



ECONOMIC & REVENUE UPDATE

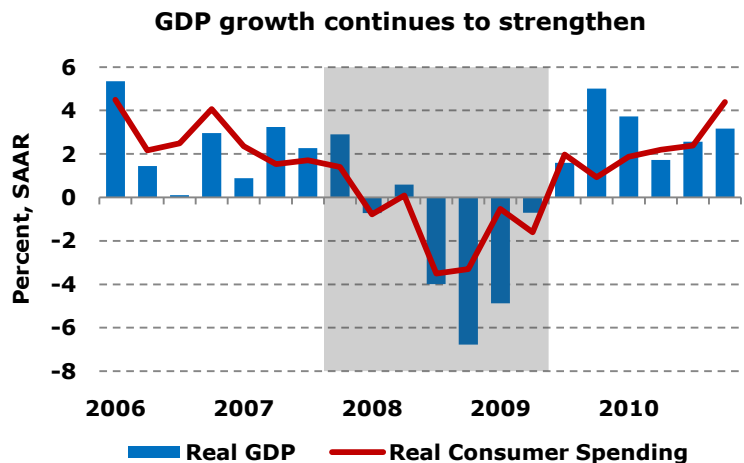
11 February 2011

summary

- The national economic recovery continues, albeit at a gradual pace. The data present a mixed picture, but on balance the news is generally positive. Uncertainty remains, so we will continue to watch the progress very carefully one month at a time.
- The Washington economy ended the last year on a positive note with improvements in both the housing and job markets. Consumer price inflation in the Seattle area remains moderate in spite of a jump in energy prices; and migration into Washington State appears to be picking up.
- Cumulatively, General Fund-State (GF-S) revenue collections for the three-month period since our November forecast are \$44.8 million (1.1%) below expectations. For the latest month, the January 11 – February 10, 2011 period, collections were \$105.9 million below forecast, offsetting the positive \$61.0 million from the prior two months.

United States

The economy's gross output of goods and services continues to recover, but there are several areas of weakness, and uncertainty remains high. Despite decreasing in each of the past two months, the unemployment rate remains elevated. That has prevented any more than a modest improvement in consumer confidence. Housing is muddling along and faces dual headwinds from excess inventory and soft prices. Credit conditions for small businesses are easing, but still remain tight. On the positive side, there was an uptick in consumer spending over the holidays; equity markets have made robust gains over the last month; and overseas demand for U.S. products is growing.



The Bureau of Economic Analysis' (BEA) advance estimate of 2010 Q4 real GDP growth was an above trend 3.2% at a seasonally adjusted annualized rate (SAAR), following 2.6% growth in Q3 ([see figure](#)). More encouragingly, real consumer spending grew 4.4% (SAAR) in Q4 – evidence of a release of pent-up demand from the prior two holiday seasons. Real exports grew 8.5% (SAAR) while real imports fell 13.5% (SAAR). Business inventories declined, which is often an indication of increased production in the next period.

Employment continues to lag the recovery. However, buried in the January employment situation report there was some good news. Although net job growth in January was just 36,000 (SA), according to the survey of hiring establishments, a separate survey of households, showed that the unemployment rate fell 0.4 percentage points for a second consecutive month. It now stands at 9.0%, down from 9.8% in November. That same

united states

household survey also indicated that the number of people employed grew by 589,000 and the number unemployed declined by about that much. These two snapshots appear to be telling two different stories, but that is not unusual at turning points in the economy. During a recovery, there are many new business startups, that aren't fully accounted for in the establishment survey, but are part of the household survey. So it is likely that the net job growth in the establishment survey is understated.

Housing is not leading the economy in the recovery as it typically does, but it is no longer subtracting from growth either. Both new and existing home sales grew by double-digits in December, as buyers took advantage of low prices and locked into interest rates before they ticked up too far. Housing starts fell 4.3% to 529,000 (SAAR) units, due to weakness in the single family segment. Home prices also remain soft as the shadow inventory of homes in foreclosure make their way onto the market. The Case-Shiller 20-city home price index fell 0.5% (SA) in November and is down 1.6% from a year ago. The housing market is not expected to recover until home prices start to strengthen. Longer term equilibrium in this market will also depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market. This is an issue worth keeping an eye on, especially as it moves to the forefront.

The 2% cut in payroll taxes in 2011 is expected to increase disposable personal income this year by a whole percentage point above where it would otherwise have been. This should continue the strengthening trend in consumer spending. In December, revolving consumer credit (i.e. credit card balances) grew 3.5% (SAAR), the first such growth since August of 2008. Nominal or current dollar personal consumption expenditures grew 8.2% (SAAR) in the same month, while the savings rate fell to 5.3%, down a whole percentage point from June 2010.

