



November 30, 2010

TO: Members of the Board of Regents
Ex-officio Representatives to the Board of Regents

FROM: Joan Goldblatt, Secretary of the Board of Regents

RE: Schedule of Special Meetings

SATURDAY, DECEMBER 4, 2010

10:00 a.m.	Compton Union Building Room 204 Washington State University Pullman, Washington	SPECIAL MEETING OF THE UW BOARD OF REGENTS
11:00 a.m.	Compton Union Building Room 210 Washington State University Pullman, Washington	SPECIAL MEETING OF THE UW AND WSU BOARDS OF REGENTS

AGENDA

**UW BOARD OF REGENTS SPECIAL MEETING
Saturday, December 4, 2010, at 10:00 a.m.
Compton Union Building, Room 204**

- I. CALL TO ORDER**
- II. DISCUSSION OF LEGISLATIVE SESSION**
- III. ADJOURN**

AGENDA

**JOINT BOARD OF REGENTS SPECIAL MEETING
Washington State University and the University of Washington
Saturday, December 4, 2010, at 11:00 a.m.
Compton Union Building, Room 210**

- I. CALL TO ORDER**
- II. OPENING COMMENTS AND INTRODUCTIONS**
- III. PRESENTATION: Economic Forecast for Washington and Higher Education**
- IV. DISCUSSION: Higher Education and the State Budget**
- V. ADJOURN**

MINUTES

**BOARD OF REGENTS
University of Washington**

**SPECIAL MEETING
December 4, 2010**

The Board of Regents held a special meeting on Saturday, December 4, 2011, beginning at 10:00 a.m. in the Compton Union Building, Room 204, on the Washington State University campus in Pullman, Washington. The notice of the meeting was appropriately provided to the public and the media.

CALL TO ORDER

Regent Simon called the meeting to order at 10:00 a.m.

ROLL CALL

Present in person were Regents Simon (presiding), Blake, Cole, Jewell, Youn and Dr. Wise.

Joining the meeting by phone were Regents Barer, Brotman, Harrell, and Smith.

Absent: Regent Gates

DISCUSSION OF LEGISLATIVE SESSION

Regent Simon began the discussion about the upcoming legislative session and the challenges faced by higher education in Washington state.

He told the Regents about a plan developed by UW and WSU to hire a consultant from Sound View Strategies to work on a coordinated communications effort on behalf of the four-year universities and colleges in Washington state. Board Chairs Herb Simon and Laura Jennings, from the University of Washington and Washington State University, along with University Presidents Phyllis Wise and Elson Floyd will invite other four-year schools to participate – Central Washington University, Eastern Washington University, Evergreen State College, and Western Washington University. This effort will include the Alumni Associations and student groups. The main messages are: higher education is good for the state and the state's economy, and it is important to provide for access to higher education and financial aid for students.

The consultant, Kelly Evans, will coordinate and facilitate the effort. The project will be privately funded and will not be supported by state resources.

Regents, and President Wise, discussed the role of the consultant and other aspects of the upcoming legislative session, including specific challenges faced by the University of Washington.

ADJOURNMENT

The special meeting was adjourned at 10:45 a.m.



Joan Goldblatt
Secretary of the Board of Regents

Approved at the meeting of the Board of Regents on January 20, 2011.

OFFICIAL MINUTES

MINUTES

BOARD OF REGENTS University of Washington

Joint Meeting with the

BOARD OF REGENTS Washington State University

**Saturday, December 4, 2010
Room 210, Compton Union Building
Washington State University
Pullman, Washington**

The Board of Regents of the University of Washington (UW) held a joint meeting with the Board of Regents of Washington State University (WSU) on Saturday, December 4, 2010, beginning at 11:00 a.m., in room 210 of the Compton Union Building at Washington State University in Pullman, Washington. The notice of the meeting was provided appropriately to the public and the media.

Present from the University of Washington: Regents Herb Simon (Chair), Kristianne Blake, Craig Cole, Sally Jewell, Frances Youn, and President of the University of Washington, Phyllis M. Wise.

Present from Washington State University: Regents Laura M. Jennings (Chair), Theodor Baseler, Scott Carson, Harold A. Cochran, Elizabeth Cowles, Francois X. Forgette, Constance M. Niva, and the President of the Washington State University, Elson S. Floyd.

Guests in attendance: Governor Christine Gregoire and Arun Raha, Chief Economist of the State of Washington.

OPENING AND INTRODUCTIONS

Following self-introductions, University Presidents and Board Chairs offered opening and welcoming remarks.

- Ms. Laura Jennings, Chair, Washington State University Board of Regents
- Mr. Herb Simon, Chair, University of Washington Board of Regents
- Dr. Elson S. Floyd, President of Washington State University
- Dr. Phyllis M. Wise, President of University of Washington

Governor Gregoire said she was pleased to be in attendance at the meeting and thanked Board Chairs, University Presidents, and Regents for their service and

leadership. She distributed a report entitled “State Budget At A Glance,” and described some of the fiscal challenges facing the state and higher education.

As Chair of the National Governors Association, Governor Gregoire is a prime leader on the initiative “Complete to Compete.” She requested the support of the Regents to make Washington a leader in advancing education. The initiative is designed to raise national awareness about the need to increase college completion and productivity. The Higher Education Funding Task Force has embraced the goals of this initiative.

Governor Gregoire said she intends to support the recommendations of the Higher Education Funding Task Force in their entirety.

The Governor asked Regents to frame discussions about education with a focus on students and the opportunity they have to progress and succeed. This will, she said, make the message more meaningful.

Attachments: State Budget At A Glance
Complete to Compete

PRESENTATION: Economic Forecast for Washington and Higher Education

Arun Raha, Chief Economist of the State of Washington, presented the economic and revenue outlook for the state. He said the current recession is a “once in a lifetime” event and the worst since the Great Depression.

Regents inquired about the correlation between level of education and unemployment in the state of Washington. The Governor reported the following:

Level of Education	Unemployment Rate
Less than High School	10.8%
High School Diploma	10.5%
Some College or Associate Degree	7.7%
Bachelors Degree or Higher	4.6%

Questions and discussion followed Dr. Raha’s presentation.

Attachment: Economic and Revenue Outlook

DISCUSSION: Higher Education and the State Budget

Regent Jennings began the discussion of the planned action of the UW and WSU to form a coalition to build public awareness about higher education.

President Wise said the two University Presidents and Board Chairs held discussions to strategize ways to disseminate the message of the importance of

higher education. Sound View Strategies has been retained to work with the Universities to form a communication strategy, and then ask community groups to be active advocates for higher education. She said the mission is to explain the importance of higher education to students and to the community at large, stressing the impact of higher education on the quality of the state. The effort will be supported by private, non-state, funds.

President Floyd said he is committed to working to create “a common agenda” and unified statement for the state’s four-year institutions. He said he and President Wise support forming a coalition to present to the legislature a compelling and convincing case regarding the importance of investment in public higher education. President Wise said she and President Floyd plan to discuss this with the other university presidents and invite them to join the coalition.

Regent Jennings said they intend to start this project with a kick-off in December. The initiative will involve agreeing on the message and mobilizing people, especially alumni, to help impart the message during the legislative session.

Regent Simon said the Governor has asked the Boards to do this in the past – mobilize alumni and various organizations in the state to advocate in Olympia in support of public higher education. He said the students, rather than the institutions themselves, are the economic drivers for the state and the four-year public higher education institutions share the common goal of educating students for the future.

Questions and discussion followed. Regents considered how budget cuts may affect the relationship between community colleges and four-year universities in the state, and the articulation agreements and academic readiness of transferring students, with the goal of maintaining quality of education. The Governor encouraged the institutions to administer proficiency tests to assure students are prepared in subjects taken in high school or community college. Regents discussed the role, and economics, of community college in preparation for a baccalaureate degree, as well as the value of an associate degree to students, parents, and employers. Regent Simon said community colleges can agree with four-year universities and colleges on the value of higher education.

Regents discussed preserving the quality of education while maintaining access.

Regent Jennings summarized the Governor’s request of Regents to consider five items:

- 1) Put a “human face, citizen face, student face” on the issue of higher education;
- 2) Think about the quality of education versus enrollment levels;
- 3) Understand and support the Governor’s budget;
- 4) Join the Governor to advance and support the recommendations of the Higher Education Funding Task Force;

- 5) Support and embrace the “Complete to Compete” national initiative.

Regents thanked Governor Gregoire for attending the meeting and for all she does for the state.

ADJOURNMENT

With thanks to Washington State University for hosting the meeting, the joint meeting was adjourned at 1:20 p.m.



Joan Goldblatt
Secretary of the Board of Regents

Approved at the meeting of the Board of Regents on January 20, 2011.

STATE BUDGET AT A GLANCE

GOVERNOR CHRIS GREGOIRE

WWW.GOVERNOR.WA.GOV

WE SOLVED A THREE-YEAR BUDGET DEFICIT OF NEARLY \$12 BILLION THROUGH:

- » \$5.1 billion in cuts and savings
- » \$3.6 billion in federal funds
- » \$2.5 billion in fund transfers and use of reserves
- » \$761 million in revenue enhancements (some of which will expire December 2010, due to the passage of Initiative 1107)

IN TWO YEARS, WE HAVE
REDUCED THE STATE WORK FORCE
BY 8,200 FTEs SINCE 2009.

YET AFTER BALANCING THE BUDGET THIS YEAR, WE CONTINUE TO LOSE REVENUE AND INCUR HIGHER COSTS:

- » **June Revenue Forecast** – Lost \$200 million this biennium.
- » **September Revenue Forecast** – Lost \$770 million in this biennium, requiring 6.3 percent across-the-board cuts. Another \$669 million decrease in 2011–13 brought the estimated deficit to \$4.5 billion.
- » **November Elections** – Lost \$55 million this biennium and \$218 million next biennium (passage of I-1107). This brings the deficit to \$4.8 billion.
- » **November Caseload Forecast** – Experienced increased costs in Disability Lifeline; greater number of students in special and bilingual education programs; higher enrollments in TANF (Temporary Assistance for Needy Families).
- » **November Revenue Forecast** – Lost \$385 million in this biennium and \$809 million in 2011–13.

WE HAVE AGAIN TAKEN DECISIVE ACTION:

- » The September revenue forecast resulted in a \$520 million General Fund shortfall. The Governor immediately ordered 6.3 percent across-the-board cuts to bring the budget back into balance.
- » The November revenue forecast added another \$385 million to the problem. Due to various legal issues, some agencies have been unable to achieve their full 6.3 percent cut. The Governor asked the Legislature to submit ideas for a supplemental budget and sent her own list of suggestions that lay a path forward to balance the budget.
- » The Governor is urging early action by the Legislature to pass the supplemental budget.
- » If the supplemental budget is not acted on quickly, savings will not be achieved.

