

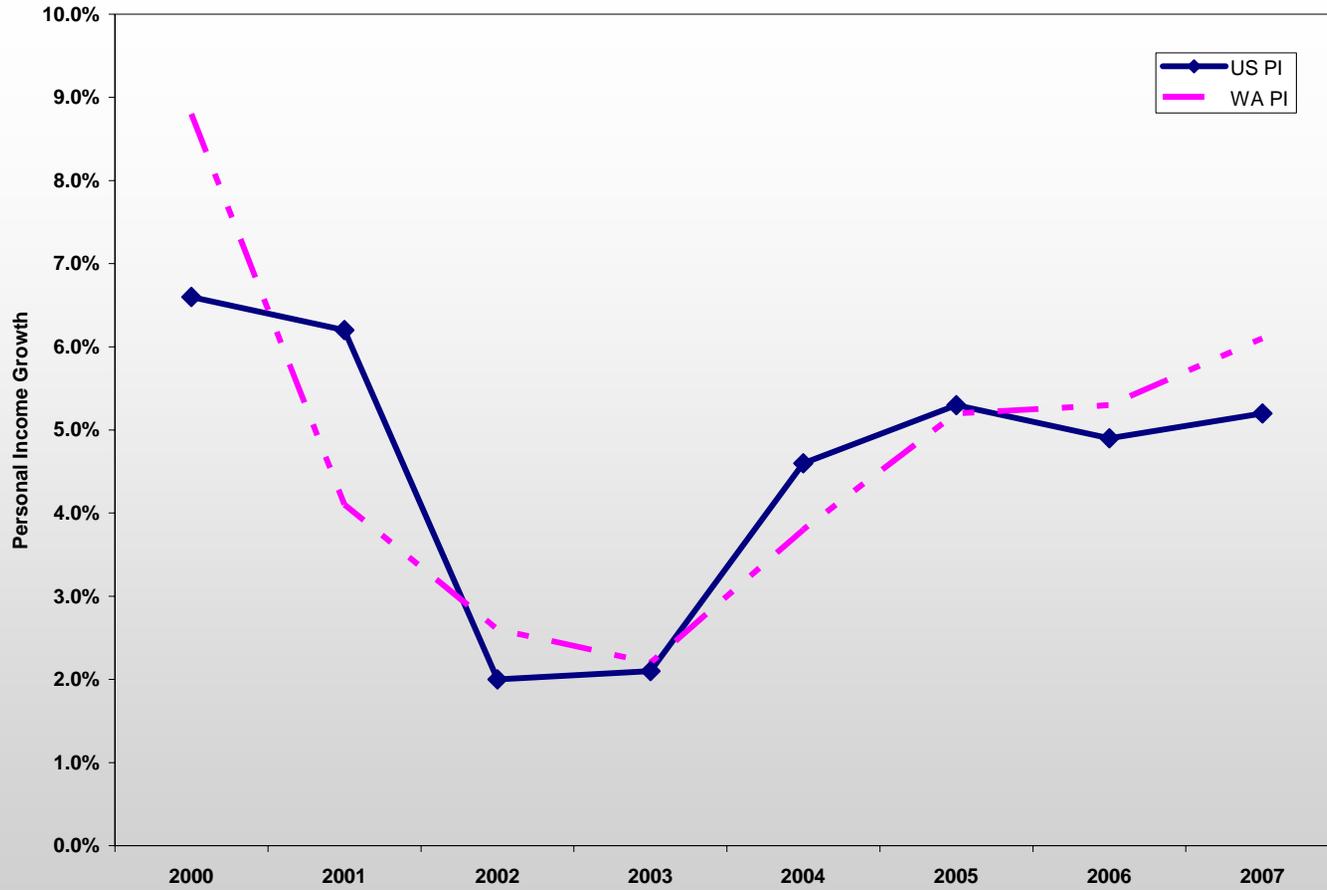
# BUDGET OUTLOOK



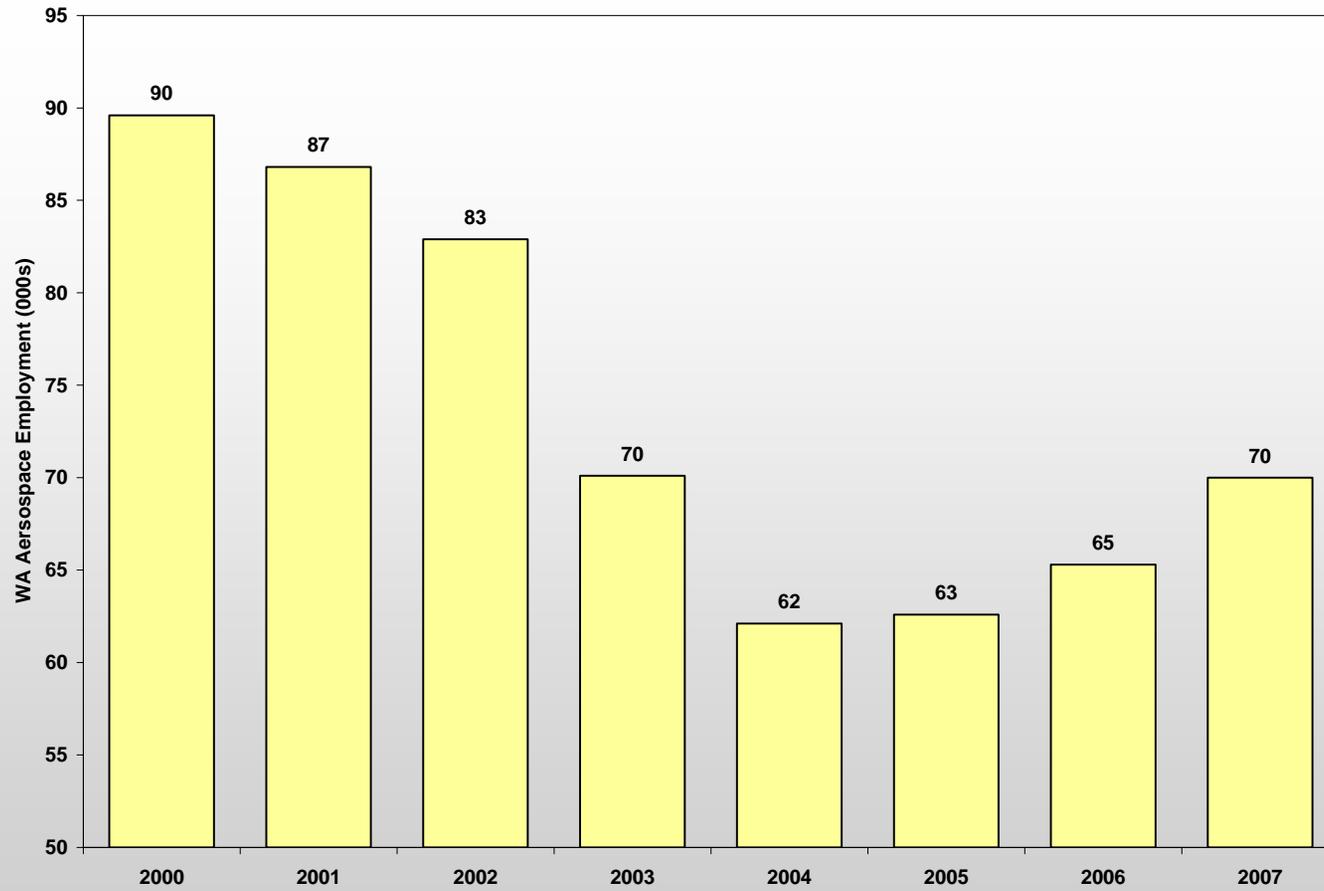
**Senate Ways and Means Committee**  
**January 19, 2005**

