

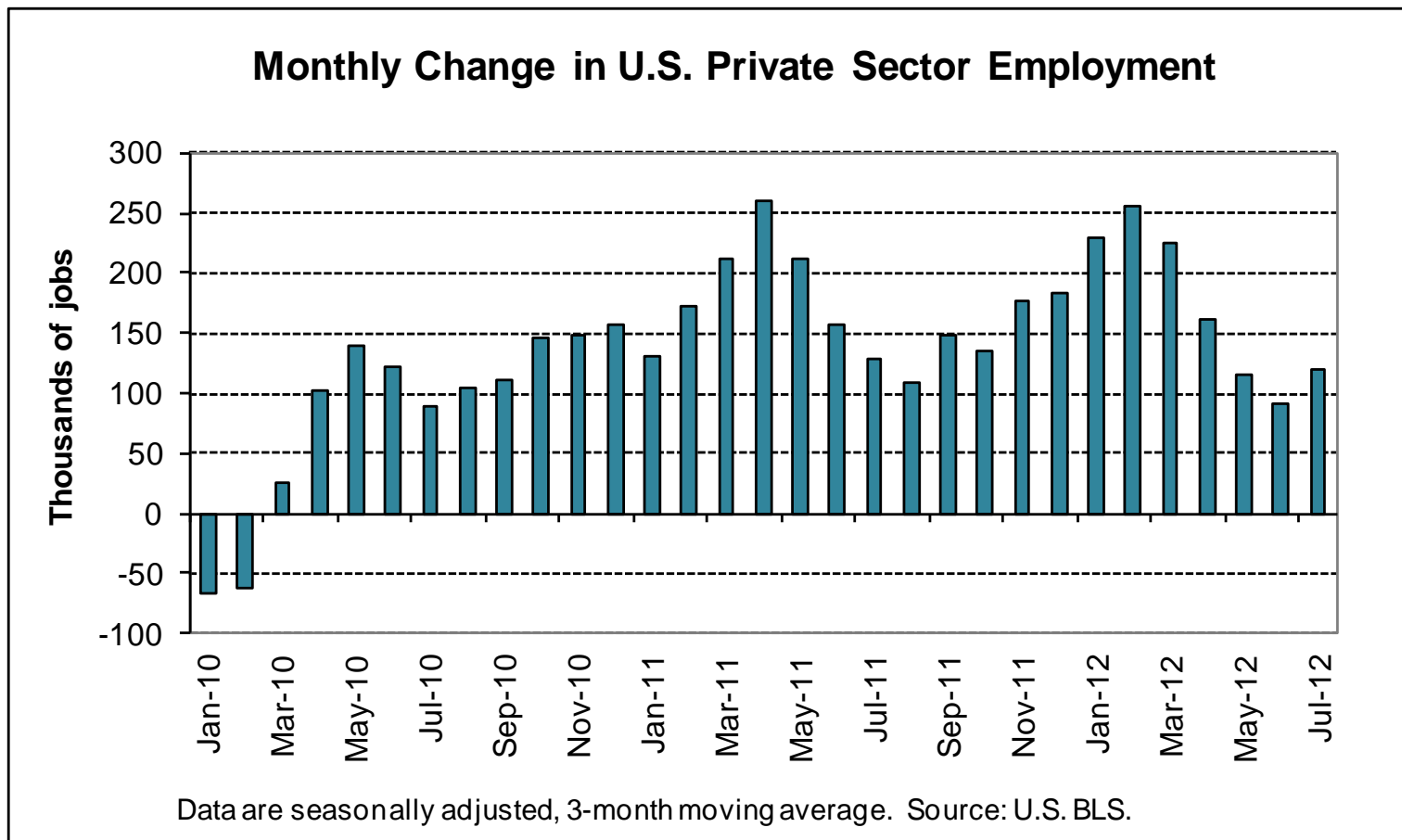
Economic and Revenue Update

Department of Finance & Administrative
Services

September 4, 2012

U.S. Economy

- Historically recoveries from financial crises have been weak and drawn out

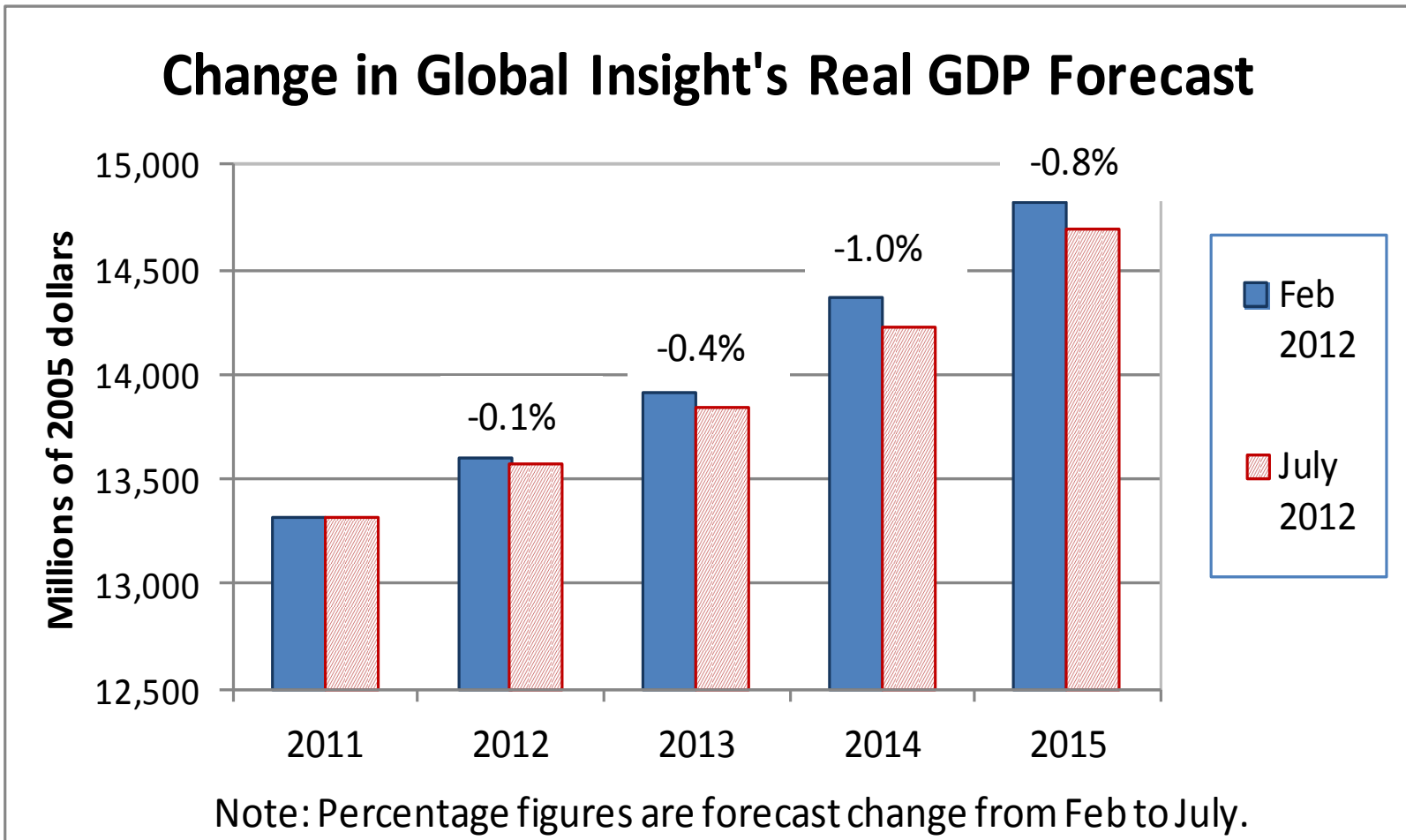


U.S. Economy

- U.S. economy has slowed since winter
