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Honorable Members of the Washington State Legislature:

Last session we worked together to produce a balanced budget that addressed the revenue shortfalls created by the national and international economic downturn. By the time I signed the budget into law in May, we had solved a shortfall that had grown to \$9 billion.

We ordered state agencies to curtail hiring, travel, personal service contracts and other services where immediate savings were possible. The freeze on salary increases remains in effect. We then crafted a three-part solution that included cuts to services, use of one-time federal American Recovery and Reinvestment Act money, and fund transfers (including the Rainy Day Fund) to fill the gap.

Unfortunately, our revenue continued to decline while the demand for state services rose. A combination of these and other factors have created another \$2.6 billion shortfall.

In December, I submitted a state financial plan for the remainder of our two-year budget period that addressed this shortfall. I was legally required to submit a budget that is balanced to current revenues, and that is what I did. But I did so with the greatest reluctance. That budget is not true to the values I believe in and which have guided me through my public service. It is not a budget I can live with nor is it one I believe Washingtonians can live with.

In the face of a \$2.6 billion shortfall, this financial plan reduces many vital services, some to the bone. In other cases, programs are suspended that are crucial to many of our citizens and our quality of life.

The decisions that produced this budget were very troubling to me. They do not represent sound public policy for our state, nor do they serve our citizens well. We cannot ride out this recession and come out ready to rebuild our economy on top of this budget.

Therefore, today I am submitting a new budget that I believe better reflects Washington values and principles. This budget more adequately funds our public schools, pays for the basic safety net for our most needy, helps more of our students achieve the higher education they need, and sets the stage for a more prosperous future.

I have enclosed a document that outlines the restorations in my budget. I am proposing funding for essential programs such as:

- The state's Basic Health and Apple Health plans.
- Our general assistance program for the most needy.
- Levy equalization funds for our public schools.
- State financial aid to allow more students to attend higher education.
- Early childhood education and kindergarten.
- Adult medical, dental, vision and hospice programs.
- Developmental disability and long-term care services.

To be clear, my new budget does not avoid many harmful reductions to (and even elimination of) some vital services. It contains more cuts than revenue to address our \$2.6 billion problem.

As the legislative session progresses, I pledge to work with you to secure the additional revenues needed to restore the programs that a no-new-revenue budget could not accommodate. I will be submitting proposals to introduce greater tax fairness by closing loopholes that have either outlived their usefulness or are no longer equitable in today's tough economy. I expect that Washington state will receive additional resources through the Federal Medicaid Assistance Percentage (FMAP), Fiscal Stabilization Funds and possibly waivers for Basic Health Plan provisions. However, we do not yet know what these amounts will be.

Any revenue enhancements that I will propose will not hamstring our families and businesses as they recover from the recession. I look forward to continuing a dialogue with you as we work together on behalf of the people of our state to identify fair and strategic solutions to our budget shortfall.

The task that awaits us is significant. It can be conquered only by putting aside partisan politics and working together to craft a solution that protects some vital services needed by our state's citizens while helping us emerge stronger from the economic downturn.

I look forward to working with you to accomplish these important priorities.

