State Budget at a Glance

Governor Chris Gregoire

www.governor.wa.gov

We solved a three-year budget deficit of nearly $12 billion through:

» $5.1 billion in cuts and savings

» $3.6 billion in federal funds

» $2.5 billion in fund transfers and use of reserves

» $761 million in revenue enhancements (some of which will expire December 2010, due to the passage of Initiative 1107)

In two years, we have reduced the state work force by 8,200 FTEs since 2009.

Yet after balancing the budget this year, we continue to lose revenue and incur higher costs:

» **June Revenue Forecast** – Lost $200 million this biennium.

» **September Revenue Forecast** – Lost $770 million in this biennium, requiring 6.3 percent across-the-board cuts. Another $669 million decrease in 2011–13 brought the estimated deficit to $4.5 billion.

» **November Elections** – Lost $55 million this biennium and $218 million next biennium (passage of I-1107). This brings the deficit to $4.8 billion.

» **November Caseload Forecast** – Experienced increased costs in Disability Lifeline; greater number of students in special and bilingual education programs; higher enrollments in TANF (Temporary Assistance for Needy Families).

» **November Revenue Forecast** – Lost $385 million in this biennium and $809 million in 2011–13.

We have again taken decisive action:

» The September revenue forecast resulted in a $520 million General Fund shortfall. The Governor immediately ordered 6.3 percent across-the-board cuts to bring the budget back into balance.

» The November revenue forecast added another $385 million to the problem. Due to various legal issues, some agencies have been unable to achieve their full 6.3 percent cut. The Governor asked the Legislature to submit ideas for a supplemental budget and sent her own list of suggestions that lay a path forward to balance the budget.

Cuts are a zero sum game. "Fixes" by the Legislature in one area will require deeper cuts in others.

» The Governor is urging early action by the Legislature to pass the supplemental budget.

» If the supplemental budget is not acted on quickly, savings will not be achieved.

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We see other pressures on the budget for the 2011–13 biennium:

» **Unemployment benefits** – 50,000-60,000 will exhaust their benefits between December 2010 and March 2011. Many will apply for food stamps, public assistance and Medicaid. Some of those with children may apply for TANF.

» **TANF** – We cut $52 million despite increased demand. Across-the-board cuts reduced TANF by another $19 million. Balancing the 2011–13 budget will require additional reductions of 12 to 15 percent. These cumulative actions compromise our ability to serve our state's needy people.

» **Disability Lifeline** – Formerly General Assistance for the Unemployable, this program was reduced in the last budget through the setting of a five-year limit on benefits. The state was sued and the court entered a temporary restraining order on the limit. Now our only remedy is to cut benefits by $81/month for all participants.

A shortfall of $5.7 billion is projected for 2011–13. The Office of Financial Management instructed state agencies, separately elected officials and the higher education system to submit biennial budget requests with a 10 percent cut. The November forecast will require more cuts.

» **FMAP (Federal Medical Assistance Percentages)** – We did not receive $142 million that the federal government indicated we could anticipate.

» **Lagging consumer confidence and slow housing starts** – We expect to see a continuation of these trends that reduce revenue in the short term.

We have tight constraints on where we can cut the 2011-13 budget:

» 60 percent of the budget is 'off limits' due to constitutional, legal and contractual obligations, and federal requirements. These programs include education, mandatory medical assistance, debt service and pensions.

» There is more flexibility in the remaining 40 percent that includes corrections, education, non-mandatory social services and health care.

Due to constitutional, legal and other restraints, just $14 billion of an approximately $35 billion budget represents the most likely area of reductions of nearly $5.7 billion.

We have instituted transformational budgeting:

» **Appointed the Transforming Washington's Budget Committee** – 36 citizens from around the state and across various interests offered and evaluated ideas. Four legislators, two from each party and two from each house, participated. Four town halls were conducted across the state, which were attended by more than 1,500.

» **Designed an interactive website** – More than 18,000 visitors offered 126,000 votes on hundreds of ideas to save money and operate government more efficiently. Visit the Governor's website at www.governor.wa.gov for a summary.

» **Followed POG** – The Priorities of Government budgeting approach ranks state-provided services by the importance to citizens. POG is being used to inform both the supplemental and biennial budgets.