



The Governor's Cabinet Address

Monday, December 21, 2009

Remarks by Gov. Jan Brewer

Thank you for being here today, especially on short notice.

I want to welcome my agency heads -- and also our distinguished guests.

I've invited you to this Emergency Cabinet meeting and I've asked the media to come, too, because right now, this minute, the state of Arizona needs two things from you -- and from every resident in the state.

We need your undivided attention. And we need your help.

But before we start, I want all of you -- and all Arizonans -- to know that I am extremely optimistic about our State's future. We are about to embark on our second century and that next 100 years holds great promise.

In our first century as a state, we endured difficult times only to come out stronger. We came out stronger because everyone knew what had to be done, and joined in a common purpose, laying the groundwork with tough decisions designed to make things better.

Like those who preceded us, we cannot allow our current troubles to undermine what it will take to build a better Arizona.

I will have more to say about Arizona's second century in the next several weeks.

What brings us together TODAY is the need to change how we are doing business so that we enter our next century from a position of strength and stability.

As Arizona's leaders, we face a state fiscal crisis of unparalleled dimension – one that is going to sweep over every single person in this room – as well as every business -- every family – every Arizonan.

It's a crisis rooted in the economy and the recession, but other ills have contributed as well.

We ARE faced with some of the worst days in our 97-year history.

We can debate how we got here, but we CANNOT remain paralyzed in our efforts to address the situation. We must set aside partisan politics and face the problem head on.

We must accept that we ARE where we ARE.

So here's the TRUTH:

The state has a budget deficit for the current fiscal year of \$1.5 billion.

Next fiscal year, 2011 -- a budget year that begins *in just six months* -- is even worse. Next year's budget deficit stands at \$3.4 billion.

As of today -- right here, right now, that MUST change.

Now, I want to thank the Legislature for its efforts last week to trim approximately \$200 million more from the budget deficit. This represents a 7.5 percent cut across-the-board. Because we are half way through the budget year, this will mean a 15 percent cut for most state agencies.

You'll recall that several months ago, I ordered you, as state agency directors, to prepare and publish 15 percent cut plans so that the Legislature and the general public would know what a 15 percent cut would mean in terms of service delivery.

Thanks to its actions last week, the Legislature has given me legal authority to implement those plans and other proposals. The bill they passed is not perfect and I recognize that it creates hardship for many of you and the people you serve. But I do intend to sign the bill in the next several days. We must take action.

With that, Directors, I ask you to finalize your implementation plans with my budget office immediately.

Mr. Raber, I ask you and your DOA staff to begin immediately the rulemaking process to implement the 5 percent pay cut authorized in those bills.

Now, with that bit of progress made, let's look into the face of reality, and admit that much more work needs to be done.

Today is about what lies ahead.

We're in a state that's living off credit, off its borrowings and off money we owe parties we didn't bother to seek loans from but just simply haven't paid.

Arizona's cash flow difficulties are so profound, we're living on borrowed time. And the clock never, ever stops ticking.

That's why you've been invited here today. EVERYONE in this room needs to hear the details of the crisis so you can come face to face with the reality that my Administration and I have been living and fighting to change for the past 10 months.

I want you to understand all of it:

The five years of spending that nearly doubled state government.

The economic recession has reduced state revenues by almost 40 percent in just 3 years.

The population growth in school children, university students, health care and welfare populations and inmates in our state prisons that fundamentally rules out simplistic solutions like rolling the state budget back to levels five, six, or more years ago.

Federal and voter mandates that prevent us from touching nearly two thirds of the state budget.

And the procrastination, denial, and lack of will that has allowed these problems to continue to fester.

The heart of our crisis is cash. We needed to borrow \$700 million just to get through December.

In January, we plan on borrowing an additional \$700 million by financing significant state assets.

We owe it to the citizens of this state -- our children and grandchildren -- to adopt and approve a solution.

You know, I started working in my mother's dress store when I was 12. I helped her account for every last penny she earned. That wasn't just busy work.

We HAD to do it to make sure we could pay every bill, to keep the store open after my father passed away.

THIS isn't busy work either. We must solve these problems and we must solve them now. We must respond to this crisis and keep Arizona moving forward. Every Arizonan must understand why this state is suffering.

We ALL need to understand.

My hope for this meeting is that once you have been updated with most current and accurate information, each of you will be there for Arizona, as you have in the past. I hope you'll listen and think deeply and leave here united in one common commitment – to save this state.

My team and I are open to your suggestions and to your solutions – no matter your past and no matter your party.

I hope that as we move forward, you and every Arizonan will join me in the fight that has occupied every day of my term as Governor. The fight to save this state.

Thank you for your attention. Now I'm going to turn it over to John Arnold, the state's budget director. He'll take you through where we stand at this moment.

Once he's done, I have some other remarks and then I'd like to hear from you.

John?

(John Arnold's presentation).

Thank you, John.

So, there you have it, ladies and gentlemen.

That, in grim detail, is where we are – even after the largest cuts in state history totaling \$1 billion -- even after a 10 percent reduction in the state workforce.

So, the moment has arrived.

The time has come.

Extraordinary times call for extraordinary action -- from each and every one of us.

Although the Legislature will be required to act to resolve the biggest issues, I can take some steps unilaterally.

Therefore, at my personal direction, the following steps will be taken immediately:

ONE: I am ordering my budget office to work with each of you to develop additional contingency plans in anticipation of additional agency reductions and to adjust spending allotments accordingly.

TWO: I am also ordering agencies to transfer monies out of all eligible special line items to ensure that they have sufficient funds to cover mandatory expenditures.