CUTS ARE A ZERO SUM GAME.
"FIXES" BY THE LEGISLATURE
IN ONE AREA WILL REQUIRE
DEEPER CUTS IN OTHERS.

WE SEE OTHER PRESSURES ON THE BUDGET FOR THE 2011-13 BIENNIUM:

- » **Unemployment benefits** – 50,000-60,000 will exhaust their benefits between December 2010 and March 2011. Many will apply for food stamps, public assistance and Medicaid. Some of those with children may apply for TANF.
- » **TANF** – We cut \$52 million despite increased demand. Across-the-board cuts reduced TANF by another \$19 million. Balancing the 2011-13 budget will require additional reductions of 12 to 15 percent. These cumulative actions compromise our ability to serve our state's needy people.
- » **Disability Lifeline** – Formerly General Assistance for the Unemployable, this program was reduced in the last budget through the setting of a five-year limit on benefits. The state was sued and the court entered a temporary restraining order on the limit. Now our only remedy is to cut benefits by \$81/month for all participants.
- » **FMAP (Federal Medical Assistance Percentages)** – We did not receive \$142 million that the federal government indicated we could anticipate.
- » **Lagging consumer confidence and slow housing starts** – We expect to see a continuation of these trends that reduce revenue in the short term.

A SHORTFALL OF \$5.7 BILLION IS PROJECTED FOR 2011-13. THE OFFICE OF FINANCIAL MANAGEMENT INSTRUCTED STATE AGENCIES, SEPARATELY ELECTED OFFICIALS AND THE HIGHER EDUCATION SYSTEM TO SUBMIT BIENNIAL BUDGET REQUESTS WITH A 10 PERCENT CUT. THE NOVEMBER FORECAST WILL REQUIRE MORE CUTS.

WE HAVE TIGHT CONSTRAINTS ON WHERE WE CAN CUT THE 2011-13 BUDGET:

- » 60 percent of the budget is 'off limits' due to constitutional, legal and contractual obligations, and federal requirements. These programs include education, mandatory medical assistance, debt service and pensions.
- » There is more flexibility in the remaining 40 percent that includes corrections, education, non-mandatory social services and health care.

DUE TO CONSTITUTIONAL, LEGAL AND OTHER RESTRAINTS, JUST \$14 BILLION OF AN APPROXIMATELY \$35 BILLION BUDGET REPRESENTS THE MOST LIKELY AREA OF REDUCTIONS OF NEARLY \$5.7 BILLION.

WE HAVE INSTITUTED TRANSFORMATIONAL BUDGETING:

- » **Appointed the Transforming Washington's Budget Committee** – 36 citizens from around the state and across various interests offered and evaluated ideas. Four legislators, two from each party and two from each house, participated. Four town halls were conducted across the state, which were attended by more than 1,500.
- » **Designed an interactive website** – More than 18,000 visitors offered 126,000 votes on hundreds of ideas to save money and operate government more efficiently. Visit the Governor's website at www.governor.wa.gov for a summary.
- » **Followed POG** – The Priorities of Government budgeting approach ranks state-provided services by the importance to citizens. POG is being used to inform both the supplemental and biennial budgets.

COMPLETE TO COMPETE



National Governors Association

A Letter from the Chair

For the better part of the past century, America has enjoyed the reputation of having the best higher education system in the world—a system that has produced the highest proportion of college-educated citizens. Through a consistent focus on student access, our institutions have provided millions of Americans the opportunity to attend college. Unfortunately, far too few students are completing their education and not receiving a degree or certificate. The result is that nearly one dozen nations have passed us by in college completion, making our economy increasingly vulnerable to international competition.



In the knowledge-based economy of today, approximately two-thirds of all jobs will require a quality higher education credential or degree. For nearly all Americans, the new path to the middle class runs through college; however, our public institutions are not producing enough college graduates to meet workforce needs. This is detrimental to individuals and states, as college-educated workers earn higher wages, have greater career mobility, and contribute substantially to economic growth.

“For nearly all Americans, the new path to the middle class runs through college.”

States have led the charge to reform K-12 education, and the time has come for governors, higher education executive officers, and campus leaders to work together to make marked improvements in college completion and productivity. **Complete to Compete** enlists the help of all governors to make our nation a global leader in college completion.

As states face the worst economic crisis in modern history, we must collaborate to develop common performance measurements and take concrete steps to increase completion rates within our available resources. From transforming first-year coursework to implementing performance funding, it is up to states and institutions to create policies that can improve degree attainment and more efficiently use the dollars invested by states and students.

A number of states, including my home state of Washington, have taken action to increase college completion of our two- and four-year institutions within the constraints of the current economic climate. **Complete to Compete** will draw on these and other efforts to benefit every state and our nation.

I believe we can—and must—improve higher education performance and identify promising state policies as a first step to retaining excellence and regaining access in higher education. Together, we can work to increase the number of college graduates and, ultimately, increase our nation’s ability to compete internationally.

Sincerely,

Gov. Chris Gregoire, Washington
National Governors Association Chair, 2010-2011



For the first time in history, the U.S. is faced with a generation of young adults that is projected to have lower educational attainment rates than their parents.

THE CHALLENGES

Over the last two decades, state support for higher education has grown by \$50 billion; yet, the nation has fallen from first to 12th in the world in the number of students who complete degrees. This slide continues at a time when the economy demands more educated workers and Americans increasingly look to higher education as the path to economic success. If left unaddressed, the gap in degree attainment will leave states three million degrees short of their workforce needs by 2018 and seven million degrees short by 2030.

To enhance U.S. competitiveness, grow the economy, and increase the income of the U.S. workforce, it is paramount for the United States to increase college completion—and do it efficiently.

However, there are two significant challenges standing in the way of dramatically increasing college completion:

State Policy

There is a strong consensus that higher education cannot meet the nation's demand for more college degrees at current performance levels.

Degree Completion

The country's current college completion rates are dismal—27 percent for community colleges and 55 percent for four-year institutions—and make the nation vulnerable as individuals and states face one of the worst economic climates in modern history.



THE OPPORTUNITY

Increasing college completion will require a new approach to leadership and creative ideas. While a number of states are already taking steps to boost college completion, increased gubernatorial leadership and participation are critical to achieve meaningful progress.

Increased Degree Attainment

To reclaim the nation's rank as first in the world in college attainment, states will collectively need to produce an additional 8.2 million college graduates. However, the goal cannot be met with recent high school graduates alone. A majority of states will also need to focus on improving educational attainment among older adults. To produce more graduates, states can advance aggressive policies that reengage older students and provide incentives to institutions to increase degree completion.

Improved Higher Education Productivity

Given the current financial crisis facing states, higher education institutions will have to focus on graduating more students within the resources available, while still maintaining quality. A problem across states is the number of students taking remedial courses that do not count for college credit. This increases the likelihood that they will not complete a degree and costs taxpayers about \$1 billion a year. At the same time, the average time to complete a degree has risen substantially for all degree types, which increases the costs of delivering higher education.

Since the GI Bill, the U.S. has made great strides in increasing access to higher education for adults of all ages. Unfortunately, the increase in access has not translated into a substantial increase in college completion.

Although there is a need to produce more graduates, very few state higher education policies are focused on institutional performance. Most state higher education funding structures reward enrollment, not graduation. At the same time, the cost of a college education continues to rise for students and the state while institutional performance lags. In 25 years, tuition costs rose more than 500 percent, constraining students' ability to complete college in a timely manner. States will need to devise policies that at once promote completion and increase efficiency across their higher education systems.

Higher Education Data

For too long, states have funded public higher education without any clear measurement of impact. Unlike the K-12 education system, there are a limited number of agreed upon metrics of performance for higher education, and those that exist do not fully address the multiple aims of training and education beyond high school. For example, the federal postsecondary graduation rate only accounts for half of undergraduates in four-year institutions and a third of undergraduates in community colleges.

Additionally, states lack guidance on measures of college completion that take efficiency into account. Measures that are not comparable across institutions and states hamper the ability of policymakers and the public to analyze system performance. Resolving these data issues will require building a consensus around common college completion and efficiency measures that can accurately portray whether states—and the nation—are meeting the goal of increased degree attainment.

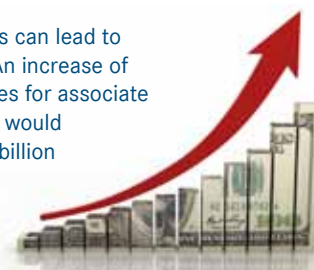
States can help institutions improve productivity and efficiency through restructuring remediation and using technology to create new delivery models that reduce time-to-degree, among other things.

Higher Skilled Workforce

Nearly two-thirds of all jobs in the future will require a college education. Whether it comes as a certificate, an associate's degree, or a bachelor's degree, the majority of individuals—from recent high school graduates to older adults—will need a postsecondary credential for economic viability. Because individuals with lower education levels were the hardest hit by the recession, states can target this group by expanding training opportunities for displaced workers and removing barriers for older adults to return to higher education.

Economic Gains

A concerted effort from states can lead to substantial economic gains. An increase of one percent in graduation rates for associate and bachelor's degrees alone would produce an increase of \$291 billion in national income.



**UNDER THIS INITIATIVE
THE NATIONAL GOVERNORS ASSOCIATION WILL:**



Graduate



- Raise national awareness about the need to increase college completion and productivity, and the consequences of inaction.
- Create a set of common higher education completion and productivity measures that governors can use to monitor state progress and compare performance to other states and between institutions.
- Develop a series of best practices and a list of policy actions governors can take to achieve increased college completion.
- Provide grants to states to design policies and programs that increase college completion and improve higher education productivity and serve as models for other states around the country.
- Hold a learning institute for governors' senior advisors in education, workforce, and economic development focusing on successful state strategies to graduate more students and meet workforce demands.

