

**SCR**

**29**



# Alaska State Legislature

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**Senator Pete Kelly**  
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## **SCR 29 Sponsor Statement**

**Relating to urging the Governor to institute a hiring freeze on state government.**

The State of Alaska is facing a billion dollar deficit and unfortunately the constitutional budget reserve fund cannot fill the gap. Revenue officials project it will be drained by July 2004 if the proposed fiscal year 2003 budget is funded. This budget includes an increase of 858 full-time state positions from the current fiscal year with a price tag of \$115 million.

In the face of such an enormous budget deficit, state spending must be reduced. The most logical first step you take when you have a fiscal problem is a hiring freeze. It will be impossible for the state to sustain such an increase in state employees. A hiring freeze will reduce the number of state positions through attrition, a much better solution than forced layoffs a year down the road.

This hiring freeze will include all positions funded with general funds **except** those temporary positions needed to respond to emergencies or needed for reasons involving health and safety.

The Alaska State Legislature respectfully requests the Governor to institute an immediate hiring freeze.


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## Office of Governor Gary Locke

**FOR IMMEDIATE RELEASE - February 19, 2002**

Contact: Governor's Communications Office, 360-902-4136

### Locke may order across-the-board budget cuts

OLYMPIA – Gov. Gary Locke today said a worsening state revenue outlook will likely mean deeper budget cuts and may require him to order an across-the-board budget reduction.

"Today's announcement by the state **Office of the Forecast Council** is sobering," Locke said, referring to the official state revenue forecast downturn of \$246.8 million. "We are now looking at a deficit of more than \$1.5 billion in the 2001-03 biennial budget and that deficit may grow with tomorrow's forecast on school enrollment, rising social service caseloads and increasing prison populations."

Noting that Washington's situation is not unique, Locke said, "A national economic recession intensified by the events of September 11 has left our state and 39 others facing budget shortfalls in the billions of dollars. Today's revenue announcement means we must tighten our belts even more."

Locke said he already has taken action to impose a hiring freeze in addition to the 1,685 full-time equivalent (FTE) reductions since July. He also restricted state employee travel and imposed a freeze on equipment purchases. He added that more severe measures will be necessary to offset the serious revenue losses caused by the effect of the Sept. 11 terrorist attacks on the national and state economies.

The governor met this morning with legislative leadership and budget chairs and pledged to work with them to find a solution to the growing budget problem.

"As I have said all along, it remains my hope that the state budget be balanced without a general tax increase," Locke said.

The governor also will ask the **Legislature** to consider eliminating cost of living adjustments (COLAs) for state workers and state vendors.

Locke suggested other cost-saving options including an additional across-the-board reduction in all state agency budgets.

In addition to budget cuts, Locke suggested increasing revenue by closing outdated tax exemptions. The governor has asked the **Office of Financial Management** to review the tax exemptions and report back on its findings.

"These are difficult times but we have gotten through them before and we will get through them again if we work together," Locke concluded.

## SEATTLE POST-INTELLIGENCER

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### Locke puts a freeze on state hiring

**Also possible: Tax increase, program cuts, delayed raises**

*Wednesday, February 20, 2002*

By ANGELA GALLOWAY

SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke yesterday imposed an immediate state hiring freeze and said the state may need to raise taxes, make sweeping program cuts and stall pay raises for state workers -- even blocking voter-mandated teacher raises -- to fill a budget gap of \$1.6 billion.

While saying it's still his "hope" that he and the Legislature can avoid a broad tax increase, such as to sales or business taxes, Locke offered his softest stance on that yet. "Any general tax increase should be a last resort," the Democratic governor said. "And I'm not prepared to say that we need to go there."

But he did say that it is time to consider repealing more state tax exemptions, as many lawmakers -- particularly Democrats -- have said for weeks.

State officials yesterday announced the third consecutive drop in the state's revenue forecast. Projected tax income over the next 16 months -- which had already dropped by \$914 million since September -- fell another \$247 million to below \$21 billion yesterday.

Today, another forecast council is expected to announce about \$100 million in unanticipated state program cost increases, such as for health care for the poor and public school enrollments.

That would bring the state's budget gap of \$1.25 billion in January up to \$1.6 billion. Most of that would have to be made up in the second year of the current \$23 billion biennial operating budget.

"It's very, very grave," said Rep. Jack Cairnes, R-Covington, a leader of the House Finance Committee.

In some corners, the news has even spurred new interest in one proposal to temporarily raise sales tax by about half a cent, dubbed the "freedom surcharge."

