



King County

# FINAL FORECASTS FOR THE 2012 KING COUNTY BUDGET

Briefing to the King County  
Forecast Council

July 20, 2011

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Office of Economic and Financial Analysis

# Briefing outline

- **Economic context**
- **Revenue review**
- **Major forecasts**



# The US recovery has hit a speed bump

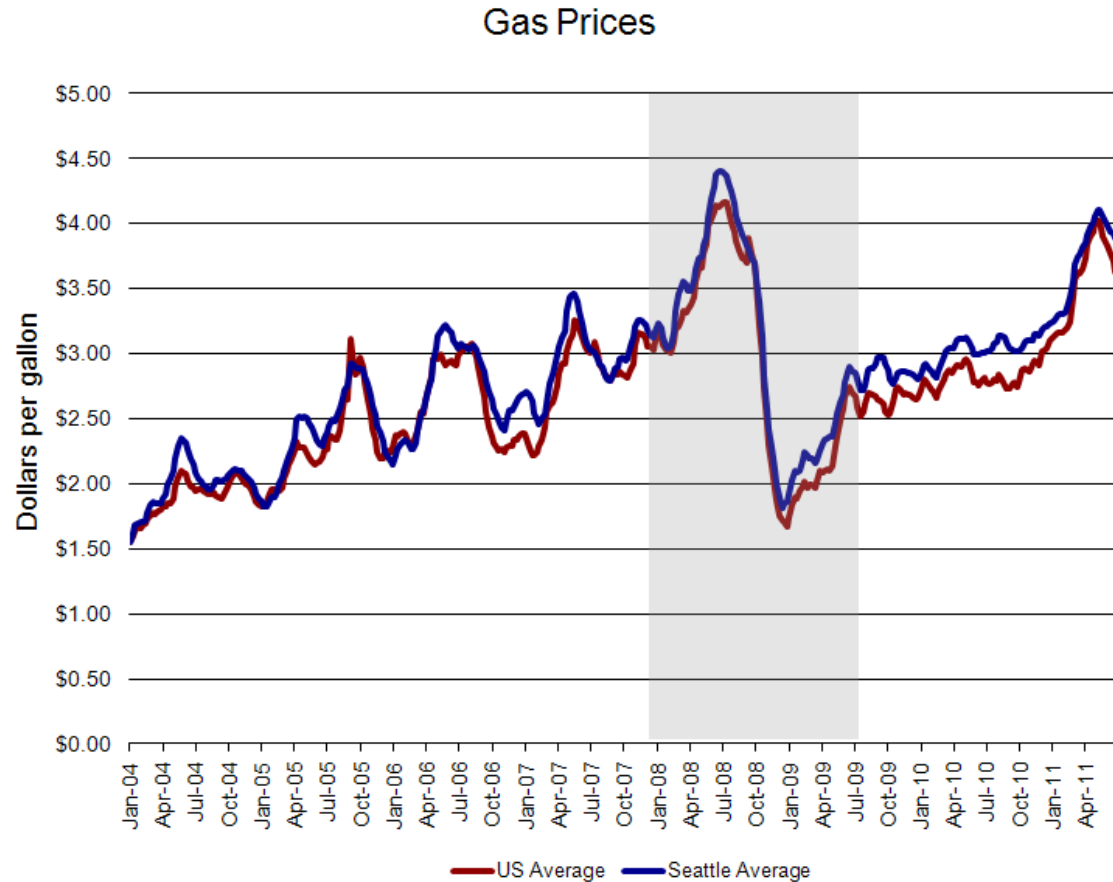
## Economic context

- **June shocker: only 18,000 new jobs added**
  - 57,000 private sector jobs added
  - But 39,000 government jobs lost
- **Unemployment rate rose to 9.2%**
- **Underemployment rate (includes discouraged workers and part-timers who want full-time) rose to 16.2%**

# Gas price spike has impacted growth and inflation in the near term

## Economic context

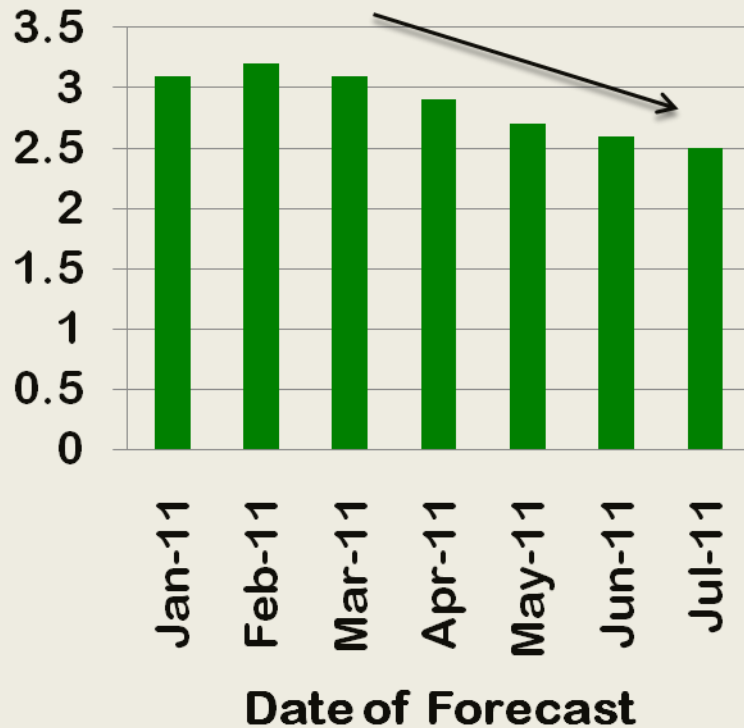
Consensus is that this will not have a long lasting effect on growth IF gas prices continue to come down