 - Payback for job gains during warm winter
 - Oil, gasoline prices
 - End of period of relative calm in Eurozone
 - Uncertainty over U.S. fiscal policy
 - Slower growth in rest of world has hurt U.S. exports

U.S. Economy

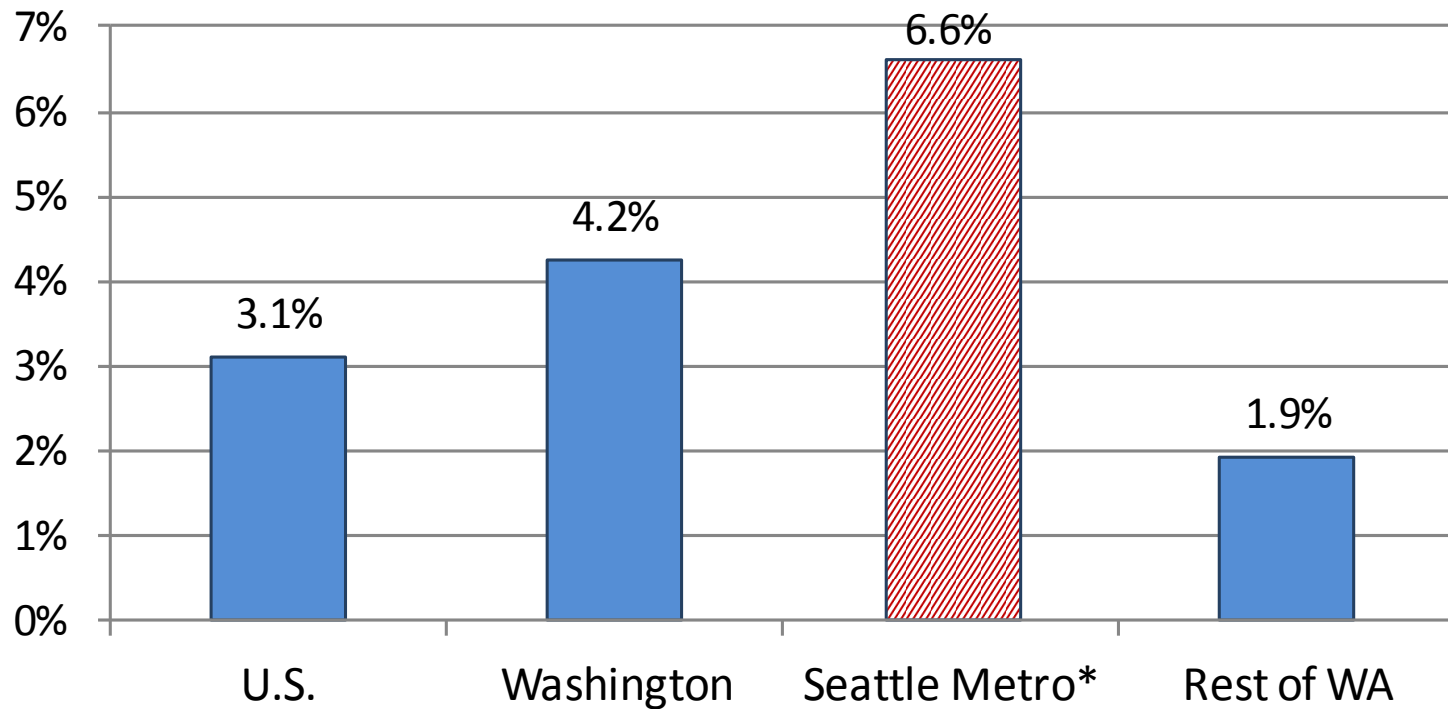
- U.S. forecasts have been lowered since April