In addition to softened anti-tax rhetoric -- including from the GOP -- substantial spending cuts are on the table:

- Locke said he is "actively" considering across-the-board cuts of about 6 percent to all state programs -- including public schools and prisons -- although basic education would be protected. But some leading Democrats said that's too Draconian. "It's like taking a machete to the budget," said Seattle Democrat Helen Sommers, chairwoman of the House Appropriations Committee.
- Lawmakers agreed that substantial cuts to state programs would be necessary, from slashes in social services to temporary park closures, said Spokane Democratic Sen. Lisa Brown, the upper chamber's budget writer. Also, the Senate probably will propose triple the public school cuts that Locke recommended in December, and colleges probably face both tuition increases and funding cuts, she said.
- In December, Locke proposed stalling July cost-of-living raises for state employees by two months,

Yesterday, he suggested skipping altogether the 2.6 percent raises for the state's 100,000 workers next year -- saving about \$85 million but raising the specter of worker walkouts. In addition, Locke said the state might need to save \$90 million by blocking the 3.4 percent raises for public schoolteachers that voters approved in a November 2000 statewide initiative. That would require a two-thirds vote of the Legislature.

- In addition to freezing hiring, Locke froze equipment purchases and restricted state worker travel. Critical services such as prison guards and Washington State Patrol troopers are exempt from the hiring freeze, he said.

The revenue forecast was not the only bad news yesterday. The state continues to have among the worst unemployment rates in the country, with a new 8.2 percent jobless rate.

State figures also show that 65,000 jobs were lost last year, barely counting recent layoffs at The Boeing Co. Of those, 85 percent were in King County. Many were in construction and Internet-related businesses, said Chang Mook Sohn, the state's chief economist.

Unlike in the national economy, there's no indication that Washington will recover anytime soon from its recession, officials said.

"King County is clearly leading the rest of the state into a much deeper recession than any time since the 1980s," Sohn said.

It adds up to a grim political battle facing the Legislature and governor. Senate Democrats had planned to release their budget proposal next week -- but now predict delay while they hammer out unpopular spending cuts and politically painful tax increases.

And both sides staked out traditional but sobered partisan positions. Democrats said tax hikes must be on the table. Republicans said all state spending should be re-examined.

"I don't see how it is possible to tax ourselves out of this," Cairnes said. "My caucus will not look at significant tax increases until we see a good-faith effort on the part of the Democrats to control spending."

But he did not rule out at least incremental tax increases, saying, "I'm not sure we can get through this just strictly with cuts."

Rep. Lynn Kessler, Democratic majority leader, said it's time to revive proposals to expand gambling to raise more in taxes, such as a bill that would allow thousands of slot machines in mini-casinos, bars and restaurants. "We have to go scouring through and see what we can dig out," Kessler said.

And some are interested in the two- or three-year sales tax surcharge suggested by Sen. James Hargrove, D-Hoquiam, she said. "I don't know if we have to do that. We don't want to close the door on anything," Kessler said.

Brown, the budget chairwoman, yesterday introduced legislation to allow the Legislature to raise taxes and take money out of reserves by a simple majority -- rather than the two-thirds vote required by 1993's voter-approved Initiative 601.

"It just gives us some flexibility for solving the budget crisis," Brown said. "I'm just putting a couple options out there."

• GOP lawmakers -- who had been calling for a state hiring freeze for months -- said it was about time Locke responded.

But the governor needs to offer more than talk on the other ideas he floated yesterday, such as state worker pay freezes, some said.

"He's been considering it for the last year. It's time to make a recommendation or not," said Rep. Barry Sehlin, R-Oak Harbor. "But I certainly endorse the ideas."

Greg Devereux, of the largest state employee's union, said walkouts are possible if the state freezes pay. Weeks ago, the union backed a hiring freeze, he added. But "eliminating (cost-of-living adjustments) is just another tax on state employees," Devereux said.

Rich Wood, spokesman for the statewide teachers' union, the Washington Education Association, said, "Now is not the time to cut public education."

The state's economic pain is most obvious in the job market. The Washington jobless rate jumped to 7.5 percent last month, fueled in part by mass Boeing layoffs.

The state job market for seasonal workers is even worse. The unemployment rate unadjusted for seasonal variations, such as holiday hiring and construction work, soared to 8.2 percent in January from 7.3 percent in December, according to state data.

