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## Drop in revenue forecast forcing state budget re-writes

The Legislature's key budget writers are heading back to the drawing board after an expected but unwelcome revenue forecast showed the state is projected to lose an additional \$780 million in tax collections during the next two years.

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OLYMPIA, Wash. —

The Legislature's key budget writers are heading back to the drawing board after an expected but unwelcome revenue forecast showed the state is projected to lose an additional \$780 million in tax collections during the next two years.

"Don't ask me about a date," said Sen. Ed Murray, D-Seattle, and chair of the Senate's Ways and Means committee. His House counterpart, Rep. Ross Hunter, D-Medina, echoed Murray's sentiments, saying he had his budget ready to be unveiled next week.

Not anymore.

Economic recovery has been slow. The state's stubbornly moribund financial shape is the focus of this year's Legislative session. Using projected revenue from tax collections, the key task for lawmakers is to approve a budget for the next two years.

Gov. Chris Gregoire's office says the state needs about \$37 billion keep up with demands and rising expenses for the next biennium. On Thursday, chief state economist Arun Raha said the expected tax collections for the next two years are going be \$32 billion.

The difference between those two figures - about \$5 billion - is what lawmakers and Gregoire are tasked to address.

In December, Gregoire proposed nearly an all-cuts budget that trimmed state spending to \$32 billion. It eliminated big expensive, programs that provided health care for the poor and financial assistance to disabled adults. It also cut health care for illegal immigrant children; raised tuition for universities and community colleges; consolidated state agencies and commissions; established higher rates for state parks; along with a host of minor cuts and money transfers.

"The budget process begins in earnest now," Gregoire said after the revenue forecast. "We cannot trim our way out of it. We are going to have to make cuts, and they will be felt everywhere throughout the state."

Gregoire also reminded lawmakers that voters rejected taxes in the 2010 election. They shot down taxes to soda and income taxes for the rich. They also reinstated the rule that two-thirds of votes in each chamber are needed to raise taxes and fees.

Now it's time for Senate and House lawmakers to present their counterproposals. So far, Democrats have indicated a reluctance to cut as much as Gregoire proposed.

"These are hard decisions to do," Hunter said. "The problem has become more daunting."

Republicans are pushing for ideas that echo Gregoire's, and they view the bad fiscal shape as an opportunity to reshape the way state government works. Republicans in the Senate are also enjoying a bigger influence on the budget.

"Our priority for the several weeks remaining in this session should be clear: Come up with a budget and policy changes that together do what the governor recommended when our session began, which is to recognize that government cannot do it all," said Sen. Joe Zarelli, R-Ridgefield, the Senate GOP's budget chief.

The budget gap, though, includes projected costs for two voter-approved initiatives that reduce class sizes and give salary increases to teachers that would cost \$1.1 billion. Lawmakers don't plan on funding those initiatives, so shave off \$1 billion from the top.

This year the House is presenting their budget first, followed by the Senate.

Ideas to cut into the deficit abound. A proposal to expand electronic gambling in non-tribal venues has been floated. Supporters say \$380 million per biennium could be raised. Another group is pushing for contracting the distribution of liquor to private firms for \$300 million in a lump sum payment plus a share of the profits. A coalition of liberal groups have lobbied for ending tax breaks for corporations - an idea that hasn't gotten much traction.

A budget gimmick that would push payments on state programs into the 2013-2015 biennium has also tested the water. The so called 25th-month proposal got a cold reception from Gregoire this past week. It took the state more than 15 years, she noted, to pay off the debt the state racked up the last time lawmakers used the maneuver.

Earlier this month, Rep. Kathy Haigh, D-Shelton, confirmed House Democrats are also considering borrowing money, with the interest to be paid by anticipated future revenues. Lawmakers took similar action earlier this decade, bonding against the hundreds of millions of dollars expected from the national tobacco settlement.

Gregoire shot that idea down as well, saying that the state ended up paying huge amounts of interest.

Conservative lawmakers have proposed re-opening state worker contracts to renegotiation, but Gregoire argues that state workers have already taken a fair share of wage reductions, furloughs and higher health care premiums negotiated last year.

"There are a lot of bad ideas in the world. Some are less bad than others. Some are very bad. We're going to try to do the least-bad set of options we can do," Hunter said.

But before lawmakers tackle the two-year budget, they still need to close a shortfall estimated to be about \$200 million in this fiscal year, which ends in June.

Murray and Hunter said they will present another supplemental budget soon.

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Associated Press writer Molly Rosbach and Associated Press writer Donna Blankinship in Seattle