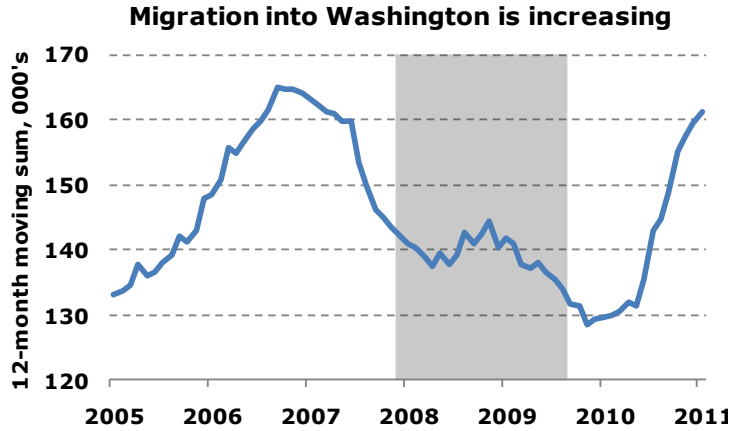
WASHINGTON

The Washington labor market showed signs of growth in December. The state's economy added 2,300 private sector jobs in the month and lost 200 government jobs for a net gain of 2,100 in total employment. The aerospace sector added 1,600 net new jobs in December following an increase of 500 jobs in November. The surge at the end of the year was enough to raise the December 2009 to December 2010 growth in aerospace jobs to 1,200 following a decline of 4,300 in 2009. The software sector also added 200 jobs in December and is up 1,400 over the year. The main drag on job growth in Washington remains the construction sector which lost 900 jobs in December and is down 10,400 over the year. The unemployment insurance claims data are also signaling a pickup in job growth. The four-week moving average of Washington initial claims fell to 10,400 in the week ending February 5, 2011. This was the lowest since August 2008, before the financial meltdown. However, the state's unemployment rate edged up to 9.3% in December from 9.2% in November.

One of the casualties of the last recession was a reduction in mobility around the country. State to state migration usually declines in recessions but the housing collapse reduced mobility even further. After all, it is difficult to move if one is not able to sell one's home. Washington is usually a beneficiary of net in migration so the decline in mobility had disproportionately hurt our state. However this may be turning around. The Department of Licensing tabulates the number of drivers licenses issued to people who were formerly residents of other states. According to these data, there has been a noticeable increase in migration into Washington in recent months ([see figure](#)).

washington

Housing construction strengthened in the fourth quarter of 2010 after the decline that followed the expiration of the federal homebuyer’s tax credits earlier in the year. Single-family permits improved to 14,700 units (SAAR) in the fourth quarter of 2010 from 13,300 in the third quarter. Reduced home prices and still low mortgage rates have combined to make homeownership more affordable than ever, although low consumer confidence and a steady stream of homes from foreclosure are holding back new home construction. Permits for multiple unit structures also strengthened in the fourth quarter, rising to 7,700 units (SAAR) from 6,400 units in the third quarter and 3,500 units in the second quarter. Multi-family permits are extremely volatile and the fourth quarter tally was boosted by a very strong December in which permits were issued for more than 15,000 units. Still, we have reason to believe that much of the recent strengthening is real. As noted above, migration into Washington from other states is increasing. Also, apartment vacancy rates have fallen. Finally, we expect household formation to pick up. Even though we have yet to see strong job growth, the mass layoff phase is hopefully behind us. Young people who may have been fearful of losing their jobs will now be more confident in setting up their own households. On the price front, the Case-Shiller Home Price Index for Seattle showed signs of firming in the spring but prices have declined in each of the past six months and are now down 4.7% since a year ago.



Despite recent improvement in housing permits, Washington construction employment remains weak. Even employment in residential building and related special trades continued to trend down through December. This is not surprising as the permit data lead employment. According to the Dodge Construction Potentials data on new construction projects, which is also forward looking, residential construction has turned slightly positive. We expect to see residential construction and related special trades employment turn positive in the first quarter of 2011. The Dodge data also point to further declines in nonresidential construction. We expect employment in that sector to continue to decline through the third quarter. We do not expect any growth in overall construction employment until the second half of 2011 and even then, growth will initially be weak. In spite of a fairly strong recovery in 2012 and 2013, construction employment will still be 46,000 below the previous peak at the end of 2013.

The Seattle CPI rose just 0.3% in 2010, in spite of an 11.3% jump in energy prices. This was even weaker than the 0.6% rate registered in 2009. Inflation in Seattle averaged around 4% per year in 2006, 2007, and 2008. The main reason for the much lower inflation in recent years is declining shelter costs. However, this may be turning around. Shelter costs, which are determined mainly by rents, bottomed out in mid-2010. Going forward, we believe Seattle inflation will increase from the very low rates of recent years but will remain below 2% per year through 2013.

