Governor’s Budget Proposal: Not a Prescription for Progress

By Kim Justice

Introduction

In response to the continuing effects of the recession, Governor Gregoire has proposed a short-sighted, all-cuts budget for the 2011-13 biennium, which runs from July 1, 2011 to June 30, 2013. Her proposal fails to include sensible revenue reforms needed to preserve essential, voter-approved commitments to health care, education and other vital public priorities while the economy recovers.

As shown in Figure 1, the Governor’s budget would result in unacceptably painful and economically-damaging cuts to many core public systems needed to sustain our economic recovery. On top of the $5 billion in cuts to important services enacted in the 2009-11 biennium, the Governor’s proposed budget plan for the next two years would mean:

- Cutting efforts to ensure the health of people and environment by another 10.2 percent. For example, services that seek to improve infant survival and health for women and babies would be reduced by 50 percent.

- Investments in education and opportunity- from preschools to universities- would be cut by another $2.2 billion. Thousands of students seeking to further their education will see a 9-11 percent rise in the cost of tuition, pricing many families out of higher education.

- Programs that create thriving communities- such as public safety and balanced economic development- would receive an additional 4.3 percent cut. Two correctional facilities would close- one for adults and one for juveniles.

- Systems that provide economic security for struggling families would be reduced by 22 percent, resulting in a loss of basic food assistance to roughly 14,000 people.

While there has been much recent talk of transforming government, the Governor’s proposal does little to improve long-term fiscal management. Rather, the proposal’s overly simplistic, cuts-only strategy would severely weaken or eliminate fundamental public services in the short-term, saddling future generations with even higher costs.

A more rational and balanced proposal would couple targeted budgets cuts and short-term revenue enhancements – needed to preserve essential services while our state economy
Cuts-only budget: More damage

Since the start of the Great Recession in 2008, policymakers have predominantly responded to the crisis by sharply cutting the very services struggling workers and families most need -- health care, worker retraining programs, child care, and many other core supports. If enacted, the Governor’s budget would only continue to damage our communities.

The graph below shows that, by far, budget cuts represent the largest share of our state’s response to the economic downturn under the Governor’s proposal:

- Cuts in core public services would account for a whopping 51 percent of the $17.9 billion in shortfalls encountered by policymakers since the recession began.
- While much attention was paid to the modest revenue package enacted in early 2010, tax increases would account for only 5 percent of total budget-balancing actions.
- Federal stimulus funding, which expires at the end of the current fiscal year, would account for 22 percent of the solution.
- Transfers and other changes would account for 22 percent of the solution.

A cuts-only approach is the wrong prescription for Washington

Another $4 billion in cuts would take our state back in time, undoing the commitments affirmed by both the Legislature and overwhelming support from the public over the years:

- The Basic Health Plan was established in the late 1980’s to provide affordable health care to low-income working adults and has served as a national...
model for health care delivery. The public asserted the value of the program at the ballot box in 2001. The proposed budget eliminates the program entirely, resulting in the loss of health care for nearly 60,000 working adults.

- In 2000, voters approved Initiative 728 to improve learning for kids in K-12 by reducing class sizes. The proposed budget suspends this initiative.

- Initiative 732 was passed by voters in 2000 to provide cost of living increases for our teachers. The proposed budget suspends this initiative.

- The Legislature passed the Apple Health for Kids bill in 2007 to set the goal of covering all kids with health care by the year 2010. The proposed budget eliminates health coverage for 27,000 children.

Not only do the proposed cuts damage our public structures—our education system, health care infrastructure, and public safety—they literally change the role of state government. If the Governor’s budget becomes law, it will spell the end of the state’s role in supporting a healthy and prosperous society. Under the Governor’s budget, the state would no longer provide:

- Medical and income support to over 20,000 people who cannot work due to a disability;

- Food assistance, interpreters, employment services, and naturalization services to low-income immigrants and refugees;

- Prescription drug assistance for low-income seniors;

- Funding for our parks system.

An all-cuts budget is unsustainable and irresponsible

Over the last few years, Washingtonians have seen the toll that the economic recession has taken on our state. At this critical juncture, an excessive reliance on deep cuts to fundamental public priorities could leave...
Box 1: The 2011 Supplemental Budget proposal fast-tracks harmful cuts

In addition to the cuts proposed in the Governor’s 2011-13 budget, she also submitted a 2011 Supplemental budget proposal to address the remainder of a $1.1 billion shortfall for the current biennium which runs through June 30, 2011. The Legislature addressed about half of the shortfall when they met in mid-December to pass an early-action budget bill (HB 3225).

The 2011 Proposed Supplemental budget jump-starts a number of the cuts in her biennial proposal, creating immediate harm for many. Health coverage for nearly 60,000 low-income working adults and 27,000 children would end, as would medical and cash assistance for over 20,000 individuals who cannot work due to a disability.

