

Revenue Forecast

Revenue forecasts are prepared by the Economic and Revenue Forecast Council on a quarterly basis. The revenue forecast on which the Governor's budget was based was the November 1988 forecast. The March 1989 revenue forecast used for the legislative budget contained an increase of \$402.5 million over the November 1988 forecast for the 1987-89 and 1989-91 bienniums combined. The March 1989 revenue forecast is contained in the following balance sheets.

1987-89 General Fund-State Estimated Revenues and Expenditures (\$ in Millions)	
REVENUE	
Beginning Balance	\$ 1.6
March 1989 Forecast Total	11,193.6
Less 1987-89 Debt Service	<u>(418.2)</u>
March 1989 Forecast Revenue Avail.	<u>\$10,775.4</u>
Reserved for Loans	<u>\$ (14.0)</u>
TOTAL REVENUE AVAILABLE	<u>\$10,763.0</u>
EXPENDITURES	
Total Spending Authority	\$10,300.0
Alcoholism/Drug Addiction (SHB 1599)	5.4
Reversions	(72.0)
Supplemental (ESHB 1479)	<u>89.9</u>
TOTAL EXPENDITURES	<u>\$10,323.3</u>
Unreserved Ending Balance	<u>\$ 439.7</u>

1989-91 General Fund-State Estimated Revenues and Expenditures (\$ in Millions)	
REVENUE	
Unreserved Beginning Balance	\$ 439.7
March 1989 Forecast Total	12,569.5
Less 1989-91 Debt Service	<u>(508.9)</u>
March 1989 Forecast Revenue Avail.	<u>\$12,060.6</u>
Reserved for Loans	\$ (23.7)
Budget Driven Revenue	131.5
Revenue Legislation	4.8
Deaconess et al vs State of Wash	<u>2.2</u>
TOTAL REVENUE AVAILABLE	<u>\$12,615.1</u>
APPROPRIATIONS	
Omnibus Budget (ESSB 5352)	\$12,468.7
1989 Legislation	<u>47.0</u>
TOTAL APPROPRIATIONS	<u>\$12,515.7</u>
RECOVERIES	
Motor Pool Efficiency (SHB 1355)	\$ (3.2)
Master Licenses Recoveries	<u>(2.0)</u>
TOTAL RECOVERIES	<u>\$ (5.2)</u>
RESERVE	
Budget Stabilization Account	\$ 60.0
Unreserved Ending Balance	<u>44.6</u>
TOTAL RESERVE	<u>\$ 104.6</u>

**1989-91 WASHINGTON STATE OPERATING BUDGET
 APPROPRIATIONS CONTAINED WITHIN OTHER LEGISLATION**

(\$ 000)

Bill Number and Subject	Session Law	Agency	GF-S	Other	Total
2SHB 1180 - Underground Oil Storage Tanks	C 383 L 89	WA Poll Lab Reins Pgm	(1)	400	400
EHB 1189 - Korean Conflict Memorial	C 235 L 89	Veterans' Affairs		25	25
SHB 1208 - Court Reporter Certification	C 382 L 89	Dept of Licensing		48	48
ESHB 1444 - Students at Risk Programs	C 233 L 89	SPI-State Office Admin		30	30
SHB 1457 - Indeterminate Sentence Rev Bd	C 259 L 89	Indet Sentence Rev Bd		316	316
EHB 1480 - Productivity Board Changes	C 56 L 89	OFM		50	50
SHB 1756 - Telecomm Extended Area Serv	C 282 L 89	Utility/Transpo Comm		45	45
E2SHB 1793 - Drug Bill	C 271 L 89	Admin for the Courts		1,800	1,800
E2SHB 1793 - Drug Bill	C 271 L 89	Dept of Community Develop		4,200	4,200
E2SHB 1793 - Drug Bill	C 271 L 89	Washington State Patrol		1,740	1,740
E2SHB 1793 - Drug Bill	C 271 L 89	Crim Justice Trng Comm		380	380
E2SHB 1793 - Drug Bill	C 271 L 89	DSHS-Children & Family		17,700	17,700
E2SHB 1793 - Drug Bill	C 271 L 89	DSHS-Juvenile Rehab		2,460	2,460
E2SHB 1793 - Drug Bill (Involuntary Trt)	C 271 L 89	DSHS-Comm Soc Serv Pmt		4,900	4,900
E2SHB 1793 - Drug Bill (Methadone Trt)	C 271 L 89	DSHS-Comm Soc Serv Pmt		400	400
E2SHB 1793 - Drug Bill (Alcohol/Drug Abuse)	C 271 L 89	DSHS-Comm Soc Serv Pmt		10,000	10,000
E2SHB 1793 - Drug Bill	C 271 L 89	Dept of Corrections		11,645	11,645
E2SHB 1793 - Drug Bill	C 271 L 89	SPI-Spec & Pilot Pgms		13,000	13,000
ESHB 1853 - Oil Spill Damage	C 388 L 89	Dept of Ecology		75	75
SHB 1858 - Use of Federal Loan Funds	C 212 L 89	Dept of General Admin	(2)	25	25
SHB 1894 - Dental Hygiene/Dentistry	C 202 L 89	Dept of Licensing		120	120
ESHB 1968 - Long-term Health Care	C 427 L 89	House of Representatives		75	75
ESHB 1968 - Long-term Health Care	C 427 L 89	Senate		75	75
ESHB 2000 - Produce Handlers	C 355 L 89	Dept of Agriculture		25	25
EHB 2168 - Hazardous Waste Charges	C 376 L 89	Dept of Ecology		2,650	2,650
HB 2242 - Ocean Natural Resources	C 2 L 89 E1	House of Representatives		50	50
HB 2242 - Ocean Natural Resources	C 2 L 89 E1	Senate		50	50
HB 2242 - Ocean Natural Resources	C 2 L 89 E1	Dept of Ecology		180	180