REVENUE COLLECTIONS

Overview

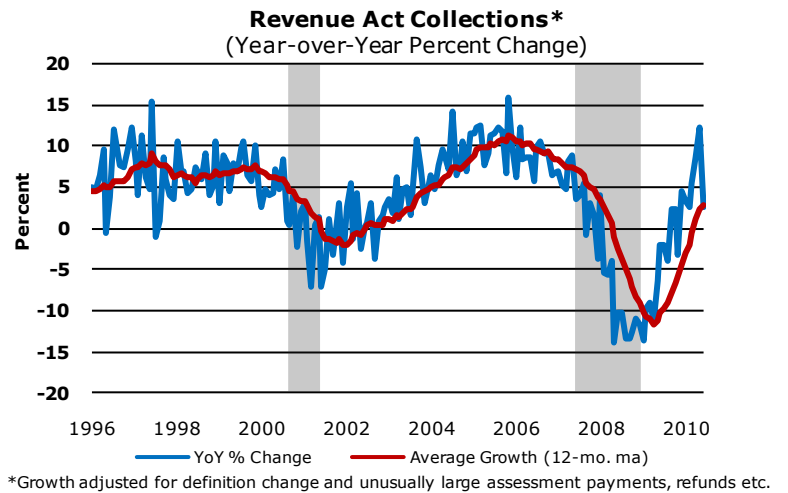
Cumulatively, revenue collections for the November 11, 2010 – February 10, 2011 collection period came in \$44.8 million (1.1%) below our November forecast. Since that forecast there have been \$28.2 million in large one-time assessment payments and \$26.6 million in large refunds. Without the net sum of \$1.6 million from these payments, the forecast variance would have been -\$46.4 million (-1.2%).

Major General Fund-State (GF-S) revenues for the January 11 – February 10, 2011 collection period were \$105.9 million (8.4%) lower than our November forecast, but most of the negative variance in this period is estimated to have been due to a change in the payment pattern of Revenue Act taxes. In addition, there was a \$26.6 million refund of retail sales and use taxes during the current collection period. Without this refund, the forecast variance would have been -\$79.3 million (-6.3%).

For this collection period, year-over-year adjusted (for one-time factors, such as the large refund) Revenue Act growth was 2.5%. If the impact of the change in Revenue Act payment patterns is also taken into account, the adjusted year-over-year growth in Revenue Act collections is estimated to be 8.0%. Our November forecast had expected 10.4%. The details are discussed below.

Revenue Act

The revenue collections reported here are for the January 11 – February 10, 2011 collection period. Collections correspond primarily to economic activity in December 2010 for monthly taxpayers, the fourth quarter of 2010 for quarterly taxpayers, and 2010 activity for annual taxpayers. Many look to this collection period for holiday sales; however, with the early November sales in conjunction with the volume of gift cards sold, a clear picture of the holiday season will not be in focus until the next reporting cycle.



Revenue Act collections came in \$109.4 million (9.5%) below the November forecast, but the variance is mainly due to a change in the reporting frequency of a large number of taxpayers, as reported in the [January Economic & Revenue Update](#). In order to cut back on processing expenses and reduce reporting errors, the Department of Revenue switched 32,600 taxpayers from quarterly filing of a combination of electronic and paper tax returns to monthly filing of all electronic returns, starting with October taxable activity. This shift in the monthly payment patterns, which was not accounted for in the monthly collection estimates based on the November forecast, does not alter the forecast of total collections for fourth quarter activity, only the timing of the receipts. With the change in frequency, taxpayers who would have formerly paid taxes for the entire fourth quarter on January 31st instead have already paid taxes for October and November activity in November and December, and their January filings reflect only December activity. Based on the adjusted forecast variance and an assessment of the history of taxes paid by these

revenue collections

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filers, our latest estimate is that the change caused Revenue Act collections to increase by an average of \$29 million in the last two collection periods and decrease by an estimated \$58 million in the current collection period.

In addition to this month's shortfall from the shift in payment patterns, there was a \$26.6 million refund of retail sales and use taxes during this collection period. Adjusting for the refund, the variance was -\$82.8 million (-7.2%). Adjusting for both the shift in payment patterns and the refund, the monthly variance was an estimated -\$24.8 million (-2.1%).

Cumulatively, Revenue Act collections are \$50.5 million (1.8%) below the November forecast. Since the forecast there have been \$28.2 million in large one-time assessment payments and \$26.6 million in large refunds. Without the net of \$1.6 million from these payments, the cumulative variance was -\$52.1 million (-1.9%).

