

Governor's Budget Shows Need for Balanced Approach

By Jeff Chapman

Introduction

For the second year in a row, the Governor's budget proposes deep cuts to core public services in response to the continuing economic and fiscal crisis in the state. Combined with the cuts already enacted in the current biennium, the Governor's supplemental budget proposal would result in a nearly 14 percent reduction in the state's investments in education, health care, and economic security.

The damage to our education system, health care infrastructure, public safety, and environmental protections would impact all Washingtonians. The Governor's supplemental proposal would also create immediate harm for many. For example:

- * Over 65,000 people will lose access to affordable health insurance;
- * 16,000 children will lose health insurance coverage;
- * Over 20,000 people who are unable to work due to disability will lose financial and medical assistance;
- * 12,300 students from lower income families will lose an important source of financial aid;

- * 2,400 working families per month will lose child care assistance;
- * 1,500 three-year-olds will lose access to early learning opportunities.

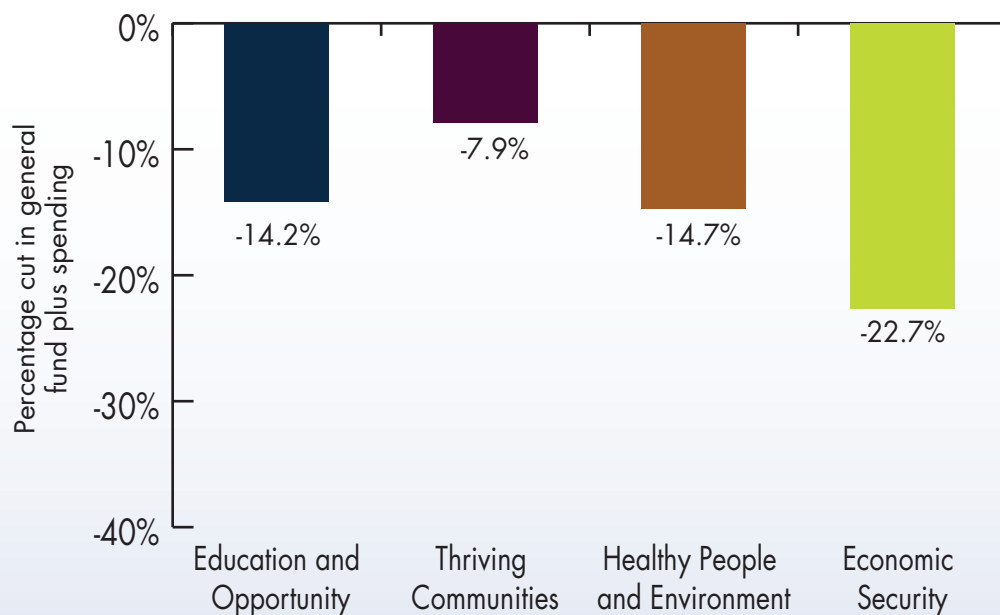
Relying heavily on deep cuts represents one potential approach to the budget shortfall. Over the coming months other ideas will be presented, including more balanced approaches that propose raising revenue to avoid drastic cuts that will harm our state's residents and economy.

Cuts on top of cuts

The \$1.6 billion in cuts proposed in the Governor's supplemental budget proposal should not be considered in isolation. These cuts are on top of the \$3.5 billion in cuts already made to the current biennial budget when it was signed in May. Combined with those already-enacted cuts, the Governor's supplemental budget proposal would result in a nearly 14 percent reduction in the state's near-general fund. This is not counting the cuts being offset with federal recovery funding.

Every area of the budget has been affected by the enacted budget cuts and will con-

Figure 1: Governor's budget proposes cuts in every area of the budget



Source: BPC analysis of OFM and LEAP data

tinue to suffer under the Governor's supplemental budget proposal. Taken together, the enacted cuts and the Governor's supplemental budget proposed cuts include:

- * Investments in education and opportunity - from preschool to universities - would be cut by 14 percent (Figure 1). Higher education and worker training would be hit particularly hard, with a 23 percent cut in total;
- * Programs that create thriving communities - such as public safety and balanced economic development - would receive an eight percent cut;
- * Efforts to ensure the health of people and our environment would be cut by 15 percent;
- * State spending on supports that provide economic security would be reduced by 23 percent during the worst recession since the Great Depression, a time

of expanding need for lower income people.