THREE: I am asking the Department of Education and the Board of Regents to notify school districts and universities to prepare for additional payment deferrals later in the year, beyond those already budgeted.

FOURTH, I am ordering the Arizona Department of Corrections to return to the custody of U.S. Immigration and Customs Enforcement (“ICE”) -- as soon as possible -- all non-violent criminal aliens as is allowed under existing law.

The cost of incarcerating these criminal aliens is NOT Arizona’s responsibility. By federal law, the cost of their incarceration is the responsibility of the FEDERAL government.

However, the federal government is refusing to adequately fund this program.

Even worse, Congress will likely reduce support funding from last year’s level. This is an INSULT to Arizona taxpayers: First, the federal government refuses to secure our border and allows criminal aliens to enter our state. Then, Arizona taxpayers pay for the prosecution of these criminal aliens. And then the federal government sticks us with the bill for their incarceration.

We cannot afford to be their hosts – and we no longer will be.

Director Ryan, please prepare for the orderly return of those prisoners who are eligible for release under existing law to the custody of the federal government for return to their country of origin and reduce your prison beds and budget accordingly.

In this process, we must ensure public safety—my highest priority as Governor.

We will be working with key legislators to enhance the existing penalties for any criminal alien who returns to our state after release.

Arizona taxpayers have paid enough for the refusal of the federal government to fulfill its constitutional duty to secure our border.

FIVE: I am restating my Arizonans-only directives to state agencies to ensure that public benefits are only provided to those who are legally in this country and reside in this state.

This is especially urgent when we are denying benefits to our own citizens. My efforts on this front have been assisted by the recent passage of a law strengthening the screening process for welfare applicants and other persons.

Since the effective date of this new law last month, the Arizona Department of Economic Security alone reportedly has referred to the federal government over 750 names of persons who could not document their legal status in this country.

SIX: I am asking ALL directors with discretionary programs to provide me with a list of non-mandatory programs that can be capped due to a lack of funding.

While many of these programs are important, and their freeze will be heartbreaking and difficult for many Arizona families, the Legislature simply has not committed enough funding for their continuation and we must divert resources to the programs that ARE mandated.

Starting today, I am implementing a wait list for KidsCare, the children's health insurance program at AHCCCS.

There will be a hard cap on childcare assistance wait lists at DES.

Directors Betlach, Humble, and Young, please prepare accordingly.

I will be reviewing the other lists in the coming weeks.

SEVEN: In order to sustain the most critical services, I am asking all citizens receiving state services to contribute more toward their benefits. Effective immediately, agencies are to implement means testing and sliding fee schedules to ensure the neediest among us receive the most help.

EIGHT, I am taking immediate steps to enhance the management of our state's cash flow. On your desks you will find instructions to change the processing of state warrants.

Specifically, the Department of Administration will be re-programming the state's accounting systems to process all non-statutory warrants at the end of the state's 30-day payment period.

In addition, a 48-hour wait period will be required for all outgoing warrants to the Treasurer's office.

I also am forming a cash management team to oversee daily cash flows.

I am asking all state CFO's to gather tomorrow to discuss the implementation of these new procedures.

NINE: I am establishing a Privatization Commission to expand the use of private sector services in state government. This commission will be charged with developing best practices, identifying areas of state government appropriate for privatization and developing plans for the implementation of privatization solutions. Privatization done properly will help the state reduce operational costs, improve service delivery and quality, and lead to innovation.

And FINALLY: In the first week of the New Year, I will be convening the legislative leadership of both parties. I will not be asking for theories, or for a vote count of what might or might not work politically. I will ask for honest, comprehensive and TIMELY solutions to the current budget deficit.

Otherwise, at the current pace, we won't even resolve the 2010 budget deficit until 2013!

I expect legislators to heed their calling on behalf of the people of Arizona and step forward with clear answers, and concrete solutions to address the current budget deficit.

They must not ignore or further delay the steps necessary to address Arizona's extreme fiscal crisis.

Then we must quickly turn our attention to fiscal year 2011.

In the next several weeks, my staff and I will be meeting with you, legislators, other government officials, members of the business community and other interested parties as I put the finishing touches on my budget recommendation for FY2011.

I can tell you with all sincerity the honest solutions will be tough medicine. I am sure no one will be happy with it.

But, we all care about the state and no responsible person would ever see insolvency as an option.

Moreover, I will be bringing forward a plan to propel Arizona's economy – because, together, we are more than this budget crisis.

We must not forget that it's the PRIVATE sector and the innovators in our state that will lead our economic recovery.

And I pledge to do all I can to support them as they work to turn this state around.

We CAN recover, and we WILL recover.

My commitment to the people of Arizona is to do everything in my power to restore the state's financial integrity, to revive its hope, to rejuvenate its spirit

Because our path is the RIGHT one, I intend to lead with confidence -- guided by your help -- and an ARIZONA strength that has never left us.

THANK YOU.

I'd now like to open it up to you for questions you might have of John regarding his presentation.

Closing Remarks:

Well, now you know the latest.

It is the raw truth, filled with unpleasant facts and painful answers.

I wish it were otherwise.

I call upon the Legislature to join me in a comprehensive adoption of my budget proposals, or to promptly and without further delay propose a realistic and responsible alternative. Failure to adopt responsible proposals that are in front of you, obligates you to offer a realistic alternative.

What I do ask of all of you who are here today, is to be truth-tellers.

Tell others what you heard today. Tell them what you know.

And, tell them one more thing.

Tell them what is going to sustain us in the days and weeks ahead, is that we all have a clear vision of the summit that is ahead and how -- step by step, hand to hand, -- we can conquer it.

We are Arizonans.

Thank you. God Bless you and your families at Christmas and May He continue to bless Arizona.