COMPLETE TO COMPETE TASK FORCE

**Governor
Dave Heineman**
Nebraska
NGA Vice Chair

**Governor
Mitch Daniels**
Indiana



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Economic and Revenue Outlook

Presented to
WSU & UW Board of Regents

Arun Raha
Chief Economist

December 4, 2010
Pullman, Washington



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- Revenue collections since our September forecast have come in on target, however
 - Revenues based on economic activity are below target
 - Most of the modest positive variance can be explained by timing and other non-economic factors
- The passage of Initiative 1107 will lower expected revenues by \$281 million
- Additionally, a weaker economic outlook for the next biennium, and the flatter trajectory to it, has lowered revenue collections
- Total General Fund–State revenues will be lower by
 - \$385 million this biennium
 - \$809 million next biennium



This is the worst recession since WW II

Recession	Peak-to-trough decline		Recession Duration
	Real GDP	Employment	
	<i>percent</i>	<i>percent</i>	<i>months</i>
1948-49	1.6	5.0	11
1953-54	2.5	3.4	10
1957-58	3.1	4.2	8
1960-61	0.5	2.3	10
1969-70	0.2	1.2	11
1973-75	3.2	1.9	16
1980	2.2	2.3	6
1981-82	2.6	3.1	16
1990-91	1.4	1.4	8
2001	0.7	1.7	8
Average	1.8	2.6	10
2007-09	4.1	6.1	18

Source: NBER, ERFC

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Economic & Revenue
Outlook

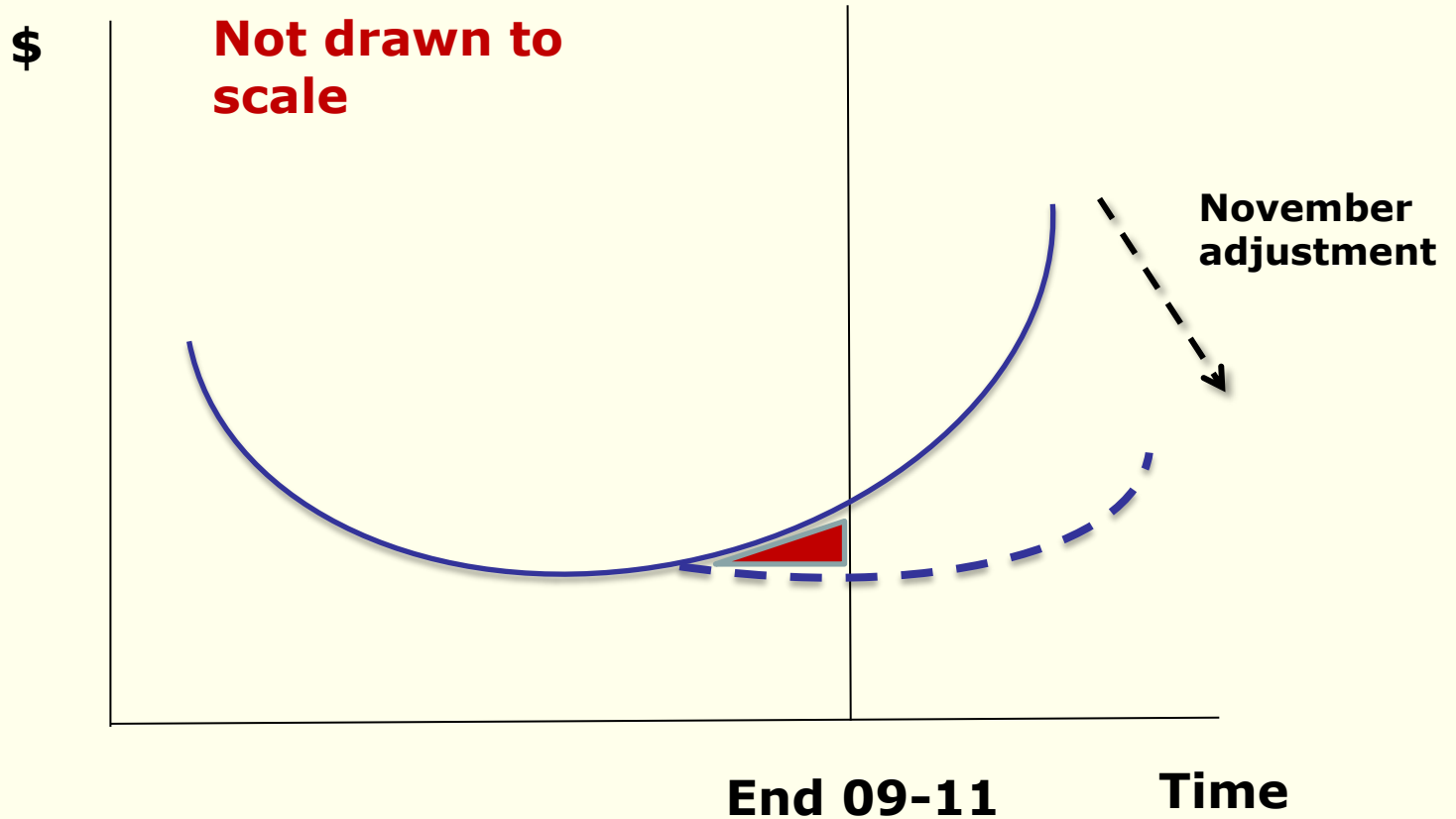
4 December 2010

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



A reduction in the rate of recovery in activity affects the forecast for this biennium, not just the next one



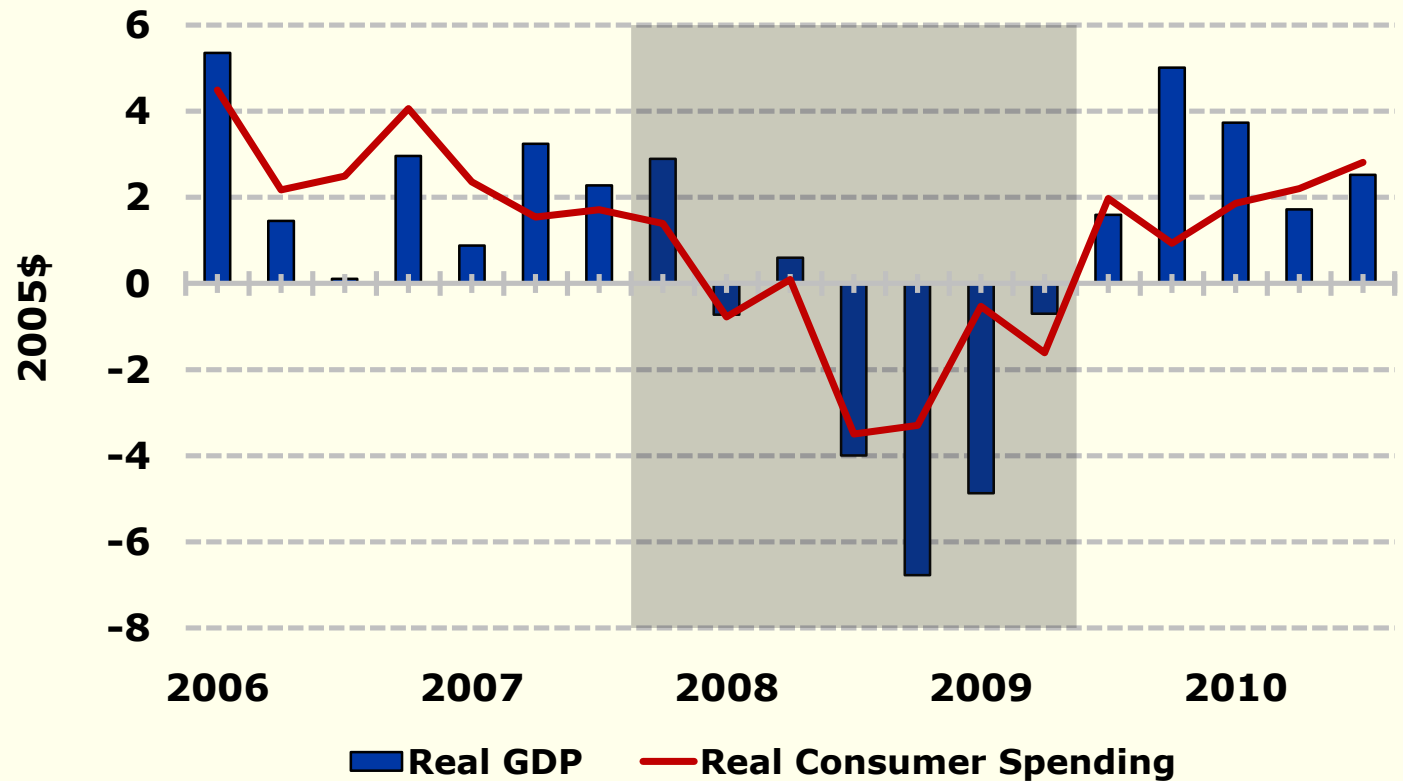
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Source: ERFC



GDP is growing, but modestly

Percent growth, SAAR



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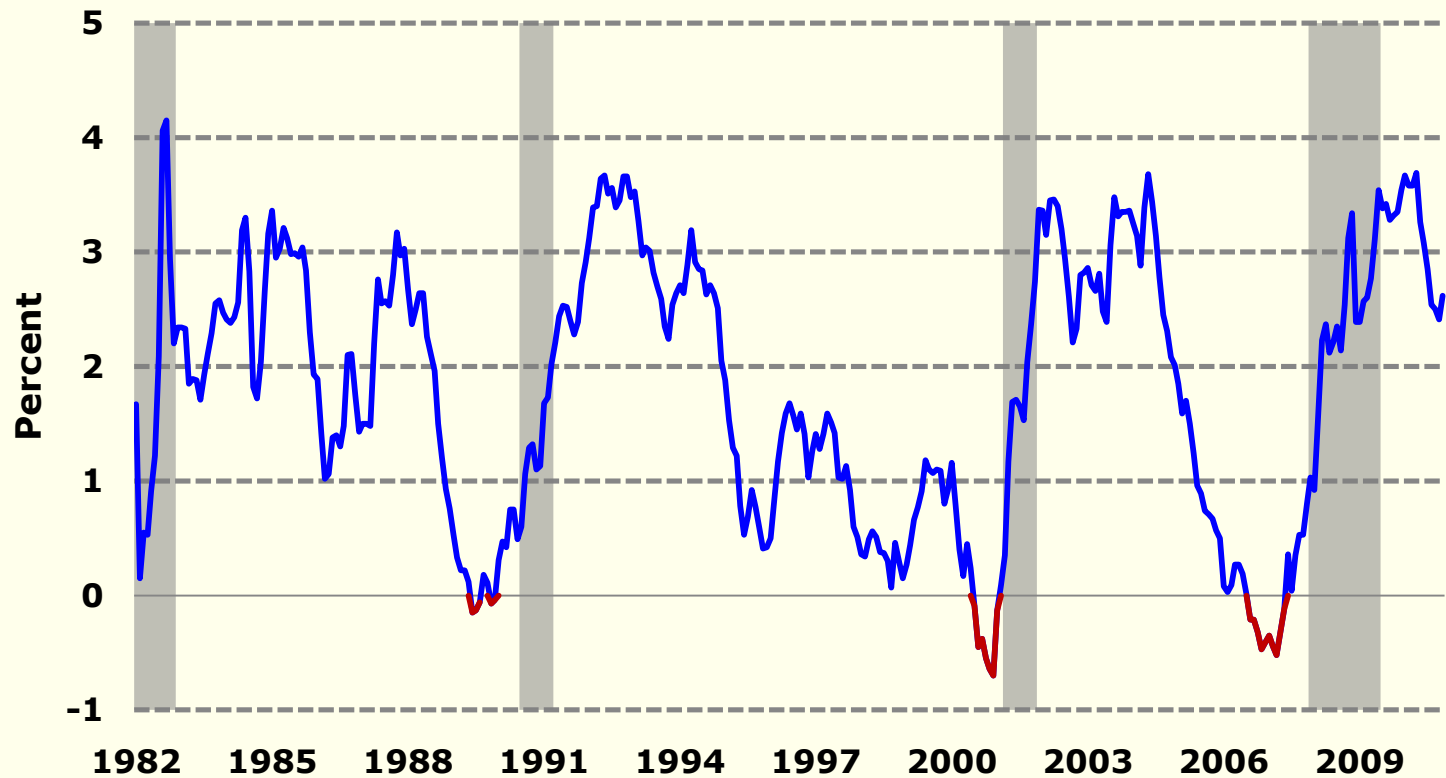
Source: BEA, data through 2010 Q3