- The Economy
- Revenue Outlook
- Budget
- 601 Limit

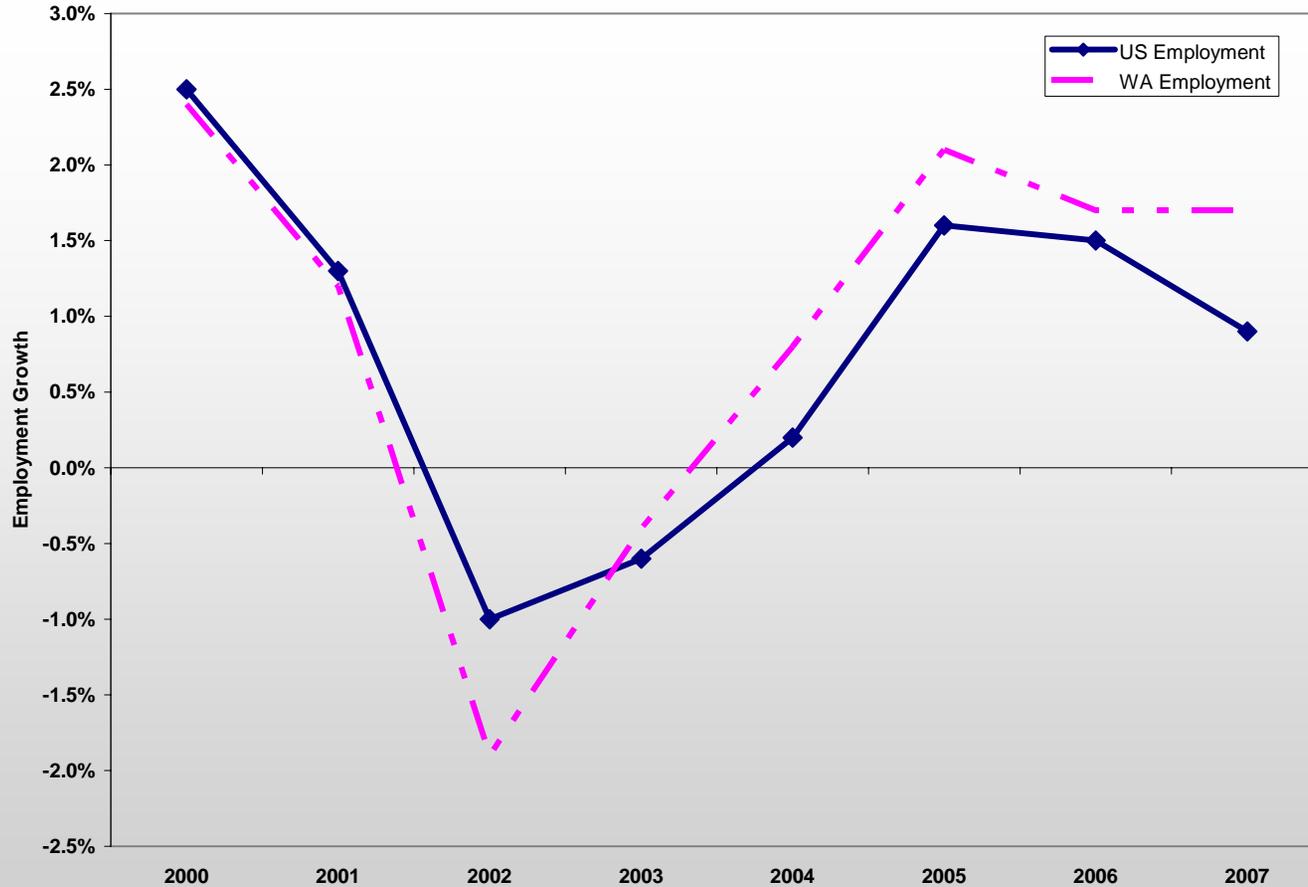
# Both the Washington and the US economy are beginning to rebound in a similar pattern



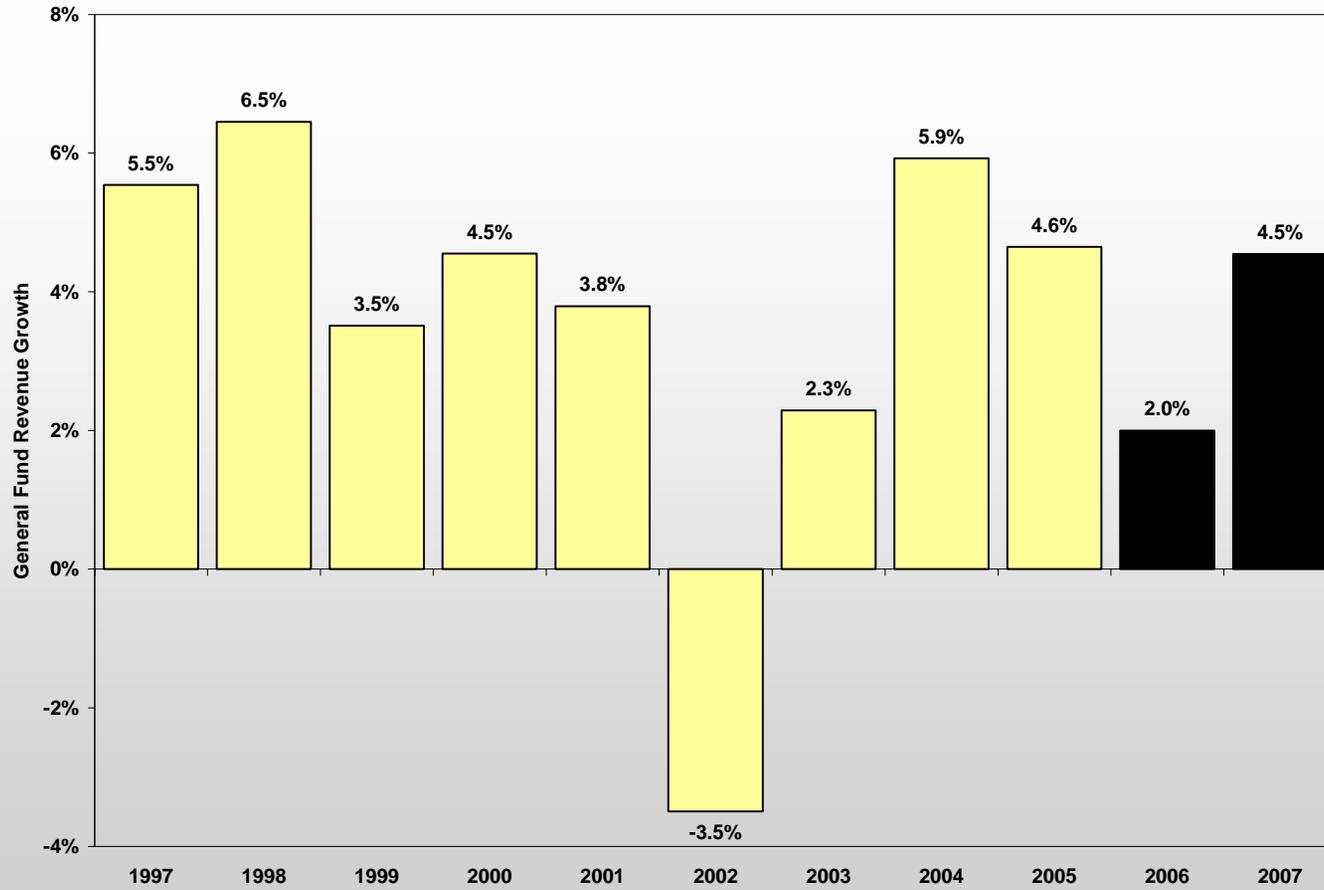
# Washington was hard hit by the downturn at Boeing, but Aerospace employment is finally turning up once again



