

March 26, 2007

Dear WA state House of Representatives:

As members of the Coalition of Washington Business Organizations, we urge you to adopt a responsible state budget. First, you must reject the budget currently before you. Following the unsustainable precedent set by Gov. Chris Gregoire in December, the House budget spends too much and saves too little.

We say now, as we did when the governor released her budget, the state cannot continue to spend more than it takes in. Increasing spending 15 percent while revenues grow 7.5 percent is not responsible. Coming on the heels of a 2005-2007 budget that increased Near General Fund State (NGFS) spending 13 percent, this budget virtually guarantees substantial shortfalls in the foreseeable future. In just four years, state spending will have increased roughly 30 percent. .

Let's look at some recent budget history, going back to 1995-1997, when NGFS spending totaled \$18.4 billion. Growth for the next three biennial budgets averaged 9.9 percent. Reflecting the effects of the recession, spending in the 2003-2005 biennium grew just 4.5 percent. Perhaps some of the 13 percent increase in 2005-2007 may be attributed to catch-up spending. No such justification, however, exists for a 15 percent increase in this budget.

We know the consequences of roller-coaster budgeting. Surges in spending are followed by shortfalls, spending cuts and tax hikes. Some blame the tax system for the problem. That's misplaced. With responsible spending and a Constitutionally-protected rainy day fund, state government can manage the inevitable peaks and valleys of the economic cycle. That is what we ask you to do now.

The businesses we represent – and the Washingtonians that support and rely on state government – expect you to adopt a budget that recognizes economic realities. The good times will not last forever. The strong economy of recent years created unprecedented budget surpluses. Those windfalls do not guarantee future prosperity. And they should not be used to fuel an unsustainable expansion in state spending. Already, we're seeing signs that the construction-fueled surge in state revenues may have peaked.

Our associations represent different interests, with varying budget priorities. We will not tell you where to slow spending growth. You accepted that responsibility when you ran for the Legislature. Through your hearings processes and the Priorities of Government budget system, you know the services and programs

your constituents most value. Education and health care already claim most of the state budget. We expect that they will remain your highest priority.

With state spending approaching \$34 billion, a \$664 million reserve is clearly inadequate. We recommend building the reserve to 5 percent of spending, about \$1.7 billion, and securing the reserve in a Constitutionally-protected rainy day fund. That goal is within reach now.

We urge you to reject the House proposal and adopt a sustainable budget with an adequate rainy day reserve.

Sincerely,



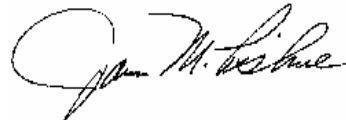
Don Brunell
Association of Washington Business



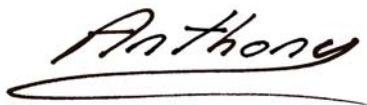
Duke Schaub
Associated General Contractors of WA



Carolyn Logue
National Federation of Independent
Business



Jim Pishue
Washington Bankers Association



Anthony Anton
Washington Restaurant Association



Steve Mullin
Washington Roundtable



Frank Holmes
Western States Petroleum Association