INVESTMENTS TODAY CAN LEAD TO BETTER HEALTH TOMORROW

July 2020

The well-being of people across Washington must be at the forefront of an equitable COVID-19 response

Overview

Although COVID-19 emerged this year as a new challenge, the roots of the economic and public health crisis we face today are not. Decades of budget and policy decisions by lawmakers that gave tax cuts to ultra-wealthy and largely white Washingtonians while eliminating funding for public support programs, public health, and other community investments created the context for so many people across the state to now be struggling to meet their basic needs.

Built on a history of institutional racism that creates barriers to opportunity and wealth for Black, Indigenous, and people of color (BIPOC), these fiscal and policy decisions[1] explain why this crisis has and continues to have a disproportionately negative impact on BIPOC – despite the resistance and organizing of communities.

This unprecedented crisis requires bold actions from state leaders to ensure all communities can protect their health and meet their most basic needs. Without additional investments and interventions by policymakers, communities will continue to face additional hardship and inequities will widen. More than 1.6 million people are facing food insecurity in Washington, and that figure is expected to top 2.2 million people later this year.[2] One in 10 renters were unable to pay their rents in May,[3] and more people could be at risk of losing housing once the statewide moratorium on evictions is lifted.[4] For Washingtonians who are undocumented, these hardships are even more severe because undocumented people are unjustly excluded from state and federal assistance.

Communities across the state already know what they need and are calling on lawmakers to act. Although the state faces a $4.5 billion revenue shortfall by the end of this biennium,[5] lawmakers can leverage revenue-raising tools and make investments to prevent the deepest of cuts and protect the well-being of communities. Bolstering public investments that support well-being, providing cash assistance directly to people, and raising progressive revenue for these investments will support the health and well-being of people in Washington throughout the COVID-19 crisis and beyond.

Economic security is a public health priority

COVID-19 is compounding existing health and economic inequities. While the public health and economic crises we face today may seem like two separate challenges, they are in fact interconnected and compounded by historical and present-day racism.

Washington's Stay Home, Stay Healthy order was essential for slowing the spread of COVID-19, but caused hundreds of thousands of people across the state to lose income. Further, low-wage essential workers like grocery clerks or caregivers, unable to work from home, put themselves and their households at greater risk of infection to make a living.

Anyone can become infected with COVID-19 or work in an industry vulnerable to public health closures, but the cascading impacts of the health and economic crisis have disproportionately harmed and continue to harm certain communities of color and those with low wages. For example:

- In Washington, jobs most vulnerable to income loss during the crisis are disproportionately held by BIPOC and people without bachelor's degrees.[6]
- Almost 90% of people in the state with jobs interrupted during public health closures have incomes below $70,000 per year[7] and, due to institutional racism and discrimination, low-wage jobs are more likely to be held by Black and Latinx workers.[8]
- Hispanic, Black, Native Hawaiian and Pacific Islander, and American Indian/Alaska Native people represent an especially high share of coronavirus cases in Washington state and the Pacific Northwest.[9]

These trends are not an accident, but are instead a result of policy decisions that make communities more vulnerable to this pandemic by depriving them of resources and opportunities to share their talents.

RACISM IS A PUBLIC HEALTH CRISIS:

A note on the connections between health, income, and racism: While access to health care plays an important role in health outcomes, people also need safe and stable homes, access to nutritious food, and education to be healthy. Not being able to afford these and other basic needs, in combination with living in communities deprived of resources, explains the strong link between living in poverty and experiencing poorer health outcomes.[10]

Communities' access to the resources and conditions that make us healthy is largely determined by budget and policy decisions[11] that interact with and are also shaped by historical and persistent racism.[12] For example, racial inequities in income and wealth (see Chart 1) are a direct result of past and present policies and practices, such as redlining; discrimination; and the school-to-prison pipeline.[13] The resulting levels of economic insecurity experienced by many communities of color contribute to persistent health inequities, including how COVID-19 disproportionately impacts BIPOC.[14]

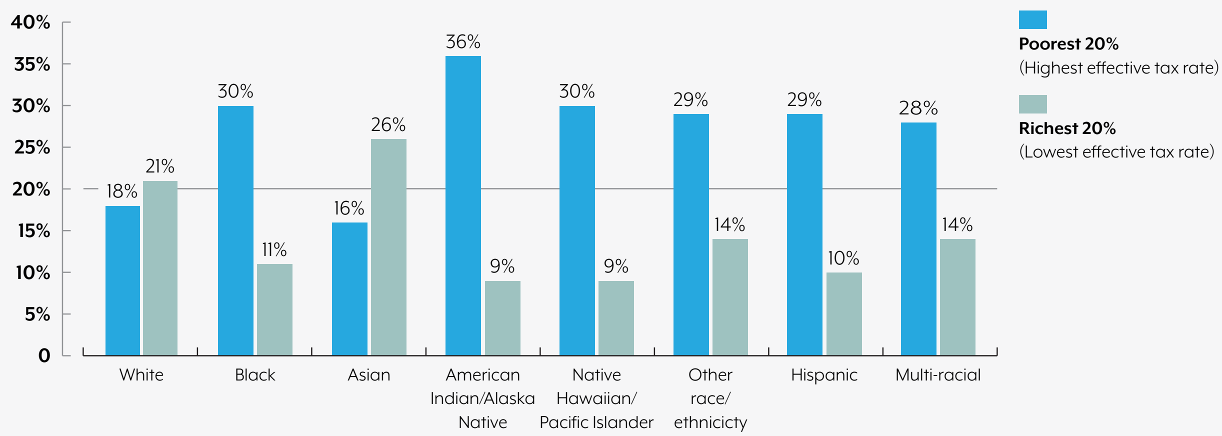
NOTE ABOUT DATA:

Wherever possible, data are disaggregated to provide a preliminary understanding of disparities by race, ethnicity, and nativity. Data are not always available for all races and ethnicities, which we recognize is problematic given our country's long history of cultural erasure. Data about gender are also rarely available for transgender and nonbinary people. The terminology used by data sources to describe people's identities can also be limited and/or inconsistent. As a result of all of this, the statistics throughout this report tell a limited story. And in some cases, the numbers don't reflect people's lived experiences. The Budget & Policy Center is committed to continuing to engage with the communities represented in this data to better understand the stories, voices, and people behind the numbers. We are also committed to engaging with the communities left out of this data – as well as to advocating for better, more accurate, and inclusive data.

Chart 1

Inequitable policies make Native, Black, Hispanic, and Pacific Islander households most likely to be in the lowest-income, highest-taxed group

Distribution of income groups within race/ethnicity category, 2019



Source: Institute on Taxation and Economic Policy analysis of 2019 tax and income data, Washington state. 'White' category includes non-Hispanic white people only; 'Hispanic' category includes all Hispanic people of any race.

A RANGE OF POLICY CHOICES CAN PROTECT HEALTH

Direct investments in things like hospitals, disease surveillance systems, and public health departments are obvious and important for protecting health. But other non-health-related policies and investments also play an important role in building healthy communities.[15]

Higher minimum wages, tax credits for people with low incomes, and worker protections are linked to better health outcomes.[16] Housing assistance programs that reduce housing costs and prevent homelessness impact health,[17] too, by alleviating damaging tradeoffs families face between paying the rent or paying for medicine, heating, and other essentials.[18] Moreover, local governments that invest more in libraries, K–12 education, parks and recreation, and housing and community development tend to have healthier people overall.[19]

LAWMAKERS SHOULDN'T REPEAT THE MISTAKES OF THE LAST RECESSION

COVID-19 has disrupted lives abruptly, but the economic recovery will be ongoing and require sustained action on the part of policymakers. They must learn from the mistakes of the last recession and choose a better course to support the economic well-being of people in our state.

People's health and well-being are closely tied to the economic conditions they face in their lives. As such, investing in the economic security of people and communities is a public health intervention against COVID-19.[20]

> *"Investing in the economic security of people and communities is a public health intervention against COVID-19."*

During the Great Recession, Washington state lawmakers made the harmful decision to cut more than $10 billion from foundational public services like public health and education[21] rather than raising significant progressive revenue for community investments. This knee-jerk cuts approach harmed the health and well-being of thousands across the state. Between the start of the Great Recession and end of 2011, cuts to public spending in Washington state resulted in:[22]

- More than 70,000 working adults losing health care coverage;
- Approximately 7,000 parents losing crucial child care support;
- More than 20,000 adults losing workforce assistance that helped them get and keep their jobs; and
- Roughly 20,000 people who were not able to work due to disabilities losing income support.

In the aftermath of the Great Recession, financial distress and widespread economic insecurity contributed to worsening health outcomes like increased blood pressure[23] and poorer mental health and increased suicide.[24] The most devastating impacts were for BIPOC, people with low incomes, and those without a college degree.[25]

However, these trends did not occur where there were strong public supports and programs that help lift people out of poverty, suggesting that these investments can protect health even during economic downturns.[26] For example, children in families who received increased Supplemental Nutrition Assistance Program (SNAP) benefits through the federal American Recovery and Reinvestment Act were significantly more likely to be in good health than their counterparts in families who were eligible, but not receiving SNAP.[27]

Widespread unemployment, loss of income, and increased economic insecurity are bad for public health.[28] But an even deeper public health crisis can be prevented through targeted investments.

Commonsense solutions can pave the way for an equitable recovery

Lawmakers must do better in the midst of this current public health and economic crisis. The right path out of this crisis requires policymakers to prevent deep cuts which harm communities by leveraging revenue-raising tools. This will ensure people have the resources they need to stay healthy while also accelerating the state's economic recovery.