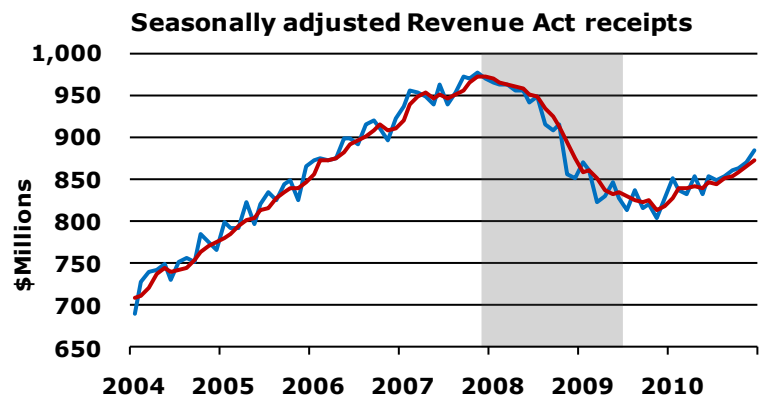
The chart showing year-over-year Revenue Act growth reflects new revenues added under ESSB 5073. By this measure, revenues increased 2.5% year-over-year in the current period after adjustments for large one-time payments and refunds. If adjusting for both the one-time payments and the estimated effect of the change in the timing of payments from new monthly taxpayers, revenues would have increased approximately 8.0% year-over-year. In the previous period adjusted revenues had increased 12.2% due to the shift in payment patterns, however if smoothed out for the timing issue it would be 8.3% year-over-year in the previous period.

Unadjusted for non-economic factors, revenue was flat at 0.0% year-over-year growth as shown in the "Key Revenue Variables" table. On a seasonally adjusted basis, revenue showed increasing growth ([see figure](#)). The chart of seasonally adjusted Revenue Act receipts has been adjusted for the change in payment patterns discussed above.

Under legislation passed in the 2010 session, the B&O tax rate for service industries has been temporarily increased from 1.5% to 1.8% as of May 1, 2010. This change is estimated to have increased Revenue Act receipts by approximately \$19 million per month. Without this \$19 million in additional revenue, year-over-year Revenue Act growth adjusted for both the \$26.6 million refund and the shift in payment patterns would have been 6.2%.

Preliminary ERFC monthly estimates indicate retail sales tax collections are down 2.1% year-over-year and B&O taxes are up 5.6%. Without the large refund of retail sales tax and the shift in payment patterns, retail sales increased an estimated 7% year-over-year and B&O taxes increased an estimated 11%.

Tax payments as of January 27th from electronic filers who also paid in the January 11 – February 10 collection period of last year were up 2.0% year-over-year. It should be noted that this growth rate and the rates presented below may understate year-over-year growth to in the current period due to the shift in payments patterns discussed above. This is because some of the filers who were switched to monthly filing had filed



January 2004 through December 2010 preliminary activity, ESSB 5073 definition, adjusted for large payments/refunds and timing of payments

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electronically last year as well, but their year-ago payments represented quarterly activity while their current-year payments represent only monthly activity.

Some details:

- Payments in the retail trade sector were up 4.4% year-over-year. In the previous period, year-over-year payments increased 9.4%.
- Payments from the motor vehicle and parts sector were up 8.0% year-over-year. In the previous period, year-over-year payments increased 18.3%. Excluding the auto sector, payments from the retail trade sector were up 3.7% year-over-year, down from the 7.4% increase in ex-auto payments in the previous period.
- The largest year-over-year increases in tax payments from other retail trade sectors were from electronics and appliances (+10.8%), non-store retailers (+8.9%), furniture and home furnishings (+7.6%) and apparel and accessories (+6.8%). Miscellaneous retailers was the only retail trade sector to show a year-over-year decline (-0.4%).
- Payments in non-retail trade sectors were up 0.3% year-over-year, down from last month's 5.2% increase but similar to the 0.7% growth of two months ago.
- Payments in the construction sector were down 7.2% year-over-year and those in the manufacturing sector were down 5.7%.
- Excluding the construction sector, total payments were up 3.1% year-over-year and payments from non-retail trade sectors were up 1.8%. Excluding both construction and manufacturing, total payments were up 3.7% and payments from non-retail trade sectors were up 2.9%.

DOR Non-Revenue Act

January collections were \$3.7 million (3.6%) above the November forecast. The cumulative variance since the forecast is now \$6.3 million (0.6%).

The positive variance was mainly due to "other" revenues, which were \$4.0 million (31.8%) above the forecast. The positive variance was spread over several components in the category. The cumulative variance for these taxes is now \$8.8 million (14.5%).

Property tax collections came in \$1.4 million (12.7%) higher than forecasted. This brought the cumulative variance in the tax to -\$5.6 million (-0.7%).

Liquor tax receipts came in \$112,000 (0.5%) higher than forecasted. Receipts were up 2.4% year-over-year. The cumulative variance for liquor taxes is now \$103,000 (0.2%).

Cigarette tax receipts came in \$1.2 million (3.8%) below the forecast. Receipts were up 15.7% year-over-year, due mainly to a 91.4 cent per pack increase in GF-S taxes that took effect on May 1st. The large year-over-year increases that can be seen in months prior to July 2010 in the "Key Revenue Variables" were due to the re-classification of pre-existing cigarette taxes as GF-S taxes effective July 2009. The cumulative variance in cigarette taxes is now \$3.2 million (3.6%).