(1) The amount shown for the Korean Conflict Memorial is a capital appropriation.

(2) This amount is an appropriation from GF-S to the Bank Examination Fund and is treated by OFM as a revenue deduct.

1989-91 WASHINGTON STATE OPERATING BUDGET
APPROPRIATIONS CONTAINED WITHIN OTHER LEGISLATION

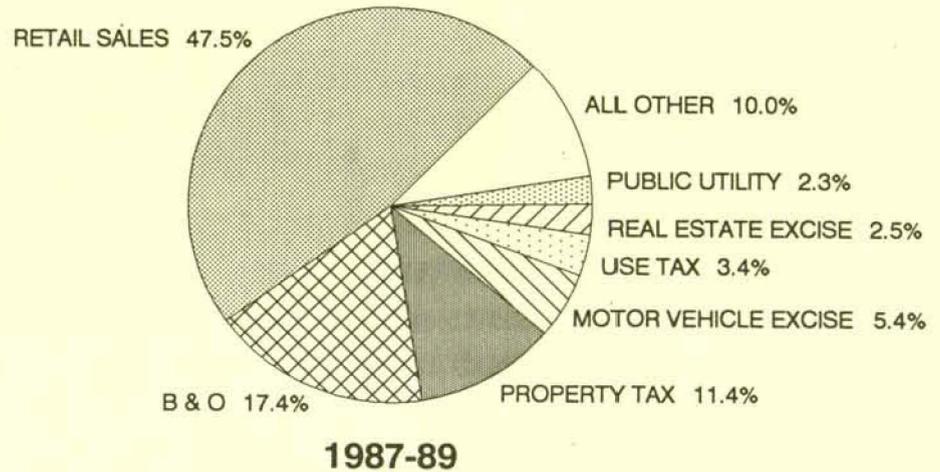
(\$ 000)