- Risks to U.S. forecast include
 - The “fiscal cliff”
 - Fiscal contraction of 3% - 4% of GDP
 - Baseline U.S. forecast assumes U.S. does not go over fiscal cliff
 - Eurozone debt crisis
 - Emerging economies slow further
- Recession risk = 25% (Global Insight)

Puget Sound Region Economy

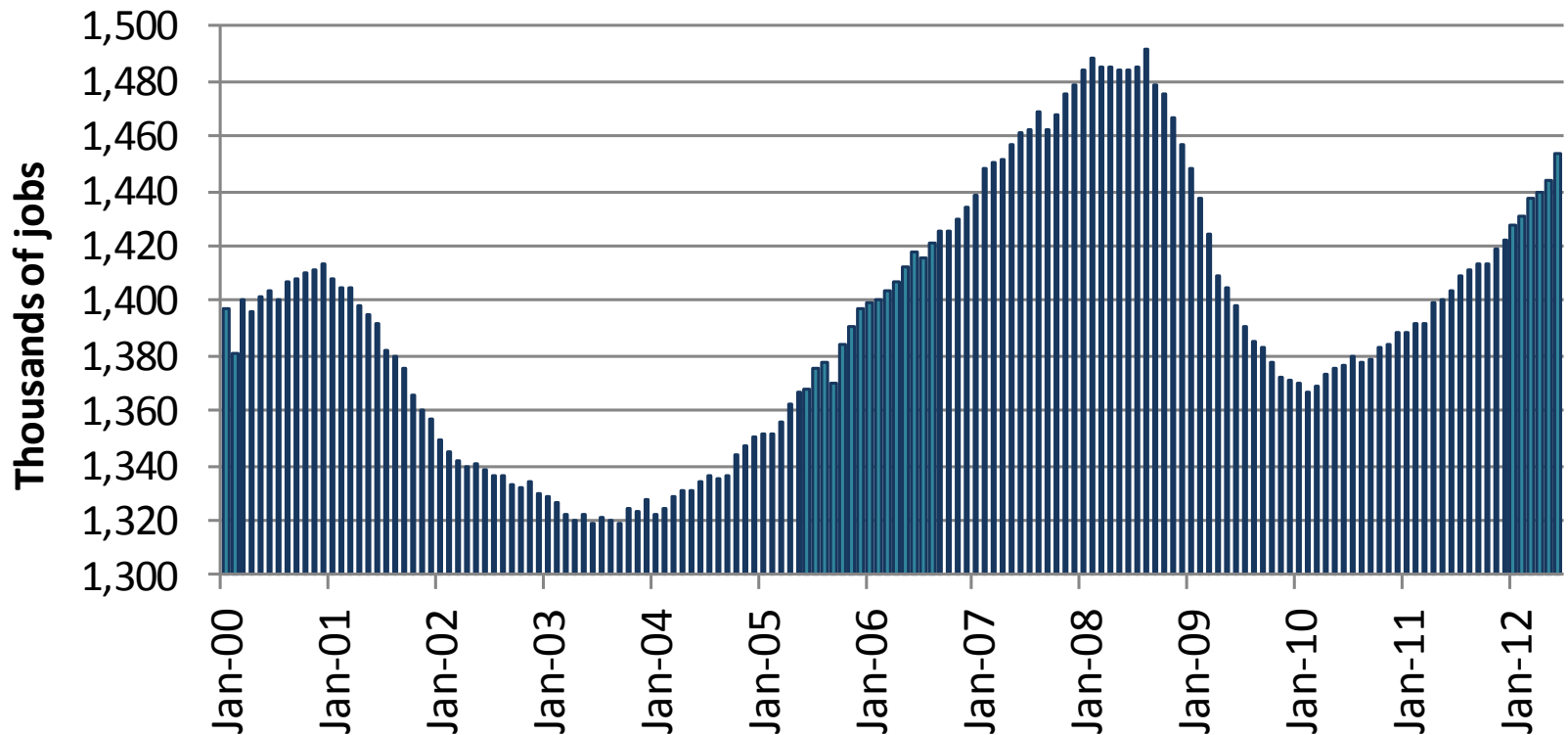
Employment Growth: Post Recession Trough through July 2012



*King & Snohomish Counties. Source: WA FSD. U.S. BLS.

