

BALANCED BUT UNJUST

Remarks by Gov. Chris Gregoire As prepared

Good morning. As families and businesses struggle with the recession, so does the State of Washington. State law requires I submit a balanced budget to the Legislature, without relying on new revenue.

I am submitting that budget today. To do so, I had to close a shortfall of an additional \$2.6 billion.

As many of you know, Washington's economy withstood the national and international recession for some time.

But in November of 2008, our state revenues dropped off a cliff.

The budget we passed in the last legislative session was the hardest that anyone can remember. We closed a \$9 billion gap.

Last year about 60 percent of the budget was untouchable, leaving us 40 percent from which the cuts had to come.

We received a big boost from the Obama administration through the Recovery Act and were able to reallocate some funds from different accounts to make up about two-thirds of the shortfall, but to close the remaining gap ... about \$3.3 billion ... we made deep cuts in state government and in every service area, including the number of state employees.

The 2009–11 budget eliminated almost 3,200 state and higher education employee positions, and the supplemental budget cuts another 1,527.

We reduced our support for non-basic K-12 education by 5 percent, for higher education by 7 percent ... and we allowed our colleges and universities to raise tuition, 14 percent per year at the 4-year universities. The result: larger classes for our kids and a harder time for families to afford college.

We reduced support for low-income folks' health care by 11 percent.

For example, our Basic Health Plan, which is entirely state-funded, provides health insurance to low-income families with no other options.

The program works and it saves money in the long-run. But we had no choice but to cut \$255 million from the program. That will take the number of recipients down from 107,000 to around 60,000.

Today there are more than 82,000 people waiting to get insurance coverage through Basic Health.

That's more than every single resident of Lacey and Olympia combined ... lined up at the Health Care Authority's door, asking for coverage.

These are just a couple of the painful cuts we had to take.

Closing last year's shortfall was a huge challenge, but we did it. Our commitment to passing a balanced budget on time is one of the accomplishments that led to Washington being recognized as one of the best states in the nation for managing its economy.

Once the budget was passed, the tougher task of implementing it began. Before we could catch our breath, the impact of the deepest recession in 80 years worsened.

Since we closed that \$9 billion gap, we have endured three negative revenue forecasts. Our expected revenues have fallen by \$1.8 billion.

On top of that, our caseloads and costs are rising. In these tough times, more families are turning to the state for the basics — help putting food on the table and a roof over their heads, getting health care and finding a job.

Combine the lost revenue with climbing costs, and you get a new, \$2.6-billion hole in our state budget — on top of the \$9 billion shortfall we faced last year. That's almost \$12 billion out of a \$31 billion budget.

Believe it or not, the situation is more difficult than it sounds.

Unlike last year, now about 70 percent of our budget is off-limits to cuts.

This number went up because in order to receive those federal stimulus dollars that helped us close the last shortfall, we had to agree we would maintain a basic level of funding for many state programs. There's not much left to cut in those areas.

Today I will outline the steps we are taking to tackle this \$2.6 billion shortfall while continuing to provide much needed services to the public by: first, saving and working smarter by reforming government; second, helping local governments, school districts and hospitals to help themselves; third, taking immediate actions to save money; fourth, by making necessary cuts to the current budget; and fifth, proposing additional state revenues.

First, we will continue to reform how government does its work. Just like Washington families and businesses, we must provide efficient, cost-effective services.

Last week, I eliminated 17 boards and commissions by executive order and I will introduce legislation to eliminate 78 more. By the end of this biennium, we will have eliminated 166 boards and commissions.

In addition, I proposed to reduce about one-third of the state's 64 small agencies through elimination, mergers or realignments.

Last week, I announced my plan to consolidate functions within our natural resources agencies, cutting red tape for citizens. I will propose that we consolidate eight natural resource quasi-judicial boards into three.

We will further streamline government by consolidating the state motor fleet, information technology services, property management and small agency accounting.

These changes will save money for the state. But they will also streamline operations, improve efficiency and give taxpayers more value for their dollar.

A great example of what we have done recently can be found in our Department of Licensing, which consolidated 11 offices while beefing up its online services. These changes saved the state money, but also sped up customer service and made doing business easier and cheaper.