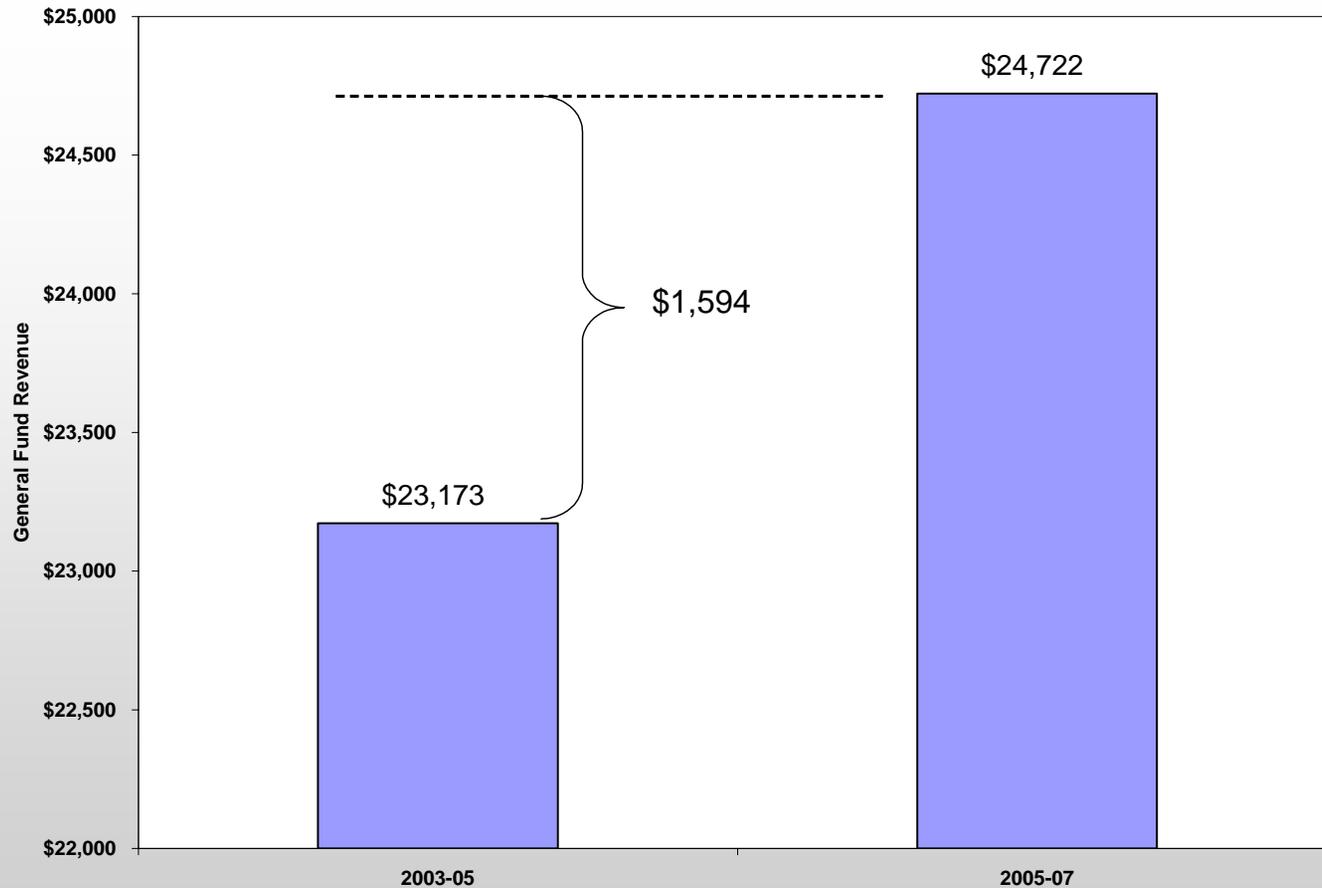
The fall in WA employment growth during the recession was steeper than the rest of the country, but the return has been faster