Puget Sound Region Economy

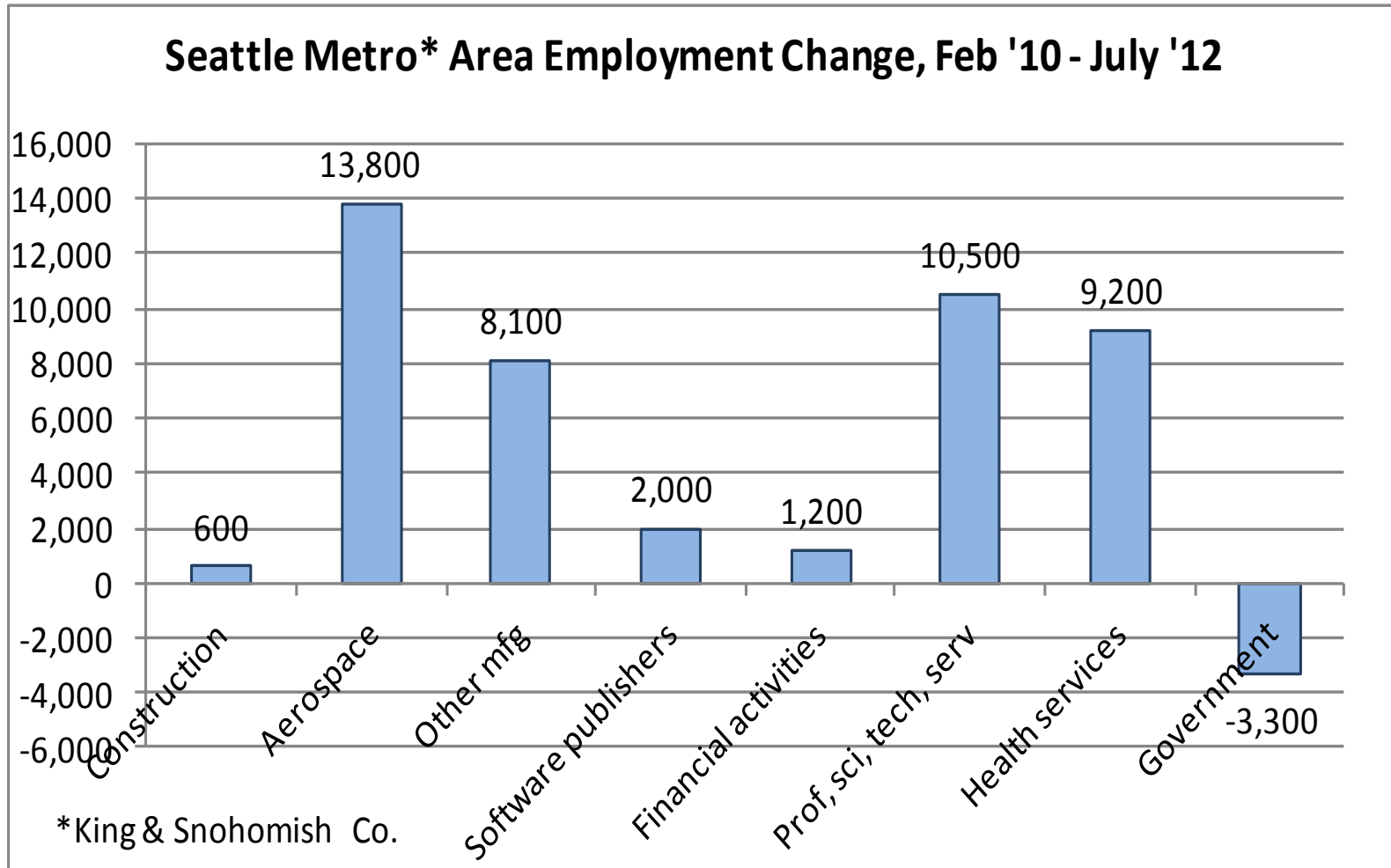
Seattle Metro Area* Employment



* King & Snohomish Counties.

Data are seasonally adjusted. Source: WA Employment Security Dept.

