



King County

# REVISED REVENUE FORECASTS FOR THE 2011 KING COUNTY BUDGET

Briefing to the King County  
Forecast Council

Sept. 7, 2010

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# Briefing outline

- **Economic context**
- **Assessed valuation and new construction**
- **Sales tax revenues**
- **Inflation**
- **Other forecasts**



# Recovery at Half Quarter Speed

## Economic context

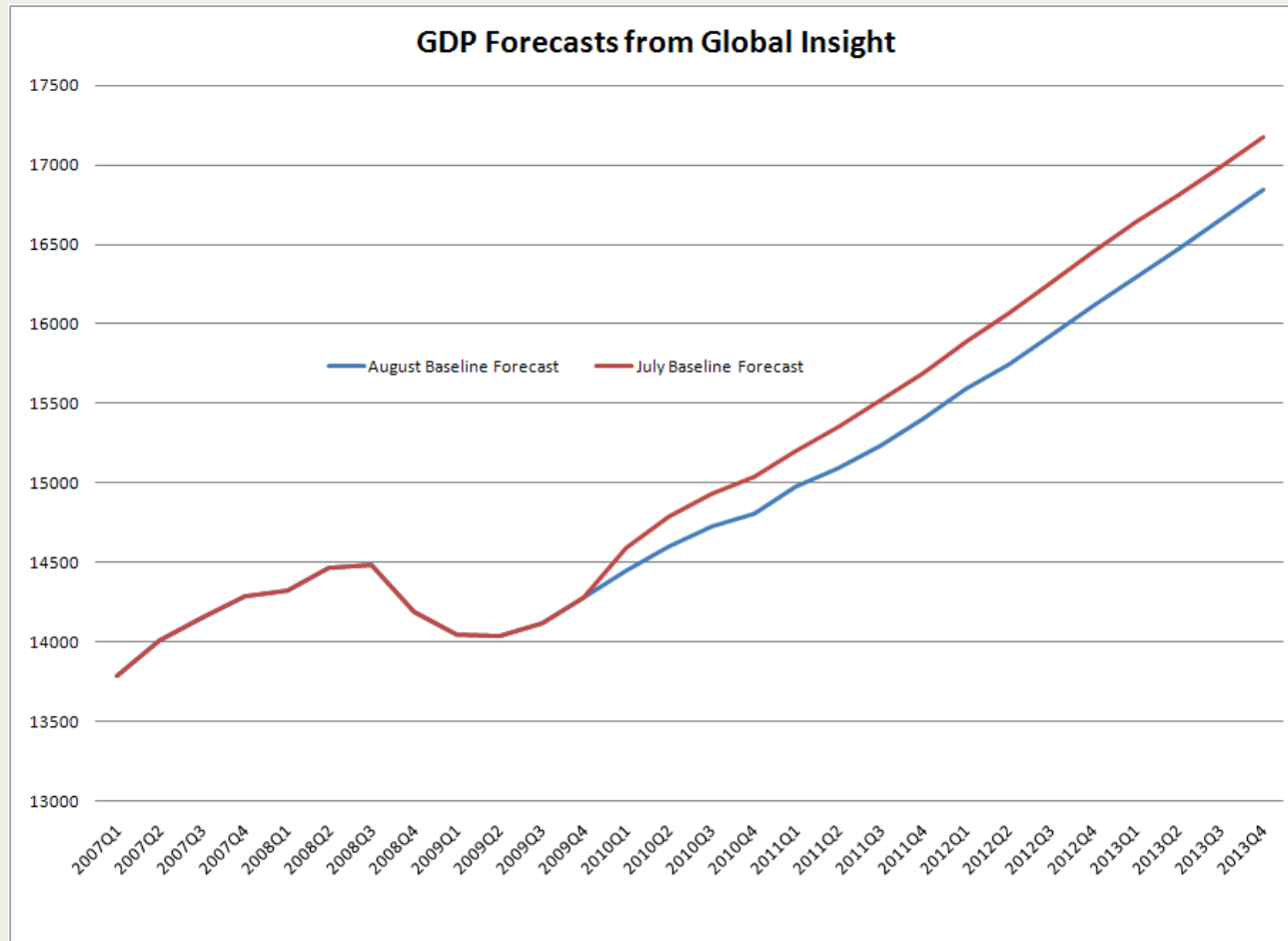
**GDP growth revised downward for the first half of 2010**