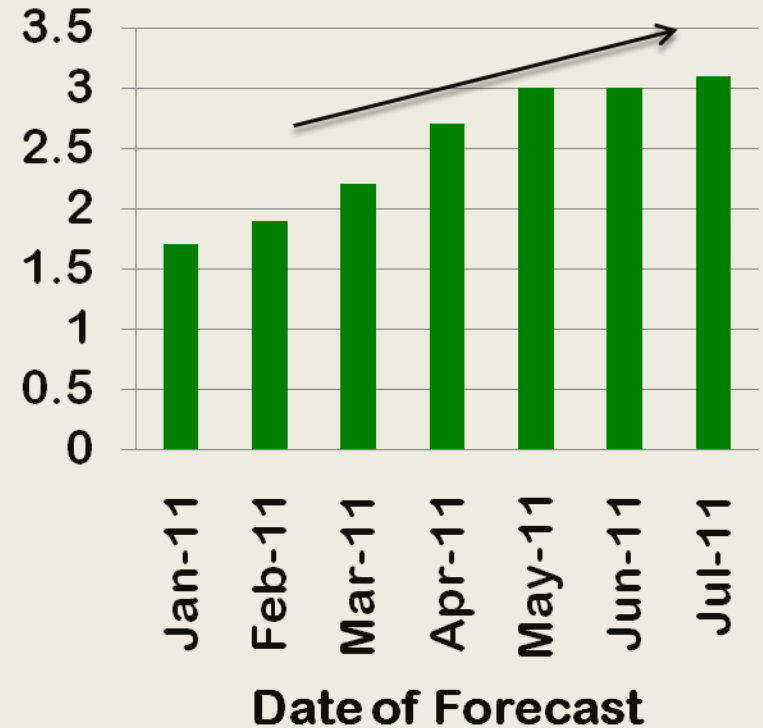
# The experts continue to revise their views of 2011 - for the worse

## Economic context

### GDP Forecasts for 2011



### CPI Forecasts for 2011



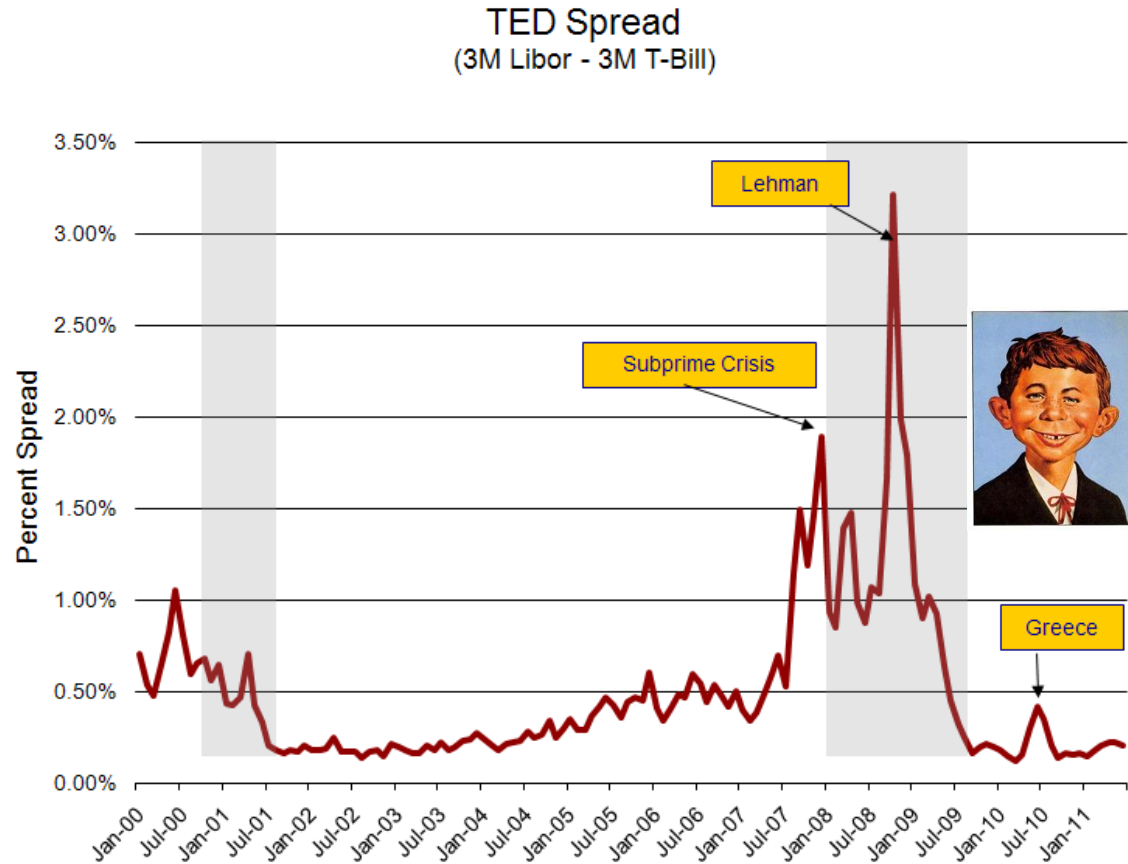
Source: Blue Chip survey of professional forecasters

# The credit markets say: What, me worry?

## Economic context

TED spread measures how much US banks trust each other to pay back loans.