Puget Sound Region Economy



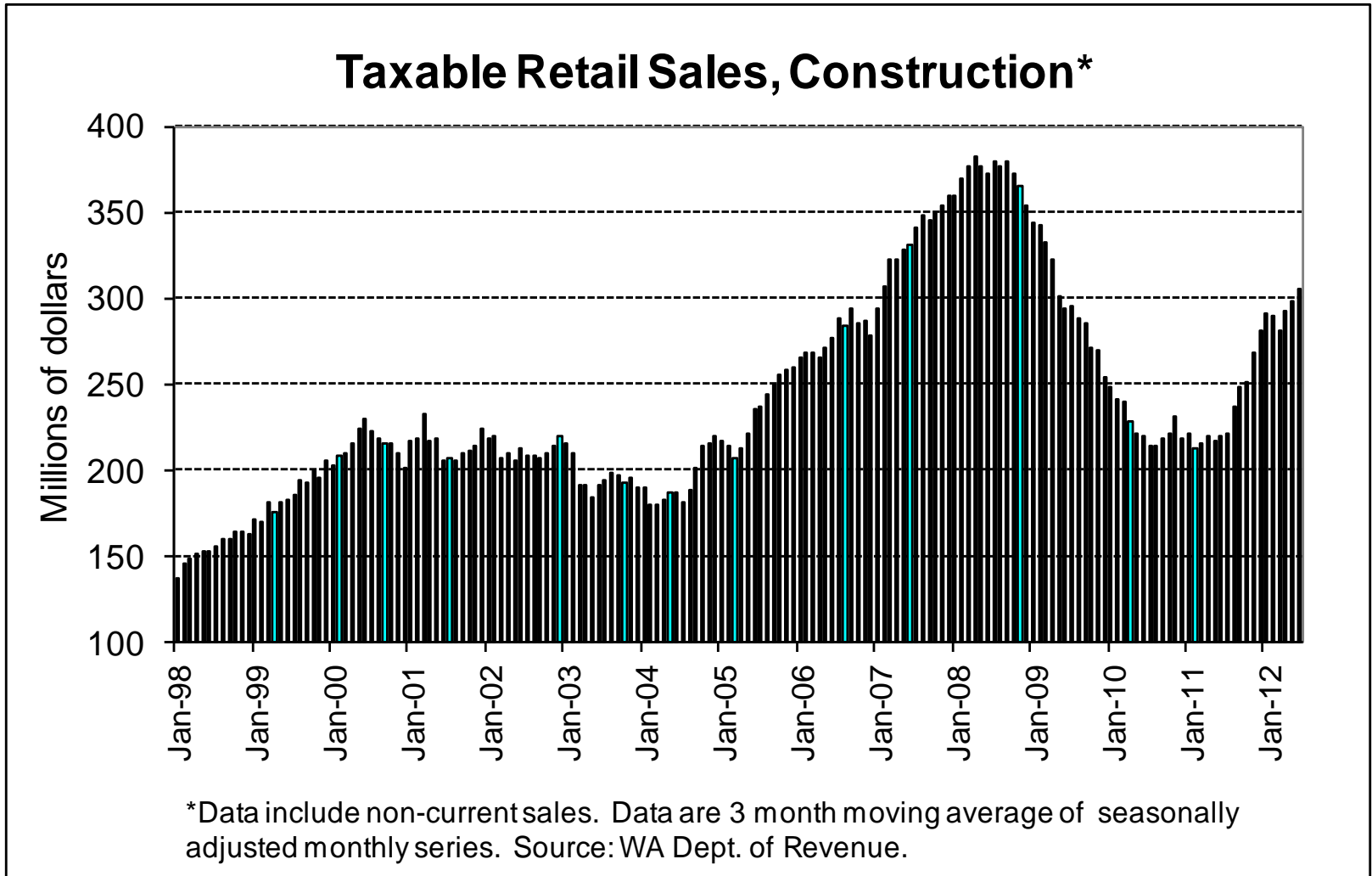
Seattle Economy



Seattle Economy

- What is driving Seattle's growth?
 - Construction
 - Taxable sales are up 34% thru 1st quarter 2012 from post- recession low
 - Almost all of rebound is in apartments
 - Office vacancy rates are falling
 - Inventory of unsold condos is mostly gone
 - Insignia condo project is first in several years

