



Message from the Governor

Today I submit my plan for solving yet another revenue shortfall. I propose more than \$2 billion in spending cuts, reductions to local revenue sharing and fund transfers to leave a \$600 million reserve. My decisions are based on careful consideration of numerous reduction alternatives previously released, including those forwarded by state agencies, recommended by my budget and policy staff, and suggested by state employees and the public.

No governor in modern times has had to weigh cuts of the magnitude I am proposing. But I have no choice. The Great Recession — which has lingered longer and resulted in more job losses than any downturn since the Great Depression — has taken an almost unprecedented toll on our economy and on state revenue collections. Over the past three years, we have had to reduce existing and projected spending by nearly \$10.5 billion.

And now we must cut even deeper.

It would be irresponsible to propose these reductions without having first scoured every corner of state government for savings and for better, smarter, more efficient ways of delivering only the most essential services. To this end, I drew upon the work initiated by the Transforming Washington's Budget Committee, whose members asked tough questions about the purpose of government and the most effective ways to serve citizens. I also built upon the record of reform we have achieved through savings to workers' compensation, unemployment insurance, unfunded pension liabilities, consolidation of duplicative or overlapping agencies and services, and health care administration.

The Great Recession — which has lingered longer and resulted in more job losses than any downturn since the Great Depression — has taken an almost unprecedented toll on our economy and on state revenue collections.

Those reflections — and others — are captured in the supplemental budget. Where Washington has offered services above what is required by federal rule, we pare back. Where Washington can share costs with the beneficiaries of services, we split the bill or require a co-payment. And where Washington can no longer afford a service, we drop it.

With this budget, it would mean that in the past three years, we will have cut nearly \$12 billion from our operating budgets. In that time, we also have invested \$3.6 billion in federal funds through the American Recovery and Reinvestment Act that helped get us through part of this rough patch.

Clearly, repercussions from these actions will be felt across our great state:

- ▶ More than 1,300 low-income individuals with developmental disabilities or in long-term care will lose eligibility for personal care services; 1,000 will lose adult day health services; and 1,000 of their families will lose respite services.
- ▶ More than 16,600 offenders will be under community supervision for a shorter period.

- Colleges and universities will see their state support reduced by another \$160 million.
- School districts will lose part or all of their levy equalization support.
- The school year will be shortened by four days.

Yet in this struggling economy when we have already cut so deeply, and because nearly two-thirds of the General Fund operating budget is protected from cuts by constitutional, federal or contractual reasons, our options are limited. Accordingly, I developed the budget in the following steps:

Phase 1: This past summer, when it became clear to me our revenue picture was not improving, I directed state agencies to submit ideas for cutting their budgets up to 10 percent. I did due diligence in reviewing more than \$4 billion in budget reduction alternatives. Last month, more than six weeks before my budget was due, I identified \$2 billion in preliminary cuts on that longer list. Today I present my proposal for an all-cuts budget, as I am required to submit.

Phase 2: When I finished my preliminary cuts list, I then exercised due diligence as I spent countless hours in the past month reviewing more than 150 revenue options submitted by the Department of Revenue or raised by citizens, interest groups and state employees. I have come to the conclusion that the consequences of some reductions will be as unconscionable to the public as they are to me. We must do everything we can to avoid putting our most vulnerable citizens, the future of our students and our safety at risk.

I propose that a referendum be sent to the voters for a temporary one-half cent increase in the state sales tax to:

- Preserve services to people with developmental disabilities and those who need long-term care;
- Prevent further reductions to our kindergarten-through-12th grade and higher education systems; and
- Ensure that offenders are kept behind bars or under community supervision.

I also provide revenue alternatives, worth \$59 million, that the Legislature can pass with a simple majority vote. And I provide nearly a dozen additional revenue alternatives, worth \$282 million, that require a two-thirds vote by the Legislature. In addition, I am putting forward a prioritized list of cuts in my budget that I believe should be restored first if the Legislature approves new revenue.

Phase 3: I will again exercise due diligence by reviewing even more ideas for reforming government submitted by state employees, the Transforming Washington's Budget Committee and the public. In the coming weeks, I will be announcing them.

I appreciate that as difficult as it was for me to make these decisions, it will be even more challenging for the 147 members of the Legislature to come to an agreement. My staff and I stand ready to assist legislators as they weigh these recommendations so we may reach a timely resolution for the citizens and businesses of Washington.



Chris Gregoire