- **Consumer spending continues to be sluggish**
- **Real estate markets have not yet bottomed out**
- **Unemployment rate may increase again before it begins falling for good**
- **All major forecasting services have lowered their forecasts**



# Global Insight Baseline Forecast of GDP: 1-2% lower out to 2013

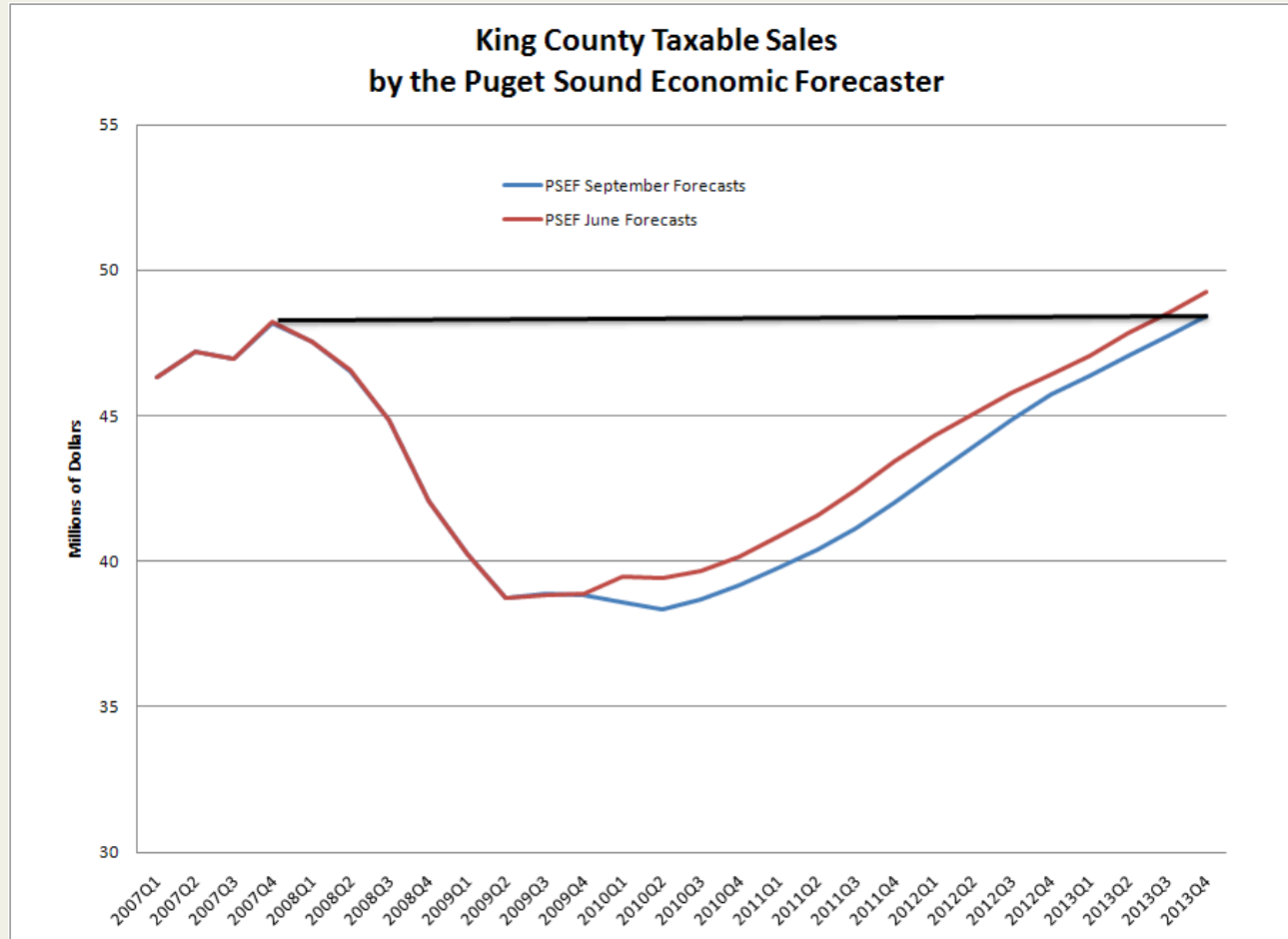
## Economic context





# PSEF Forecast of Taxable Sales in King County: 2-4% less out to 2013

## Economic context



# Revised Revenue Forecasts for 2011

## Assumptions

- **Forecast Council requires a 65% confidence level – a 65% chance that actual revenues will exceed the forecasted**
- **All planned annexations are assumed to occur as now scheduled through 2015**