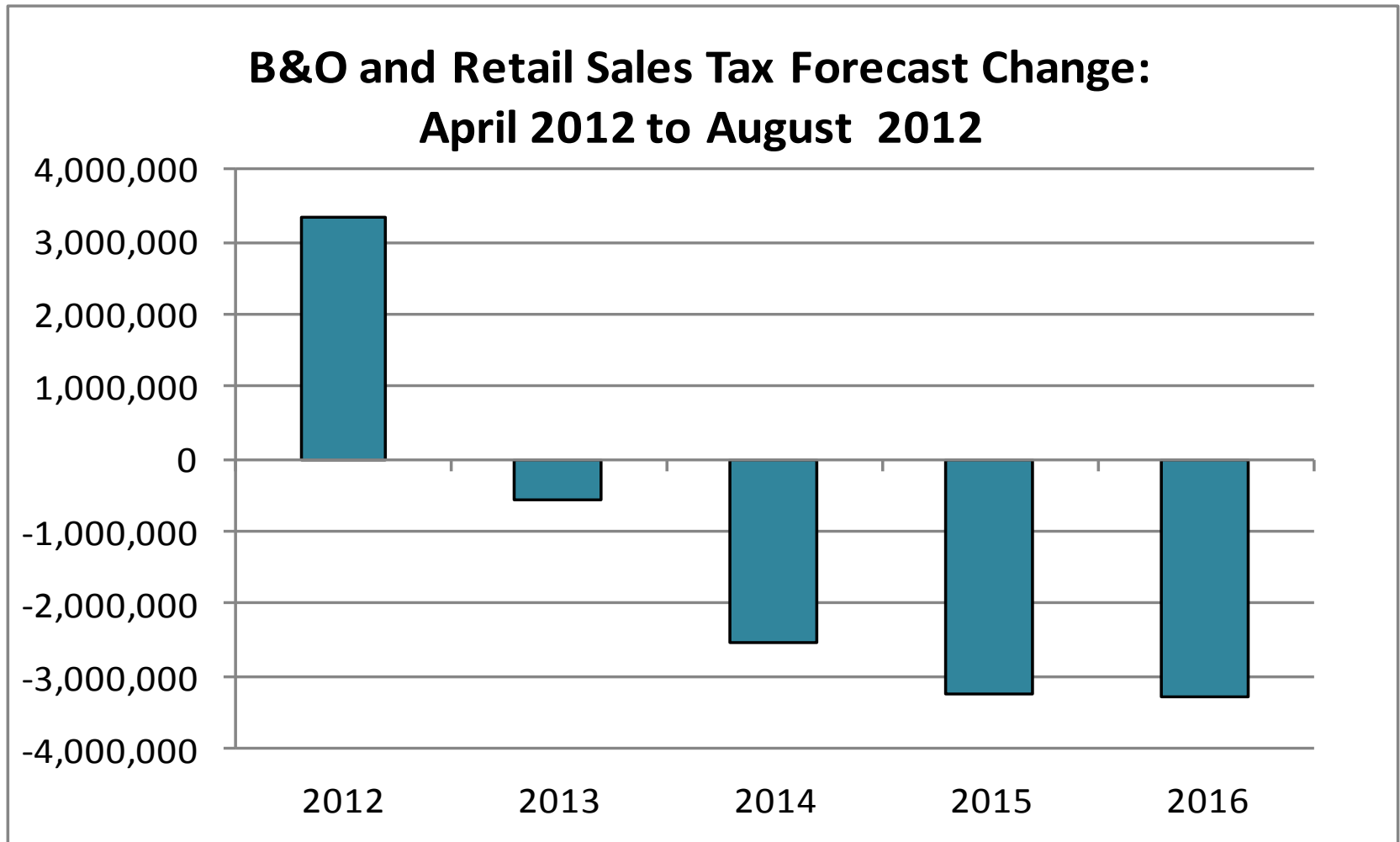
Seattle Economy



Seattle Economy

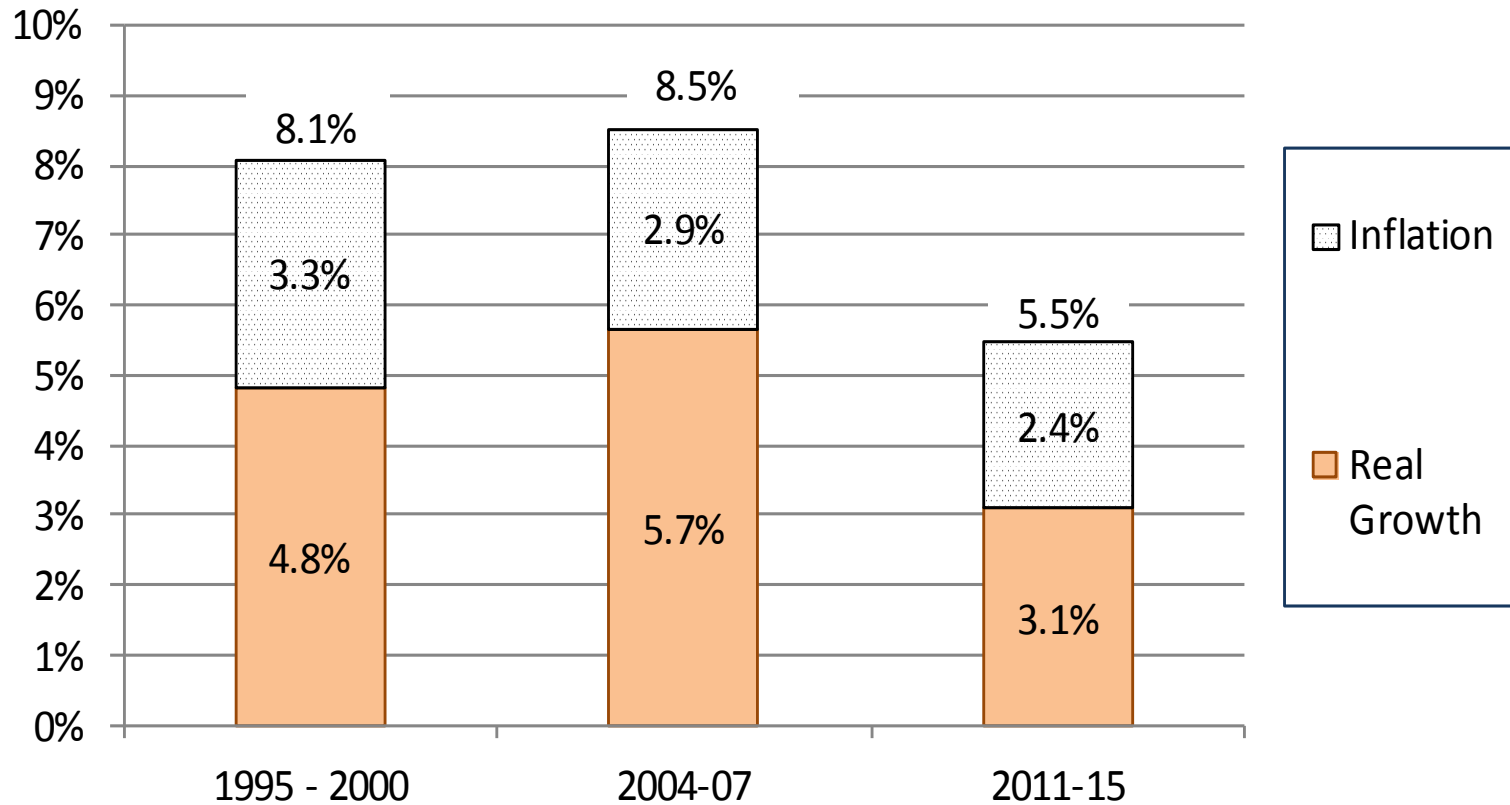
- Other sources of growth include:
 - Professional, scientific & technical services
 - Travel, Tourism
 - Taxable sales for accommodations rose 21.1% from 2010 Q1 to 2012 Q1
 - Amazon has been hiring
 - Housing market is improving
 - Both sales and prices have risen over 10% from the beginning of year