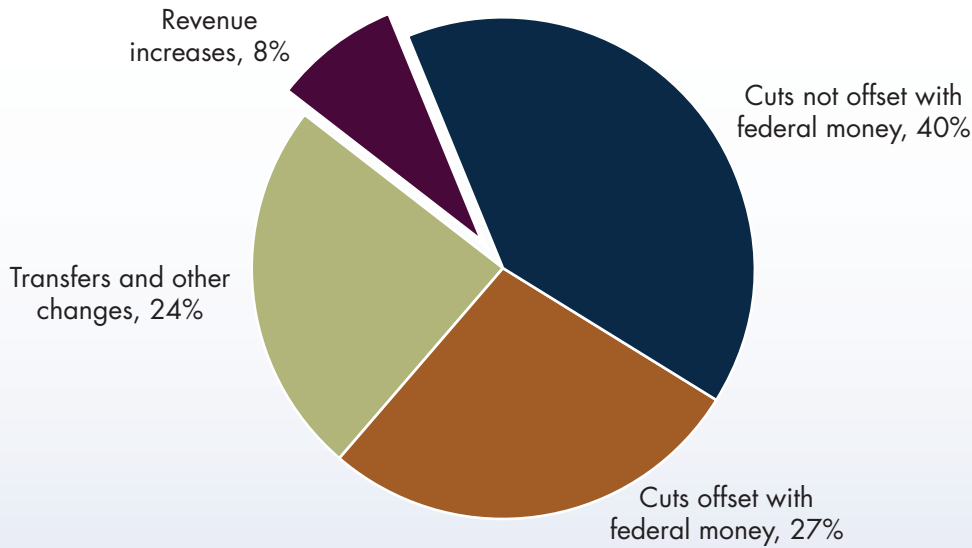
The individual cuts proposed in the Governor's supplemental budget are detailed on pages 4-8.

An imbalanced approach

During the last session, the state faced a \$9 billion shortfall for a three-year period (fiscal years 2009 through 2011). The Governor and Legislature responded primarily by cutting state spending. There were a few pieces of legislation that raised revenue, but no meaningful tax increases. The balance of the budget shortfall was closed with federal recovery funding, account transfers, and other budget changes.

The Governor's supplemental budget proposal that was released on December 9th of this year follows in the same vein focusing heavily on cuts. It proposes no revenue increases and fills in the remaining hole with various transfers and changes.

Figure 2: Revenue would be only 8% of the FY09-FY11 budget solution under Governor's forthcoming proposal



Source: BPC analysis of LEAP and OFM data

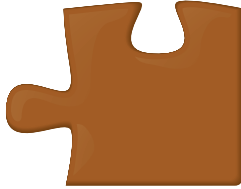
However, the Governor also announced that she would introduce a second budget in January that would replace \$700 million of the proposed cuts with revenue increases. She listed a number of budget items that she hopes to protect in her second budget, but many important services are left out, such as programs that help working families pay for child care, prevent costly health problems by supporting at-risk pregnant women, and clean up toxic sites.

Even with the Governor's forthcoming revenue proposal, the approach the state has taken to the total budget shortfall will still be severely imbalanced. The Governor's current proposal to raise \$700 million combined with the revenue-raising efforts of the last legislative session amount to only eight percent of the total \$11 billion budget shortfall. This is in contrast to the 40 percent in budget cuts to core public services (Figure 2).

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, and provide economic security to those in financial trouble. These decisions will also determine how quickly and effectively Washington recovers from this difficult economic period. It is time for a balanced approach, in which careful spending cuts are combined with meaningful increases in revenue.

HEALTHY PEOPLE AND ENVIRONMENT



Maintenance Budget (in millions)	\$8,725
Governor's Proposal	\$8,204
Difference	-\$521

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)

Public & Environmental Health

1. Eliminate early intervention and direct services for 2,500 HIV positive and HIV-vulnerable clients -\$10
2. Eliminate outpatient services for 3,600 Alcohol and Drug Abuse Treatment and Support Act (ADATSA) clients -\$9
3. Reduce funding for watershed planning and water resource management -\$6
4. Eliminate state funding for chemical dependency and detoxification services for 3,800 lower income adults -\$5

Child & Family Services

5. Reduce Behavioral Rehabilitation Services for at-risk children and adolescents -\$4
6. Reduce financial support for foster parents -\$4
7. Reduce funding for services which help keep children safely in their own homes by half -- the equivalent of funding for 2,400 families -\$6

Health Insurance Access & Affordability

8. Eliminate Basic Health, which provides affordable health insurance to over 65,000 Washingtonians -\$161
9. Eliminate General Assistance - Unemployable medical benefits to over 20,000 adults who are unable to work because of physical or mental health disability -\$122
10. Suspend the following services for lower-income adults: non-emergent dental, hospice, physical, occupational, and speech therapy, interpreters, vision, hearing, podiatry, and Medicare Part D copays -\$44
11. Suspend maternity support services for women with at-risk pregnancies -\$28