Sincerely,



Christine O. Gregoire
Governor

Enclosure

Restorations to the Governor's 2010 Supplemental Budget

GFS Dollars in Millions

K-12 Levy Equalization Increases	165.012
Basic Health Plan	160.575
Higher Education State Need Grant	146.435
Redesigned General Assistance - Unemployable Program	84.472
K-12 All-day Kindergarten, Gifted Program and Reading Corps	42.011 *
Working Connections Child Care Option	39.500
Maternity Support Services	28.050
Optional Medicaid Services	21.091
Developmental Disabilities/Long Term Care – Housekeeping and Offsite Laundry Services	18.339
Long Term Care/Developmental Disabilities – Homecare Agency Provider Services	14.095
Early Childhood Education Program (ECEAP) for 3-Year-Olds	10.500
Senior Citizens Services Act	6.967
Adult Hospice Care	6.161
Outpatient Drug Treatment and Detox Services	5.393
HIV/AIDS Client Services and AIDSNET Grants	4.859
Foster Care Rates	4.144
Outpatient Community Mental Health Services	4.137
Children's Apple Health Insurance	4.112
Mental Health - Inpatient Hospital	2.889
Developmental Disabilities Individual and Family Services	2.000
Middle School Career and Technical Education program	1.943
Volunteer Chore Services	1.877
Crime Victims Compensation Program	1.545
Jail Services Funding for Mentally Ill Offenders	1.145
Children's Public Health Nurses	0.712
Aging Family Caregiver Support and Respite Care	0.628
Regional Law Enforcement Training	0.280
Grand Total	778.9

* Includes \$33.567 million in Education Legacy Funds, reflected in fund transfers

RESTORATIONS TO THE GOVERNOR'S 2010 SUPPLEMENTAL BUDGET: \$779 MILLION TOTAL

K-12 Levy Equalization – \$165,012,000

Restores the levy equalization program, which provides state financial support to districts with a lower than average property tax base. In addition, for the school districts requiring the highest rate of state match, the program is enhanced to provide additional state support during the three-year period when the maximum levy rate for all districts is increased.

Basic Health Plan – \$160,575,000

Restores funding for the Basic Health Program, which will continue to offer health insurance for more than 60,000 Washingtonians.

Higher Education State Need Grant – \$146,435,000

Restores the State Need Grant program. Eligibility is once again capped at 70 percent of the state's median family income, which will serve an additional 12,300 students. Grant awards are also restored to the levels in the enacted 2009–11 budget.

Redesigned General Assistance-Unemployable Program – \$84,472,000

Redesigns the General Assistance-Unemployable program. Effective September 1, 2010, individuals will be able to access benefits for up to a maximum of six months per lifetime. Cash grants provided to individuals will be reduced to \$250 per month.

K-12 All-day Kindergarten, Gifted Program and Reading Corps – \$42,011,000

- Restores funding for students from the 20 percent of school districts with the highest poverty levels who are served through all-day kindergarten programs.
- Restores funding for nearly 23,000 students who participate in gifted programs across the state.
- Restores funding for the Reading Corps program, which provides tutors and other specialists to students struggling to read. The benefits of this state investment are multiplied because the program uses volunteers in the classroom and leverages federal funds.

Working Connections Child Care Option – \$39,500,000

Partially restores the Working Connections Child Care program, which provides payments for child care services to Temporary Assistance for Needy Families (TANF) clients and low-income, non-TANF parents who are working or participating in certain employment and training activities. Child care for families with seasonal employment, as well as homeless and teen parent populations, is also partially subsidized.

Maternity Support Services – \$28,050,000

Restores the Maternity Support program, which provides services to more than 50,000 pregnant women at high risk of experiencing poor birth outcomes.

Optional Medicaid Services – \$21,091,000

Restores services in the state Medicaid program that are considered optional by the federal government: dental, vision and podiatry services, as well as physical, speech and occupational therapies for adults.

RESTORATIONS TO THE GOVERNOR'S 2010 SUPPLEMENTAL BUDGET (PAGE 2)

Developmental Disabilities/Long-Term Care Housekeeping and Offsite Laundry Services – \$18,339,000

Restores housekeeping and off-site laundry services for 42,000 elderly clients and persons with developmentally disabilities. Services average six hours per month to help people remain in their homes rather than in a setting with more assistance, such as a nursing home or Residential Habilitation Center.

Long-Term Care/Developmental Disabilities Homecare Agency Provider Services – \$14,095,000

Restores homecare agency parity in wages and benefits with individual providers. Health benefits for agency providers will also be maintained at current levels.