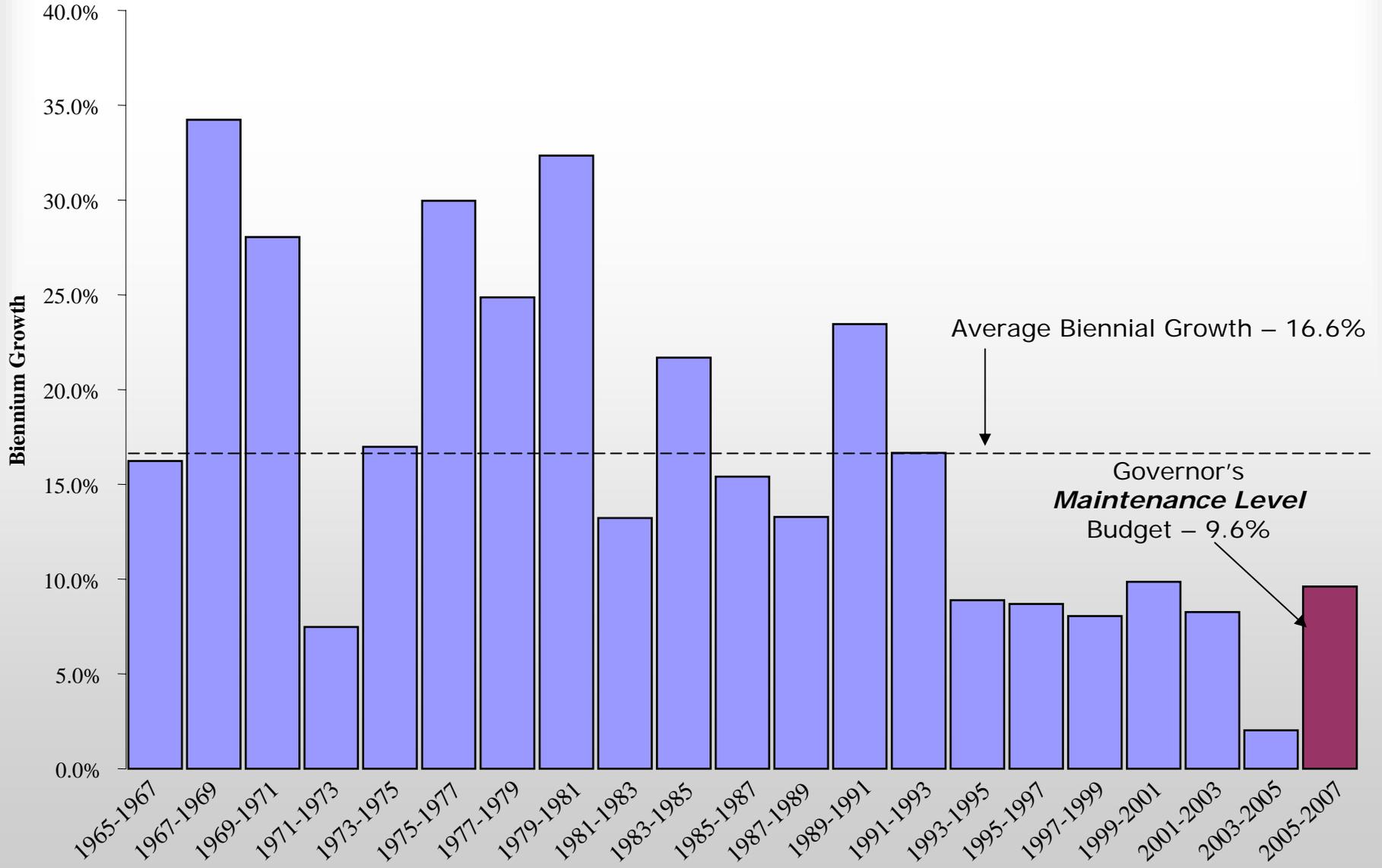
# With the growing economy, general fund revenues are again returning to long term averages



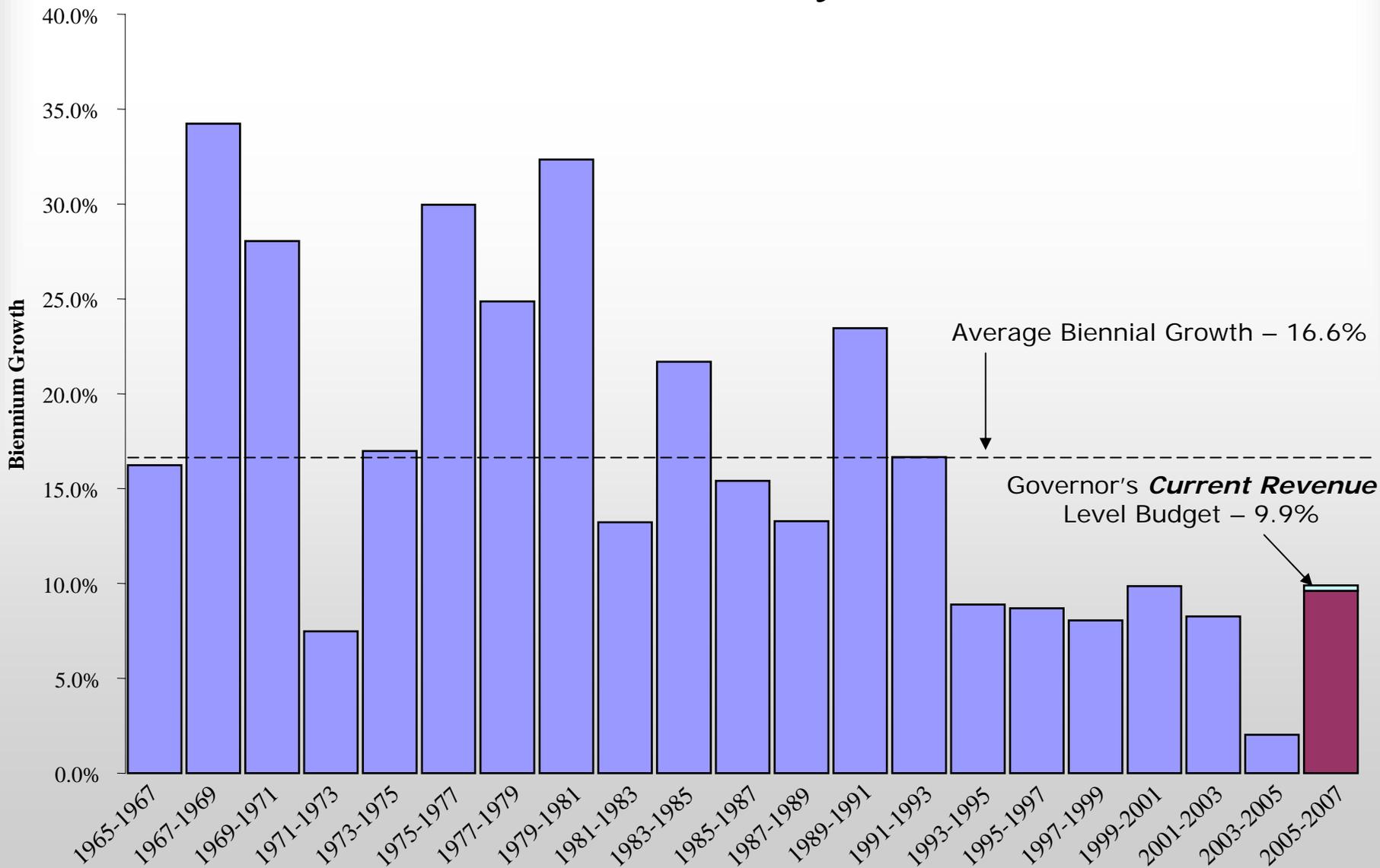
# The growth in the general fund results in \$1.6 billion more for the 2005-07 biennium