In addition, today I am announcing closures of all or part of nine state institutions that will allow us to save money and operate more effectively without sacrificing public safety and the quality of patient care.

For example, in the early 1970s, six state institutions for individuals with developmental disabilities served more than 4,000 residents. Today, five institutions serve 900 long-term residents and contain a number of underused buildings. I propose to close two of the state's five institutions. While this will save money, it is also intended to provide better care.

We will close less-efficient prison units and facilities at Ahtanum View, Larch, Pine Lodge and one wing at the State Penitentiary in Walla Walla. We will close parts of juvenile institutions at Naselle Youth Camp, Maple Lane School and Green Hill School.

These actions combined will result in millions in savings for state government now, and even more in the future.

Secondly, we have to help others be able to help themselves. Given our state budget situation, we can offer very little financial assistance to others at this time.

Our partners in Washington's cities, from Aberdeen to Zillah, and in counties from Snohomish to Garfield, are struggling to serve their citizens.

Public safety is threatened when local fire and police departments don't have needed funding. In this time of H1N1, public health is at risk when local health districts are being cut.

I propose allowing local governments more flexibility in spending their limited revenues so they can focus scarce dollars in these priority areas.

Local school districts are facing teacher layoffs and larger class sizes. I propose to help school districts access their already voter-approved levies and to lift the levy lid to 36 percent.

We also want to allow our hospitals to have greater access to federal funds. Hospitals have asked the state to impose additional fees to be matched by more federal dollars. We will maximize every dollar we can.

Third, we will take immediate actions to save money. I have asked agencies across state government to find savings that can be implemented immediately.

Those savings come in all sizes and forms. The Department of Social and Health Services began reducing its administrative costs this summer, and will save \$22 million in this biennium.

To give you sense of the depth of our commitment to financial effectiveness, I want to introduce Eldon Vail, secretary of Corrections, to describe some of the steps his agency is taking.

(ELDON VAIL MAKES REMARKS)

Thank you, Eldon. These changes, and others, will have an immediate impact on our ability to address revenue shortfalls.

Fourth, our budget gap has gone beyond what we can fill with a million dollars here or a million dollars there. It is a \$2.6 billion shortfall.

It is comparable to the budget of our entire higher education system — all research universities, regional universities, and community and technical colleges combined.

And, as I mentioned earlier, that amount of money has to come out of a narrow slice of our budget.

What can we cut? Education, public safety, and the safety net for our most vulnerable.

In short, we can only cut what I believe makes us Washington.

We can increase class sizes. We can deny the treatments that keep sick people from getting sicker. We can close the doors to higher education for low-income students.

Those are the decisions we face, and they have everything to do with our values as a state.

Washington values say that people who work hard for a living should be able to afford health care for their families.

To balance this budget, we end the Basic Health Program. People who buy health insurance through the Basic Health Plan are our neighbors who aren't getting health insurance at work, so they purchase it themselves.

Ending the Basic Health Program is the equivalent of taking away the health insurance of every person in the city of Renton.

Washington values say that our poorest citizens should be able to live in dignity and receive the most basic medical services.

To balance this budget, I have had to eliminate the General Assistance-Unemployable program and General Assistance Medical Services program. These programs serve some of the poorest people in our state, helping to keep them off the streets and out of emergency rooms.

Washington values say that we care for our seniors, that Greatest Generation, who sacrificed so much for us.

This budget suspends prescription drug assistance for more than 85,000 senior citizens. This assistance helps our lowest-income seniors afford the medicines they need.

Washington values know that healthy moms produce healthy babies and healthy families.

This budget suspends maternity support for more than 50,000 high-risk pregnant women.

Washington values the end of life as much as the beginnings of life.

This budget cuts hospice assistance, a program that helps people who are dying maintain the comfort and dignity that every person deserves when they reach the end of life.

Washington values know that education is the key to a successful career and the key to our ability to compete as a state.

This budget ends financial aid to 12,300 low-income students who want to go to college and build our future.

Washington values are built on a belief that every child deserves an equal shot at the best education we can provide.

This budget suspends levy equalization, which ensures that school districts in poorer areas can raise enough money to give their students the education they need and deserve.