The European and debt ceiling dramas have not affected credit here – so far





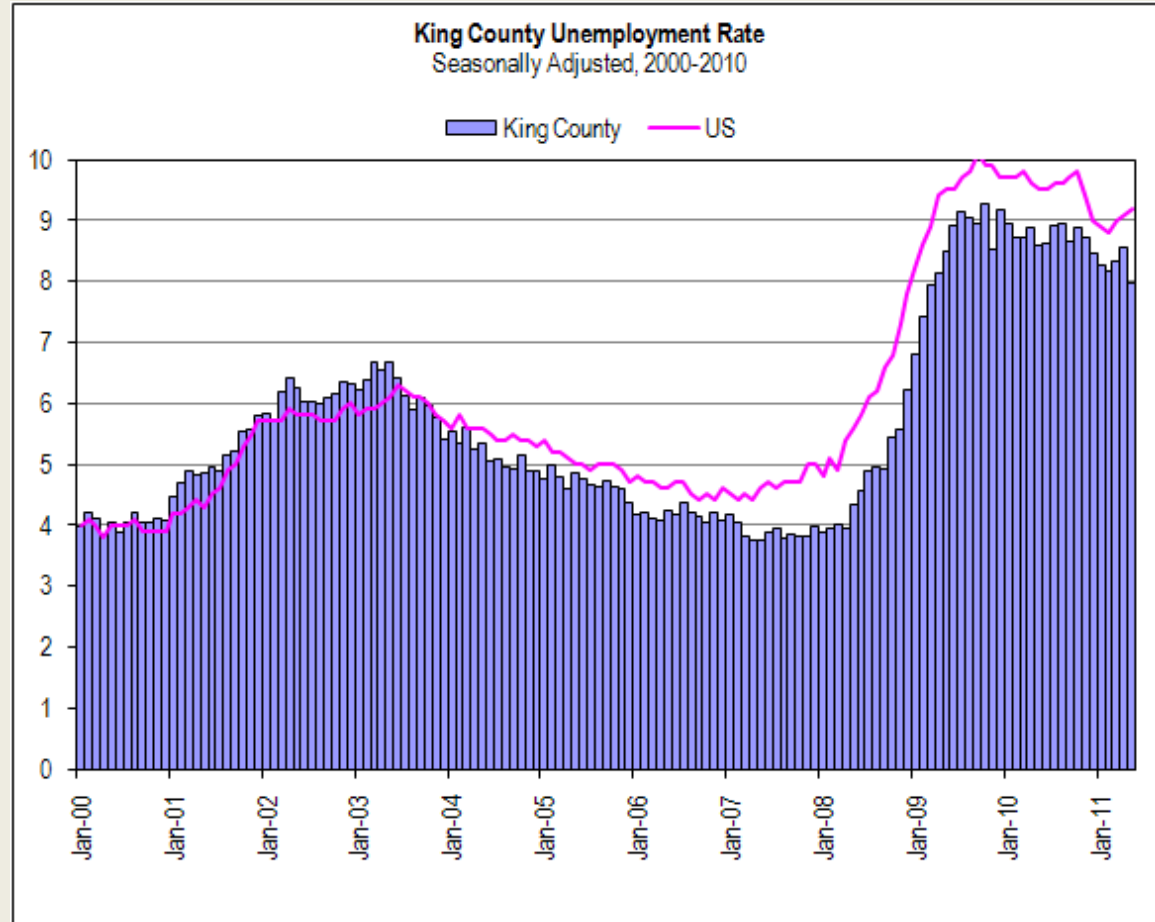
# Bucking the trend: King County unemployment rate fell to 7.9%

## Economic context

Employment gains in aerospace, software, retail, hotels.

Local govt. workforce has stabilized

Not a good thing: few discouraged workers returning to labor force



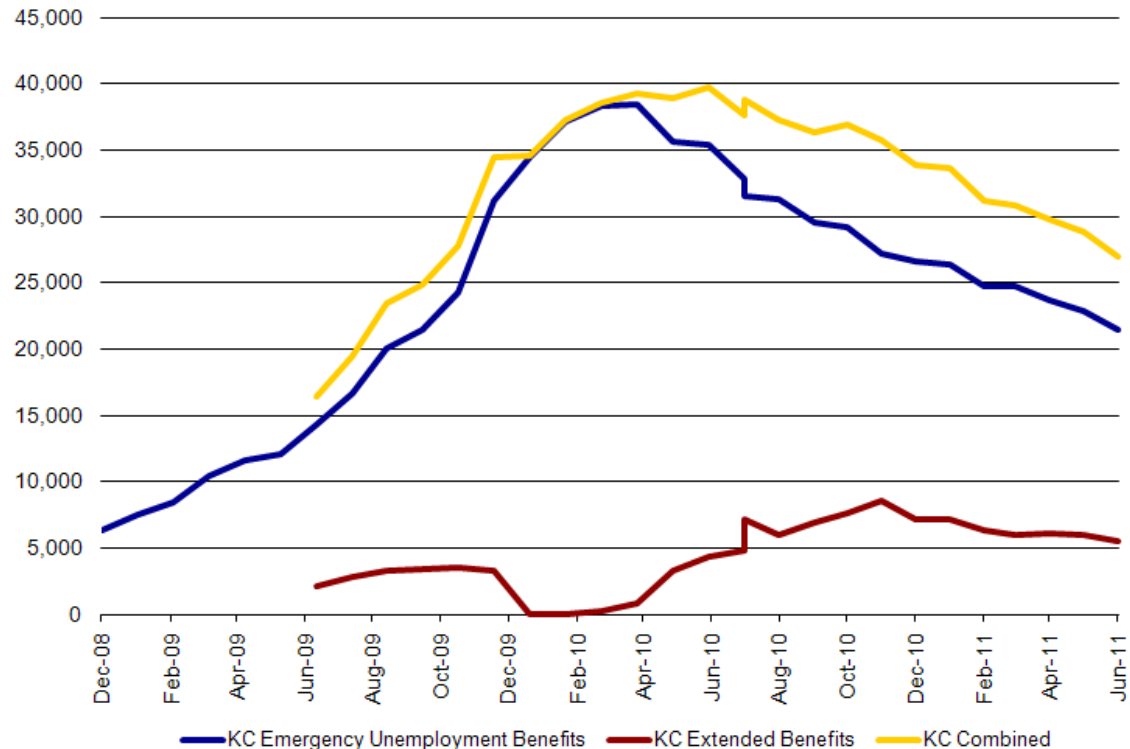
# Long term unemployment coming down – but still high

## Economic context

Growing number of “99-ers” who have exhausted all benefits

Some benefit programs may come to an end by year-end.