The yield curve has flattened, but is not signaling a double dip

An inverted yield curve typically precedes a recession while a steepening yield curve signifies a recovery

Yield Curve Spread
10-Year minus 3-Month U.S. Treasuries



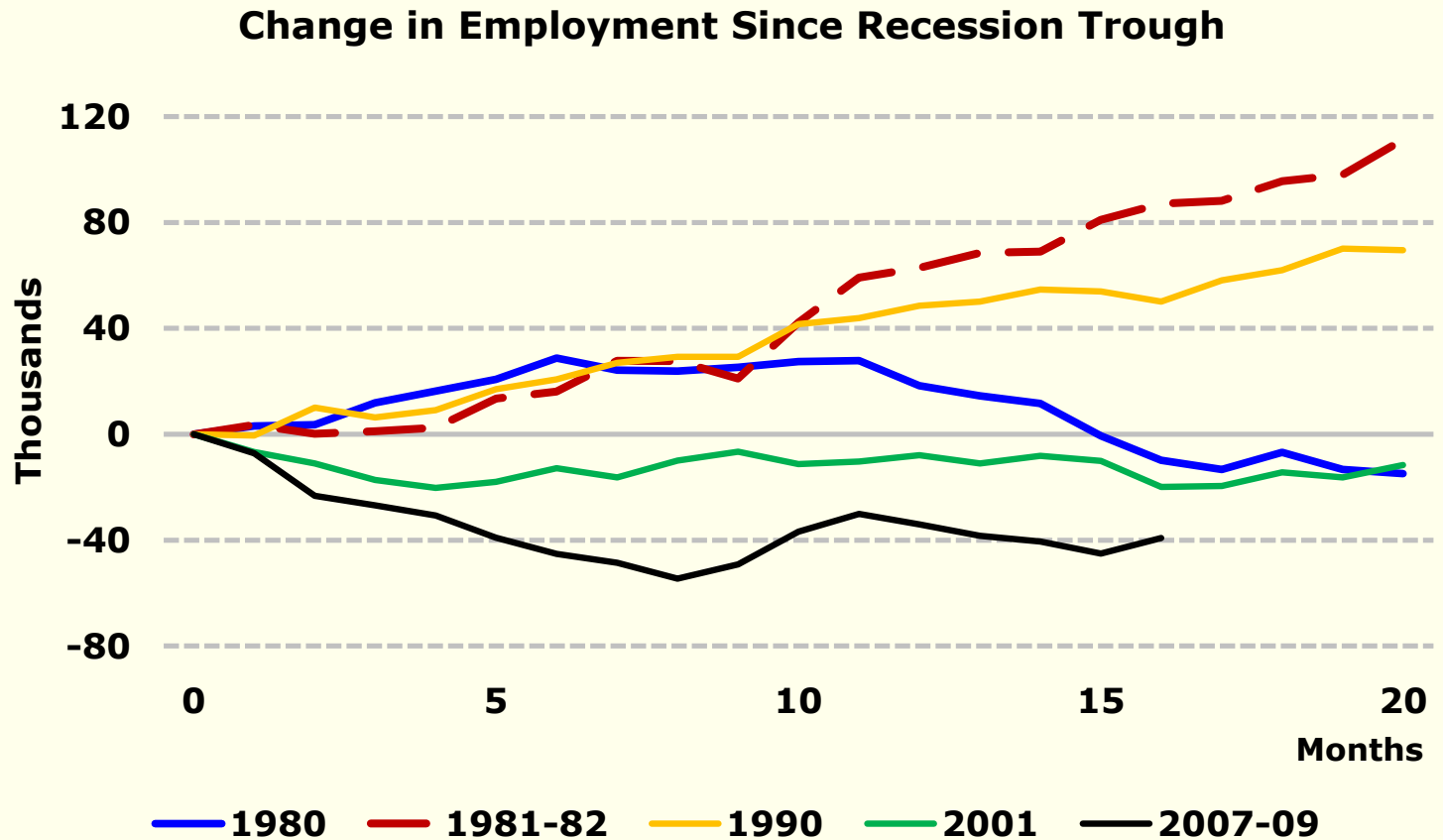
Source: Federal Reserve Board, ERFC; data through November 26, 2010

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Slide 5



Employment growth in WA since the trough has been slowest for this recession...



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Source: BLS, WA ESD; data through October 2010



... and the hole we are in is also the deepest

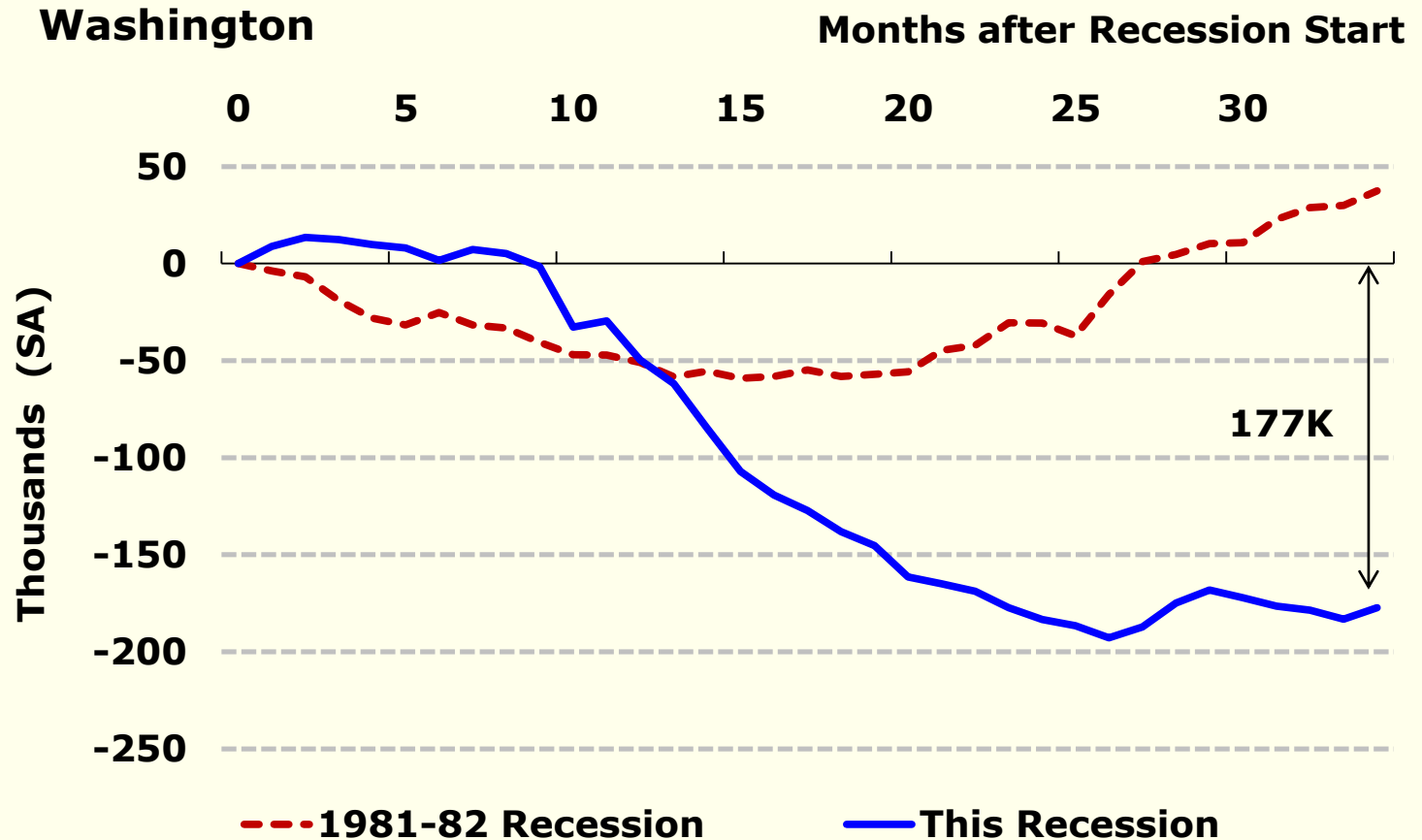
Peak to trough job losses

1981-82:

2.9% of labor force

This time:

5.5% of labor force



Source: WA ESD, ERFC; data through October 2010

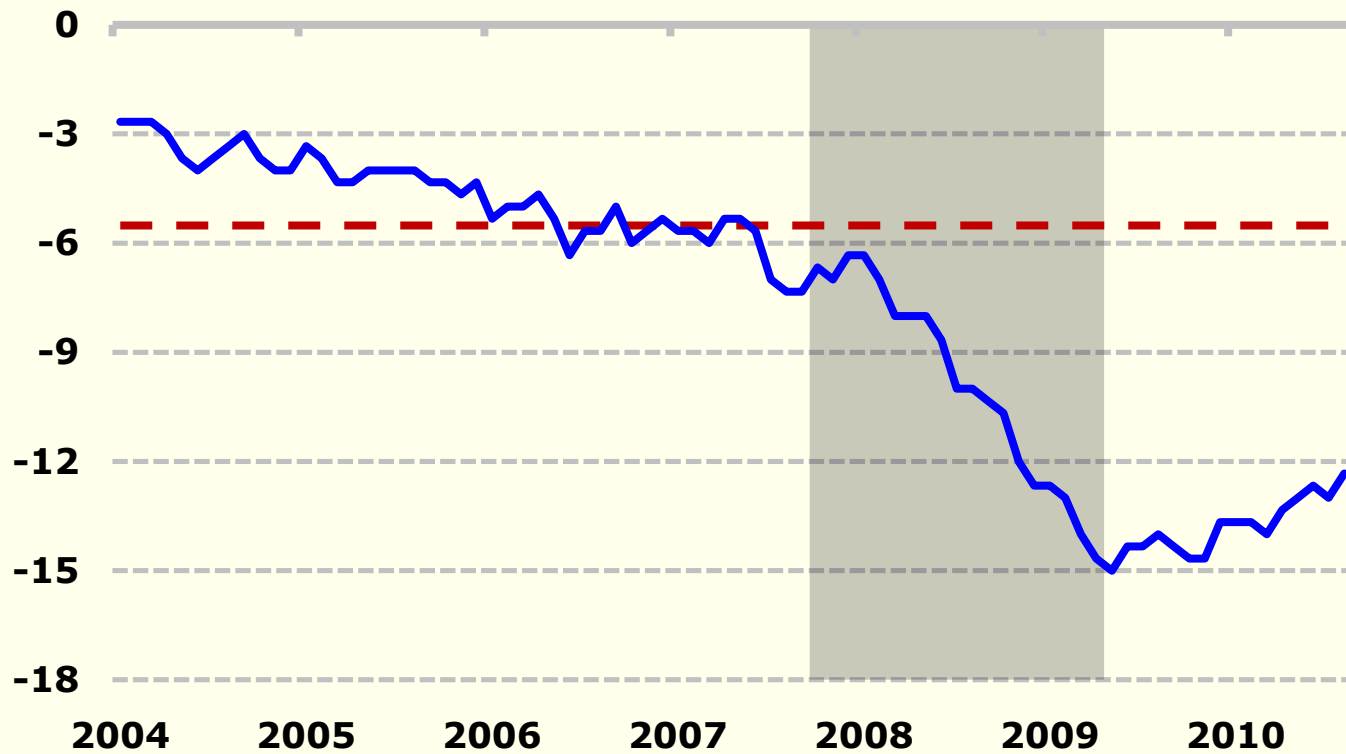
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Slide 7



Credit conditions for small business are improving, but remain tight

**Availability of Loans
Net Percent ("Easier" minus "Harder"), 3mma**

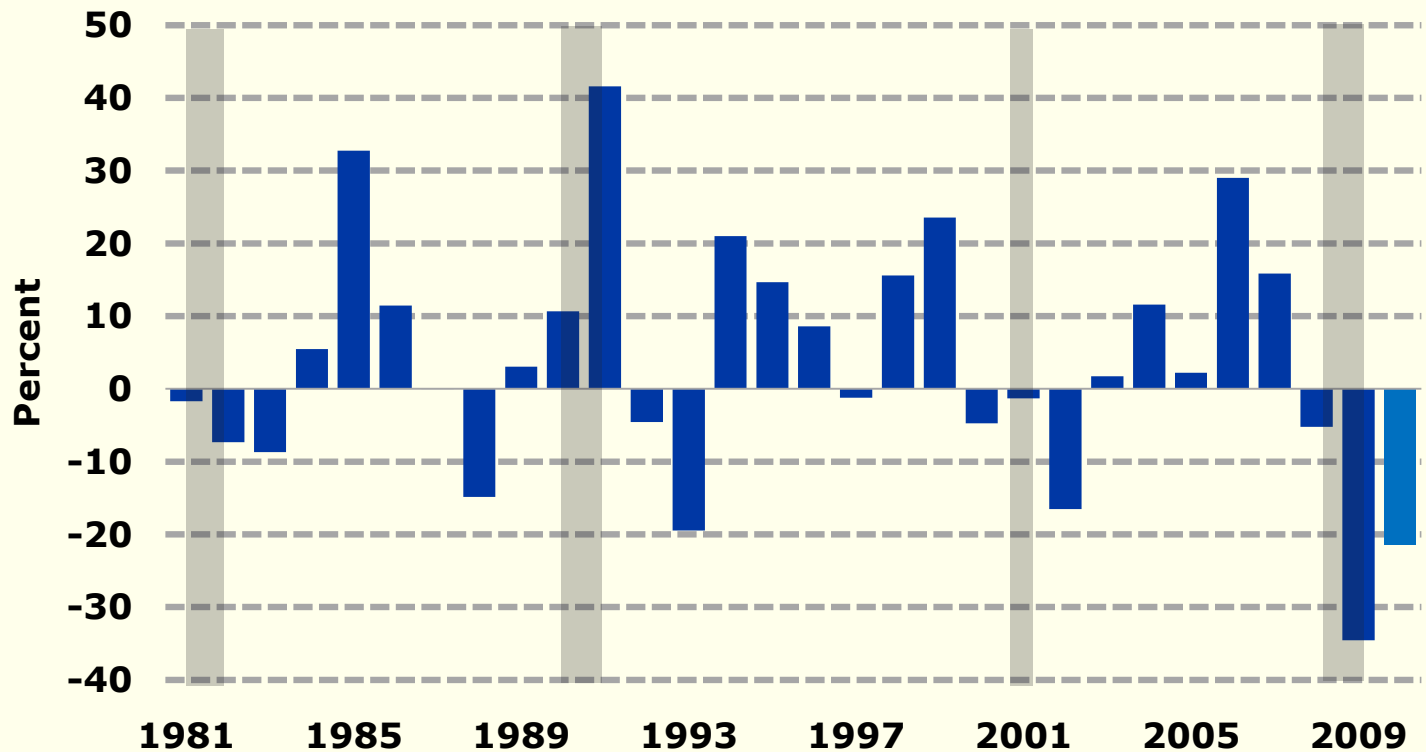


Source: National Federation of Independent Business; data through October 2010



We do not expect recovery in non-residential construction until 2012

Non-Residential Contract Value Annual Percent Change

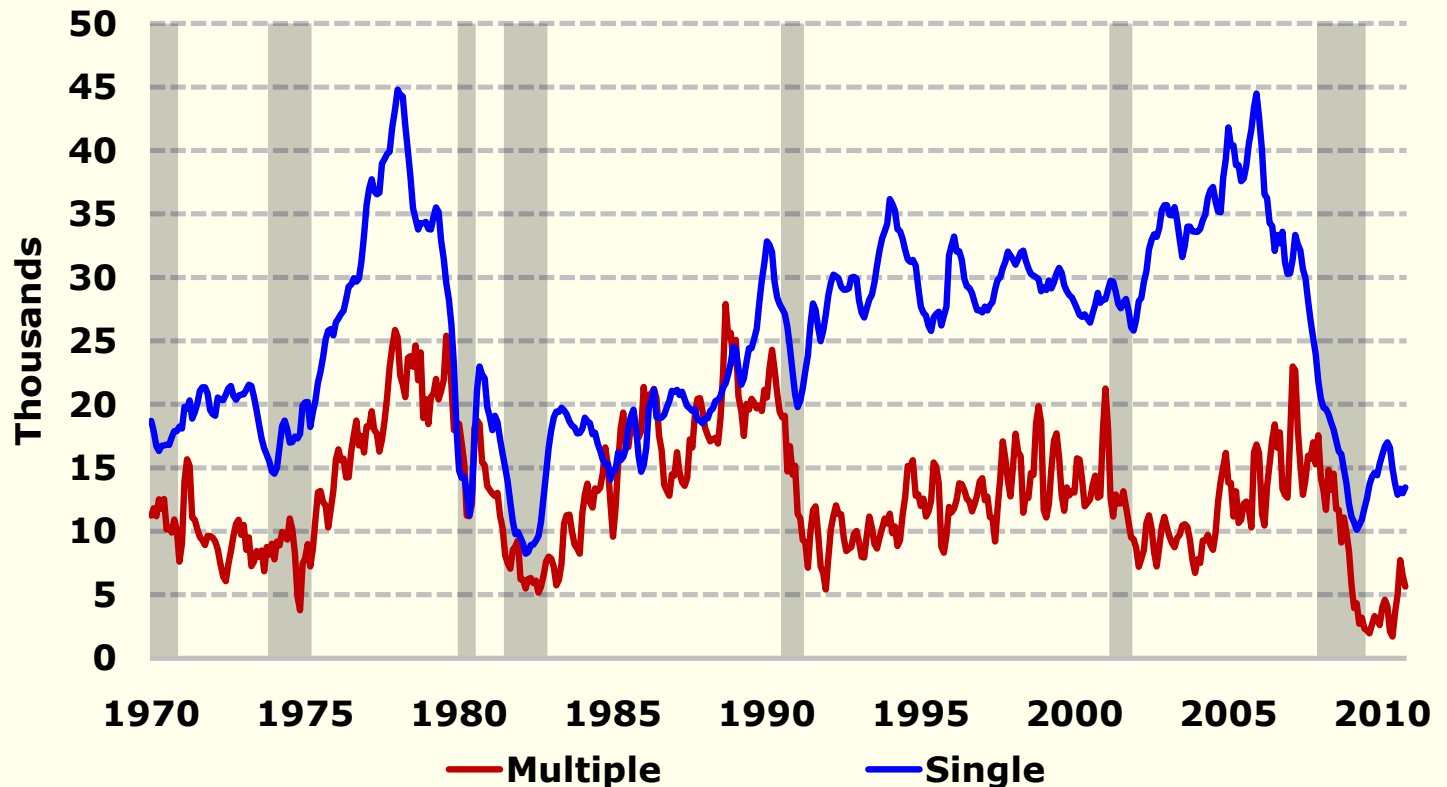


Source: McGraw-Hill Construction, data through October 2010



WA single-family building permits appear to be stabilizing

Washington Housing Units Authorized by Building Permits, 3MMA, SAAR



Source: U.S. Census Bureau; data through October 2010



Post-credit drop-off in REET seems to be complete

Seasonally adjusted preliminary October activity was flat after the August-September post-credit drop-off