Retail Sales and B&O Taxes



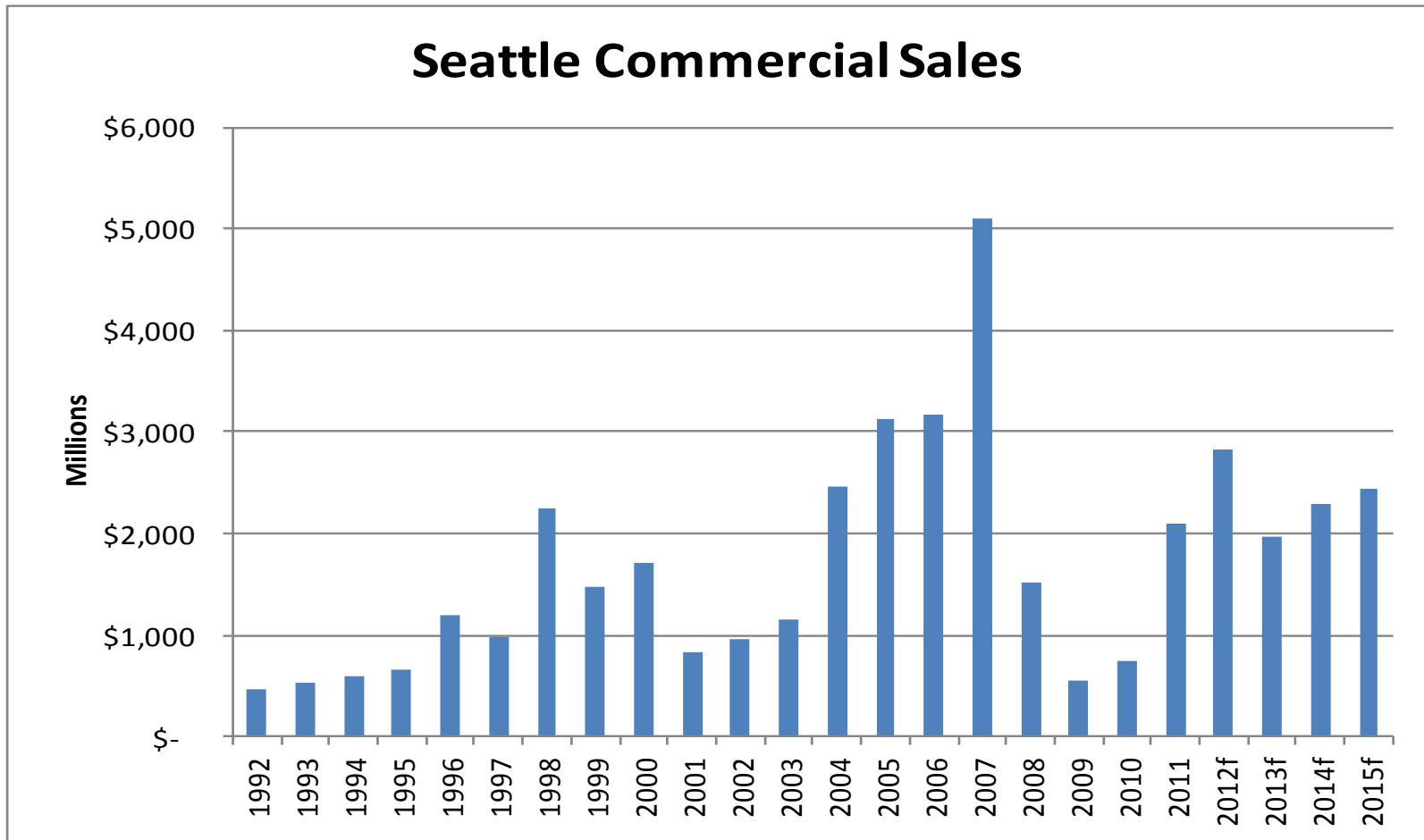
Retail Sales and B&O Taxes

Sales and B&O Tax Revenue Growth During Expansions

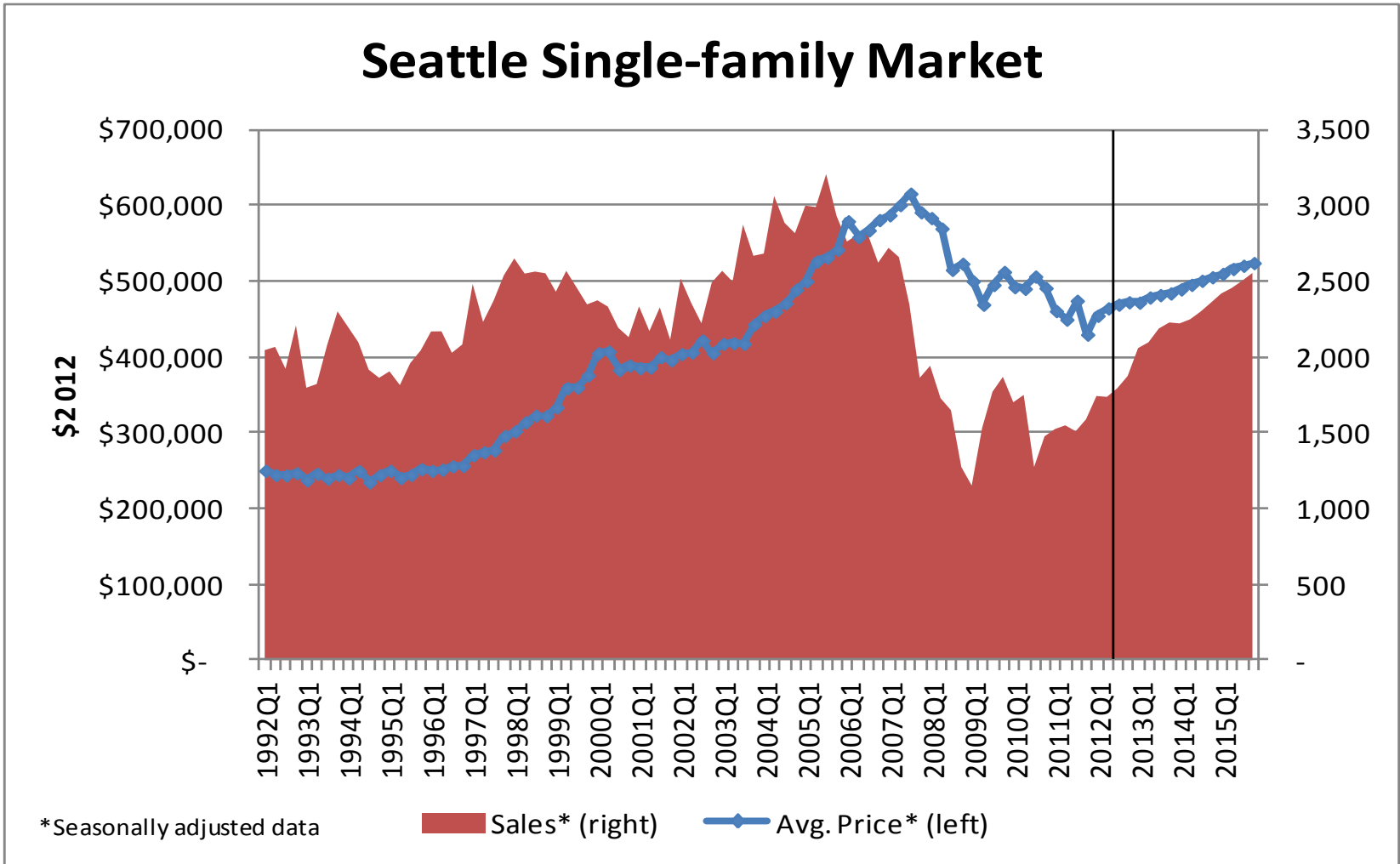


Real Estate Excise Tax

- REET is up in 2012, led by commercial sales



Real Estate Excise Tax



General Subfund Revenues

- Overall expectation for the biennium is for somewhat lower economically driven growth in revenues relative to April forecast.
- Offsetting this are increases in select revenues for non-economic reasons:
 - One-time audit payments (2012)
 - One-time liquor store sales proceeds (2012)
 - Medic 1/EMS property tax renewal (On-going beginning in 2014)

General Subfund Revenues

	2012			2013			2014		
	April	August	Aug-Apr	April	August	Aug-Apr	April	August	Aug-Apr
GSF - Revenues									
Property Taxes	258,645,000	258,942,000	297,000	260,505,000	260,501,000	(4,000)	265,289,000	270,033,000	4,744,000
Sales Taxes	163,712,240	164,823,376	1,111,136	170,371,807	170,586,885	215,078	177,887,564	177,002,465	(885,099)
B&O and Ad-Taxes	185,386,241	187,532,319	2,146,078	194,786,086	193,918,052	(868,034)	206,668,212	204,902,099	(1,766,113)
