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OLYMPIA, November 20, 2001 --- The November revenue forecast is the first to incorporate the impact of the tragic events of September 11. A national recession now a virtual certainty. Even worse, the nature of the attacks with its devastating impact on the air transportation industry means that the impact on Washington State will be disproportionately large. Newly available employment and income data suggest that the economy was weaker than previously believed before the attacks and revenue collections since the last forecast confirm the worsening trend. As a result, we have made a major reduction in our revenue forecast for the 2001-03 biennium.

The General Fund-State revenue forecast for the 2001-03 biennium is \$21,208.7 million, a reduction of \$813.1 million from the September estimate. Of the \$813.1 million reduction, \$67.1 million is due to collection experience since the September forecast, \$34.0 million is due to the passage of initiatives 747 and 773, and \$69.4 million is due to lower interest earnings from the Treasurer due to lower balances available for investment. The remaining \$642.6 million reduction is due to the weaker economic outlook for the remainder of the biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 biennium. The forecast based on more optimistic economic assumptions netted \$629 million (3.0 percent) more revenue than did the baseline forecast while the pessimistic scenario was \$695 million (3.3 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$35 million (0.2 percent) less revenue than did the baseline forecast.

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