Since the state economy began cooling early last year, the unemployment rate has steadily risen, from 5.5 percent last January to 7.4 percent in December, the Employment Security Department reported yesterday. The rates are adjusted for seasonal changes.

Last month, the jobless rate stood at its highest point in nine years, according to one local economist.

"The overall picture remains the same: namely, a recession more severely concentrated in the metropolitan Seattle economy than in the rest of the state," said Roberta Pauer, a Seattle-based economist for the Employment Security Department.

Pauer predicts Washington will remain mired in recession at least through this summer.

Seattle continues to experience the most severe contraction, absorbing 78 percent of the 63,700 jobs lost around the state in the past year, Pauer said.

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### Locke cuts back welfare programs

**Demand outstrips money available; subsidized child care takes a hit**

*Friday, February 15, 2002*

By ANGELA GALLOWAY  
SEATTLE POST-INTELLIGENCER REPORTER

OLYMPIA -- Gov. Gary Locke is eliminating nearly \$60 million in welfare reform programs -- partly by cutting 1,000 working poor families off subsidized child care -- to fill a new deficit in welfare money.

For years, Washington state enjoyed surpluses of \$200 million a year in its \$900 million annual budget for welfare reform, thanks to a drop in caseloads of more than 40 percent.

And the Legislature and Locke diverted much of the state's share of the surpluses into social and other programs. About \$200 million went to education, officials said.

But, in recent months, demand for the WorkFirst reform program has outstripped what's left of the money. For example, the state underestimated demand for child care assistance -- today the largest program within welfare, even surpassing cash grants -- by \$35 million over the next 18 months. In August, 43,000 families received such subsidies -- 2,000 more than anticipated.

In addition, demand in the last two months for public assistance has grown because of the recession. In December and January alone, 2,800 new families qualified for Temporary Assistance for Needy Families (TANF).

"We told them this would happen...that when the economy went down there would be more people in there," said Sen. Darlene Fairley, D-Lake Forest Park.

Yakima Republican Sen. Alex Deccio added that the state should have waited to see how the first five years of welfare reform went before raiding the surpluses.

The federally mandated program aims to move people off public assistance rolls and into jobs through training, child care and other help. About 60 percent of the money comes from the federal government and the rest is from the state.

No one will lose those TANF grants in Locke's cuts, officials said. The cuts to child care subsidies amount to \$22.6 million from an annual budget of \$300 million.

But some politicians and social service advocates say the cuts could have been prevented -- particularly cuts Locke made to child care and education programs.

"This does have grave implications -- there's no doubt," Rep. Kip Tokuda, D-Seattle, said of the cuts.

And some lawmakers say it's time to rein in the sole discretion they granted the governor in how to spend surpluses in 1997. "It's a consideration -- which I wasn't willing to say several months ago," Tokuda said.

Locke's cuts include:

Reducing income eligibility for subsidized child care from 225 percent of the federal poverty level to 200 percent, saving \$3 million. For a family of three, the top allowed income drops from nearly \$33,000 a year to \$29,260.

Increasing co-payments for child care by \$5 a month, up to between \$15 and about \$300 a month, to raise \$13.5 million.

\$7.5 million for Families That Work, which helped parents with literacy, parenting and basic job skills. Ken Miller, Locke's welfare adviser, said the program hasn't failed, but its benefits aren't enough to justify its cost in the current budget climate.

\$5.4 million for the Job Success Coach program, designed to keep people in jobs.

\$3 million for a practice job program that placed welfare reform participants in unpaid work so they could learn job skills. The program hasn't worked, Miller said.

\$3.1 million for new pilot projects. The welfare reform program was constantly trying new ways to move people from public assistance to the work force, Miller said, but can't afford to experiment now.

In addition to diverting hundreds of millions of welfare surplus dollars into the general fund, the state used them to create other programs for the poor. That's in part because federal officials warned states to spend down surpluses because they wouldn't look good in welfare reform budget talks in Congress this year, said Marty Brown, Locke's budget director.

Miller said, "There are a lot of things to use the money for and we think they were used wisely."

For example, \$24 million a year went to tuition and child care assistance for vocational students of community colleges, he said. Another \$2.4 million went to legal aid for the poor. Locke cut the legal aid yesterday.

"I can't disagree with how the state spent (that) money," said Jean Colman, director of the Welfare Rights Organizing Coalition. "I do argue with the state putting TANF dollars into some (other welfare) programs and moving those dollars into state general fund programs.

"Making it harder for families to receive assistance in a recession is just really mean-spirited."

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