

No denying it: At least \$10 billion has been cut from the state budget

By Kim Justice and Andy Nicholas

Introduction

State budget cuts have taken an enormous toll on Washington state's core public health, education, and community safety structures. Basic public services have been cut by at least \$10 billion since the start of the Great Recession. These budget cuts have taken a grizzly toll on the health and well-being of workers and families from Aberdeen to Spokane.

Yet, some have suggested that the impact of budget cuts has been greatly exaggerated. Nothing could be further from the truth. Here's why:

- ***The human toll of budget cuts is undeniable:*** Over 70,000 low-income working adults have lost health care coverage, over 20,000 children and families have lost assistance to get and keep a job, and the cost to attend college has almost doubled since 2007 at four-year institutions due to increases in tuition.
- ***Claims about higher state revenues fall apart when placed in context:*** In real terms (after adjustment for inflation) state revenues are currently about \$2 billion (12.6 percent) below pre-recession levels.

- ***Resources are low, but the need for public services is high:*** In addition to normal cost pressures such as inflation and population growth, the impact of the Great Recession has led more families to seek assistance to meet their basic needs.
- ***In reality, public structures have weathered more than \$10 billion in budget cuts:*** Round after round of cuts from an ever-decreasing baseline has hidden the true magnitude of the cuts enacted since the start of the recession.

The human toll of budget cuts is undeniable

Those who argue that budget cuts have been exaggerated ignore the very real impact that these cuts have had on communities throughout our state:

- The number of kids in K-12 increased by 12,135 between 2008 and 2010, but the number of teachers in classrooms shrunk by nearly 3,000.
- Over 20,000 eligible students were unable to receive financial aid in 2010 due to insufficient state resources.
- The average cost to attend college has risen 94 percent for students and families

since 2007 at four-year institutions due to dramatic increases in tuition. The cost has risen 54 percent at community and technical colleges.

- Over 70,000 low-income working adults have lost health care coverage since 2009, through the Basic Health Plan.
- Over 20,000 adults and children have lost assistance needed for families to get and keep a job.
- Approximately 7,000 low-income working parents have lost crucial child care support, which helps them remain in the workforce.
- Over 50,000 low income seniors have lost support to help them afford their prescription drugs.
- Roughly 20,000 individuals who cannot work due to a disability have seen their income support vanish.

For more detailed information on these cuts and others, view the Budget & Policy Center briefs,

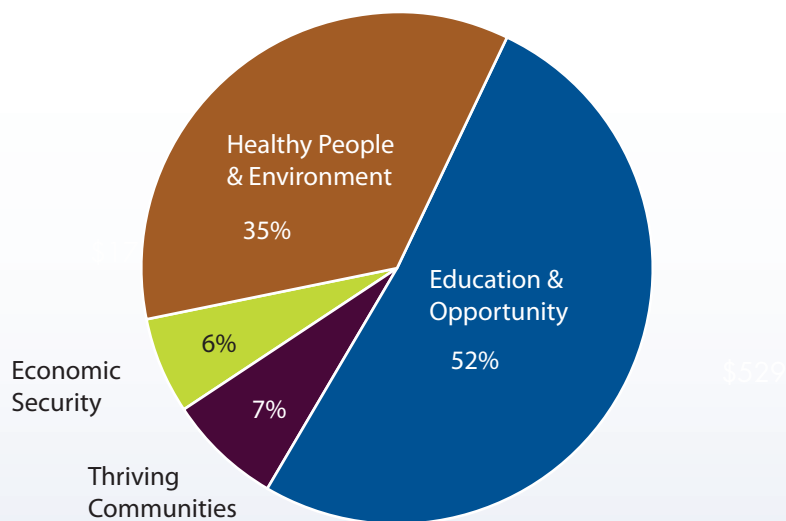
[“Economic Security: Key to Recovery”](#) and [“Declining Support for Education Threatens Economic Growth.”](#)¹

Every area of state investment has been affected by cuts (Figure 1). The majority of cuts have fallen on our education and health care systems. Cuts to education have reduced the quality of our children’s education and the ability of workers to obtain the skills they need for the jobs of tomorrow. Health care cuts have left thousands of Washingtonians without medical care.

In reality, public structures have weathered more than \$10 billion in budget cuts

Some have argued the budget cuts reported to date are mere accounting tricks – that actual service reductions have been much lower. In fact, the opposite is true. Budget cuts are significantly *undercounted* in our state budget process. That’s because every year that reductions are made, the current service baseline, or

