

**From:** Chris Reykdal [mailto:CReykdal@sbctc.edu]  
**Sent:** Thursday, November 19, 2009 12:01 PM  
**Subject:** November Revenue Forecast  
**Importance:** High

Presidents, chancellors, and business officers,

A short time ago, the Economic and Revenue Forecast Council adopted the November Revenue Forecast. As expected, it dropped further – an additional \$760 million. The new deficit number is \$2.6 billion for the remainder of the biennium.

Attached is a single PowerPoint slide that displays the revenue and expenditure changes that make up the \$2.6 billion deficit since the legislature left town last Spring. I'm also including the actual press release from Dr. Raha the State's Chief Forecaster. <http://www.ercf.wa.gov/pubs/pres1109.pdf>

Through our conversations with OFM, House, and Senate staff, we continue to believe that the maintenance of effort requirements that are attached to federal stimulus dollars, places some protection around education (including higher education). As we've mentioned before, the current estimate is that higher education institutions can't be cut by more than \$80 million in total for FY 2011. Please note three things:

- 1) This does not include financial aid which could be cut in addition to the \$80 million;
- 2) We have no way of knowing how OFM or the legislature will propose to spread cuts within the higher education bucket; and
- 3) These are current estimates based on existing interpretation of US Department of Education rules related to the stimulus funds.

As the legislature attempts to solve the budget deficit, and faces gut wrenching cuts in human services and other areas, there will be tremendous pressure to spread the pain more evenly across all of the major functions of state government. **Message: higher education will have a target on its back, and the \$80 million fence around us is not a guaranteed protection!** (how's that for a mixed metaphor; you just have to keep your humor at times like this)

Please let me know if you have questions about this revenue forecast.

Chris Reykdal  
360-704-4390

# Sources of \$2.6 Billion Shortfall

## Revenues dropping

- \$686 million                      June forecast
- \$238 million                      September forecast
- \$760 million                      November forecast
- \$154 million                      Tax lawsuit pending
- **\$1.84 billion**                      **Subtotal**

## Costs rising, issues emerging

- \$659 million                      increased demand for health care, schools, prisons
- \$12 million                      forest fires, landslides, dam failures, other possible emergencies
- \$71 million                      lawsuits blocking planned cuts
- **\$742 million**                      **Subtotal**