Box 2: Governor plans to cut over $350 million in supports to low-income families

Additionally, the Governor has planned to make over $350 million in reductions to the state’s WorkFirst program, which provides financial and employment services to struggling families*. These reductions will wreak havoc on a family’s ability to meet their most basic needs. Reductions include:

- Cutting cash assistance by 15 percent, which reduces the maximum grant for a family of three from $562 to $478;
- Reducing eligibility for child care support resulting in the loss of child care for 3,600 parents;
- Limiting access to child care, impacting 1,600 families per month who would have previously qualified;
- Limiting the hardship extension for families who have been on WorkFirst for 60 months or more, resulting in the loss of benefits for over 5,000 families and nearly 13,000 children.

*The Governor has discretion over spending in the WorkFirst program. The reductions reflect cuts in FY 2011 as well as the 2011-13 biennium. Detail of reductions provide by Washington State Department of Social and Health Services.

Washington ill-equipped to compete once the national recession has abated.

If our state continues on the trajectory of making deep cuts to our priorities, we will only end up pushing the costs forward:

- Cuts to health care for vulnerable populations result in higher utilization of emergency rooms;
- Less support for seniors aging at home results in greater usage of nursing homes;
- Lack of mental health treatment results in increased use of jails;
- Cuts to education mean that fewer businesses will find the workforce that meets their needs.

All of these alternatives have significantly greater costs to our state, to us as individuals, and to the society that we aspire to create.

Initiatives not an excuse for an unbalanced approach

It would be a mistake for lawmakers to read the passage of Initiatives 1053 and 1107 last November as a mandate for a damaging, cuts-only budget in the coming biennium. (I-1053 requires that all tax increases be approved by two-thirds vote in the legislature or a vote...
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of the people; I-1107 repealed taxes on soda, candy, and bottled water.)

Given the depth of the economic crisis two-thirds of legislators ought to agree on a sensible package of revenue enhancements that would offset the worst of the proposed cuts. Failing that, a simple majority of legislators should allow voters to decide on such a package by adding a referendum measure to the 2011 November ballot.

Long-term reforms needed

To ensure that our budget is sustainable over the long-term, it is imperative that the Legislature reform one set of state policies that cost the state more than $6.5 billion a year1 – blindly keeping hundreds of special tax breaks on the books each year. In times like these, it is critical that all areas of spending become part of the conversation. Effective management of our state’s resources requires a thorough review and evaluation of the money the state spends not only through the budget but also through tax exemptions—everything from exemptions on out-of-state coal to medically unnecessary cosmetic surgery.

Over the coming days, the Budget & Policy Center will roll out a more detailed approach to balancing the budget—an approach that offers a path out of accepting a budget that decimates our values.

Conclusion

The state budget is a reflection of our values and goals. The decisions we make to balance the budget will have an impact on our ability to educate our children, maintain the health and well-being of Washington families and workers, provide economic security to those in financial need, and rebuild our economic future.

The Governor’s proposed budget is a starting point, not the end. Over the coming weeks and months, both chambers of the Legislature will craft their own versions of a balanced budget.

The Legislature has a unique opportunity to stand up for the values of Washingtonians and ensure the long-term fiscal health of the state.

The Legislature and Governor should work together to enact a budget that protects our investments in core values and provides for true reform of our tax expenditure system.

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Endnotes

1. The primary source throughout the report is the authors’ analysis of budget data from the Legislative Evaluation and Accountability Program (see http://fiscal.wa.gov and http://leap.leg.wa.gov/leap/budget/index_lbens.asp).

2. Estimate based on DOR data on tax exemptions and taxpayer savings. The estimate it is illustrative of the amount of revenue foregone each biennium, but is not precise as some taxpayer savings could not be realized as revenues.
HEALTHY PEOPLE AND ENVIRONMENT

Maintenance Budget (in millions)  $10,300
Governor’s Proposal  $9,250
Difference  -$1,049

Good health allows people to fully participate in the economic, social and civic life of the state. A clean, safe environment is essential for people to work and raise families. To further the goal of good health, important investments have been made in expanding access to affordable, high quality medical care, creating a strong public health system to effectively address issues of disease outbreak or natural disasters, and caring for people with long term needs.

Key Budget Changes (in millions, NGF-S)

Health insurance access and affordability
1. Reduce grants to community clinics  ..................  -$13
2. Reduce funding to community clinics by changing the method of reimbursement  ..................  -$85
3. Eliminate health coverage for nearly 60,000 working adults (Basic Health Plan)  ..................  -$230
4. Eliminate medical interpreter services  ..................  -$11
5. Eliminate funding that helps seniors afford their prescription drugs (Medicare Part D co-pay subsidy)  ..................  -$16
6. Eliminate podiatry services  ..................  -$2
7. Reduce dental services  ..................  -$26
8. Eliminate medical coverage for Disability Lifeline recipients who cannot work due to a disability  ..................  -$148
9. Eliminate Apple Health for Kids health coverage to 27,000 kids  ..................  -$59

Public Health
10. Reduce HIV prevention services  ..................  -$2
11. Eliminate state funding for reproductive health  ..................  -$9
12. Reduce services for pregnant women at risk of unhealthy birth outcomes  ..................  -$22

Other Health
13. Reduce funding for community mental health services  ..................  -$17
14. Reduce services to people caring for family members with developmental disabilities  ..................  -$1
HEALTHY PEOPLE AND ENVIRONMENT con’t.