- **Current tax rates are held fixed. We do not incorporate the proposed 0.2% sales tax increase, the proposed reinstatement of tax exemption for candy, gum and bottled water or any of the liquor initiatives**



# Assessed Valuation for 2011 compared to 2010

- **With 74% of all parcels assessed:**
- **Residential: -1.6%**
- **Condominiums: -9.3%**
- **Commercial: -7.4%**
- **Total AV for 2011: -4.5%**
- **This is an improvement over the July forecast, which was -6.2%**



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# New Construction

- **With 40% of new parcels assessed:**
- **New construction will be down -54% in 2011, on top of -35% this year.**
- **Our July forecast of -30% in 2011 was way too optimistic!**





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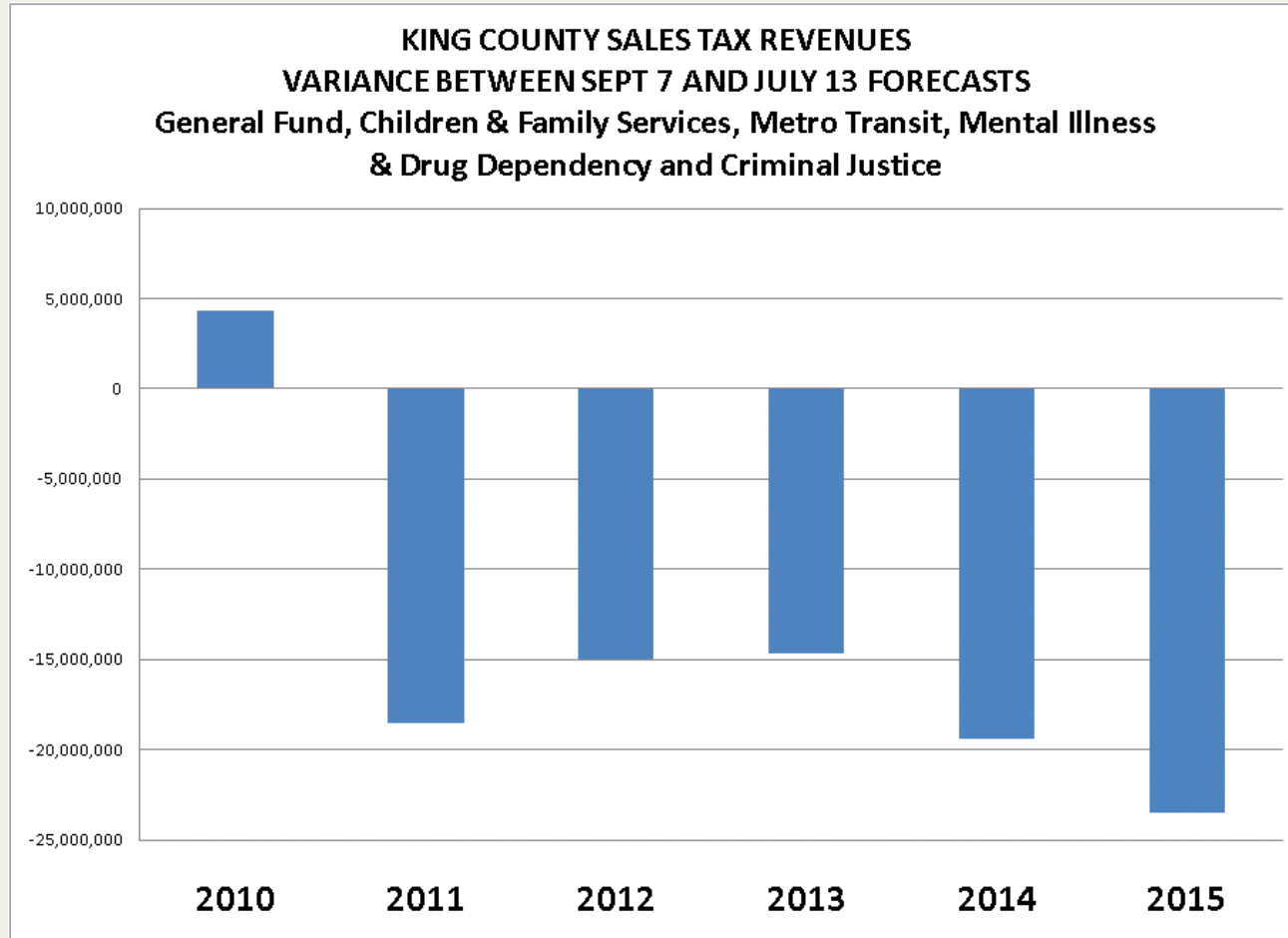
# Forecasts of all sales tax revenues have been reduced by -3.5% for 2011