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revenue collections

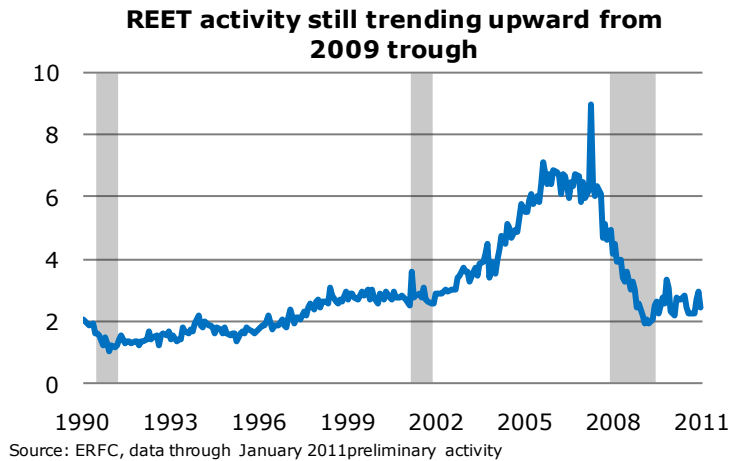
January real estate excise tax collections were \$690,000 (2.9%) below the forecast. Though reported taxable activity declined slightly from the levels of November and December ([see figure](#)), collections still managed a 10.7% year-over-year increase. The cumulative variance is now -\$912,000 (-1.1%).

January DOR non-Revenue Act collections were up 12.1% year-over-year, with double-digit percent increases in all major categories except liquor taxes.

Other Revenue

Department of Licensing receipts for January came in \$39,000 (23.3%) below the November forecast. Cumulatively, revenues are \$122,000 (24.2%) below the forecast.

January revenue from the Administrative Office of the Courts was \$141,000 (1.7%) below the forecast. Cumulatively, revenues are \$474,000 (1.9%) below the forecast.



Key U.S. Economic Variables

	2010					2011		2009	2010
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.			
Real GDP (SAAR)	-	2.6	-	-	3.2	-	-2.6	2.9	
Industrial Production (SA, 2002 = 100)	93.7	94.0	93.8	94.1	94.9	-	87.7	92.7	
<i>Y/Y % Change</i>	6.8	6.3	5.9	5.6	5.9	-	-9.3	5.7	
ISM Manufacturing Index (50+ = growth)	55.2	55.3	56.9	58.2	58.5	60.8	46.3	57.3	
ISM Non-Manuf. Index (50+ = growth)	51.5	53.2	54.3	55.0	57.1	59.4	46.2	54.1	
Housing Starts (SAAR, 000)	614	601	533	553	529	-	554	586	
<i>Y/Y % Change</i>	5.0	2.6	0.8	-6.1	-8.2	-	-38.4	5.8	
Light Motor Vehicle Sales (SAAR, mil.)	11.5	11.8	12.3	12.3	12.5	12.6	10.4	11.6	
<i>Y/Y % Change</i>	-19.0	25.4	17.6	12.9	12.6	17.6	-21.5	11.5	
CPI (SA, 1982-84 = 100)	218.2	218.4	218.9	219.1	220.3	-	214.5	218.1	
<i>Y/Y % Change</i>	1.2	1.1	1.2	1.1	1.4	-	-0.3	1.6	
Core CPI (SA, 1982-84 = 100)	221.8	221.8	221.8	222.0	222.2	-	219.2	221.3	
<i>Y/Y % Change</i>	1.0	0.8	0.6	0.7	0.6	-	1.7	1.0	
IPD for Consumption (2000=100)	111.1	111.2	111.4	111.5	111.9	-	109.3	111.1	
<i>Y/Y % Change</i>	1.4	1.3	1.2	1.1	1.2	-	0.2	1.7	
Nonfarm Payroll Empl., e-o-p (SA, mil.)	129.9	129.8	130.0	130.1	130.2	130.3	129.6	130.2	
<i>Monthly Change</i>	-0.06	-0.03	0.17	0.09	0.12	0.04	-4.80	0.64	
Unemployment Rate (SA, percent)	9.6	9.6	9.7	9.8	9.4	9.0	9.3	9.6	
Yield on 10-Year Treasury Note (percent)	2.70	2.65	2.54	2.76	3.29	3.39	3.26	3.21	
Yield on 3-Month Treasury Bill (percent)	0.16	0.15	0.13	0.14	0.14	0.15	0.15	0.14	
Broad Real USD Index** (Mar. 1973=100)	87.6	86.6	84.0	84.0	84.7	83.6	91.2	87.1	
Federal Budget Deficit (\$ bil.)*	90.5	34.6	140.4	150.4	78.1	49.8	1,415.7	1,294.2	
<i>FYTD sum</i>	1,259.6	1,294.2	140.4	290.8	369.0	278.3			
US Trade Balance (\$ bil.)	-46.8	-44.5	-38.3	-38.3	-40.6	-	-374.9	-497.8	
<i>YTD Sum</i>	-336.2	-380.6	-418.9	-457.2	-497.8	-			

*Federal Fiscal Year 2009 runs from Oct. 1, 2008 to Sept. 30, 2009.