Long Term Unemployment in King County  
(more than 26 weeks)





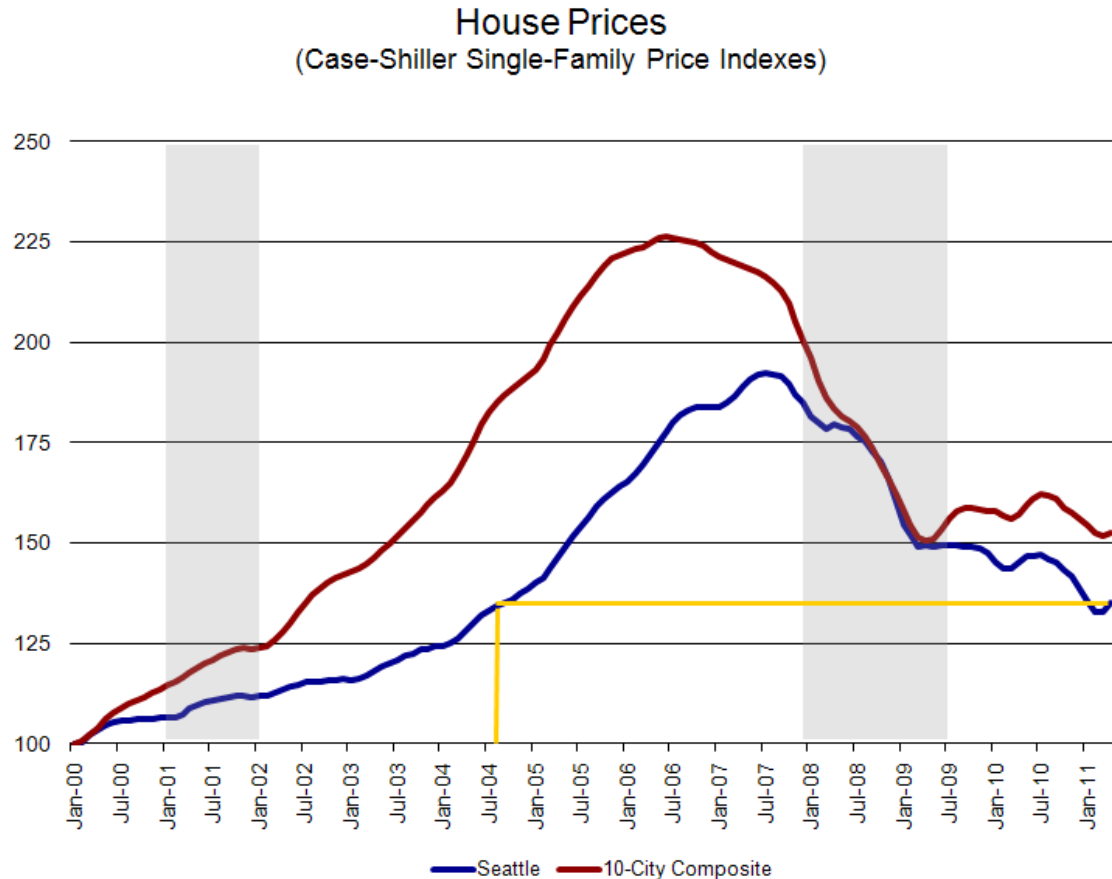
# Nostalgia anyone? We're back to 2004 house prices

## Economic context

This is a drag on consumer confidence.

We expect prices to stabilize this year.

Overhang of distressed properties will keep prices flat for years.



# 2012 assessments: another down year

## Economic context

- **Residential AV**
  - Seattle: -5% to +0.5%
  - North: -6% to 0%
  - South: -17% to -6%
- **Commercial & condominium AV will also be down compared to 2011**
- **New construction**
  - South Lake Union
  - Swedish Hospital in Issaquah
  - Multi-family units up
  - Single-family, office, small commercial are all at depressed levels

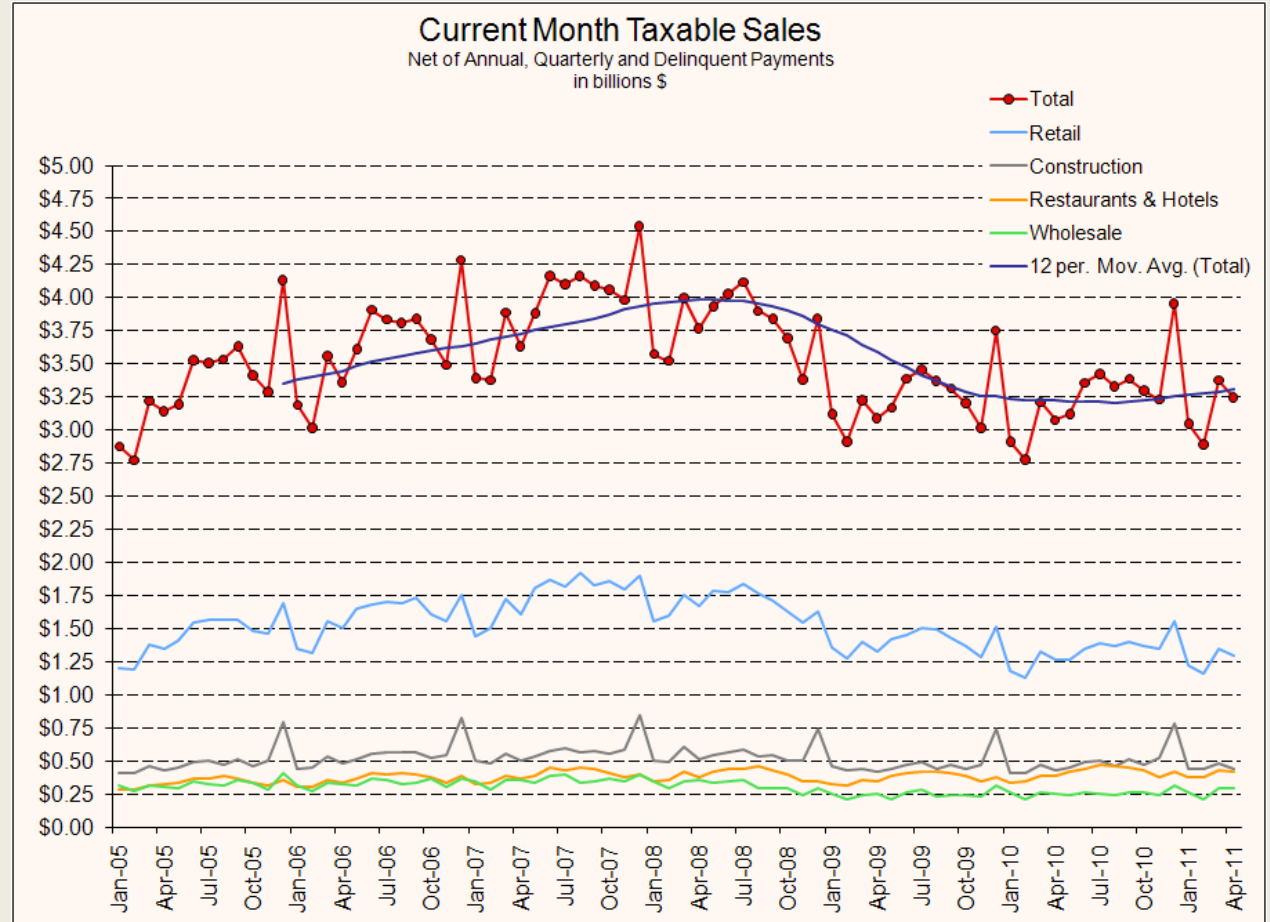
# Spending in King County is turning the corner