Early Childhood Education and Assistance Program (ECEAP) for 3-Year-Olds – \$10,500,000

Restores funding for more than 1,500 low-income, 3-year-old children in ECEAP programs across the state. This continues the historic expansion in ECEAP begun by the Governor in the 2007–09 budget.

Senior Citizens Services Act – \$6,967,000

Restores funding for the Senior Citizens Services Act, which helps local Area Agencies on Aging provide meal assistance, transportation, in-home services and counseling.

Adult Hospice Care – \$6,161,000

Restores this state Medicaid program, which provides end-of-life services for more than 2,600 adult clients.

Outpatient Drug Treatment and Detoxification Services – \$5,393,000

Restores funding for chemical dependency and detoxification services for 12,800 clients.

HIV/AIDS Client Services and AIDSNET Grants – \$4,859,000

Partially restores client services, which will receive a 20 percent reduction in funding (from the 44 percent reduction), while AIDSNET grants will receive a 25 percent reduction.

Foster Care Rates – \$4,144,000

Restores funding for foster parents, who are paid for the basic care of a foster child, including room, board, clothing and personal incidental expenses.

Outpatient Community Mental Health Services – \$4,137,000

Restores funding for outpatient services provided to Regional Support Networks for services and individuals not eligible for the federal Medicaid program. These networks provide outpatient services such as individual and family counseling, case management, day treatment, medication management, employment services, consultation and education, and other behavioral health care.

Children's Apple Health Insurance – \$4,112,000

Restores the Apple Health program for Washington children, which will maintain eligibility levels at 300 percent of the federal poverty level. Because of the state's exceptional leadership in providing health care to children, Washington recently was awarded a bonus of \$7,641,000 from the federal State Children's Health Insurance Program. This additional federal revenue, combined with \$4,112,000 in state funding, will allow 16,000 children to continue receiving health insurance through Apple Health.

Mental Health - Inpatient Hospital – \$2,889,000

Restores services for approximately 531 low-income and General Assistance-Unemployable individuals who are eligible for inpatient services through the Mental Health Division of the Department of Social and Health Services. These services include voluntary inpatient care in non-institutional hospitals.

Developmental Disabilities Individual and Family Services – \$2,000,000

Partially restores the Individual and Family Support program for families of a person with a developmental disability, which will be restructured to include means testing. However, the funding will allow more families to continue to receive services. The program will still be frozen to new entries, but the annual benefit level will remain at \$3,000 rather than be reduced to \$2,250. The limit for annual family income will be \$42,000 rather than \$30,000.

Middle School Career and Technical Education Program – \$1,943,000

Restores funding for the middle school career and technical education program, which will ensure students receive hands-on science and math-related learning opportunities that encourage interest in technical fields and help prepare students for more advanced study.

Volunteer Chore Services – \$1,877,000

Restores the Volunteer Chore Services program, which coordinates 288,000 hours of volunteer services to allow elderly people to continue living at home.

Crime Victims Compensation – \$1,545,000

Partially restores this program, including fee reimbursements in full to doctors and clinics that perform sexual assault forensic exams. Permanent partial disability awards are capped at \$7,000; travel reimbursements are partially restored for clients who travel over 10 miles to a provider; and home and vehicle modifications are fully restored, which will benefit approximately 3,700 individuals.

Jail Services for Mentally Ill Offenders – \$1,145,000

Restores funding for jail services for mentally ill offenders who are confined in a county or city jail. This also facilitates access to programs that offer mental health services to offenders upon release from confinement.

Children's Public Health Nurses – \$712,000

Restores contracts with local public health departments to provide nurses for early intervention support services to address developmental and health care needs of 875 children.

Aging Family Caregiver Support and Respite Care – \$628,000

Restores the Family Caregiver Support program, which provides mainly respite assistance to family members who care for a relative at home. This program has been shown to delay placement in a nursing home.

Regional Law Enforcement Training – \$280,000

Restores funding for the Criminal Justice Training Commission, which will maintain training capacity for local law enforcement.