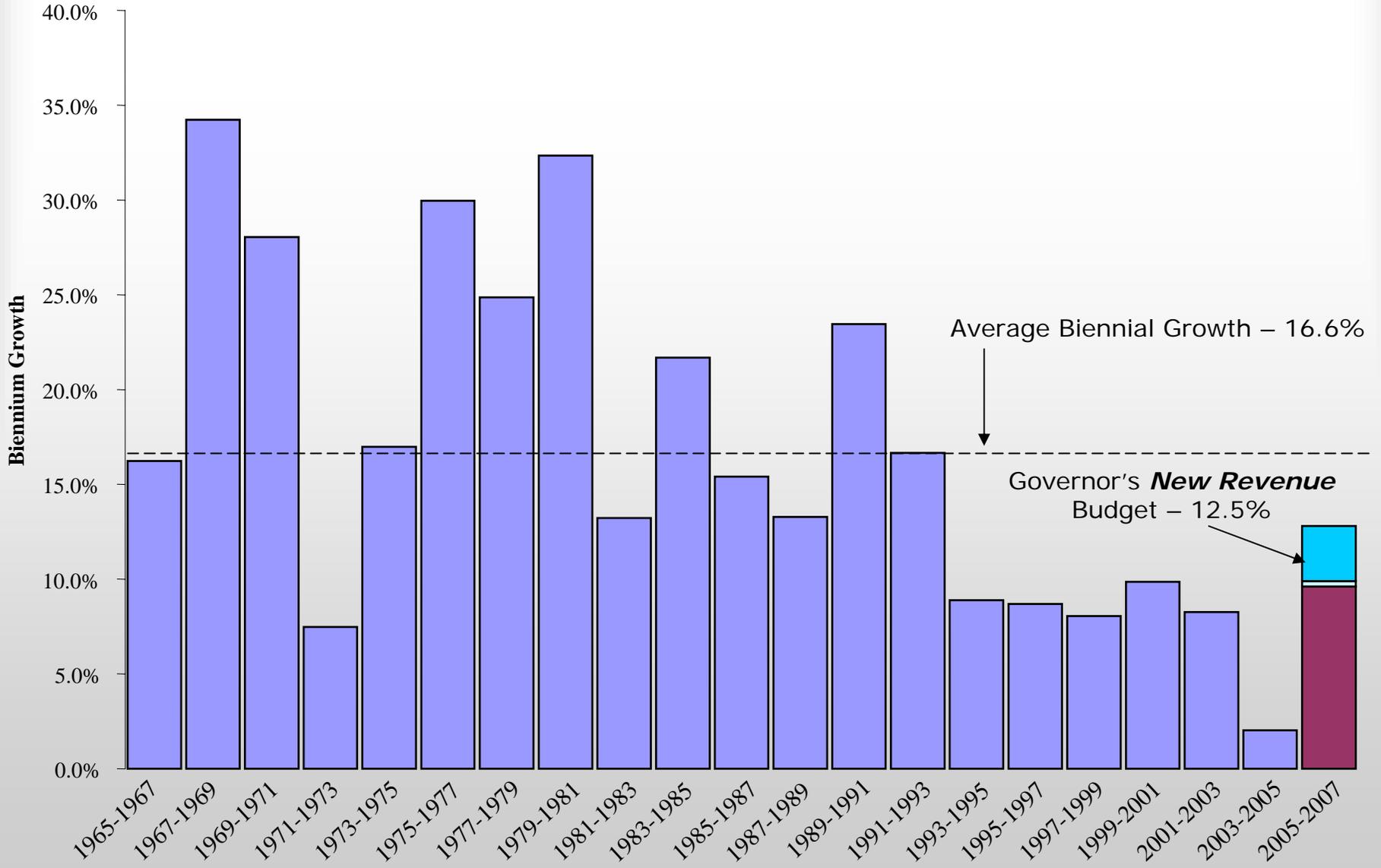
# State General Fund growth last biennium was historically low.



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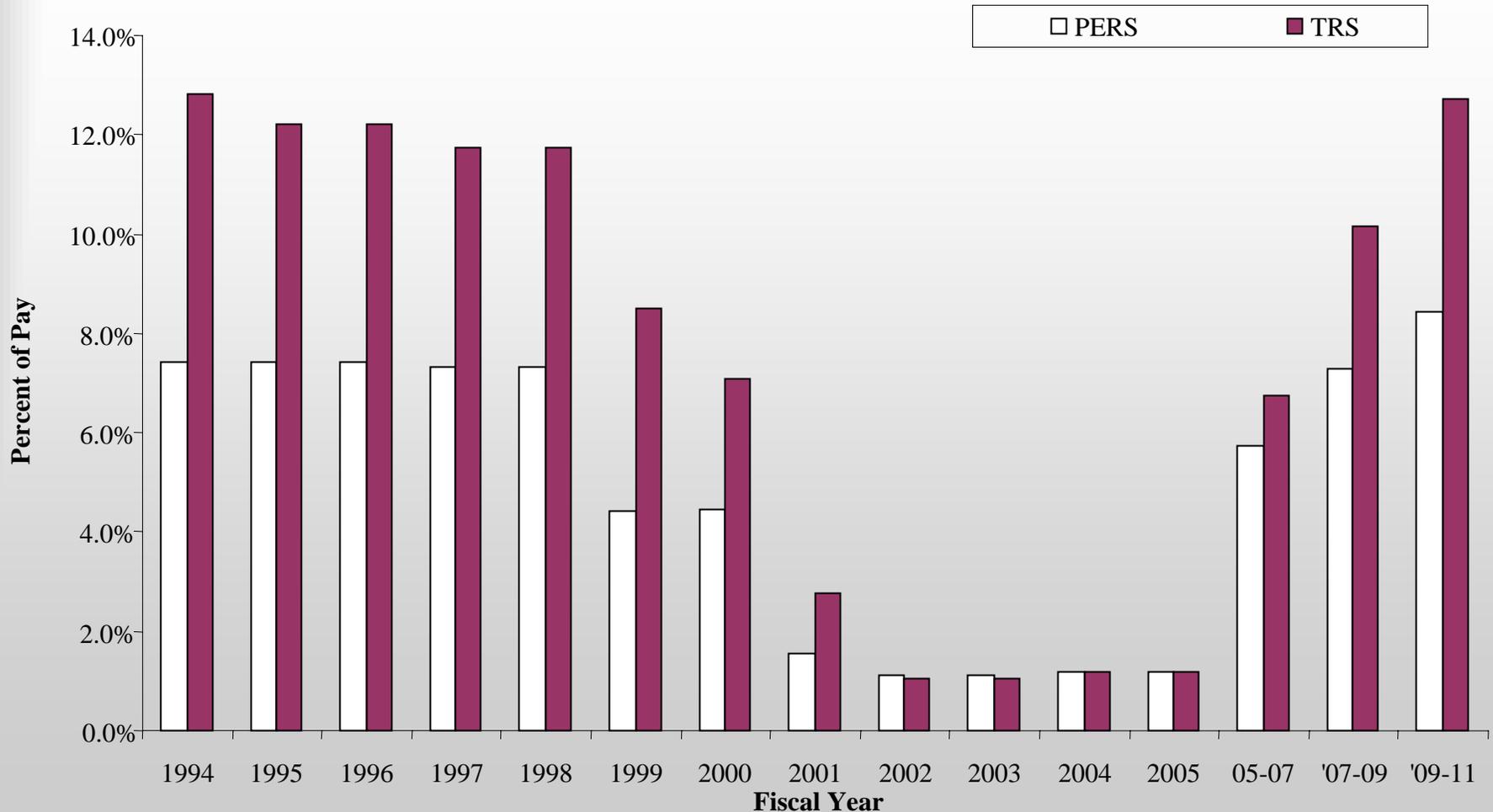