## Percent Variance Between Sept 7 Revised and July 8 Final Forecasts

Year	General Fund + Children & Family Services	Metro Transit	Mental Illness & Drug Dependency	Criminal Justice	Total
2009	0.0%	0.0%	0.0%	0.0%	0.0%
2010	-0.1%	1.1%	1.1%	1.0%	0.9%
2011	-4.4%	-3.4%	-3.3%	-3.3%	-3.5%
2012	-3.6%	-2.5%	-2.5%	-2.5%	-2.7%
2013	-3.4%	-2.3%	-2.3%	-2.3%	-2.5%
2014	-4.0%	-2.9%	-2.9%	-2.9%	-3.1%
2015	-4.5%	-3.4%	-3.4%	-3.4%	-3.6%



# Forecasts of all sales tax revenues for 2011 have been reduced by **-\$18.6 million**





# Revised Forecasts of General Fund Sales Tax Revenues

	Dollars to the General Fund from Sales Tax	Year-Over-Year Change
2008	\$83,639,942	
2009	\$72,639,926	-13.2%
2010	\$69,394,358	-4.5%
2011	\$71,209,249	2.6%
2012	\$73,680,452	3.5%
2013	\$78,092,676	6.0%



## Low inflation in 2011 – a bright spot

	<b>CPI-W Sep-to- Sep</b>	<b>CPI-U 12-mo Avg.</b>	<b>CPI-Seattle 12-mo Avg.</b>
<b>For 2011</b>			
<b>Revised Sep 7</b>	<b>1.67%</b>	<b>1.67%</b>	<b>1.64%</b>
<b>Final July 13</b>	<b>1.36%</b>	<b>1.70%</b>	<b>1.78%</b>
<b>Variance</b>	<b>0.31%</b>	<b>-0.03%</b>	<b>-0.14%</b>



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## Additional forecasts for 2011

	Revised Forecast Sept 7	Final Forecast July 13	Variance
Investment Pool Return	0.89%	1.08%	-0.19%
Real Estate Excise Tax	\$3.6M	\$3.8M	-3.80%
Hotel/Motel	\$17.0M	\$17.4M	-2.09%
Rental Cars	\$2.6M	\$2.6M	-0.12%
PPI - Pharmaceuticals	7.73%	9.61%	-1.88%
CPI - Transportation	.71%	1.14%	-0.34%



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# Conclusions

- **Economic recovery will be slower than previously thought**
- **Which means King County revenues will recover slower than previously thought**

Questions?