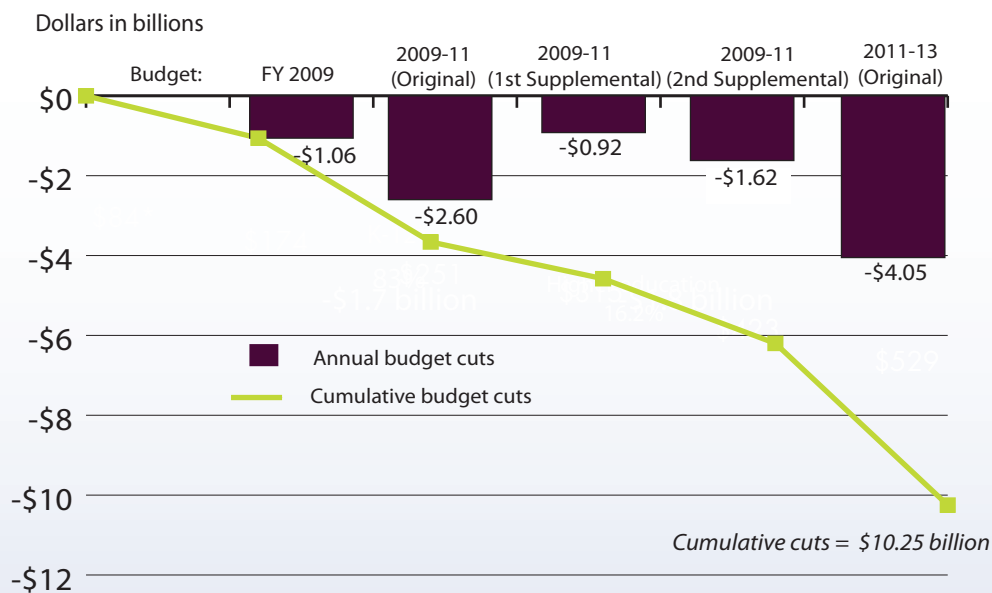
Figure 1: Health and Education have Suffered the Largest Share of Cuts



\$10.2 billion in cuts since 2009

Source: Budget & Policy Center calculations; data from LEAP

Figure 2: Over \$10 Billion in Cuts Have Been Made Since 2009



Source: Budget & Policy Center calculations; data from LEAP; based on most relevant maintenance levels

“maintenance level,” is reduced (see Box 1). The maintenance level has been diminished with multiple rounds of budget reductions. And, cutting from an ever-shrinking baseline masks the true magnitude of the cuts enacted so far. The bottom line, as shown in Figure 2, is that at least \$10 billion in budget cuts have been enacted since the start of the recession.

Claims about higher state revenues fall apart when placed in context

State tax revenues are far below pre-recession levels. Before adjustment for inflation, Figure 3 shows that by 2010, the deepest part of the recession, state revenues had fallen to \$1.9 billion (12.3 percent) below 2007 levels. Revenues are presently \$820 million (5.3 percent) below the pre-recession mark, and aren’t projected to approach 2007 levels until 2013.

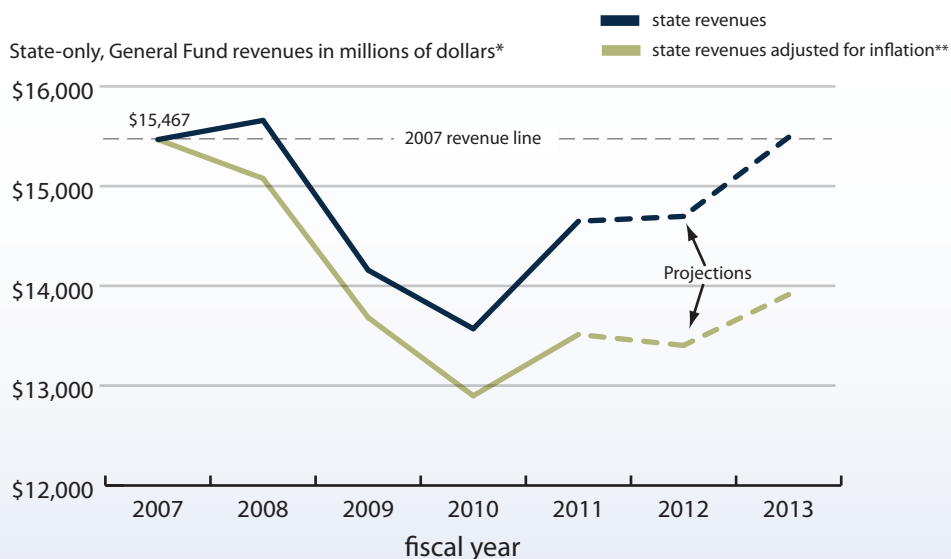
The decline in state revenues is even more dramatic once elements of inflation, such as rising energy prices – which make it more expensive for the state to fuel police

Box 1: The maintenance budget

The maintenance level refers to the cost of maintaining the same level of services from one fiscal year to the next, accounting for factors such as general price inflation, increases in the population, and increases in the number of people qualifying for support.