Bill Number and Subject	Session Law	Agency	GF-S	Other	Total
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Comm Serv Admin	879		879
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Medical Assistance	37,081		37,081
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Comm Serv Admin		926	926
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Children & Family		5,336	5,336
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Children & Family	4,817		4,817
HB 2244 - Maternity Care/Low Income	C 10 L 89 E1	DSHS-Medical Assistance		43,131	43,131
SSB 5241 - Small Business Growth	C 312 L 89	Trade & Economic Develop	115		115
SSB 5265 - Regulating Charter Boats	C 295 L 89	Dept of Labor & Industries	48		48
SSB 5289 - Fisheries Enhancement Groups	C 426 L 89	Dept of Fisheries	64		64
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Leg Transpo Comm (3)		2,725	2,725
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Board of Pilotage Comm (3)		175	175
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Washington State Patrol (3)	300	164,604	164,904
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Traffic Safety Comm (3)		6,084	6,084
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Dept of Licensing (3)		104,226	104,226
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Dept of Transportation (3)	656	497,330	497,986
RSSB 5373 - Transportation Operating Budget	C 6 L 89	County Road Admin Bd (3)		25,155	25,155
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Transpo Improve Bd (3)		50,977	50,977
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Marine Employees Comm (3)		307	307
RSSB 5373 - Transportation Operating Budget	C 6 L 89	Transportation Comm (3)	2	511	513
2SSB 5375 - DNA Identification System	C 350 L 89	Washington State Patrol	610		610
SSB 5481 - Impaired Physician Program	C 119 L 89	Dept of Licensing		270	270
SSB 5614 - Substance Abuse -- Dentists	C 125 L 89	Dept of Licensing		311	311
SSB 5681 - Asbestos Projects	C 154 L 89	Dept of Labor & Industries		1,372	1,372
SSB 5686 - Agricultural Statutes	C 354 L 89	Dept of Agriculture	40		40
ESSB 5911 - State Timber Sales	C 424 L 89	Dept of Community Develop	450		450
ESSB 5911 - State Timber Sales	C 424 L 89	University of Washington	150		150
ESSB 5911 - State Timber Sales	C 424 L 89	Trade & Economic Develop	200		200
ESB 6152 - Department of Health	C 9 L 89 E1	Dept of Health	650		650
TOTAL OTHER OPERATING LEGISLATION			47,012	974,955	1,021,966

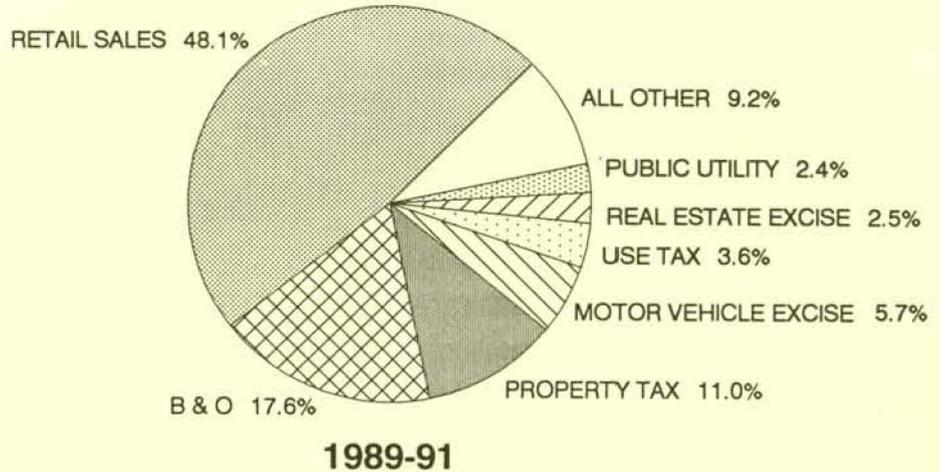
(3) The amounts shown from the Transportation Operating Budget are included in the individual agency recommendation summary reports.

WASHINGTON STATE REVENUE FORECAST - MARCH 1989
1987-89 ESTIMATE VS. 1989-91 FORECAST
GENERAL FUND-STATE REVENUE
(DOLLARS IN MILLIONS)