**Weighted average of U.S. dollar foreign exchange values against currencies of major U.S. trading partners, Federal Reserve.

Key Washington Economic Variables

	2010					2011		2009	2010
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.			
Employment								<i>End-of-period</i>	
Total Nonfarm (SA, 000)	2,786.6	2,781.6	2,785.8	2,785.6	2,787.7	-	2,779.7	2,787.7	
Change from Previous Month (000)	-0.1	-5.0	4.2	-0.2	2.1	-	-133.7	8.0	
Construction	141.1	140.6	140.5	138.0	137.1	-	147.5	137.1	
Change from Previous Month	-0.1	-0.5	-0.1	-2.5	-0.9	-	-37.2	-10.4	
Manufacturing	257.4	258.2	258.1	258.0	259.4	-	257.4	259.4	
Change from Previous Month	0.1	0.8	-0.1	-0.1	1.4	-	-26.9	2.0	
Aerospace	80.0	80.4	80.3	80.8	82.4	-	81.2	82.4	
Change from Previous Month	-0.7	0.4	-0.1	0.5	1.6	-	-4.3	1.2	
Software	51.3	51.5	51.7	51.6	51.8	-	50.4	51.8	
Change from Previous Month	0.4	0.2	0.2	-0.1	0.2	-	-2.6	1.4	
All Other	2,336.8	2,331.3	2,335.5	2,338.0	2,339.4	-	2,324.4	2,339.4	
Change from Previous Month	-0.5	-5.5	4.2	2.5	1.4	-	-67.0	15.0	
Other Indicators								<i>Annual Average</i>	
Seattle CPI (1982-84=100)	227.6	-	227.3	-	226.9	-	226.0	226.7	
	0.2%	-	0.4%	-	0.6%	-	0.6%	0.3%	
Housing Permits (SAAR, 000)	23.5	16.5	17.3	19.9	29.4	-	15.9	20.0	
	30.7%	-9.4%	-1.5%	21.8%	48.2%	-	-42.1%	26.3%	
WA Index of Leading Ind. (2004=100)	114.9	115.1	116.2	117.3	118.2	-	108.9	114.7	
	5.1%	4.8%	5.2%	5.0%	5.3%	-	-5.8%	5.4%	
WA Business Cycle Ind. (Trend=50)	6.5	3.9	3.9	6.1	10.0	-	8.4	5.3	
	18.9%	-38.2%	-13.5%	14.0%	85.2%	-	-79.8%	-37.0%	
Avg. Weekly Hours in Manuf. (SA)	42.6	42.7	42.4	41.9	41.3	-	42.0	41.8	
	1.6%	2.1%	0.0%	-0.4%	-1.4%	-	-0.7%	-0.5%	
Avg. Hourly Earnings in Manuf.	23.0	23.4	23.4	23.6	23.7	-	23.4	23.4	
	-0.8%	-0.8%	-0.5%	-0.2%	-1.6%	-	11.4%	0.0%	
New Vehicle Registrations (SA, 000)	15.7	15.5	15.1	15.4	16.3	17.3	14.0	15.5	
	-17.5%	-1.8%	28.1%	21.3%	8.1%	14.6%	-26.4%	10.8%	
Initial Unemployment Claims (SA, 000)	60.2	59.2	55.2	49.3	54.3	52.7	69.2	56.7	
	-17.6%	-18.6%	-20.8%	-18.9%	-9.8%	-5.5%	51.4%	-18.0%	
Personal Income (SAAR, \$bil.)	-	294.2	-	-	-	-	286.1	-	
	-	2.7%	-	-	-	-	-0.4%	-	
Median Home Price (\$000)	-	248.9	-	-	239.0	-	255.7	245.2	
	-	-4.3%	-	-	-2.0%	-	-9.8%	-4.1%	

