



State of Arizona

Janice K. Brewer  
Governor

Office of the Governor  
1700 West Washington Street, Phoenix, AZ 85007

Main Phone: 602-542-4331  
Facsimile: 602-542-7601

FOR IMMEDIATE RELEASE  
January 15, 2010

CONTACT: Paul Senseman  
(602) 542-1342  
psenseman@az.gov

## **Governor Jan Brewer Proposes Decisive, Balanced State Budget Plan**

### ***Preserves Core Government Functions of Education, Public Safety***

PHOENIX – Governor Jan Brewer today presented the Arizona Legislature her specific and detailed recommendations to balance the State's General Fund budgets for Fiscal Years 2010 and 2011. The Governor's budget proposes to make substantial and long-term changes to the way State government fulfills its mission to the citizens of Arizona. The Governor's budget proposes to mitigate massive cuts to education and public safety with significant spending reductions and service eliminations across state government, a temporary revenue increase to bridge the fiscal crisis, and remaining stimulus spending targeted to job creation and public safety. In her State of the State Address on Monday, the Governor challenged all state officials to set aside partisanship and replace it with the higher calling of statesmanship when contemplating the necessary decisions to restore and revitalize the Arizona that our citizens expect.

The Governor's complete and detailed budget proposal can be fully reviewed at her website: [www.azgovernor.gov](http://www.azgovernor.gov)

The following is Governor Brewer's state budget message to the Members of the 49<sup>th</sup> Legislature:

*"Today marks the most significant day of state budget reform and restructuring in Arizona's ninety-eight year history.*

*The Executive Recommendation for balancing the General Fund budgets for Fiscal Years 2010 and 2011 is built on a decisive, well-conceived plan that begins to correct our structural deficit,*

*weans State government from one-time fixes and other fiscal gimmicks, rejects arbitrary or across-the-board funding cuts, and paves the way for future economic growth.*

*For Arizona, the middle of the last decade was a period of unprecedented growth and prosperity. With increased revenue streams, our State wisely and correctly lowered taxes, and today Arizona's tax burden, per \$1,000 of personal income, is at its lowest level in over 30 years. Arizona also increased services in every area of State government: Medicaid expansion provided health coverage for hundreds of thousands; expansions in our K-12 system provided a State-funded full-day kindergarten benefit; and our higher education system enjoyed unprecedented levels of support and expansion.*

*Those days of expanded government services are over. Since the start of the recession in December 2007, Arizona's unemployment rate has more than doubled, from 4.3% to 8.9%. More than 270,000 Arizonans have lost their jobs, and our job growth rate is next-to-last among the 50 states. We anticipate that we are four years away from returning to our 2007 peak in employment.*

*Compared to December 2007 – just over two years ago – Arizona's retail sales activity is down by nearly 20%, home prices have fallen by 42%, and construction is off by more than half.*

*The recession and State government's structural deficit – an institutionalized misalignment of revenues and expenditures – have combined to devastate the State's finances. Revenues have declined for three consecutive years, and, for Fiscal Year 2010, they are projected to be 34% less than in FY 2007. While revenues have decreased sharply, we have had to accommodate enrollment growth in our K-12, community college and university systems; extraordinary mandated growth in our Medicaid population; and continued obligations for public safety and general governmental services.*

*We have taken difficult action in the last 12 months – action that has impacted our citizens. We imposed the largest spending reductions – \$1.09 billion – in Arizona's history, eliminated State services and programs, and reduced the State workforce by almost 10%. Yet despite our efforts to date, our job has just started. State government still must resolve a \$1.4 billion shortfall for our current fiscal year, and for FY 2011 we face a projected shortfall of \$3.2 billion.*

*In addressing these shortfalls, the Executive Budget Recommendation reflects my core principles.*