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Slide 11

Seasonally Adjusted Taxable Real Estate Excise Activity

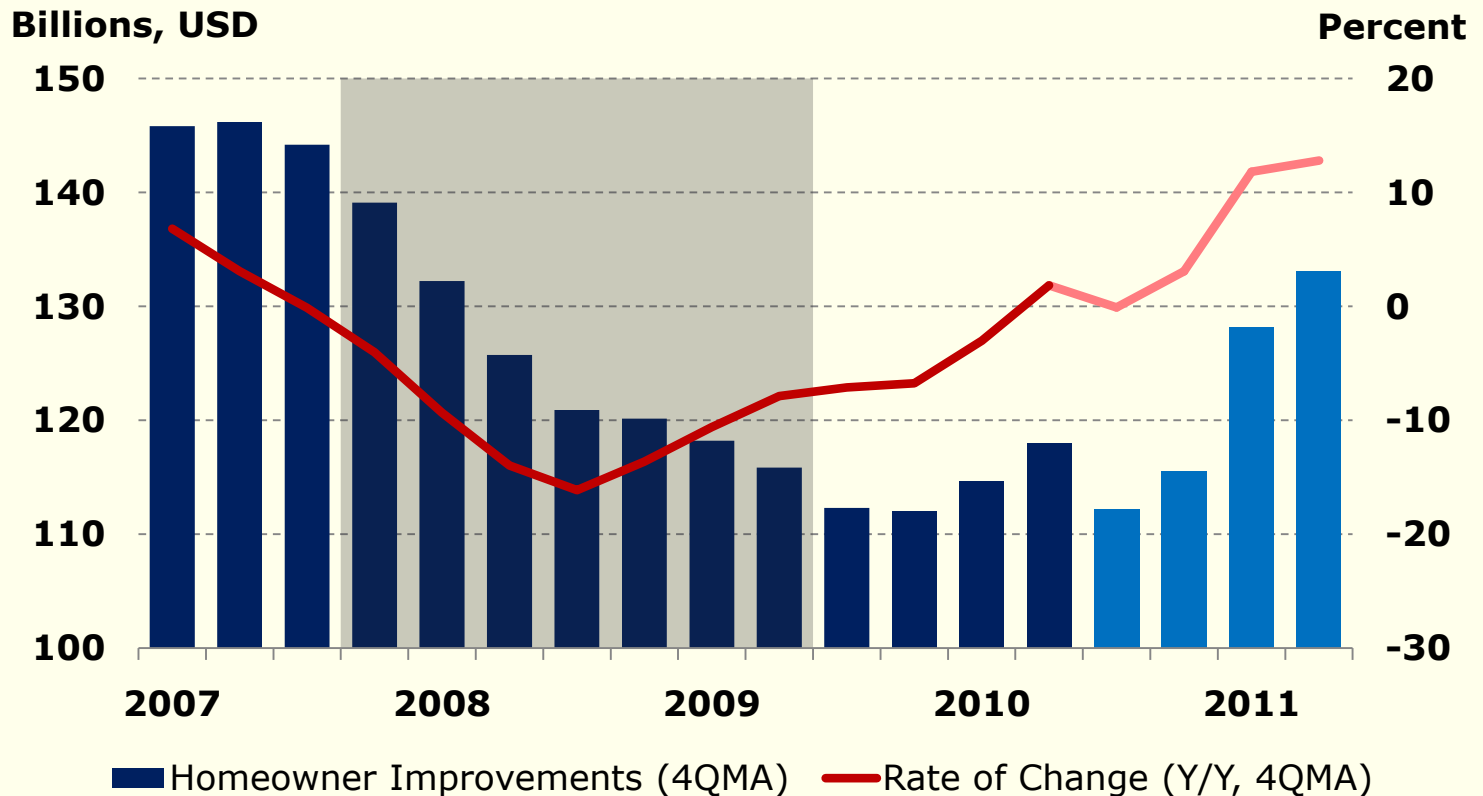


Source: ERFC; monthly data through October 2010



Leading indicator predicts improvement in remodeling expenditures

The Leading Indicator of Remodeling Activity (LIRA)

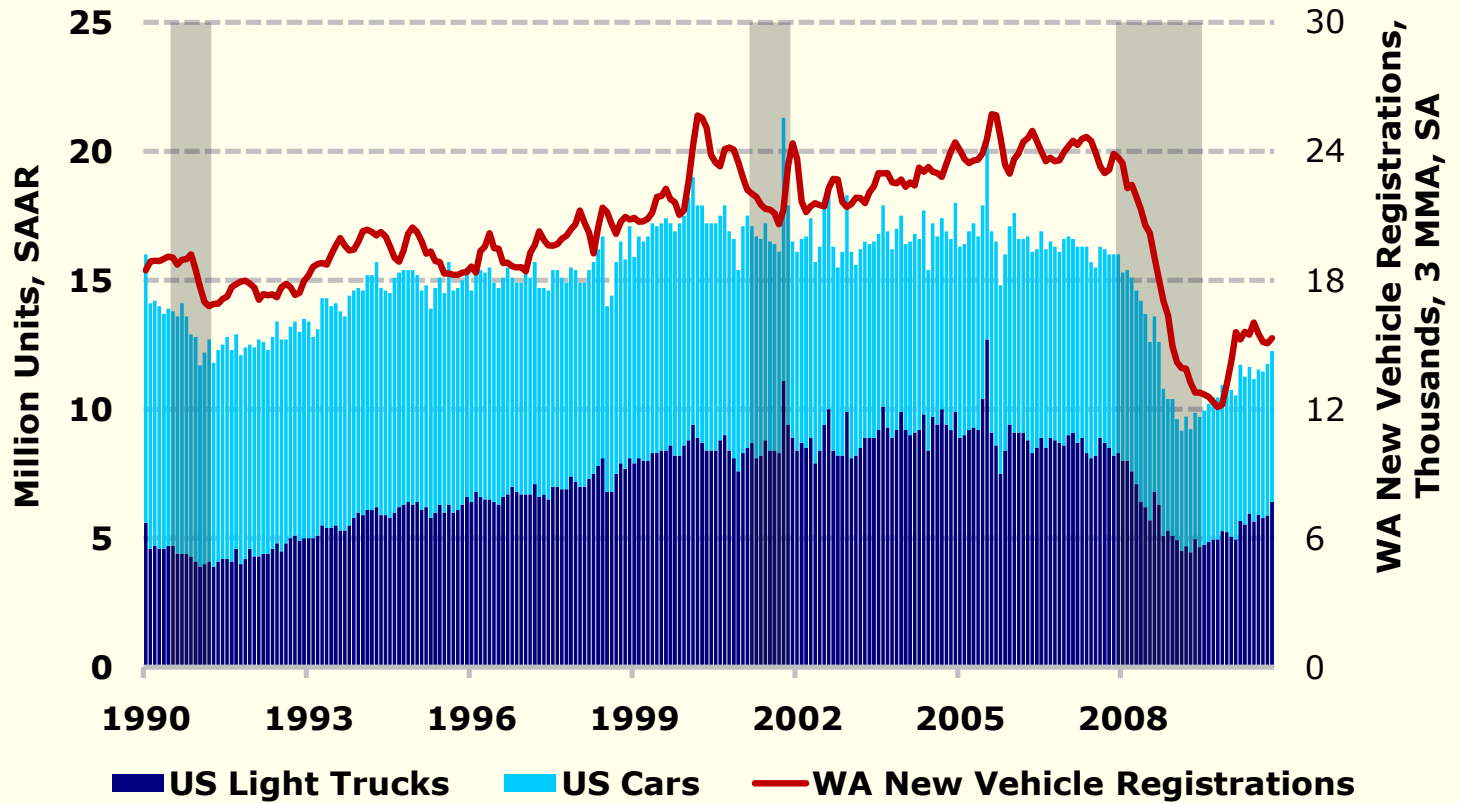


Source: Joint Center for Housing Studies of Harvard University, actual data through 2010 Q2



Automotive sales ticked up in October

Cash for Clunkers effect removed



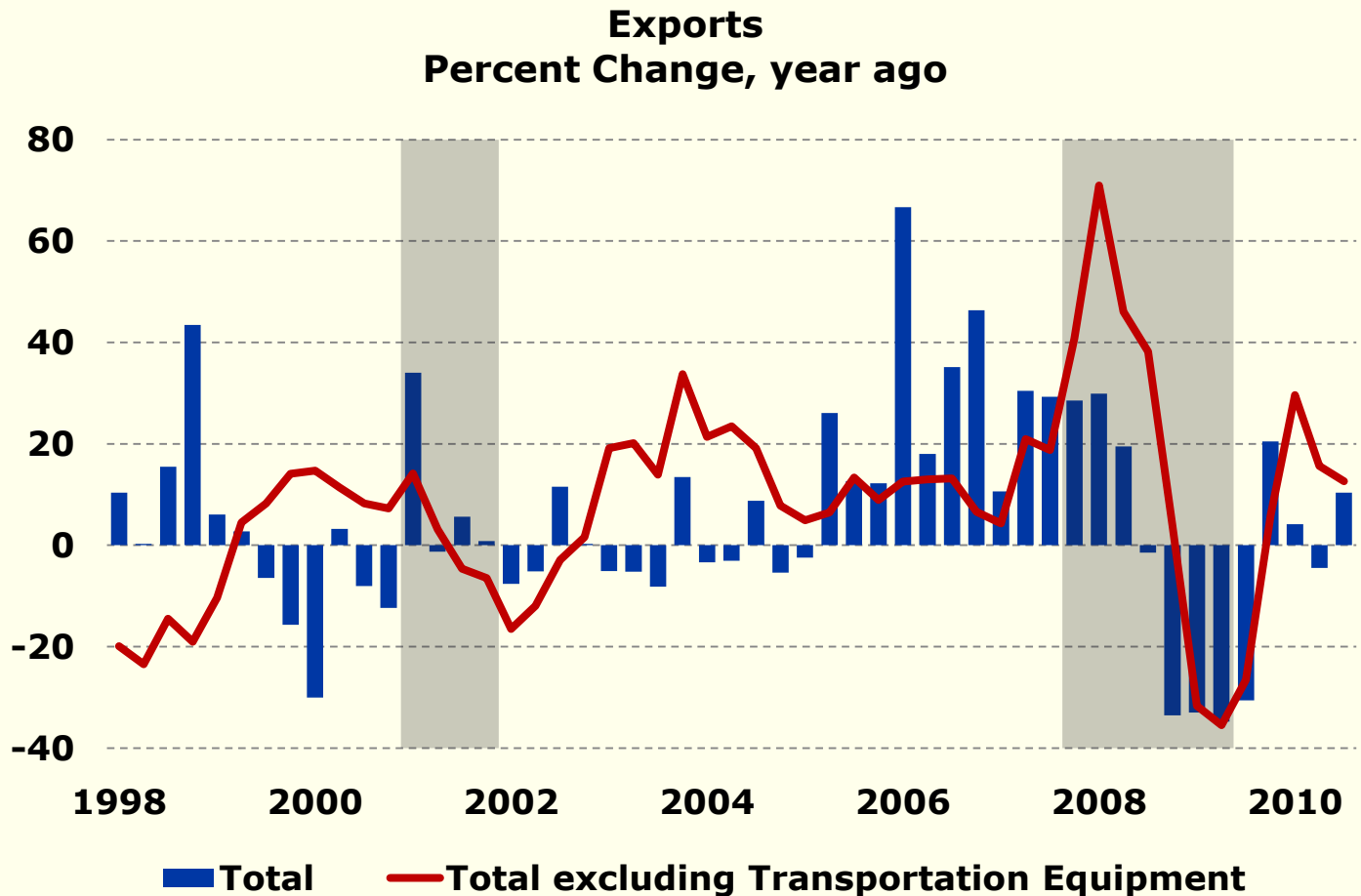
Source: Autodata Corporation, WA DOL; data through October 2010