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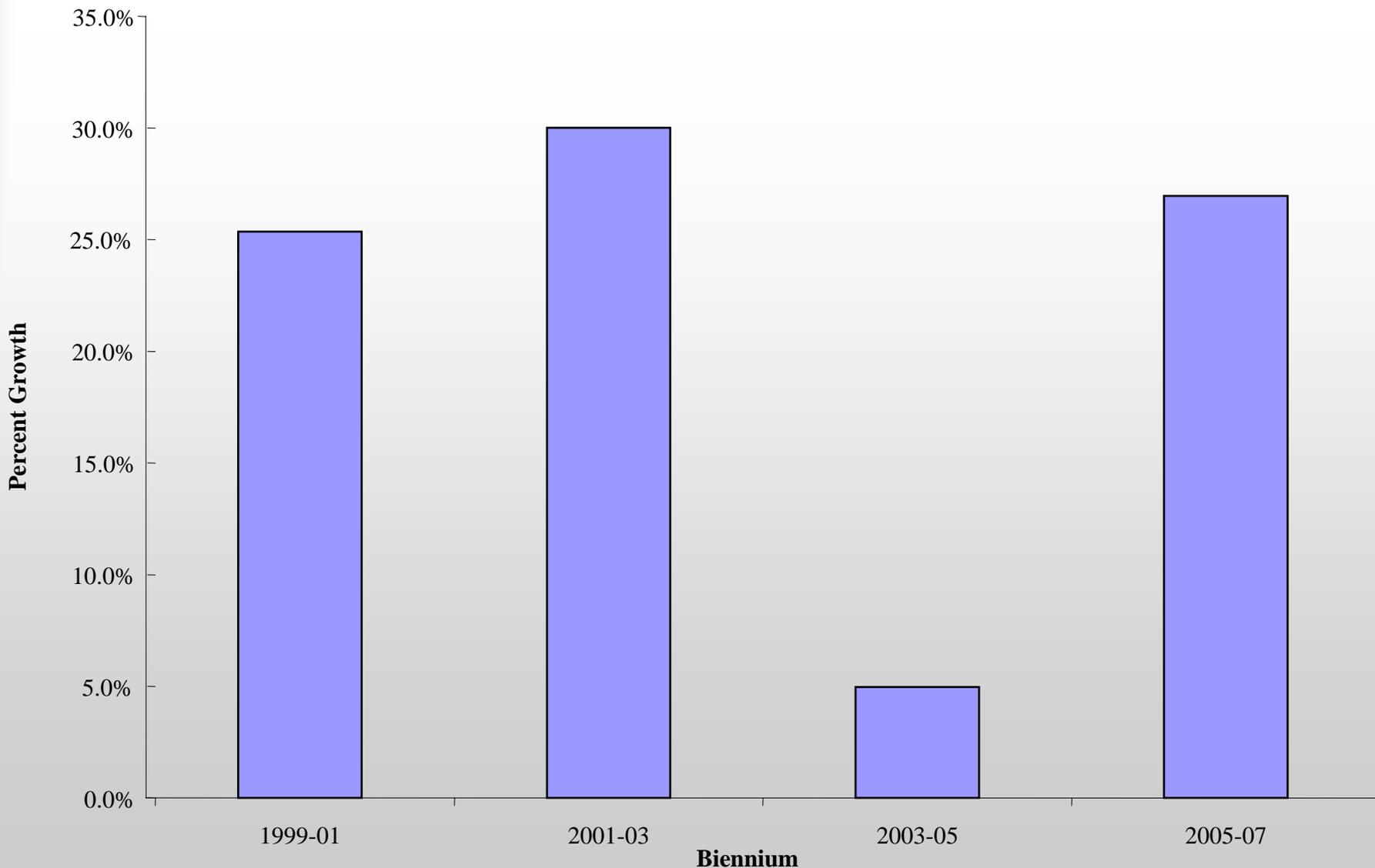


# Low pension contribution rates helped keep growth low in 2003-05.

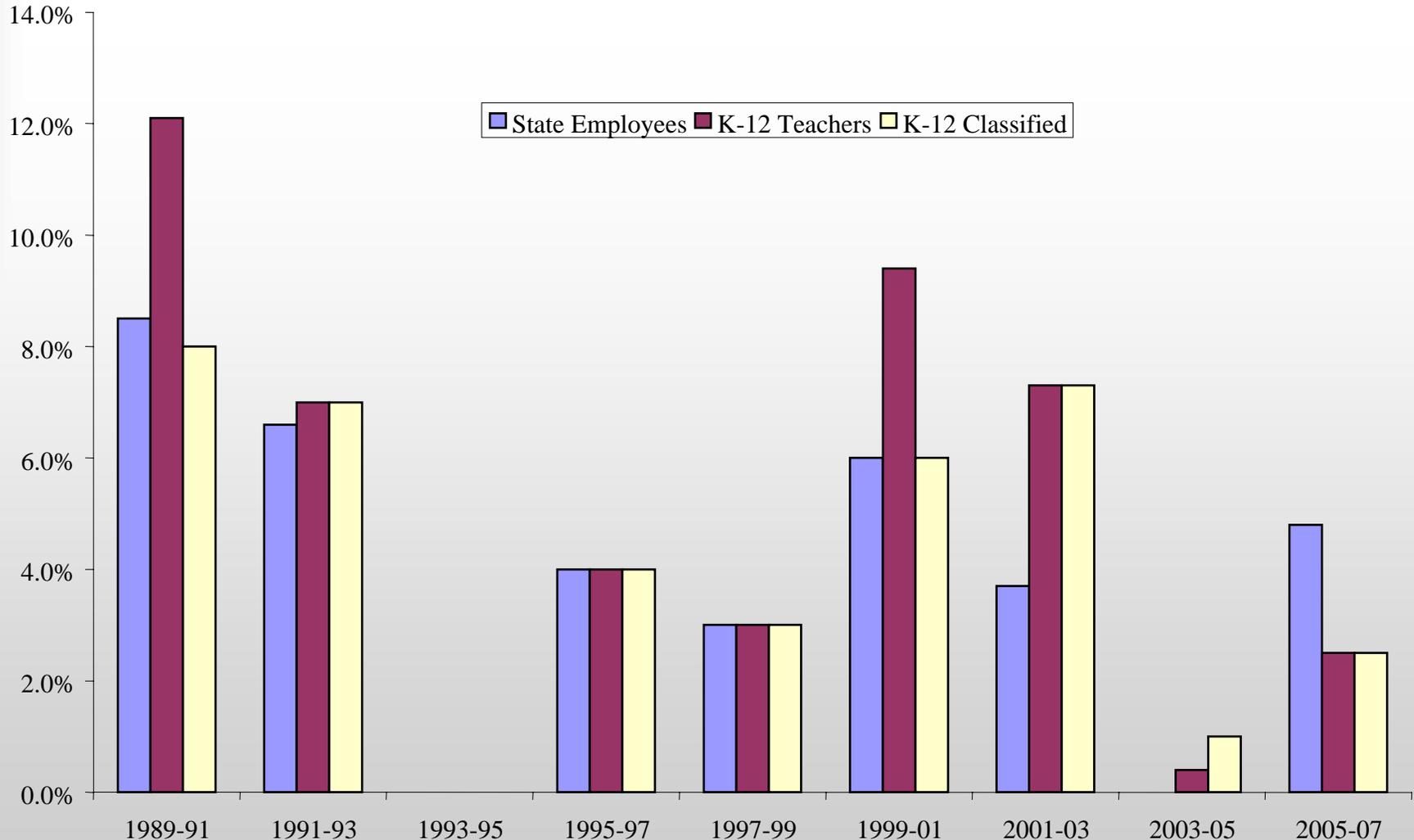
TRS and PERS Employer Contribution Rates



