the current budget period, 2007–09, is projected to decrease \$185 million, resulting in total projected General Fund revenue for the biennium of \$27.7 billion. Revenue for the next budget period, 2009–11, is projected to decrease \$297 million, resulting in projected total General Fund revenue of \$29.8 billion.

“The latest estimates are that 42 states continue to experience declines in revenue,” said Victor Moore, director of the state’s budget office. “Some states are making additional cuts just to get through the current budget period.”

State fiscal conditions deteriorated for nearly every state during fiscal 2009, according to the National Governors Association and the National Association of State Budget Officers.

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