## Economic context

Retail,  
Restaurants &  
Hotels leading  
the way

Construction  
still lagging

Wholesale  
holding steady





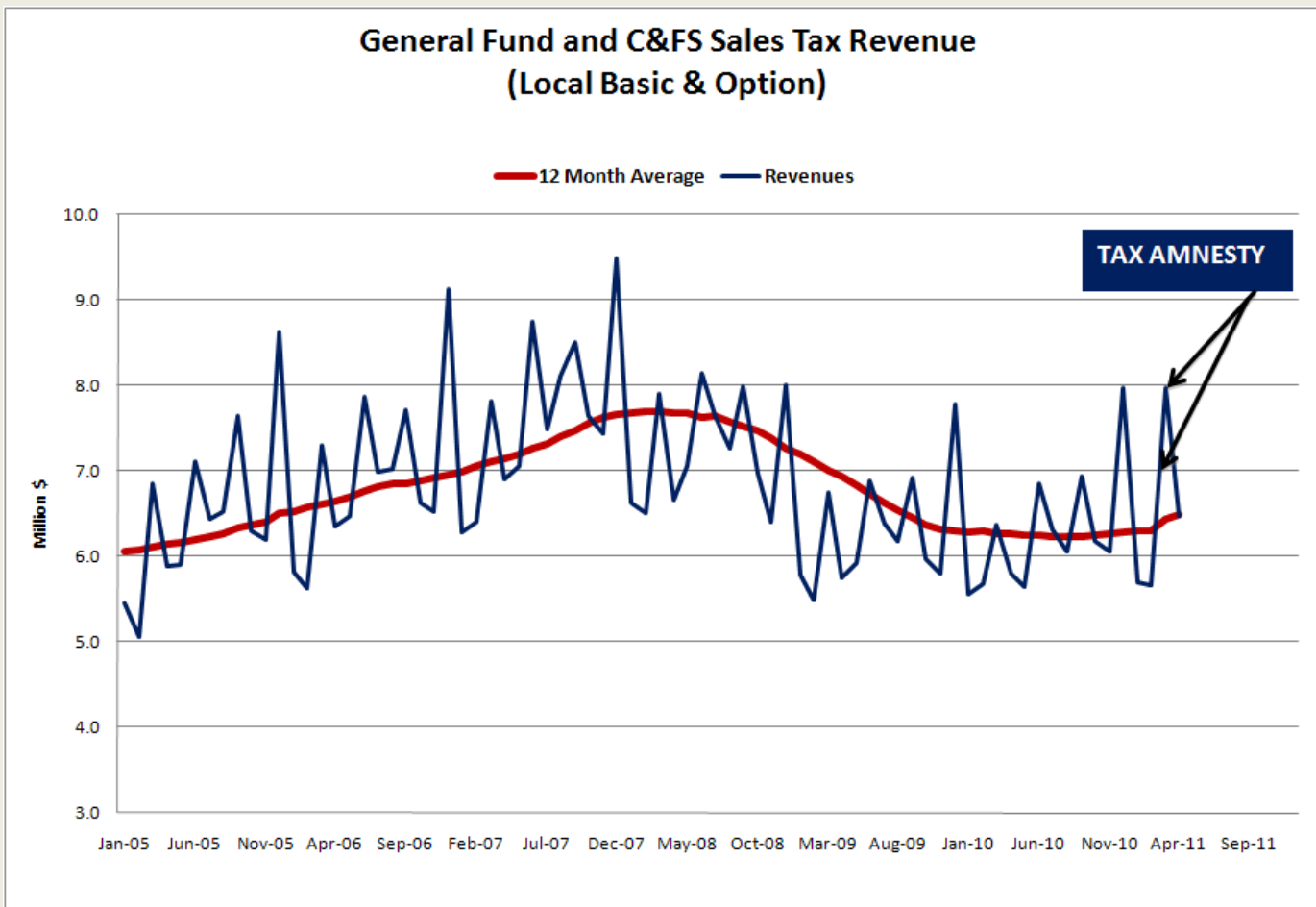
# The sales tax amnesty was a roaring success

## Revenue review

- **\$57 million in “windfall” money to local governments throughout the state**
- **For King County we estimate:**
  - **\$10 million for Metro Transit**
  - **\$2 million for General Fund & CFS**
  - **\$1.1 million for MIDD**
  - **\$300 thousand for Criminal Justice**
- **Caution: one time only**

