

NEWS

Inslee orders hiring freeze, agencies prepare for 15 % cuts

By RACHEL LA CORTE, Associated Press | on May 13, 2020

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OLYMPIA, Wash. (AP) — Facing a reduction in projected state revenues of billions due to the coronavirus crisis, Gov Jay Inslee on Wednesday issued a directive freezing most hiring and signing of personal services contracts and purchasing of equipment, and the the state's budget office sent a letter to state agencies telling them to find ways to cut 15 percent from their current budgets.

"The COVID-19 pandemic is profoundly impacting Washington's economy and financial outlook," Inslee wrote. "The full impact is unknown, but the State's revenue situation warrants immediate fiscal restraint."

Inslee's directive takes effect on May 18, and has several exemptions, including for positions, contracts or purchasing related to public safety, revenue-generating activities, or those related to health and welfare activities of state government.

An unofficial revenue forecast from the end of last month shows the state could face a reduction in projected state revenues of \$7 billion through mid-2023. It remains to be seen what impact the first projected revenue reduction of \$3.8 billion through the end of June 2021 will have on the current approximately \$53 billion two-year budget. Officials have said that they will likely have to tap most of the more than \$3 billion in total projected reserves, but would still need additional savings.

The projection for the next two-year budget that lawmakers are tasked with writing at the start of the next regular legislative session in January is a nearly \$3.3 billion projected reduction in revenues from July 2021 through mid-2023. The next official state forecast is in June, but in the the letter sent Wednesday to state agencies, David Schumacher, the head of the Office of

Financial Management, that it "is clear, however, that we must start taking steps now to confront this fiscal crisis."

"Even using all of the reserves, if the unofficial forecast holds true, we estimate the state would still face a \$4.1 billion shortfall over the next three years," he wrote.

Inslee has said the Legislature will probably have to be called back into a special session before their next regularly scheduled session begins next January.

Schumacher directed agencies to identify budget saving options from their current budgets now, with the goal of a combined savings of nearly \$1.9 billion. They also were directed to start planning to propose reductions as part of their 2021-2023 budget proposals.

Schumacher noted that the governor's directive will lead to some savings at the agencies, but that they should look for additional savings, including reducing, delaying or eliminating programs. While the budget savings request applies to the Cabinet agencies, Schumacher wrote that he is urging the presidents of higher education institutions, boards and commissions, and other statewide elected officials "to undertake a similar budget savings exercise within their agencies and jurisdictions."

Washington's stay-at-home order — in place since March 23 — has been extended through at least May 31 and the state is in the early stages of a four-stage phase in for lifting of restrictions. There will be a minimum of three weeks between each phase, but rural counties that meet certain metrics are allowed to apply to speed up the phases.

As of last week, more than 810,000 people in the state have filed for unemployment benefits due to business closures related to COVID-19, and more than \$2.1 billion has been paid out.