**Gov. Chris Gregoire’s remarks on the budget**

August 12, 2010

Good morning, and thank you everyone for coming.

This week, the House returned to Washington D.C. during an election-year recess – which is no easy task – to approve essential support for the states. Congress supported our children, teachers and schools and reinforced a vital safety net that is straining across the country.

I want to again thank members of Washington’s delegation for their efforts to keep federal support for education and Medicaid on deck, and to bring it home. Thank you to Senators Patty Murray and Maria Cantwell, and Representatives Jay Inslee, Adam Smith, Norm Dicks, Brian Baird, Jim McDermott, and Rick Larsen for their support.

About $208 million is much appreciated education funding for students, teachers and parents.

We were looking at significant across-the-board cuts to state services. We dodged a bullet.

But Washington’s budget remains under stress. The national economy has weakened. It faltered following the Greek financial crisis. In the spring we took two steps forward. Now we’re taking one step back.

We must continue to be fiscally responsible. To do that requires clear direction, which I will provide.

This recession is unlike anything any of us has experienced – the worst in 80 years. It’s pouring down rain, and we have had to use our Rainy Day Fund.

Early on, I instituted spending freezes. We have made deep cuts – leading to service reductions, facility closures, and layoffs of public employees. Over the past three years, we’ve cut $5.1 billion in state spending.

In addition to those cuts, I directed agencies to save every dollar they could. They have stepped up to the challenge, saving more than $89 million in this last fiscal year to help us get through this year.

At the same time, good jobs are growing. In recent months, I’ve broken ground on a new BMW carbon-fiber plant in Moses Lake. I’ve visited a growing software firm in Seattle, and a new steel fabrication and warehousing facility underway in Vancouver.

However, too many families are still feeling the impact of this recession and not spending as they did.

Over the past two months, our revenue collections have been $125 million lower than expected.

So, today I am laying out four directives to address this step backward as we continue our bumpy road to recovery.

First, based on today’s ending fund balance of $72 million, I am directing agencies to prepare for across the board cuts of about 4 to 7 percent – to be effective Oct. 1.

While this is contingent on the September revenue forecast, planning now is essential to be ready for implementation as soon as possible following the forecast.

Second, I am asking agencies to prepare for a supplemental budget by looking at cuts of $500 million from today’s budget.

I will ask leaders from both parties in the state House and Senate to work with me in the development of a supplemental budget, ready for the Legislature’s return, with the goal of early adoption in January.

Third, we must prepare for the 2011-2013 biennial budget, which is projected to have a $3 billion shortfall.

This shortfall could require reductions of about 10 percent of the expected General Fund budget. I have directed agencies to submit decision packages in September that describe how we could fill that gap.

These reductions will obviously mean a dramatic shift in what can be expected of state government.

Finally, I am taking action today to reduce spending in our welfare-to-work program by at least $51 million.

The recession has left more families unable to pay all their bills and forced them to come to the state for help.

Enrollment in the Workfirst program has surged by 30 percent, while federal funding has remained flat since 1995.

Fewer families will qualify for help with childcare bills. Fewer families will qualify for an extension of benefits. Emergency funding to help families with utility bills and funds to help them find jobs will be reduced. Programs to help families who have left Workfirst to stay in a job will be suspended.

Cuts aren’t just about numbers. Before the good news of Medicaid funding this week, we were preparing for a 4 percent across-the-board cut. Let me give you an idea of what that would mean.

Four percent across-the-board cuts at the Department of Revenue would cut staff by 40 positions -- reducing collections by an estimated $15 million.

The Department of Corrections would have to look at closing another prison, likely Larch Corrections Center.

Hospice services would be eliminated. Instead of living out the end of their lives at home, sick people would be forced to find end-of-life care in the emergency room.

Our middle-class families would feel these cuts. Levy equalization helps support three-quarters of our school districts, but would be reduced.

And as more people are seeking retraining and a better education at our community and technical colleges, we would turn 9,000 students away.

On more personal terms, it’s the story of a 62-year-old woman who was laid off. She planned to retrain at Tacoma Community College in a growth industry, as a medical billing specialist.

But by the time registration began last spring, the classes she needed were already full. Forced to wait until the fall, she will use up five months of her unemployment insurance before she can start retraining, if at all. She’s already lost her house in Gig Harbor and had to move in with one of her children.

It’s also the story of an unemployed man who is studying to become a nurse, a job that could support his wife and three children. But his unemployment insurance has run out, he can barely afford the gas to get to class, and he is considering giving up on his dream.

A working man lost his job and his health insurance when ConAgra shut its plant in Prosser. He applied to our Basic Health Plan. But because of earlier cuts to the plan, there are 120,000 people waiting in line ahead of him.

Another round of cuts would mean none of the people on that waiting list will have a chance of being enrolled.

This is about health coverage for that former plant worker, hope of a job for the dad who wants to be a nurse and support his family, education for the mother who is living with her daughter and trying to go to school.

Over the past several weeks, the Committee to Transform Washington’s Budget has heard from people across the state.

Just yesterday I asked them to prioritize the ideas they gathered, to start letting us know what government services are essential, and to provide ideas on how we can drive performance within and without state government.

Finally, I have challenged them to bring forward transformative ideas to fundamentally restructure state government in the new economy.

We must transform our state government – but maintain our values. It starts with the budget. State government will, out of necessity, be smaller. We will continue to find ways to deliver services as efficiently as possible. We will demand performance of every program and every contract.

We will survive this crisis, and will emerge stronger.

Thank you.