# Medical Assistance increases were reduced through cuts and temporary federal help.



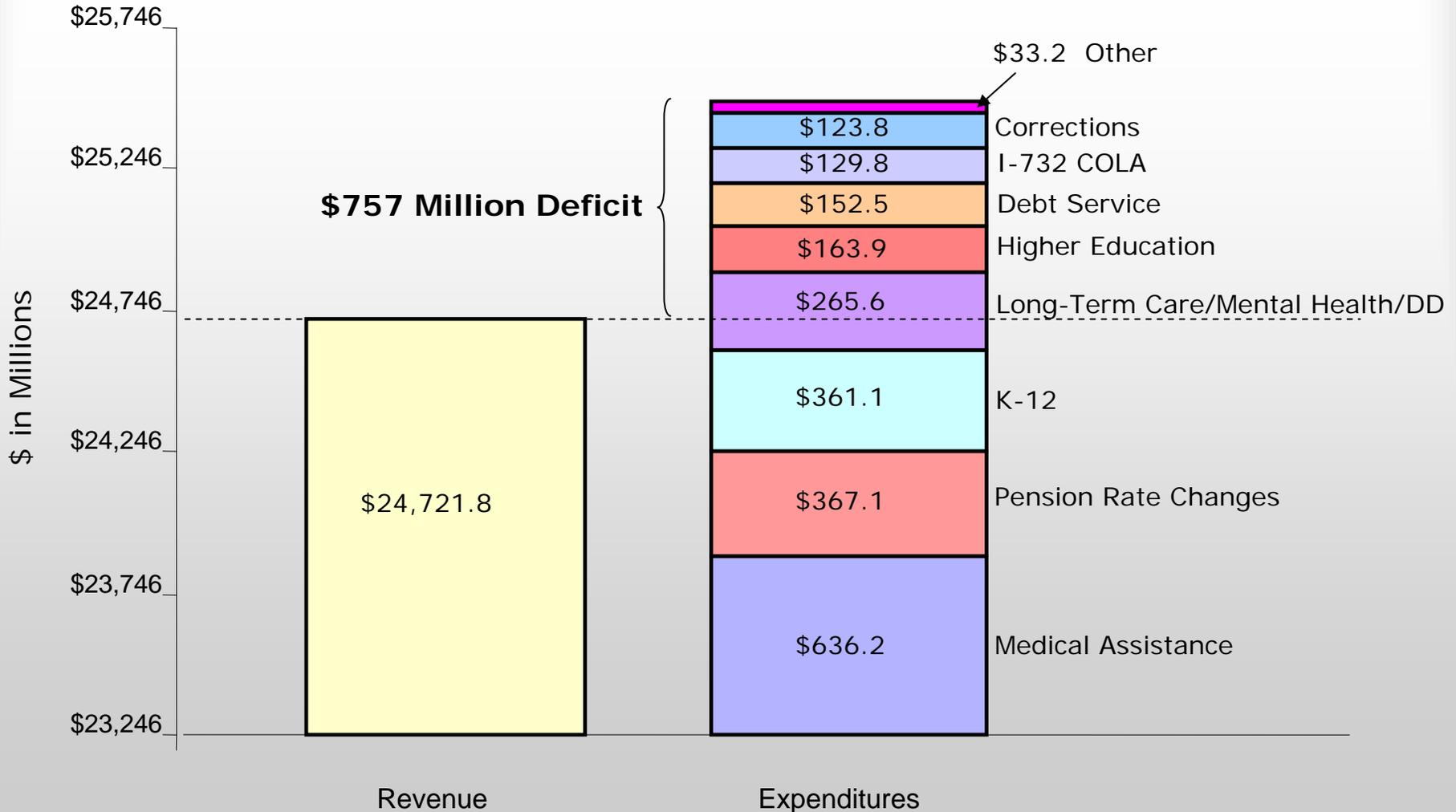
...and virtually no across-the-board cost of living increases were provided.