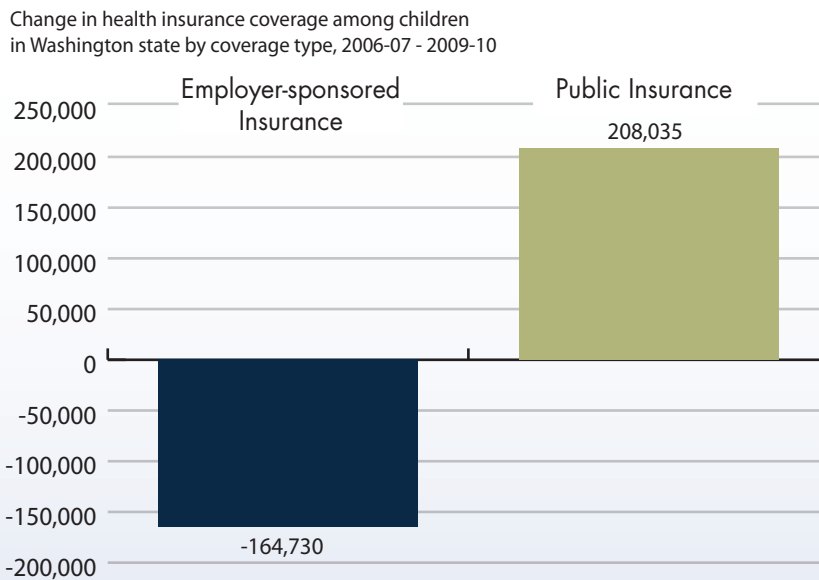
The maintenance level is recalculated each year to account for changes in state law enacted the previous year and for increases or decreases in caseloads. Because it is recalculated annually, it is unknown how much it would cost to provide pre-recession levels of services in the current year.

Figure 3: State Revenues Won't Reach 2007 Levels Until 2013



Source: Budget & Policy Center analysis; ERFC and BLS Data
 *General Fund-State is comprised of revenues from the sales tax, B&O tax, property tax, and other taxes
 ** Real 2007 dollars, adjustment made using the Consumer Price Index (CPI-U)

Figure 4: Public Health Insurance for Children Has Been a Crucial Backstop



Source: Budget & Policy analysis of Census Bureau data (CPS)
 Changes are statistically significant at the 90% level

cars and heat classrooms – are taken into account. In real terms (after adjustment for inflation) state revenues are currently about \$2 billion (12.6 percent) below pre-recession levels, and aren't projected to recover within the foreseeable future, based on estimates from the state's Economic and Revenue Forecast Council.

Resources are low, but the need for public services is high

The cost of providing consistent levels of services rises each year due to inflation, demographic changes such as the aging of our state population, and other factors. In addition to these ordinary cost pressures, the Great Recession – and the mass layoffs that have come with it – has greatly increased the need for state-supported health care, educational opportunities, and other essential services among Washingtonians.

A good example is Washington's Apple Health for Kids program, which has proven to be a crucial backstop for families throughout the recession. Figure 4 shows that while thousands of children in Washington have lost their parents' employer-provided health coverage since the start of the recession, Apple Health and other public insurance programs have helped to fill the gap. As the graph shows, about 165,000 children in Washington lost employer-sponsored insurance from 2006-07 through 2009-10. During the same period, the number of children enrolled in state-supported health programs grew by about 208,000.² Accordingly, the costs of maintaining Apple Health have risen significantly in the last few years.

Conclusion

Over the next few months, state lawmakers will make pivotal decisions about the future of our state as they work to address a \$2 billion shortfall. It is important for all of us to know where we've been before we can make decisions about where we're going next.

In just three years, there have been more than \$10 billion in cuts impacting working families, children, older adults, people with disabilities, and students. Another all cuts budget would be indefensible. Therefore, it is vital that new revenue be included as part of a balanced solution to our economic problems.

In the short run, we can raise additional resources to preserve our essential health and education structures by ending unjustified tax breaks and **modestly increasing the sales tax**.³ An increase in the sales tax should be paired with the Working Families Tax Rebate to significantly reduce costs for lower-income working families with children.

In the long run, a **small excise tax on some capital gains** would go a long way toward improving the adequacy and equity of our flawed revenue system.⁴

There will be disagreements about the revenue package – where it should come from, how much it would raise, and who would pay. That is to be expected. But we should not diminish the magnitude of cuts to state investments enacted since the start of the recession. Thousands of Washingtonians have lost health care and opportunities to build a better future. Ignoring this fact clouds our ability to make sensible choices about public priorities going forward.

Acknowledgments

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Endnotes

1. For more information see "Economic Security: Key to Recovery," located on-line at <http://budgetandpolicy.org/>

[reports/economic-security-key-to-recovery-and-properity](http://budgetandpolicy.org/reports/economic-security-key-to-recovery-and-properity) and “Declining Support for Education Threatens Economic Growth,” located on-line at <http://budgetandpolicy.org/reports/declining-support-for-education-threatens-economic-growth>

2. To improve statistical precision, the data were split in to two periods, each consisting of two years of data – i.e. 2006-07 and 2009-10.
3. For more details see the schumudget post “Five advantages of increasing the sales tax,” located on-line at <http://budgetandpolicy.org/schmudget/five-advantages-of-raising-the-sales-tax>.
4. For more information see “A Capital Reform: Using Capital Gains to Fuel Job Creation and Economic Prosperity in Washington state,” located on-line at <http://budgetandpolicy.org/reports/a-capital-reform-using-capital-gains-to-fuel-job-creation-and-economic-prosperity-in-washington-state>.