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Chris Gregoire will have well over $360 million in unexpected new spending capacity – or to set aside as savings or to offer as modest tax relief.  The governor’s budget director, Victor Moore, told reporters the administration supports a strong budget for schools, health care and other priorities, but also would like lawmakers to expand the state’s reserves.  The governor’s own $30 billion budget proposal, released last December and based on an assumption of a $1.9 billion projected surplus, suggested spending about $1.3 billion and leaving about $600 million in savings, including money in a hard-to-tap “rainy day” fund.  The Washington Budget & Policy Center, a private nonprofit organization, said the good news needs to be tempered with the sober knowledge that state government has a structural deficit, spending more each biennium that it has revenue coming in. Lawmakers keep afloat by using balances from previous budget years.  The newly announced revenue will “barely make a dent in the projected deficit” in the 2009-11 biennium and beyond, the group said. The new forecast is for $29.5 billion in revenue in the coming biennium, but lawmakers plan to spend more than $30 billion.  ChangMook Sohn, the state’s chief economist and the council director, said the new forecast represents only minor changes from the November forecast. He said the state economy is still sound, with no recession in sight for the next two years.  Construction and home sales are lagging below the torrid pace of recent years but haven’t gone flat, he said.  Job growth remains strong in high-wage sectors, such as software and aerospace, he said. Overall, more than 73,000 jobs were added in the past year, for a 2.6 percent growth, outpacing the national growth rate of 1.6 percent, Sohn said.  Sohn said he expects $144.3 million in additional revenue to roll in by June 30 and a slight decline, about $18 million, from his November forecast for the new two-year budget period that begins July 1.  The new projected surplus now tops $2 billion for the first time, but much of it will soon disappear as lawmakers write their new two-year budget. House Democrats announce their plans next Tuesday and the Senate will follow a week later.  The reserve includes about $740 million that lawmakers set aside for pensions, education and health care for use in the upcoming budget. The current budget is about $27 billion.  The council chairman, Rep. Jim McIntire, D-Seattle, said the economy remains strong, at least in the near-term, but that “since this is the ides of March,” he recommends caution to his budget-writing colleagues.  Sen. Joe Zarelli, R-Ridgefield, the Senate Republicans’ budget chief, said the state should use the windfall to pay off “past due bills,” such as pensions and park repairs, and put the rest in savings.  Rep. Ed Orcutt, R-Kalama, noted that the Governor’s Council of Economic Advisers predicts $235 million less than Sohn in the two-year period beginning July 1. Lawmakers need to be careful about starting new spending that can’t be sustained if the economy indeed cools, he said.  “Clearly, recession can happen … but we are just expecting slow growth,” Sohn said, adding that the two projections are within the margin of error for a $30 billion budget.  Moore said the governor wants to see the extra surplus to go into savings, but didn’t rule out the Legislature spending some of the money saved by the lower case-load forecast.  Update on state’s finances  BOTTOM LINE: State tax revenue is projected to rise an additional $126 million between now and June 30, 2009, compared with the December forecast.  INCOME: $27.51 billion is projected for the two-year cycle that ends next June 30 and $29.52 billion in the 2007-09 biennium that begins next July. That compares with $23.39 billion last biennium and $22.14 billion collected the biennium before that. The state has a $27.3 billion two-year state budget, counting savings accounts.  UPDATES: Revenue is expected to climb $144 million during the current two-year budget cycle and drop $18 million in the upcoming biennium.  RESERVES: More than $2 billion  NEXT UP: Lawmakers will use the revenue numbers as they decide how much to spend on the next two-year budget. House Democrats produce a draft next Tuesday and the Senate Democrats’ plan is due out a week later. Governor wants a $30 billion budget and a $600 million savings account.  MORE INFORMATION: Forecast Council’s Web site is [www.erfc.wa.gov](http://www.erfc.wa.gov)  The Associated Press  *Copyright 2007 Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.* | | Bottom of Form | |
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