*First, public safety cannot be compromised, and my Recommendation honors that principle. I have tried to limit the impact of cuts to the Department of Public Safety and Department of Corrections. While they have not gone unscathed, they must remain positioned strongly against crimes and threats to our safety. Recognizing that budgets are strained at all levels of government, I will use \$20 million in discretionary federal stimulus dollars to fund grants for local public safety to help cities and towns struggling to provide these critical functions in these difficult economic times.*

*Further, education is fundamental to Arizona's societal and economic future, and we must protect it to the maximum practicable degree. While the Executive Recommendation reflects the reality that we cannot continue education spending at the rate of the last few years, we will protect total education funding at the State's FY 2006 funding levels. Reducing education expenditures to that standard will be difficult and require significant change, but the change is necessary. At the same time, dropping below the FY 2006 levels is not an option; I will not accept any budget that reduces*

*education funding below that line, and – in light of the reductions in General Fund support – during this fiscal crisis I will oppose encroachment on locally raised education funding streams.*

*Third, taking on significant debt is not to be done casually, and it is appropriate only in extraordinary circumstances such as those that we face today. Unwise budget decisions in recent years have virtually made debt the fourth leg of State revenues. Relying on long-term debt obligations for current operations binds the State and will suffocate our long-term recovery. While debt is needed to help us through this current crisis, we must use it in a careful and limited fashion.*

*Finally, we must recognize State government's appropriate and critical role and confine our planning and spending to that role. Protecting our citizens, educating our youth and helping those who cannot help themselves are essential government functions. After we eliminate substantial components of State government, the surviving core components must focus on vital services, which require adequate funding.*

*To ensure that State government can perform its core functions at acceptable standards, I stand by my call for a temporary one-cent increase in the Transaction Privilege Tax (TPT). The increase, to go into effect in the fourth quarter of FY 2010 and continue through FY 2013, will generate additional revenues at the rate of \$1 billion per year.*

*I have maintained my support for the temporary revenue only after long, careful deliberation and concluding that the alternative – i.e., preventing the State from properly fulfilling even its essential functions – is no alternative at all.*

*Further, as an Arizonan, as a mother, and as a person who feels great compassion for the vulnerable and less fortunate, it is only with great reluctance that I advocate a number of deep reductions in funding, some of which are listed below. As Governor, I have a duty to preserve State government's fiscal integrity and to ensure Arizona's long-term health.*

*Consistent with the core principles stated above, we must make dramatic changes in the way State government fulfills its mission. Specifically, the Executive Budget Recommendation:*

- maintains State support for K-12 education FY 2006 levels, despite reductions in federal support;*
- maintains university funding at FY 2006 levels (75% of FY 2008 levels);*
- reduces the AHCCCS rolls by 25%, or 310,000 individuals, and eliminates the KidsCare program, which provides health coverage for nearly 47,000 children;*
- reduces services for 17,000 seriously mentally ill adults – approximately half of that population;*
- eliminates cash assistance for 10,000 families;*
- places a hard cap on day care assistance and eliminates services for more than 10,000 children of low-income working parents;*
- closes the Department of Juvenile Corrections, transitioning the custody of minors to county detention centers and laying off an additional 900 State employees;*
- reduces State employee pay by 5%; and,*
- redirects Lottery revenue streams.*

*Even with these painful reductions, State government will have to borrow and defer \$1.5 billion. That reality underscores the undeniable necessity of my proposed tax increase.*

*In a few short years, this recession has pillaged what took decades to build, and years will pass before we fully undo its devastating effects. We must continue to display in the months and years ahead the fiscal discipline we demonstrated during calendar year 2009, when together we cut the size and scope of State government and worked to secure a sustainable path. And we must begin the long process of paying down our debt and undoing our fiscal tricks. Once this debris is cleared away, we will be left with a solid foundation for future prosperity.*

*The good news is that, together, we can solve this problem. Seasoned by the hard work we have performed in the last year, we are better prepared than before – and arguably better prepared than any preceding generation of Arizona’s leaders – to guide our state through this fiscal valley and commit to an Arizona revival equal to the promise of her second century.*

*Sincerely,*

*Janice K. Brewer  
Governor*

*###*