15. Close Frances Haddon Morgan & Yakima Valley School for people with
developmental disabilities .................................................. -$2
16. Reduce services to recipients of in-home care ......................... -$97
17. Eliminate prevention and early interventions services to children and families
(Family Policy Council and the Council for Children and Families) .... -$5
18. Reduce services for children with intense emotional and behavioral needs .... -$11
19. Reduce support services for at-risk youth
(includes reduction to Home Security Funds) ............................ -$7

Source: BPC calculations; data from the Legislative Evaluation & Program Committee (LEAP)
ECONOMIC SECURITY

Maintenance Budget (in millions) $1,327
Governor’s Proposal $1,036
Difference -$291

State investments in economic security ensure that everyone can meet basic needs and make efforts to improve their quality of life during difficult financial times. An economic recession means that more families in the state are experiencing financial insecurity and hardship. The unemployment rate in the state has been steadily rising over the past couple of years, resulting in a loss of income for workers and families. These difficult economic times have affected every sector of the job market and every person in the state in some form or another.

Key Budget Changes (in millions, NGF-S)

Economic Security
1. Eliminate cash assistance for individuals who cannot work due to a disability (Disability Lifeline) ................................................................. -$130
2. Eliminate a program that provides access to living wage jobs (Port Jobs program) ................................................................. -$0.106
3. Eliminate services that help refugees and immigrants obtain citizenship ...... -$6
4. Eliminate employment services for refugees ......................................... -$10
5. Eliminate food assistance for legal immigrants ...................................... -$61

Source: BPC calculations; data from the Legislative Evaluation & Program Committee (LEAP)
THRIVING COMMUNITIES

Maintenance Budget (in millions)  $5,570
Governor’s Proposal  $5,329
Difference  -$242

Vibrant communities foster civic engagement, the arts, and economic innovation. They depend on reliable systems for transportation, communication, and justice. State infrastructure must be maintained and updated over time to keep pace with population growth and changing demographics. Washington State has made smart investments in the sustainable use of natural resources and has made efforts to conduct government business in a transparent manner. These are long-term investments in the health and well-being of our communities.

Key Budget Changes (in millions, NGF-S)

Cultural and natural resources
1. Eliminate state funding for parks  -$67
2. Eliminate Arts Commission  -$3
3. Eliminate tourism development  -$4

Public Safety
4. Close McNeil Island Correctional Center  -$23
5. Close Maple Lane correctional facility for juveniles  -$3

Source: BPC calculations; data from the Legislative Evaluation & Program Committee (LEAP)


EDUCATION AND OPPORTUNITY

Maintenance Budget (in millions) $19,200
Governor’s Proposal $17,000
Difference -$2,200

Education provides pathways to success in business, industry, the arts, and sciences. Every child, teenager, and adult deserves access to a high quality education that opens doors to new opportunities and prosperity. In recent years the state has made significant investments in ensuring an equitable education system in our state. These investments can be seen in early childhood education, elementary and high schools, and in our institutions of higher learning.

Key Budget Changes (in millions, NGF-S)

**Early Learning**
1. Eliminate 1,324 preschool slots for three-year-olds in early learning programs -$9
2. Eliminate wage supplements for the professional development of employees in child care centers (Career and Wage ladder) -$3

**Education reform**
3. Reduce funding that is used to help equalize school funding across wealthier and poorer districts -$39
4. Suspend a program that reduces class sizes, increases teacher professional development, and improves learning opportunities for students (I-728) -$860
5. Suspend voter-approved cost-of-living adjustments for education professionals (I-732) -$253
6. Eliminate programs that help students enter school ready to learn, improve reading skills and prevent drop-out (Reading Corps, Readiness to Learn, Jobs for America’s Graduates) -$10
7. Eliminate enriched instruction for 19,000 gifted students -$17
8. Eliminate funding for K-4 class size reduction -$191

**Higher Education & Workforce Development**
9. Eliminate part-time work that helps 2,800 students earn money for college (Work Study) -$21
10. Increase tuition by 9-11 percent at our state’s four year institutions, regional colleges, and community and technical colleges -$342
11. Maintain state funding to hold low-income students harmless from tuition increases (state need grant) $92
12. Suspend a student loan forgiveness program for health professionals who agree to work in rural and underserved areas of the state -$8

Source: BPC calculations; data from the Legislative Evaluation & Program Committee (LEAP)