# One-time boost to the general fund

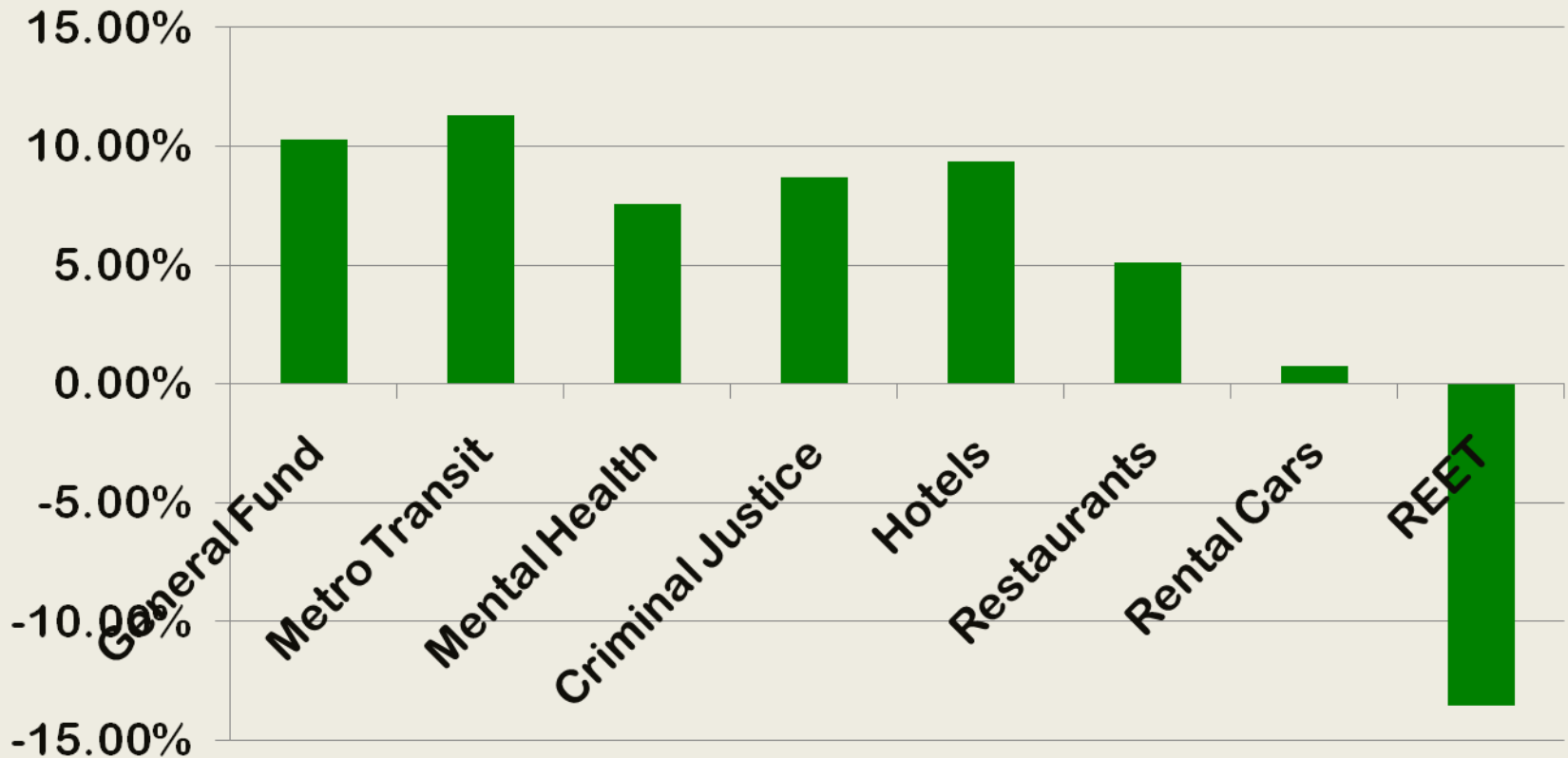
## Revenue review



# At a glance: Where we are compared to last year at this time

## Revenue review

### Jan-Apr 2011 compared to Jan-Apr 2010



# Major Forecasts

## Assumptions

65% Confidence Level – 65% chance revenues will come in higher than forecasted

All potential annexation areas are assumed to occur on schedule:

North Highline Y (1-1-13)	Pop. 17,553
Renton West Hill (1-1-13)	Pop. 15,645
East Federal Way (1-1-15)	Pop. 20,925
Eastgate (1-1-15)	Pop. 4,958
East Renton (1-1-15)	Pop. 6,308
Klahanie (1-1-15)	Pop. 10,674



# Sales Tax Base Recovering

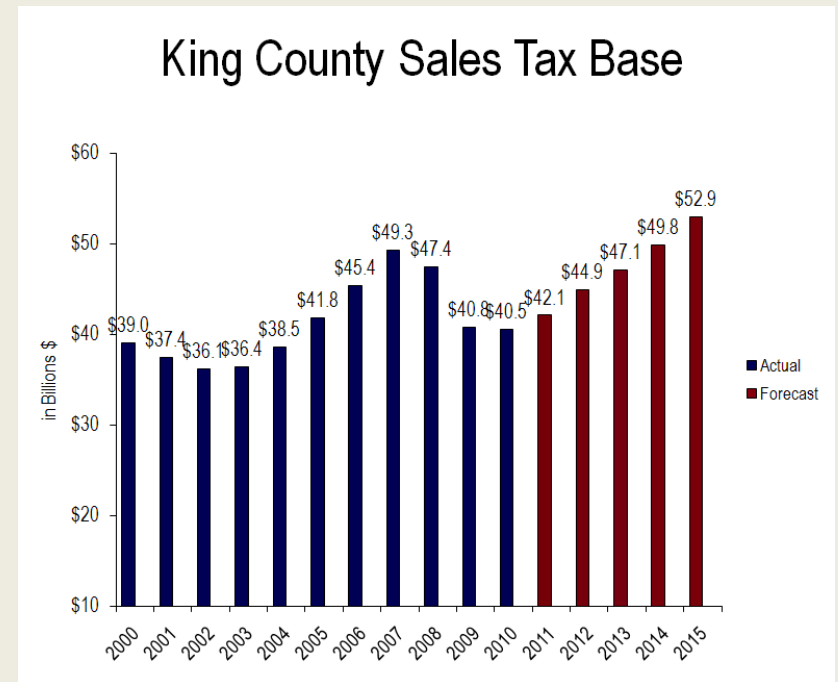
## Forecasts

### 2012 Final Sales and Use Taxbase Forecast

Office of Economic and Financial Analysis

July 20, 2011

Year	Value	Change
2000	39,017,612,480	-
2001	37,414,873,470	-4.11%
2002	36,137,962,860	-3.41%
2003	36,379,622,690	0.67%
2004	38,521,409,960	5.89%
2005	41,807,662,630	8.53%
2006	45,401,665,730	8.60%
2007	49,268,622,240	8.52%
2008	47,440,908,710	-3.71%
2009	40,783,082,660	-14.03%
2010	40,506,885,020	-0.68%
2011	42,069,379,447	3.86%
2012	44,867,245,032	6.65%
2013	47,111,962,345	5.00%
2014	49,812,925,561	5.73%
2015	52,888,953,903	6.18%
2016	55,913,746,603	5.72%
2017	58,811,258,935	5.18%
2018	61,450,652,974	4.49%
2019	64,124,463,268	4.35%
2020	66,816,472,346	4.20%