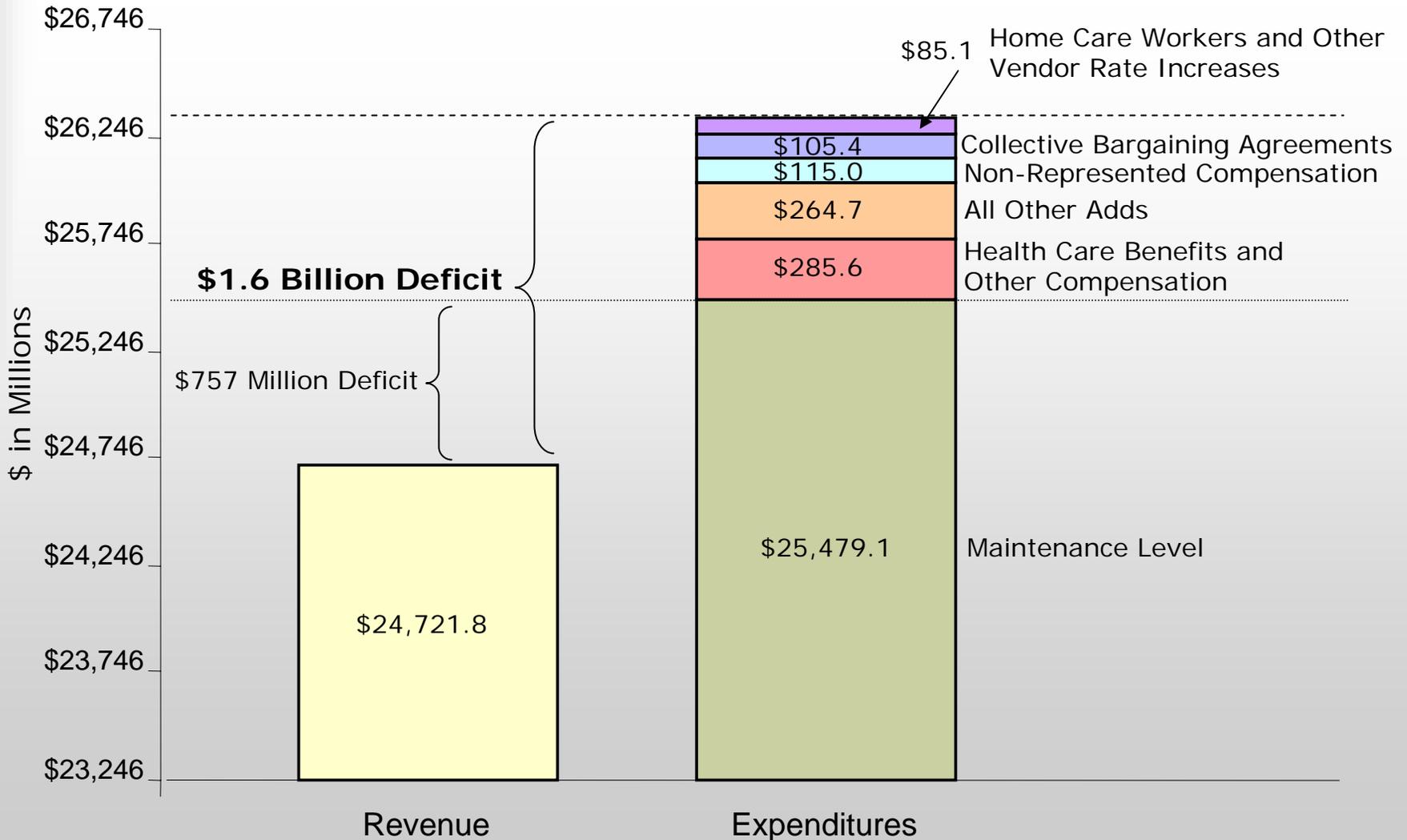
Teachers in their first seven years of service were given a salary increase in 2004 and 2005.

K-12 classified staff were given a 1% salary increase in 2005.

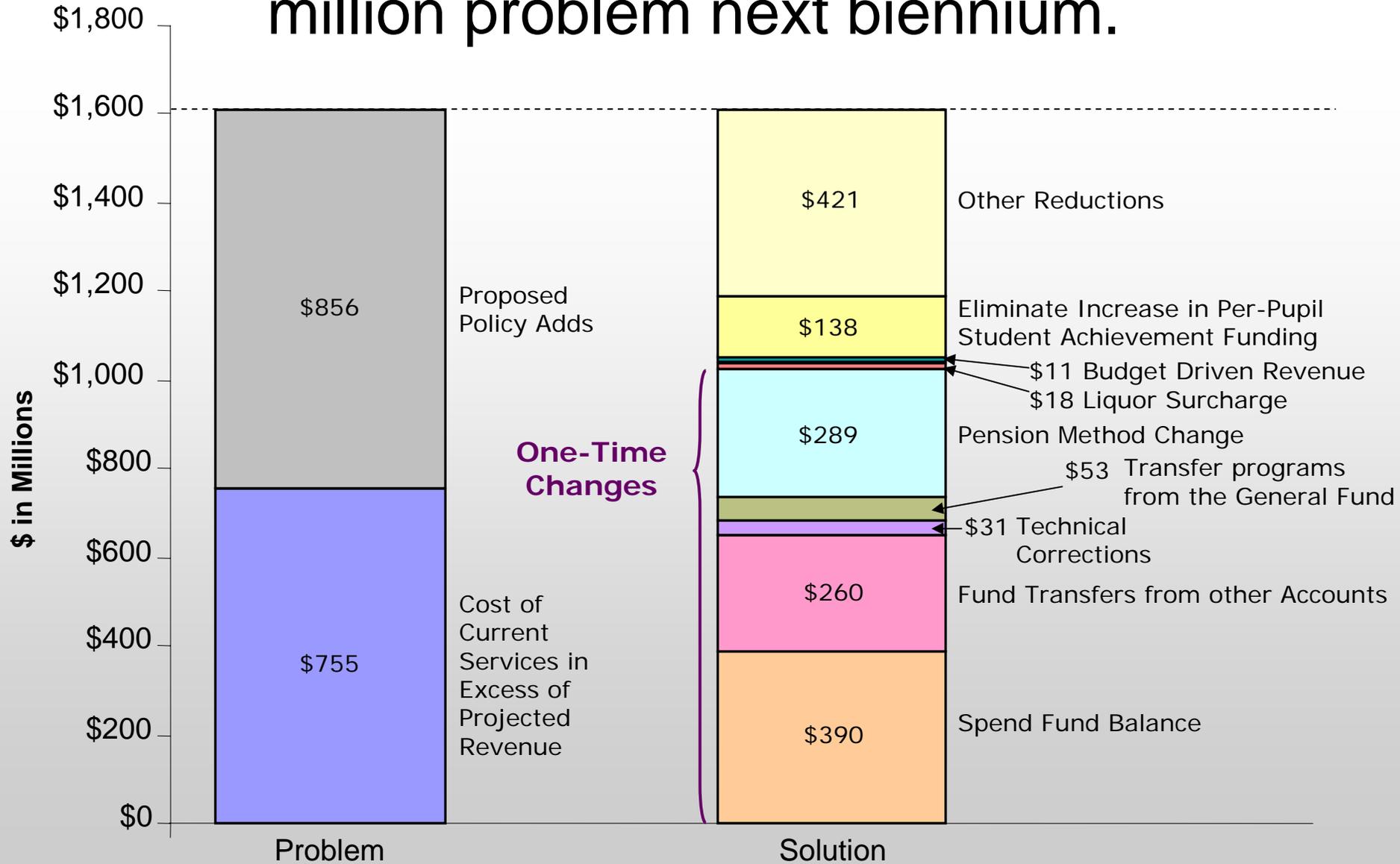
# It takes \$757 million more than projected revenues just to pay for current services.



# When compensation increases, and other enhancements are added, the problem grows to \$1.6 billion.



# The Governor proposes to close the gap with primarily one-time changes; and projects a \$757 million problem next biennium.



## And now... the return of the 601 spending limit

- After not mattering much to the budget process, the 601 limit is back
- With the revenue shortfall, the budget level was far below the limit
- Thanks to “rebasing,” once again it does matter
- Sort of.....

# The Locke budget was able to grow much faster than the 601 limit

