



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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March 24, 2015

Honorable Andy Hill, Chair
Honorable Jim Hargrove, Ranking Member
Senate Ways & Means Committee
P.O. Box 40482
Olympia, WA 98504-0482

Honorable Ross Hunter, Chair
Honorable Bruce Chandler, Ranking Member
House Appropriations Committee
P.O. Box 40600
Olympia, WA 98504-0600

Dear Senators Hill and Hargrove and Representatives Hunter and Chandler:

Thank you for your ongoing budget development work. In anticipation of operating budget proposals and continuing negotiations in the coming weeks, I am writing to reinforce some key budget priorities and parameters that remain important to Governor Inslee. The Governor and I have spoken with you previously about these issues.

Balanced Budgets and Transparent Budget Reductions. With regard to budget structure, I want to reinforce the point the Governor has been making for months that budget proposals must be balanced and sustainable. They also must be clear with regard to impacts on services to the citizens of the state. The Governor made difficult cuts to specific programs and agencies in his proposed 2015-17 proposed budget. We recognize that some of these reductions also will be difficult for legislators to make, and other reductions are likely to be proposed and debated. The Governor is fully prepared to consider and debate priorities, specific options to achieve desired outcomes, and specific reductions to services and programs. It is the Legislature's authority and obligation to make specific appropriations at the agency and/or program level, such that the consequences of proposed funding levels are transparent and can be openly discussed. To be very clear, the Governor will not accept unspecified or unallocated budget reductions or assumed – but unspecified – efficiencies.

Specifically, I would like to reiterate the following key budget priorities and parameters:

- *Funding K-12 Education.* The Governor remains steadfast about the importance of his proposed \$1.3 billion increase in funding for kindergarten through 12th grade education. This is more than an exercise in legal compliance. It is imperative that the state improve education funding and the achievements of our schools. We reiterate the necessity of fully funding legislative commitments in House Bill 2776 for materials, supplies and operating costs (MSOC); full-day kindergarten; and K-3 class size. The state also should increase funding to improve graduation rates through the learning assistance program and to improve mentoring of new teachers.



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- *Expanding access and quality in early learning.* The Governor appreciates the ongoing work in both chambers to increase funding in early learning. He remains committed to this vital investment in our children.
- *Protecting vital state services.* Modest increases in state Near General Fund revenue forecasts reflect continued state economic growth. However, those recent increases are not sufficient to meet our education obligations and other demands for state services and employee compensation — not without harmful reductions to essential services, including those for the most vulnerable children and adults.
- *Improving Washington's unfair and outdated tax system.* Despite the modest increases in state revenue forecasts, the Governor continues to believe that significant new revenue is needed. He proposed a variety of new revenues that will help Washington keep pace with its obligations and growing demands and help make our tax system fairer. His plan includes revenue generated by his proposed market-based carbon reduction program, a new capital gains tax, and closure of outdated tax breaks. The Governor recognizes that underlying structural challenges in our state's tax system will not be fully resolved by his proposal, but new or increased revenues for the next biennium should modernize our tax system and improve its fairness.

Thank you for your consideration. We look forward to working with you through the remainder of the legislative session.

Sincerely,

A handwritten signature in black ink, appearing to read 'DS', with a long horizontal flourish extending to the right.

David Schumacher
Director

cc: Charlie Gavigan, Staff Coordinator, House Appropriations Committee
Bryon Moore, Staff Coordinator, Senate Ways & Means Committee
Joby Shimomura, Chief of Staff, Office of the Governor