*Percentage Change is Year-over-Year

Key Revenue Variables

	2010											2011	
	Mar 11- Apr 10	Apr 11- May 10	May 11- Jun 10	Jun 11- Jul 10	Jul 11- Aug 10	Aug 11- Sep 10	Sep 11- Oct 10	Oct 11- Nov 10	Nov 11- Dec 10	Dec 11- Jan 10	Jan 11- Feb 10*		
Department of Revenue-Total	788,877	1,045,481	1,601,911	1,093,845	1,061,881	951,439	928,373	1,150,677	1,584,564	1,106,158	1,153,220		
	<i>12.1</i>	<i>7.7</i>	<i>9.8</i>	<i>6.4</i>	<i>2.0</i>	<i>3.8</i>	<i>3.9</i>	<i>8.0</i>	<i>5.7</i>	<i>10.4</i>	<i>1.0</i>		
Revenue Act	687,570	892,259	804,996	800,650	963,515	843,523	835,533	983,708	857,053	835,444	1,047,776		
	<i>3.7</i>	<i>2.1</i>	<i>8.8</i>	<i>1.2</i>	<i>3.1</i>	<i>1.9</i>	<i>4.2</i>	<i>6.3</i>	<i>11.3</i>	<i>13.2</i>	<i>0.0</i>		
Retail Sales Tax	442,827	558,294	505,068	522,430	593,014	551,943	533,504	605,478	540,948	528,065	661,433		
	<i>0.4</i>	<i>0.7</i>	<i>4.2</i>	<i>-2.7</i>	<i>-1.2</i>	<i>-1.4</i>	<i>-0.5</i>	<i>2.3</i>	<i>8.6</i>	<i>10.0</i>	<i>-2.1</i>		
Business and Occupation Tax	169,039	252,778	211,752	195,760	284,250	213,939	221,128	293,354	236,261	227,441	301,590		
	<i>8.2</i>	<i>6.9</i>	<i>21.5</i>	<i>9.4</i>	<i>12.6</i>	<i>9.6</i>	<i>14.1</i>	<i>14.1</i>	<i>17.3</i>	<i>30.0</i>	<i>5.6</i>		
Use Tax	32,207	37,466	35,681	35,327	41,819	38,363	36,873	42,233	34,719	35,461	40,218		
	<i>-1.2</i>	<i>6.1</i>	<i>-5.6</i>	<i>3.3</i>	<i>2.9</i>	<i>8.7</i>	<i>10.5</i>	<i>15.3</i>	<i>8.5</i>	<i>18.2</i>	<i>-5.7</i>		
Public Utility Tax	29,597	32,517	30,997	29,108	27,532	25,848	26,868	28,555	29,190	27,393	39,652		
	<i>-17.2</i>	<i>-10.7</i>	<i>-5.7</i>	<i>2.1</i>	<i>2.8</i>	<i>0.3</i>	<i>1.8</i>	<i>4.9</i>	<i>12.9</i>	<i>-22.2</i>	<i>20.5</i>		
Tobacco Products Tax	2,445	3,265	3,448	2,383	3,600	3,524	3,530	4,332	4,210	3,413	3,847		
	<i>146.1</i>	<i>240.5</i>	<i>262.4</i>	<i>136.4</i>	<i>18.7</i>	<i>34.0</i>	<i>-24.8</i>	<i>56.7</i>	<i>56.2</i>	<i>37.0</i>	<i>27.4</i>		
Penalties and Interest	11,456	7,940	18,050	15,643	13,301	9,906	13,630	9,756	11,726	13,671	1,036		
	<i>-445.4</i>	<i>-22.1</i>	<i>89.4</i>	<i>35.7</i>	<i>22.4</i>	<i>11.0</i>	<i>87.8</i>	<i>2.6</i>	<i>22.5</i>	<i>-11.2</i>	<i>-87.5</i>		
Non-Revenue Act**	101,307	153,222	796,916	293,195	98,366	107,916	92,840	166,968	727,511	270,714	105,444		
	<i>151.4</i>	<i>57.4</i>	<i>10.9</i>	<i>23.6</i>	<i>-8.2</i>	<i>21.6</i>	<i>1.4</i>	<i>19.0</i>	<i>-0.2</i>	<i>2.4</i>	<i>12.1</i>		
Liquor Sales/Liter	14,126	15,366	15,556	16,056	16,232	18,220	16,531	15,859	16,725	16,848	23,633		
	<i>23.8</i>	<i>24.2</i>	<i>25.1</i>	<i>15.2</i>	<i>0.2</i>	<i>-2.8</i>	<i>3.5</i>	<i>2.1</i>	<i>-1.9</i>	<i>5.7</i>	<i>2.4</i>		
Cigarette	23,816	23,570	35,990	34,746	24,130	39,860	29,057	33,520	26,149	36,538	29,800		
	<i>488.1</i>	<i>558.1</i>	<i>749.4</i>	<i>976.1</i>	<i>-19.6</i>	<i>54.7</i>	<i>16.2</i>	<i>42.8</i>	<i>16.9</i>	<i>40.6</i>	<i>15.7</i>		
Property (State School Levy)	24,533	66,565	692,782	162,563	10,843	7,094	9,871	33,355	613,332	173,492	12,406		
	<i>NA</i>	<i>72.6</i>	<i>4.4</i>	<i>5.5</i>	<i>6.5</i>	<i>6.6</i>	<i>7.5</i>	<i>24.0</i>	<i>0.4</i>	<i>-3.4</i>	<i>13.0</i>		
Real Estate Excise	31,952	32,636	33,849	39,401	34,128	31,762	27,326	31,038	26,960	33,257	22,902		
	<i>61.3</i>	<i>32.2</i>	<i>37.6</i>	<i>11.6</i>	<i>-6.2</i>	<i>1.7</i>	<i>-20.0</i>	<i>-6.7</i>	<i>-14.5</i>	<i>-6.9</i>	<i>10.7</i>		
Timber (state share)	0	0	646	0	0	1,354	0	0	1,058	0	0		
	<i>NA</i>	<i>NA</i>	<i>-3.2</i>	<i>NA</i>	<i>NA</i>	<i>85.6</i>	<i>NA</i>	<i>NA</i>	<i>31.1</i>	<i>NA</i>	<i>NA</i>		
Other	6,881	15,085	18,093	40,430	13,034	9,626	10,055	53,196	43,286	10,579	16,703		
	<i>622.8</i>	<i>-17.0</i>	<i>33.8</i>	<i>32.1</i>	<i>-7.5</i>	<i>106.3</i>	<i>56.8</i>	<i>29.3</i>	<i>-6.1</i>	<i>52.2</i>	<i>23.6</i>		
Department of Licensing**	447	1,045	2,326	7,357	3,784	1,230	494	319	121	131	129		
	<i>4.2</i>	<i>-81.5</i>	<i>-38.1</i>	<i>6.8</i>	<i>20.7</i>	<i>37.0</i>	<i>18.6</i>	<i>13.3</i>	<i>-39.4</i>	<i>-34.0</i>	<i>-23.4</i>		
Lottery**	0	0	0	0	0	0	0	0	0	0	0		
	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>		
Administrative Office of the Courts**	8,189	10,012	8,827	7,148	8,966	8,131	7,922	7,796	8,747	7,372	7,958		
	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>-1.7</i>	<i>-5.7</i>	<i>-7.6</i>	<i>-7.0</i>	<i>-2.8</i>	<i>-4.0</i>	<i>0.4</i>		
Total General Fund-State***	797,513	1,056,538	1,613,065	1,108,350	1,074,632	960,800	936,789	1,158,791	1,593,432	1,113,661	1,161,307		
	<i>13.3</i>	<i>8.2</i>	<i>10.3</i>	<i>7.1</i>	<i>1.5</i>	<i>3.8</i>	<i>3.8</i>	<i>7.9</i>	<i>5.7</i>	<i>10.2</i>	<i>1.0</i>		