And it eliminates the opportunity for 3-year olds to receive early childhood education so they get a solid start on becoming good learners.

These cuts ... and many, many more I have not mentioned ... are what will be required to balance our budget to the revenues we currently anticipate.

We were thoughtful in making these decisions. They represent, I believe, the most responsible decisions we could make with the constraints we faced.

Let me give you a taste of the decision process we used in this very room to balance this budget. In shifts, budget staff and agency directors went through the budget line by line with me for every service we provide as a state that was eligible to be reduced or eliminated.

For instance, we considered podiatry services available for those who can't afford it. Initially, I believed we could suspend this program. But I always asked, what would be the consequences of cutting these services?

The answer I received was: More Washingtonians could lose their feet to amputations.

I asked what would happen if we stopped supporting foster children with developmental disabilities as soon as they turned 18.

The answer: They would become homeless.

What happens if we end Basic Health?

More than 161,000 people will either lose their health coverage or, if they are on the waiting list, lose the hope of getting it. They will have to go without insurance. And they will get care when it becomes an emergency in a hospital emergency room.

In making this cut, many of our community clinics will lose a large portion of their clients. Without them, they may not be able to stay open. This ripple effect is typical of many cuts, impacting local governments, non-profits and for profits, resulting in unintended consequences.

As we made the hard decisions necessary to produce this budget, I understood the impact of these cuts on real people. I realize the future this budget will create. It does not reflect my values nor do I believe it reflects the values of my fellow citizens.

Let me be very clear: I do not support this budget.

As required by law, it is balanced. For me, it is unjust.

In early January, I will introduce MY budget. My budget will restore several of the most critical programs that are eliminated by this budget. The only way I can do that is to raise revenue.

I remain concerned about any new tax burden for families and businesses. I will do my best to avoid taxes that slow our economic recovery. I will balance the need to keep new taxes down, while still protecting programs that I believe the vast majority of us agree are just too important to eliminate.

Let me give you a couple of examples.

My budget will restore the Basic Health Plan.

It will also restore a reformed and scaled down General Assistance-Unemployable program with time limits and award caps.

My budget will honor our responsibility to provide health care to all children under the Apple Health for Kids program.

I intend to offer our vulnerable adults access to dental, podiatry and vision care. I plan to restore hospice care for those who face the end of their lives, and maternity care for those at the beginning of life.

I will find a way to restore levy equalization funds for our schools. I will get financial aid to our low-income college students ... and keep the doors open to higher education.

We cannot deny the times we are facing. But we can keep true to our values. Washingtonians have never allowed hard times to wash away what we believe in.

Make no mistake: We cannot raise enough revenue to stop all the cuts. We will use around \$900 million in funds currently in our ending balance, Rainy Day Fund and other fund balances.

That leaves us with a \$1.7 billion hole.

We can't cut \$1.7 billion in services. We can't raise \$1.7 billion in revenues. We need a combination of reduced funding for services and raising revenue.

Today, I have not identified the specific revenue options needed to support these vital programs. At this point, everything must be on the table as legislators, stakeholders and citizens work together to find the right solution.

I am looking at closing tax loopholes and ending or suspending tax exemptions. I am looking at other tax fairness issues.

This alone will not be enough. Even though I will propose new sources of revenue to pay for our most critical programs, the majority of the cuts I have outlined today WILL happen. I am saddened by this fact, but it is the situation we find ourselves in.

While I am focused today on the task at hand, I am also looking toward the 2011–13 budget period. We will likely confront a problem then at least as daunting as we face now. We must plan for this next challenge even as we face this current ordeal.

I know many of our families and businesses are struggling. I have seen hardship across the state.

Like our citizens, I am very concerned about our economic recovery. Like them I want to ensure that our recovery is as swift and as strong as possible. Priority one is to put our unemployed back to work.

I am asking our citizens and their legislators to join me in creating a responsible budget that best protects all Washington families and maintains the values we all share as Washingtonians.

This year has not been easy, and the challenges we face in the coming months remain great. But our story as Washingtonians is about confronting adversity and overcoming it. It's about finding new opportunities for our future. We have always come out stronger and better because we have pulled together when the challenges were greatest.

It's our task now to live up to that history.

Thank you.