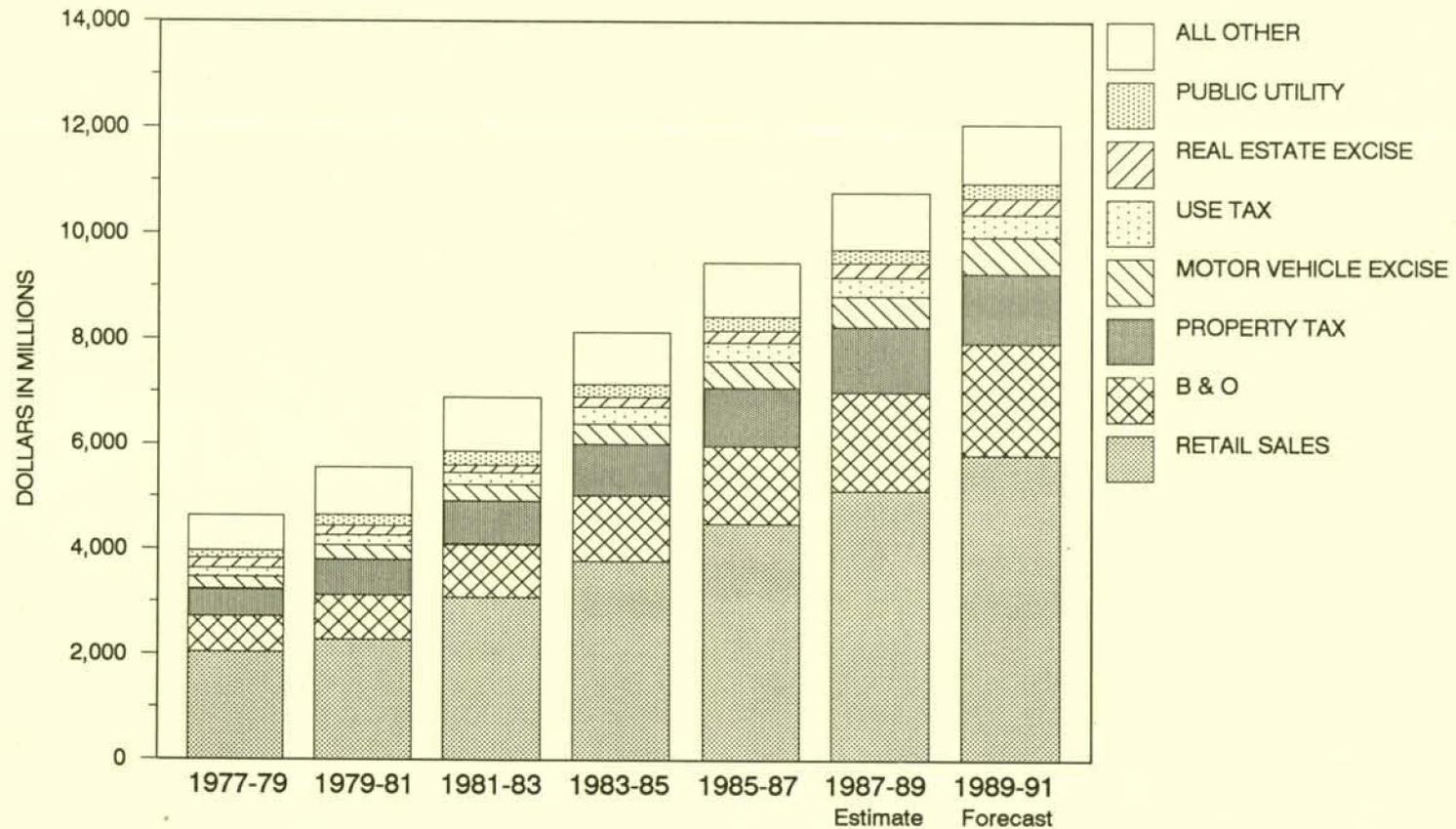
RETAIL SALES	5,119.8
B & O	1,879.1
PROPERTY TAX	1,228.9
MOTOR VEHICLE EXCISE	585.0
USE TAX	363.7
REAL ESTATE EXCISE	272.5
PUBLIC UTILITY	244.9
ALL OTHER	1,081.5
1987-89 ESTIMATE	10,775.4



RETAIL SALES	5,801.9
B & O	2,118.2
PROPERTY TAX	1,327.9
MOTOR VEHICLE EXCISE	684.6
USE TAX	436.0
REAL ESTATE EXCISE	302.2
PUBLIC UTILITY	284.6
ALL OTHER	1,105.2
1989-91 FORECAST	12,060.6



**WASHINGTON STATE
GENERAL FUND-STATE REVENUES BY SOURCE**
(DOLLARS IN MILLIONS)



	1977-79	1979-81	1981-83	1983-85	1985-87	1987-89 Estimate	1989-91 Forecast
RETAIL SALES	2,032.3	2,276.6	3,081.4	3,781.8	4,490.5	5,119.8	5,801.9
B & O	688.3	845.2	1,010.9	1,248.8	1,482.5	1,879.1	2,118.2
PROPERTY TAX	513.3	677.9	826.5	975.5	1,109.5	1,228.9	1,327.9
MOTOR VEHICLE EXCISE	229.2	269.9	307.8	382.4	497.3	585.0	684.6
USE TAX	171.7	192.2	229.6	317.0	357.8	363.7	436.0
REAL ESTATE EXCISE	186.0	184.3	145.8	189.2	221.0	272.5	302.2
PUBLIC UTILITY	145.2	196.8	259.4	244.1	266.5	244.9	284.6
ALL OTHER*	671.6	909.8	1,031.5	991.6	1,029.2	1,081.5	1,105.2
TOTAL	4,637.6	5,552.7	6,892.9	8,130.4	9,454.3	10,775.4	12,060.6