HEALTHY PEOPLE AND ENVIRONMENT

Health Insurance Access & Affordability Con’t

12. Reduce Medicaid reimbursement rates to hospitals by five percent	-\$23
13. Eliminate grants for community clinics	-\$12
14. Eliminate health care coverage for 16,000 lower income children	-\$12
15. Suspend school-based Medicaid services	-\$6

Long-term Care, Developmental Disabilities, & Mental Health

16. Eliminate housekeeping and off-site laundry services to thousands of long-term care clients and people with developmental disabilities	-\$18
17. Cut state contribution to home care worker health insurance in half	-\$14
18. Suspend most funding for Senior Citizens Services Act programs	-\$7
19. Eliminate Medicaid Personal Care services for 700 elderly clients and people with developmental disabilities	-\$6
20. Reduce personal care services for 8,100 elderly clients and 1,400 people with developmental disabilities	-\$6
21. Limit eligibility for assistance to families caring for a loved one with developmental disabilities and reduce benefits by 25 percent	-\$5
22. Reduce funding of community mental health services	-\$4
23. Reduce funding for Program for Adaptive Living Skills	-\$3
Net of all other changes, including compensation changes and interdepartmental transfers	-\$6

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



EDUCATION AND OPPORTUNITY

Maintenance Budget (in millions)	\$16,908
Governor's Proposal	\$16,155
Difference	-\$754

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)

Early Learning

1. Eliminate state-funded early learning opportunities for 1,500 three year-olds from lower income families -\$11

K-12 Education

2. Suspend a program that provides resources to property-poor school districts -\$143
3. Eliminate funds to help schools reduce class sizes in early grades -\$111
4. Eliminate a program that reduces class sizes, increases teacher professional development, and improves learning opportunities for students (voter-passed initiative 728) -\$78
5. Eliminate funding for full-day kindergarten in schools with high poverty rates. -\$34
6. Eliminate certain professional development opportunities for educators -\$15
7. Eliminate grant programs that bridge gaps between high school and college, assist students with dyslexia, widen opportunities for higher education, and more -\$14
8. Eliminate enhanced funding that serves 23,000 highly capable students -\$7

Higher Education & Workforce Development

9. Eliminate financial aid (State Need Grant) for 12,300 students and significantly reduce aid for remaining recipients -\$146
10. Eliminate work study and various financial aid programs -\$35
11. Cut course offerings and administrative programs -\$89
12. Shift preventative maintenance expenses to capital funds -\$103
13. Fund additional 2,500 working retraining slots at community and technical colleges \$12

Net of all other changes, including compensation changes and interdepartmental transfers \$21

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



ECONOMIC SECURITY

Maintenance Budget (in millions)	\$1,286
Governor’s Proposal	\$1,056
Difference	-\$229

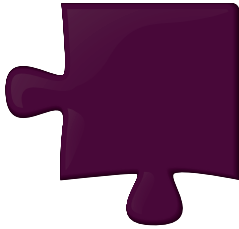
State investments in economic security ensure that everyone can meet basic needs and make efforts to improve their quality of life during difficult financial times. An economic recession means that more families in the state are experiencing financial insecurity and hardship. The unemployment rate in the state has been steadily rising over the past year, so that workers and families have not only lost income, but access to employer-provided health care. 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)

Economic security

1. Restrict eligibility for child care assistance for lower income working families, affecting 2,400 families per month	-\$89
2. Eliminate General Assistance - Unemployable financial assistance to over 20,000 adults who are unable to work because of disability	-\$89
3. Cut services to vulnerable families by instituting eligibility restrictions, eliminating a career services program, and more	-\$18
4. Suspend programs that send child support payments directly to families	-\$9
Net of all other changes, including compensation changes and interdepartmental transfers	-\$25

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



THRIVING COMMUNITIES

Maintenance Budget (in millions)	\$5,231
Governor’s Proposal	\$5,104
Difference	-\$127

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.

Thriving Communities

Net of all other changes, including compensation changes and across-the-board cuts -\$229

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

The Budget & Policy Center gratefully acknowledges the support of the Annie E. Casey Foundation, Bill & Melinda Gates Foundation, Paul G. Allen Family Foundation, Marguerite Casey Foundation, Champion Foundation, and the Seattle Foundation. The findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of these organizations.