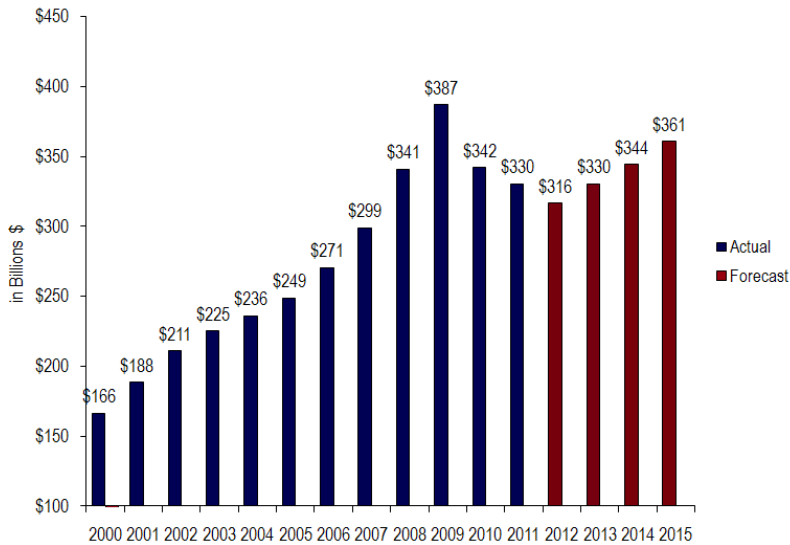




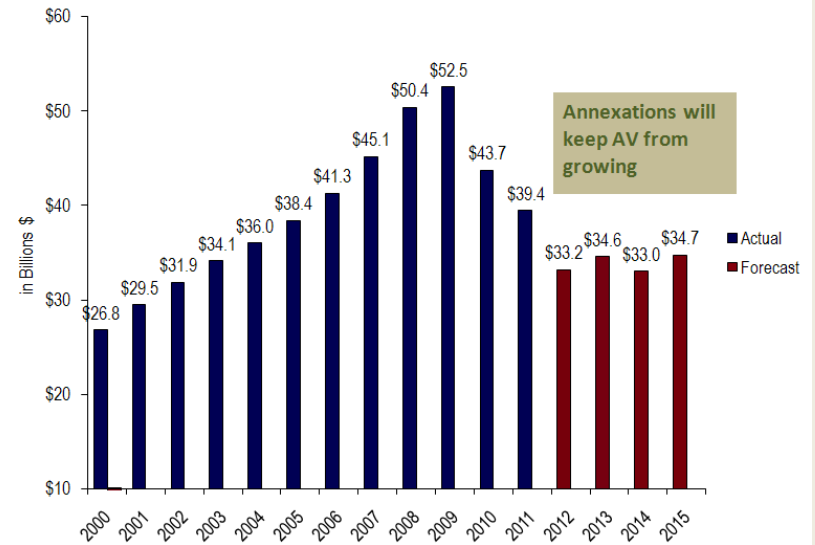
# One more down year in AV

## Forecasts

### Countywide Assessed Value



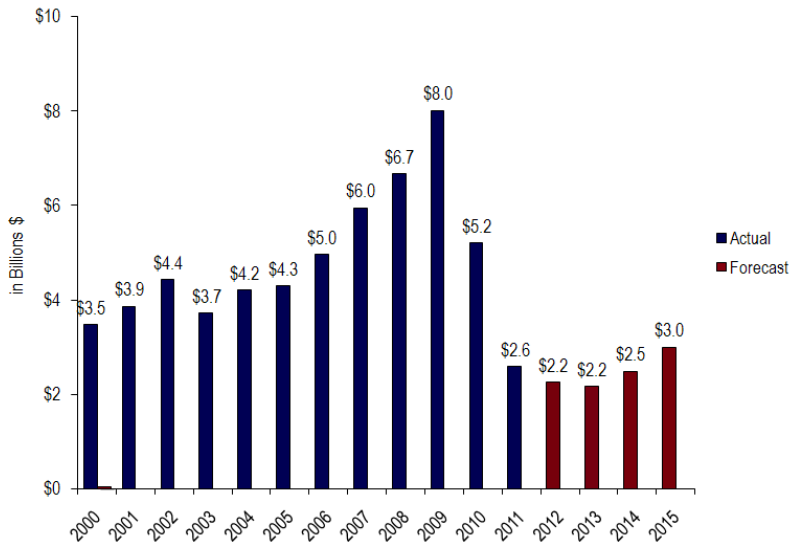
### Unincorporated Assessed Value



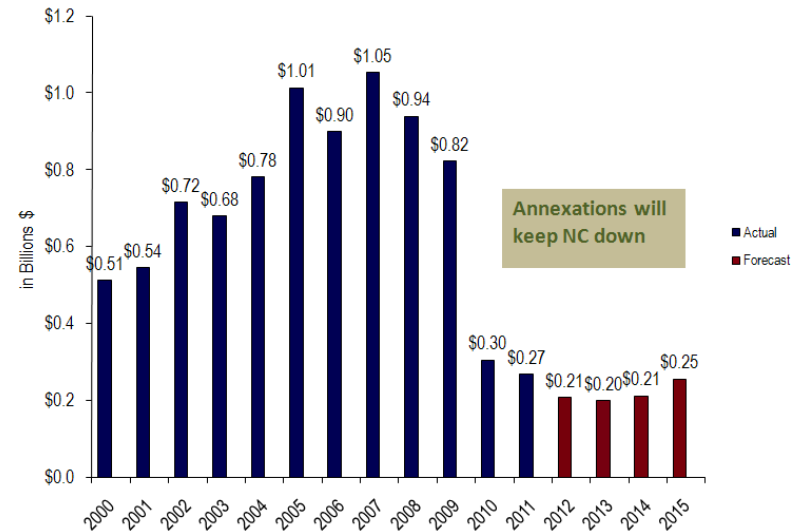
# New construction will remain at depressed levels for some time