*Revenue Act components: ERFC preliminary estimates

**Monthly Revenues (month of beginning of collection period)

*** Detail may not add due to rounding. The GFS total in this report includes only collections from larger state agencies: the DOR, Lottery Commission, AOC and DOL. Reflects new definition of GF-S revenue after July 2009.

Note: *Italic figures refer to Year-over-Year percent change.*

Revenue Forecast Variance

Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference Amount</u>	<u>Percent</u>
January 11, 2011 - February 10, 2011				
February 10, 2011 Collections Compared to the November 2010 Forecast				
Department of Revenue-Total	\$1,258,918	\$1,153,220	(\$105,698)	-8.4%
Revenue Act** (1)	1,157,140	1,047,776	(109,364)	-9.5%
Non-Revenue Act(2)	\$101,778	\$105,444	\$3,666	3.6%
Liquor Sales/Liter	23,520	23,633	112	0.5%
Cigarette	30,990	29,800	(1,189)	-3.8%
Property (State School Levy)	11,007	12,406	1,399	12.7%
Real Estate Excise	23,592	22,902	(690)	-2.9%
Timber (state share)	0	0	0	0.0%
Other	12,669	16,703	4,035	31.8%
Department of Licensing (2)	168	129	(39)	-23.3%
Lottery (5)	0	0	0	0.0%
Administrative Office of the Courts (2)	8,100	7,958	(141)	-1.7%
Total General Fund-State***	\$1,267,185	\$1,161,307	(\$105,878)	-8.4%

Cumulative Variance Since the November Forecast (November 11, 2010 - February 10, 2011)

Department of Revenue-Total	\$3,888,188	3,843,942	(44,246)	-1.1%
Revenue Act** (3)	2,790,803	2,740,273	(50,530)	-1.8%
Non-Revenue Act(4)	1,097,385	1,103,669	6,284	0.6%
Liquor Sales/Liter	57,102	57,206	103	0.2%
Cigarette	89,262	92,488	3,226	3.6%
Property (State School Levy)	804,817	799,230	(5,587)	-0.7%
Real Estate Excise	84,031	83,119	(912)	-1.1%
Timber (state share)	1,160	1,058	(102)	-8.8%
Other	61,013	70,568	9,555	15.7%
Department of Licensing (4)	502	381	(122)	-24.2%
Lottery	0	0	0	0.0%
Administrative Office of the Courts	24,552	24,077	(474)	-1.9%
Total General Fund-State***	\$3,913,242	\$3,868,400	(\$44,841)	-1.1%

1 Collections January 11, 2011 - February 10, 2011. Collections primarily reflect December 2010 activity of monthly filers, fourth quarter 2010 activity of quarterly filers, and 2010 activity for annual filers.

2 January 2011 collections.

3 Cumulative collections, estimates and variance since the November 2010 forecast; (November 11, 2010 - February 10, 2011) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast (November 2010 - January 2010) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the November 2010 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, Department of Licensing, Lottery Commission and Administrative Office of the Courts.