* Includes following Debt Service set-asides: (47.6) (77.9) (86.7) (290.8) (352.3) (418.2) (508.9)

**WASHINGTON STATE
GENERAL FUND—STATE REVENUES BY SOURCE**

DOLLARS IN MILLIONS

MARCH 1989 FORECAST

	<u>1977-79</u>	<u>1979-81</u>	<u>1981-83</u>	<u>1983-85</u>	<u>1985-87</u>	<u>1987-89</u>	<u>1989-91</u>
RETAIL SALES	2,032.3	2,276.6	3,081.4	3,781.8	4,490.5	5,119.8	5,801.9
B & O	688.3	845.2	1,010.9	1,248.8	1,482.5	1,879.1	2,118.2
PROPERTY TAX	513.3	677.9	826.5	975.5	1,109.5	1,228.9	1,327.9
MOTOR VEHICLE EXCISE	229.2	269.9	307.8	382.4	497.3	585.0	684.6
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REAL ESTATE EXCISE	186.0	184.3	145.8	189.2	221.0	272.5	302.2
PUBLIC UTILITY	145.2	196.8	259.4	244.1	266.5	244.9	284.6
ALL OTHER*	671.6	909.8	1,031.5	991.6	1,029.2	1,081.5	1,105.2
TOTAL REVENUE AVAILABLE	4,637.6	5,552.7	6,892.9	8,130.4	9,454.3	10,775.4	12,060.6
<i>* SET-ASIDE FOR DEBT SERVICE</i>	<i>47.6</i>	<i>77.9</i>	<i>86.7</i>	<i>290.8</i>	<i>352.3</i>	<i>418.2</i>	<i>508.9</i>

PERCENT OF REVENUE AVAILABLE

RETAIL SALES	43.82	41.00	44.70	46.51	47.50	47.51	48.11
B & O	14.84	15.22	14.67	15.36	15.68	17.44	17.56
PROPERTY TAX	11.07	12.21	11.99	12.00	11.74	11.40	11.01
MOTOR VEHICLE EXCISE	4.94	4.86	4.47	4.70	5.26	5.43	5.68
USE TAX	3.70	3.46	3.33	3.90	3.78	3.38	3.62
REAL ESTATE EXCISE	4.01	3.32	2.12	2.33	2.34	2.53	2.51
PUBLIC UTILITY	3.13	3.54	3.76	3.00	2.82	2.27	2.36
ALL OTHER	14.48	16.38	14.96	12.20	10.89	10.04	9.16
TOTAL	100.00						

PERCENT CHANGE FROM PRIOR BIENNIUM

RETAIL SALES		12.02	35.35	22.73	18.74	14.01	13.32
B & O		22.80	19.60	23.53	18.71	26.75	12.72
PROPERTY TAX		32.07	21.92	18.03	13.74	10.76	8.06
MOTOR VEHICLE EXCISE		17.76	14.04	24.24	30.05	17.64	17.03
USE TAX		11.94	19.46	38.07	12.87	1.65	19.88
REAL ESTATE EXCISE		(0.91)	(20.89)	29.77	16.81	23.30	10.90
PUBLIC UTILITY		35.54	31.81	(5.90)	9.18	(8.11)	16.21
ALL OTHER		35.47	13.38	(3.87)	3.79	5.08	2.19
TOTAL		19.73	24.14	17.95	16.28	13.97	11.93

MAJOR REVENUE ISSUES

Tax Reform

For the 1989 legislative session, the Governor proposed a revenue neutral tax reform package with respect to the state general fund. It was not revenue neutral for local government revenues and dedicated transportation funds.