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4 December 2010



WA export growth is stable, and will help state outperform in the recovery

Total exports were up 10% y/y in Q3



Source: Wiser Trade Data; through 2010 Q3

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Outlook
4 December 2010



Boeing has a healthy and geographically diversified order book

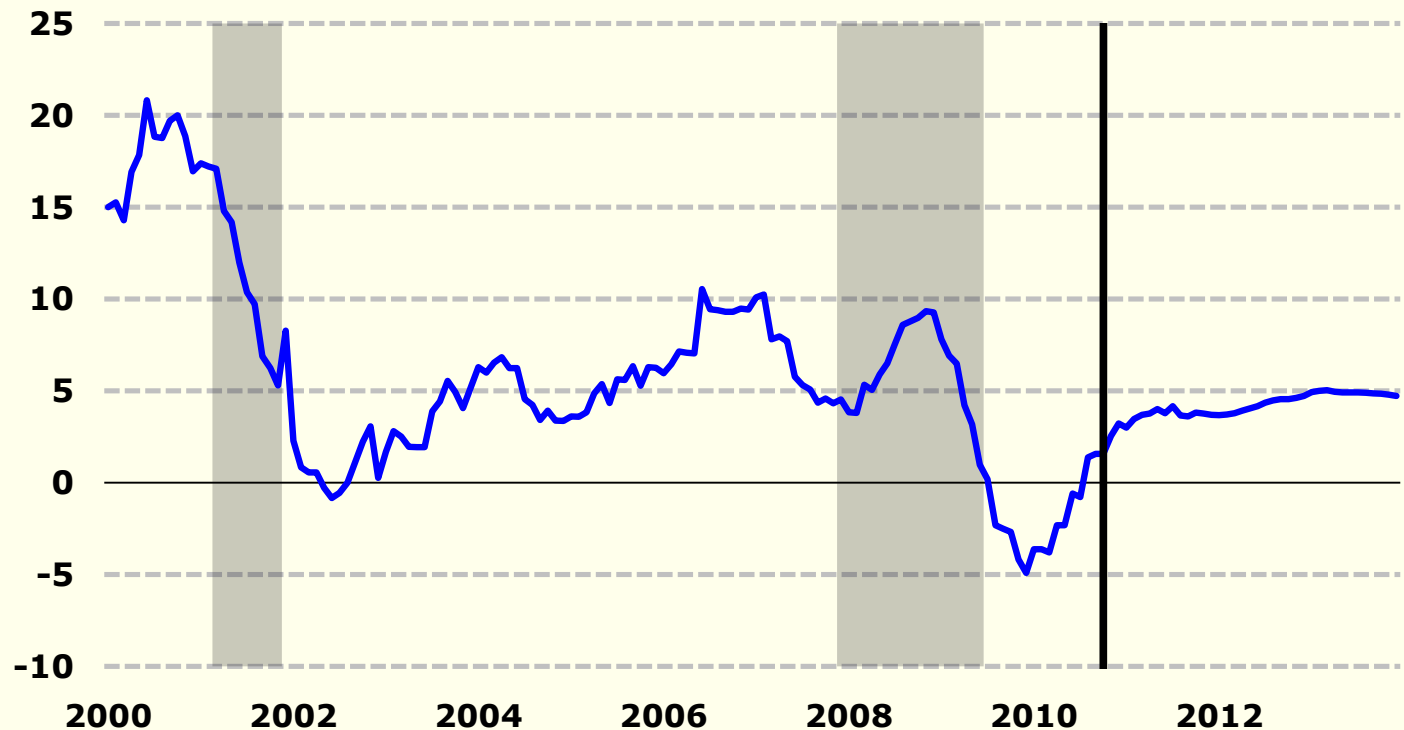
- Boeing's backlog: 3,469 planes

Region	Planes	Share (%)
Africa	98	2.8%
Americas	1,017	29.3%
Asia & Oceania	970	28.0%
Europe	658	19.0%
Middle East	371	10.7%
Unidentified	355	10.2%
Total	3,469	100%



Software publishing employment is expected to eventually grow at about 5% per year

Percent change, year ago

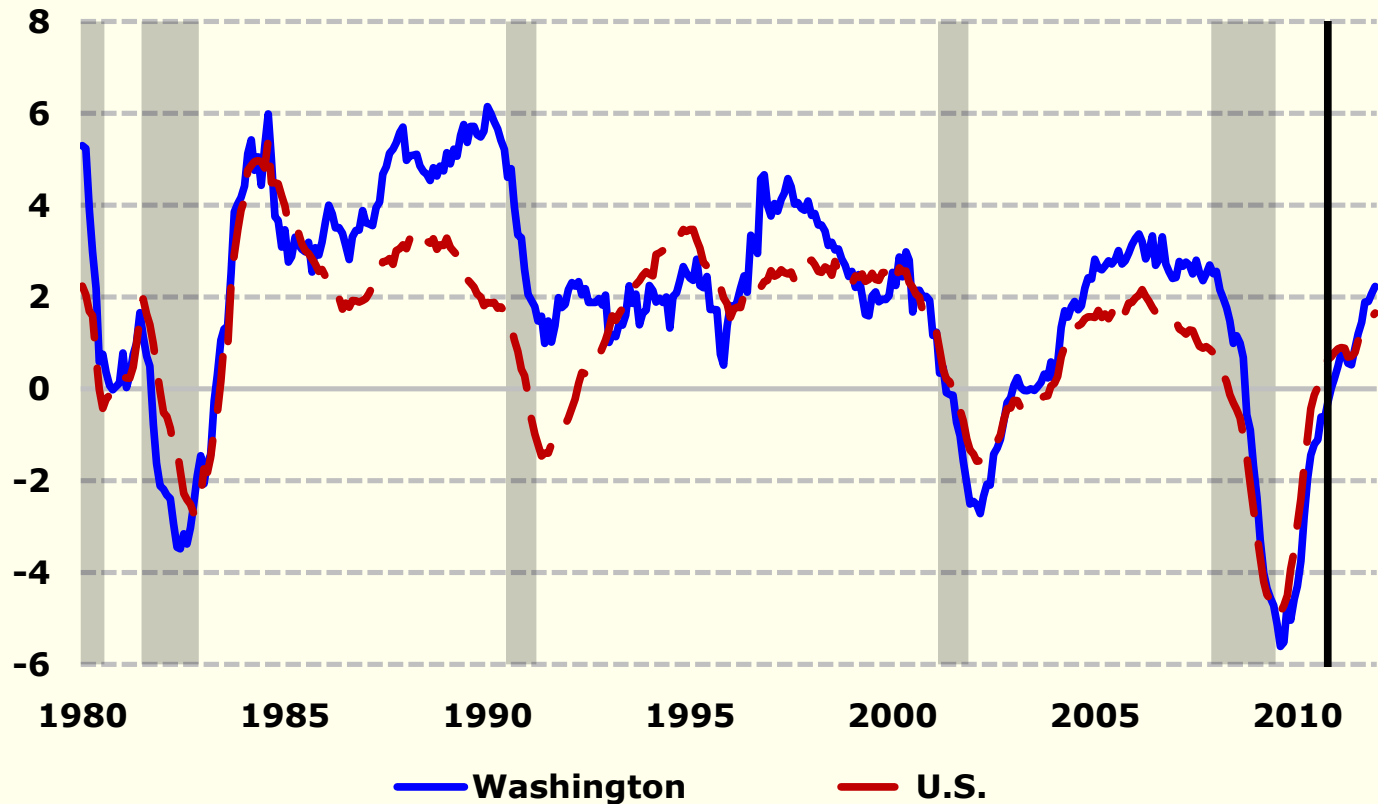


Source: ERFC November 2010 forecast; actual through October 2010



WA employment lagged the nation in the downturn and will recover at about the same rate as the nation

Percent change, year ago

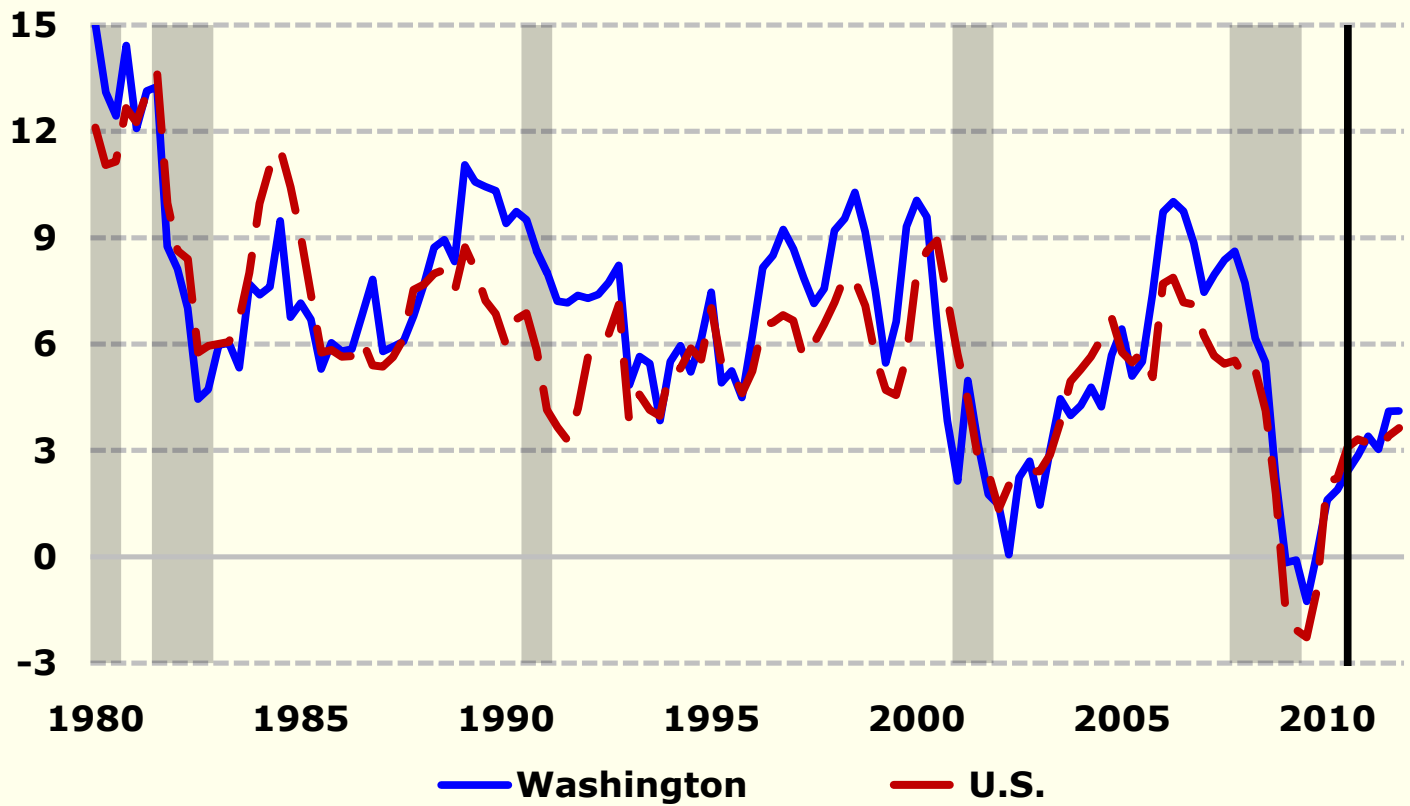


Source: ERFC November 2010 forecast; actual through October 2010



The recovery in WA personal income growth, however is expected to be better than the nation's

