

Letter from the Governor

As I prepare to leave office after eight years, I am humbled and honored to have served the people of this great state. Looking back, I know that if there is one thing for which my administration will be remembered, it is how we guided Washington through the Great Recession.

Throughout this challenging and often painful journey, we dramatically reshaped state government while helping minimize the damage to essential state services. Our actions over the past four years have put state government on a more sustainable fiscal path and will leave Washington better prepared to confront future budget crises.

Since the start of the Great Recession, we reduced existing and projected spending by more than \$11 billion. We enacted landmark pension and debt service reforms that will lead to billions of dollars in savings. We imposed statewide freezes on hiring, out-of-state travel, equipment purchases and personal services contracts. We eliminated dozens of state boards and commissions, closed six state institutions and engineered the largest agency consolidations in modern times.

State employees have been placed on furlough, agreed to pay cuts and are paying higher health care and pension costs. Their sacrifices have been key in helping see us through the Great Recession.

Over the past four years, the general government workforce has been shrunk by 12.5 percent to fewer than 60,000 employees, bringing the number of state workers to its lowest level since the mid-1990s. Meanwhile, the number of managers in state government has been reduced by nearly 15 percent.

Our actions over the past four years have put state government on a more sustainable fiscal path and will leave Washington better prepared to confront future budget crises.

Unfortunately, even after all this, we still face a significant budget problem.

The Washington State Economic and Revenue Forecast Council is projecting a \$900 million budget shortfall for the 2013–15 biennium. But keep in mind, that outlook is for just the base state operating budget. It does not factor in any additional spending that will be needed to meet basic education needs identified by the state Supreme Court in the McCleary decision.

As required by law, my budget staff has prepared a 2013–15 budget that relies only on existing revenue. But as we worked on that plan, I quickly realized that \$900 million in program reductions — on top of all the cutting we’ve done the past several years — would have unacceptable consequences for our state and its people. For example, such a budget would:

- » Reduce levy equalization funding to local school districts by \$100 million.
- » Impose \$52 million in across-the-board cuts to public universities and colleges.
- » Eliminate the State Food Assistance Program and other services for our most vulnerable citizens.
- » Provide no new basic education funding to address McCleary.



So, as is allowed by law, I am instead proposing what I believe is a more balanced and responsible 2013–15 budget — one that includes program reductions as well as reasonable revenue solutions to maintain essential state services. In addition, I am putting forward a bold plan to begin addressing our basic education needs as required by our constitution as interpreted by the state Supreme Court in its McCleary decision.

At the height of our budget crisis a few years ago, our strategy for protecting essential services included targeted, temporary tax increases. We also delayed or suspended some statutorily required programs or initiatives. We were trying to buy time until the economy recovered. But the recession turned out to be the deepest and most prolonged downturn since the Great Depression. Our economy — and, especially, our revenue collections — have not yet rebounded enough to fund all our basic obligations, the McCleary decision aside.

As you will see in the pages that follow, I am proposing to extend two of those temporary taxes and continue deferring certain spending obligations. My budget also identifies areas where service costs can be shared through user fees. And I am proposing to tap an assortment of non-General Fund sources on a one-time basis to cover specific needs.

While these actions will enable us to avoid some truly harmful reductions, my strategy was to build a budget that balanced revenue with program cuts. This budget constrains the growth of government in most areas and includes additional reductions to dozens of programs.

This budget also captures savings from significant reforms. Thanks to the federal government's health care reform law, we will provide coverage to more Washington residents, yet spend less state money. And our recent agency consolidation efforts are already generating more real savings.

My budget would increase spending in a few areas, such as to make sorely needed enhancements in prison safety and early childhood education and to cover critical funding shortfalls in our College Bound Scholarship program and state parks system. Overall, about 80 percent of the new spending in my budget goes toward education — toward building a better future for Washington.

Over the past year, the major credit rating agencies have given our state high marks for how we managed our finances throughout the recession. In this vein, my budget restores state reserves to a healthy level — more than \$880 million, including the rainy day fund.

The Great Recession tested all of us in ways we never could have imagined. I ran for public office to make government work for citizens, and in building that model, I invested your tax dollars in programs that mattered most to citizens. Yet together, we have had to scale back and in some cases dismantle the very programs we knew were important.

My goal with this budget was to give our incoming Governor and the Legislature a balanced and sustainable plan that addresses our fiscal problem and preserves services that are pivotal to our future prosperity.