The proposal was embodied in two bills, one a proposed constitutional amendment and the other the implementing legislation. The constitutional amendment would have authorized a personal income tax and contained spending controls for the state general fund. The implementing legislation instituted a 3.9 percent personal income tax and lowered the state sales tax from 6.5 percent to 3.9 percent. Various other provisions authorized increases in dedicated revenues for transportation and local government.

The bills received a hearing in the Senate Ways and Means Committee. In the House, a modified version of the

Governor's proposal was passed out by the House Revenue Committee and died in the Rules Committee.

A resolution was passed by both houses to form a tax and spending reform task force composed of legislative and executive members. The resolution called for weekly meetings starting after the 1989 regular session. Should the task force reach agreement on a tax and spending reform proposal, the findings shall be reported to the leadership of both houses of the Legislature. These findings may be considered in a special session to determine if a tax and spending reform proposal should be placed on the 1989 general election ballot. The resolution called for termination of the task force no later than July 1, 1989.

Other Revenue Legislation

Unlike the two previous bienniums, there were no major tax increase

proposals for the general fund made by the Governor or by the fiscal committees of the Legislature. There were a number of proposals for relatively small tax increases dedicating the revenues for particular purposes. Examples of these are the hospital tax, taxes supporting the drug bill, and the adult entertainment materials tax. The largest tax increase proposal was in the Children's Initiative (Initiative 102). These are summarized below.

Hospital Tax

The Governor's budget recommended enactment of a hospital tax to finance charity care. This tax would have raised an estimated \$60 million in the 1989-91 biennium. This tax was not part of the Senate budget but was part of the House budget. It was not adopted in the final budget.

Children's Initiative

Initiative 102 received sufficient signatures and was presented to the Legislature. If enacted by the Legislature, it would have required the Legislature to raise \$360 million in new tax revenues for expenditure in fiscal year 1991. The initiative specifies that if the Legislature fails to obtain the new revenue, then the state sales tax rate would increase by nine-tenths of a cent effective June 1, 1990.

Initiative 102 requires expenditure of the funds on a wide range of programs that address the needs of children 0-18 years of age.

The House passed the Initiative without modification and incorporated the measure in its budget recommendation. The measure was not considered on the Senate floor and it was not incorporated in the final legislative budget. Therefore, the measure will be on the November 1989 ballot.

Drug Bill

The Legislature enacted Ch. 271, Laws of 1989 (E2SHB 1793), which increased the penalties for various drug crimes and increased the ability of law enforcement authorities to combat the drug trade. To finance the measure, various taxes were increased dedicating the revenues to the purposes of the bill. More details on this measure are provided in the DSHS section of the budget notes.

The measure raises an estimated \$80.8 million for the 1989-91 biennium from the following sources:

	RATE	AMOUNT (in 000's)
Fortif Wine	\$ 0.2344/liter	\$ 3.6
Beer	\$ 2.00/barrel	\$ 12.2
Spirits	\$ 0.07/liter	\$ 3.4
Cigarettes	\$ 0.03/pack	\$ 23.7
Soft Drinks	\$ 0.01/12 ounces	\$ 38.0

Adult Entertainment Tax

Ch. 5, Laws of 1989, 1st Ex. Sess. (ESHB 1737) was enacted, which imposed an 11.5 percent sales tax surcharge on adult entertainment materials and services with the revenues dedicated for crime victims compensation. The Governor vetoed these provisions of the bill.

Budget Stabilization Account

From 1983 to 1988, ending fund balances have been transferred to the Revenue Accrual Account at the close of each biennium. By law, monies in this account could only be expended after appropriation to reduce the unfunded liability of state pension systems. This account was repealed in the 1989 session. In its place, legislation was enacted which established statutory retirement contribution rates which would amortize the unfunded liability in 35 years.

The Budget Stabilization Account was enacted in 1981. Funds were to be placed in the account by appropriation: whenever personal income growth adjusted for inflation exceeded 3 percent; by the transfer of ending cash balances; and by other transfers as determined by the Legislature.

From 1983 to 1988, no monies were placed into the Budget Stabilization Account, primarily because ending cash balances were placed in the Revenue Accrual Account. Also, real personal income growth only exceeded 3 percent twice, and it was not known until after the fact. In the 1989-91 budget, \$60 million was appropriated to the Budget Stabilization Account. Withdrawals from the account require a 60 percent favorable vote of each house of the Legislature.