## Forecasts

### Countywide New Construction



### Unincorporated New Construction

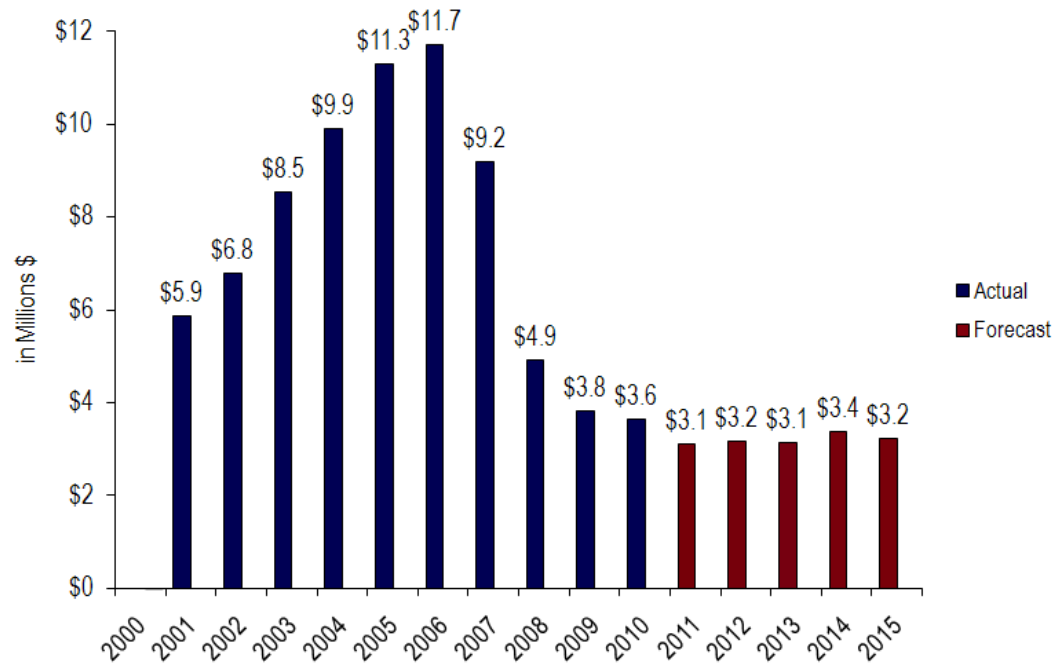


# REET outlook is grim

## Forecasts

Lack of real estate activity combined with annexations make a perfect storm to keep REET revenues down

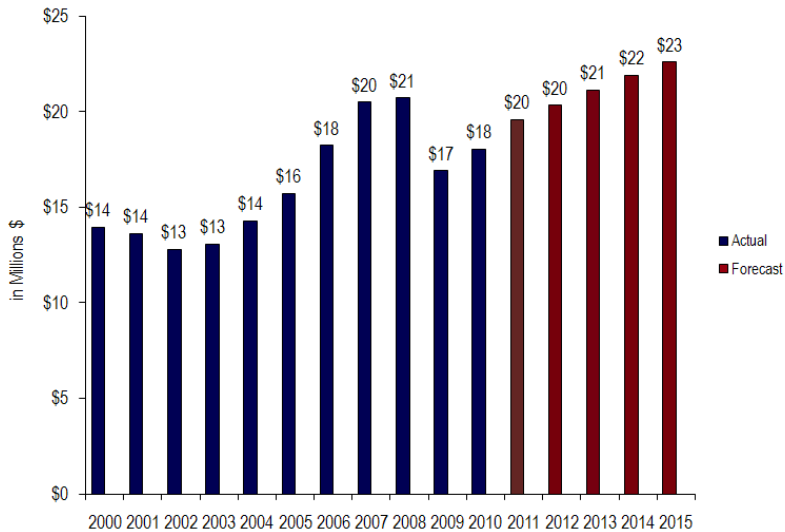
### Real Estate Excise Tax (0.25 Percent)



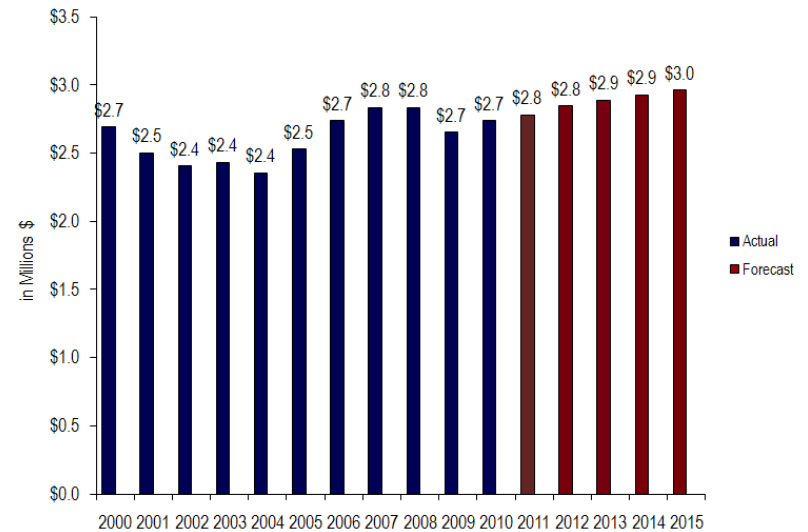
# Travel to the County is quickly recovering

## Forecasts

### Hotel-Motel Tax



### Rental Car Tax



# New COLA formula will save a substantial amount in 2012

## Forecasts

### Cost of Living Adjustments

Office of Economic and Financial Analysis  
July 20, 2011

Year	Old COLA	New COLA	Diff
2011	2.00%	0.00%	-2.00%
2012	2.93%	1.63%	-1.30%
2013	1.74%	2.37%	0.63%
2014	1.86%	1.97%	0.11%
2015	2.08%	2.09%	0.01%

Questions?