

FOR IMMEDIATE RELEASE

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OLYMPIA, June 15, 2001 --- The forecast assumes there will be no recession in the immediate future but the outlook for U.S. GDP growth now appears slightly weaker than assumed in March. At the state level, revised employment and income data indicate that growth in the fourth quarter was weaker than we believed in March. Preliminary data for the first four months of this year also indicate weaker growth than assumed in March. Finally, a lower than expected revenue collection experience since the last forecast reinforces the belief that we are ending this biennium with a weaker local economy than assumed three months ago.

The June 2001 General Fund-State revenue forecast for the 1999-01 biennium is \$21,285.0 million, a decrease of \$27.3 million since the March forecast. The General Fund-State revenue forecast for the next biennium is \$22,099.1 million, a reduction of \$116.4 million. For the two biennia combined, the forecast change due to economic factors is a negative \$116.5 million but non-economic changes, primarily the phase out of the federal estate tax, cost the General Fund an additional \$27.3 million for a total reduction of \$143.7 million.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 1999-01 and 2001-03 biennia. The forecast based on more optimistic economic assumptions netted \$83 million more revenue in the current biennium and \$801 million more in the next biennium and than did the baseline forecast while the pessimistic scenario was \$86 million lower in 1999-01 and \$1,001 million lower in 2001-03. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$4 million more revenue in this biennium and \$70 million more in 2001-03 than did the baseline forecast.

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