Public Utility Taxes	114,354,471	114,332,983	(21,488)	120,185,191	120,688,579	503,388	125,795,299	126,547,491	752,192
Private Utility Taxes	57,711,235	57,639,486	(71,749)	59,597,314	58,654,512	(942,802)	62,296,035	61,375,496	(920,539)
Other Notable GSF Revenues	70,848,850	71,670,855	822,005	73,943,920	73,330,942	(612,978)	74,800,483	74,591,668	(208,815)
Subtotal	850,658,037	854,941,019	4,282,982	879,389,318	877,679,970	(1,709,348)	912,736,593	914,452,219	1,715,626
Grants	511,520	407,000	(104,520)	343,000	238,000	(105,000)	343,000	238,000	(105,000)
Other General Subfund Revenues	62,123,110	65,581,167	3,458,057	60,630,859	62,624,514	1,993,655	62,617,686	64,459,318	1,841,632
Subtotal	913,292,667	920,929,186	7,636,519	940,363,177	940,542,484	179,307	975,697,279	979,149,537	3,452,258
Other Funds - Fund Balance Transfers	9,806,818	9,806,818	-	1,073,150	1,232,749	159,599	725,000	684,687	(40,313)
GSF - Grand Total	923,099,485	930,736,004	7,636,519	941,436,327	941,775,233	338,906	976,422,279	979,834,224	3,411,945
Real Estate Excise Tax	31,501,207	36,154,893	4,653,686	36,860,812	36,040,819	(819,993)	41,898,836	40,389,490	(1,509,346)