Percent change, year ago



Source: ERFC November 2010 forecast; actual data through 2010Q3



Forecast changes: General Fund State, 2009-2011 Biennium

September Forecast:

\$28,512 million

USD millions

November '10 Forecast

	<u>Collection Experience</u>	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$21	(\$63)	(\$337)	\$26,676	(\$379)
All other agencies	\$0	\$0	(\$6)	\$1,451	(\$6)
Total GF-S	\$21	(\$63)	(\$343)	\$28,127	(\$385)

* Detail may not add to total due to rounding

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Forecast changes: General Fund State, 2011-2013 Biennium

USD Millions

USD millions	Sept 2010 Forecast	November '10 Forecast			
		Non-economic Change	Forecast Change	Forecast	Total Change*
Dept. of Revenue	\$31,812	(\$218)	(\$584)	\$31,010	(\$802)
All other agencies	\$1,602	\$0	(\$7)	\$1,595	(\$7)
Total GF-S	\$33,414	(\$218)	(\$591)	\$32,605	(\$809)

* Detail may not add to total due to rounding

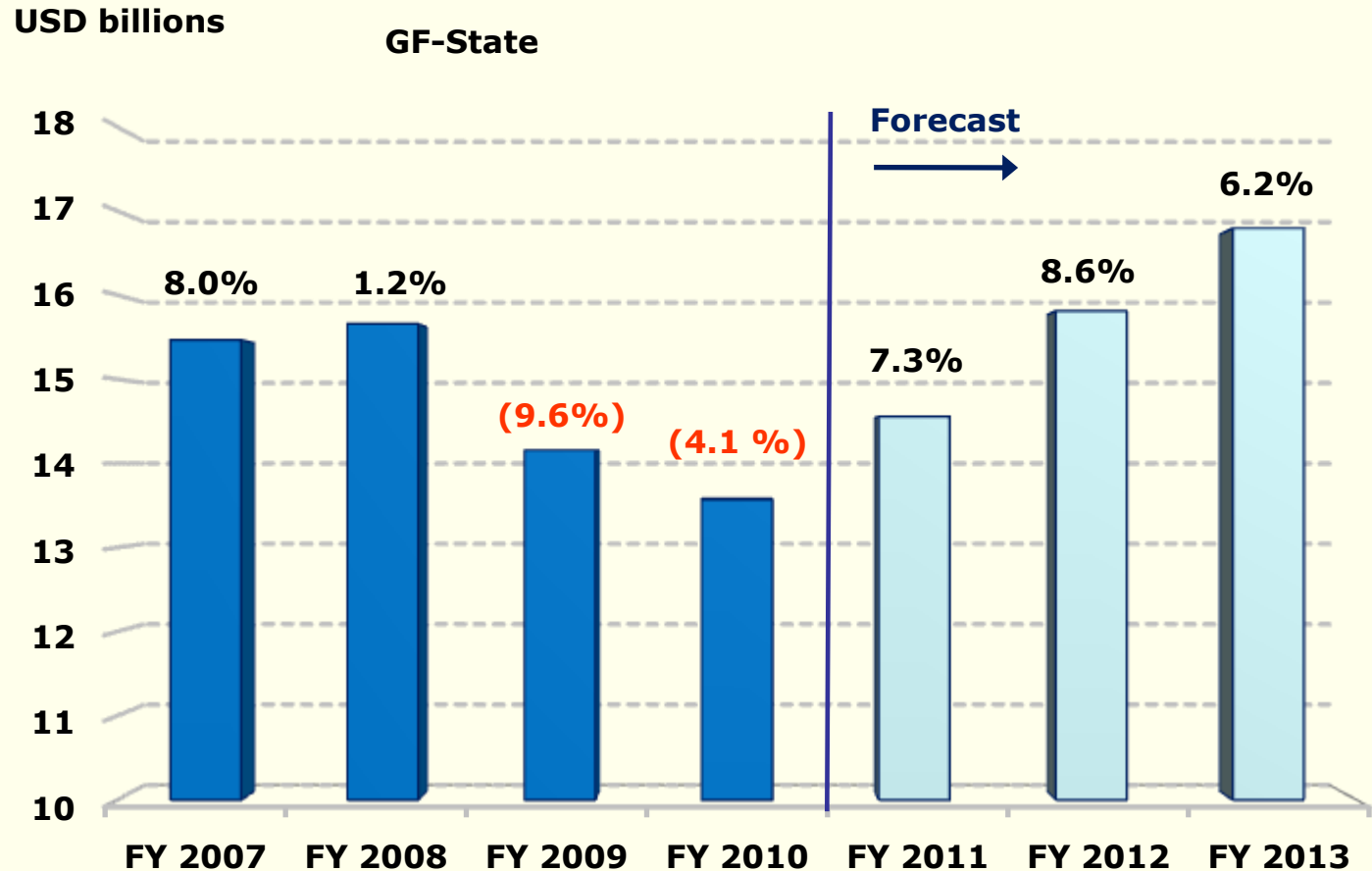
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General Fund* forecast by fiscal year

* General Fund & Related Funds for FY 07, 08, and 09

General Fund – new definition, for FY 10-13

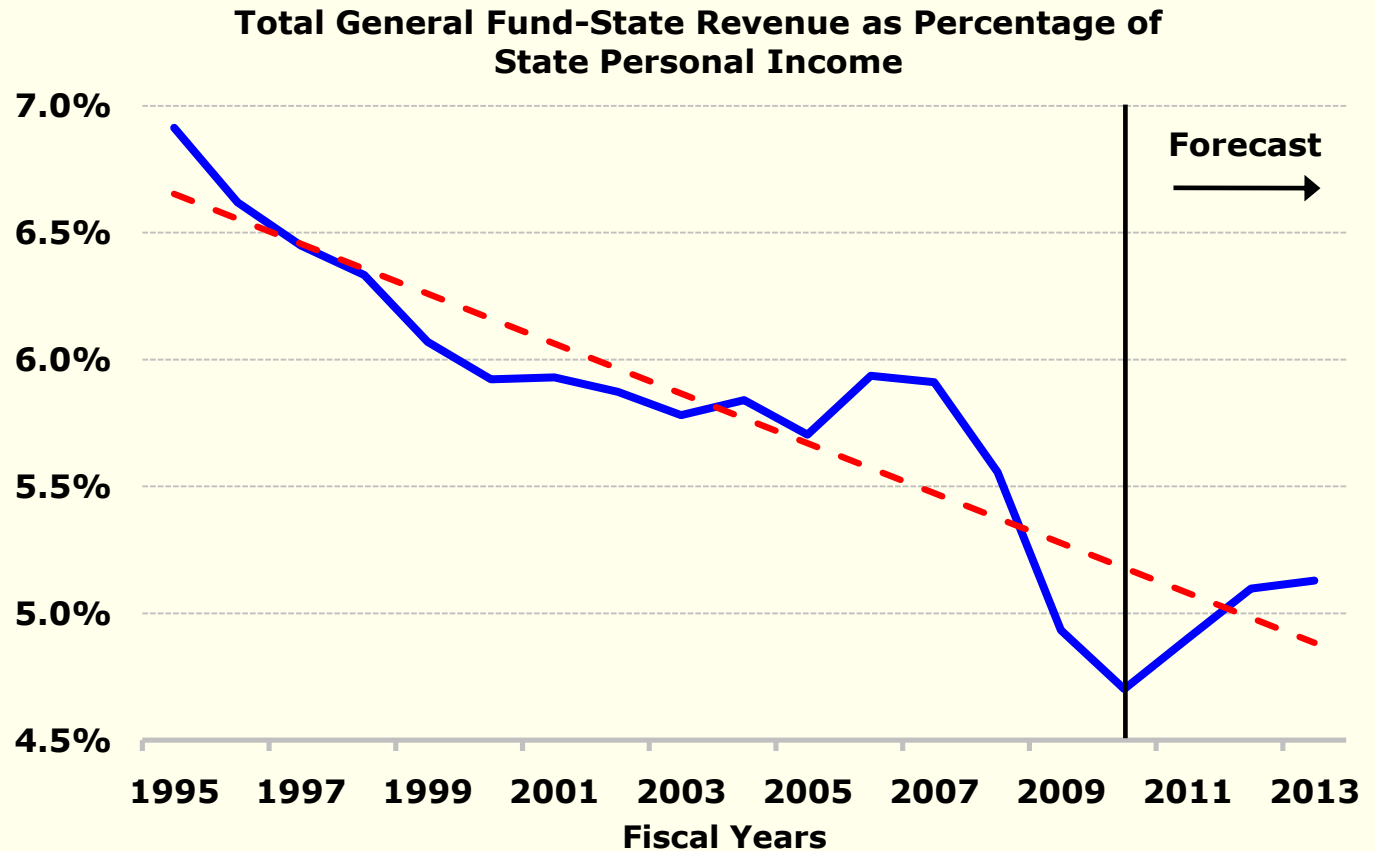


Source: ERFC forecast, November 2010; includes impact of legislative changes

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GF-S revenues as a share of personal income are well below trend



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*Current definition of Revenue Act

Source: ERFC; data through FY 2010, November 2010 forecast



Conclusion

- The forecast for the 2009-11 Biennium is \$385 million lower, due economic and non-economic reasons
- The forecast for the 2011-13 Biennium is \$809 million lower for the same reasons
- The economic recovery is ongoing, but at a slower than anticipated pace
- The level of uncertainty in the baseline is still significantly high, but we have recognized part of the downside in this forecast
- Downside risks still remain higher than upside risks



Questions



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