1. BOLSTER INVESTMENTS IN PUBLIC SERVICES THAT SUPPORT WELL-BEING

The communities most impacted by this crisis need investments, not knee-jerk cuts, at a time of increased need. Investments and programs that help people meet basic needs are even more critical during this economic downturn. To ensure communities can access the building blocks to good health through the duration of this crisis, state policymakers should:

Protect and expand community-level investments that promote health and well-being. Beyond investments in public health and health care to respond to COVID-19, lawmakers should also protect and expand community-level investments in areas that indirectly promote health by creating the conditions which allow for people to thrive. This includes investments in areas like economic development, public schools and higher education, climate protection and environmental justice programs, and other public goods. Policymakers should bolster investments in these areas while also heeding community calls to scale funding away from institutions that actively harm BIPOC – like prisons and policing.

“*The communities most impacted by this crisis need investments, not knee-jerk cuts, at a time of increased need.*”

Boost housing and food assistance to provide relief to the growing number of people and families in our state who are struggling to support themselves. Investments in supports that provide income, food, and housing assistance advance access to the building blocks of good health. This includes investments in programs like WorkFirst/Temporary Assistance for Needy Families (TANF); SNAP; Aged, Blind, or Disabled (ABD) assistance; and the Housing & Essential Needs (HEN) program. Washington's statewide moratorium on evictions must also remain in place for the duration of the economic crisis and be followed by meaningful assistance for impacted renters – many of whom will owe several months of back rent and face an immediate risk of homelessness. Policymakers should also invest in food assistance, both by continuing to take advantage of SNAP provisions in federal aid (like monthly supplements) and increasing state resources for food-insecure households and community pantries.

2. PROVIDE CASH ASSISTANCE DIRECTLY TO PEOPLE MOST IMPACTED BY THE CRISIS

As ever more people are living paycheck to paycheck, scraping by on unemployment, or no longer have money in the bank, they need cash now. Direct cash assistance to people who most need it can help keep the heart of Washington beating and boost our state's economic recovery. Lawmakers should move forward with proposals to:

Reduce barriers to cash assistance and expand access to people currently excluded from public supports. A decade ago, policymakers enacted deep cuts to public supports for families with children, individuals with disabilities, and other people with low incomes by making it harder for them to qualify for assistance. Following the onset of COVID-19, state leaders rightly enacted temporary changes to make cash benefits less restrictive – easing certain requirements in WorkFirst/TANF, SNAP, and ABD. Policymakers also smartly authorized the Disaster Cash Assistance Program (DCAP) to make one-time emergency assistance available to individuals and families who are not otherwise eligible for support, including people who are undocumented. State leaders should further reduce barriers and make temporary changes permanent to improve access to support long-term.

Invest in an inclusive statewide Recovery Rebate cash stimulus to households with low incomes. Federal recovery rebate payments from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act were a good start to helping people meet their basic needs, but the payments were insufficient and excluded undocumented immigrants and mixed-immigration-status families. Lawmakers should create a state Recovery Rebate to get cash into the pockets of people immediately and make the program permanent to ensure people get the support they need throughout the recovery and beyond. A permanent, annual Recovery Rebate can be modeled after the proposed Working Families Tax Credit, our state's version of the highly effective Federal Earned Income Tax Credit (EITC). The rebate must also go to Individual Tax Identification Number (ITIN) tax filers[29] who were unjustly excluded from federal support due to immigration status.

Create a Washington Immigrant Disaster Relief Fund. More than 270,000 undocumented people[30] help make Washington a vibrant place to live and contribute more than $300 million annually in state and local taxes.[31] But this community is wrongfully excluded from most state and federal supports. This exclusion contributes to worse health outcomes among immigrants because communities cannot access the basics they need to stay healthy.[32] By investing in an Undocumented Worker Relief Fund, state leaders can help families fill a critical gap. Over the long term, lawmakers should also create an unemployment insurance system that is available to people who are undocumented.[33]

3. RAISE PROGRESSIVE REVENUE TO EQUITABLY INVEST IN COMMUNITIES

There is enough wealth in our state to sustain and strengthen the public investments that keep us all well, even as the state faces a projected 4.5 billion revenue shortfall by the end of this biennium.[34] Washington's worst-in-the-nation, inequitable tax code requires people with lower incomes to pay a much higher share of their incomes in taxes compared to the wealthiest.[35] This puts additional strain on households who are already struggling to meet their basic needs during this pandemic and greatly exacerbates the massive wealth disparities between communities of color and wealthy white communities.[36] It also leaves the state without the revenue needed to ensure a fast and equitable recovery. Lawmakers must wisely tap into the state's existing Budget Stabilization Account (rainy day fund) to avoid knee-jerk cuts. To further make up for revenue shortfalls and direct resources to the communities that need it, lawmakers should:

Repeal damaging limits on raising revenue. Caps on raising revenue hurt communities by starving them of the resources needed to promote health and opportunity. Lawmakers should repeal the two property tax limits that do the most damage: the 1% levy growth cap that keeps property taxes from growing in concert with community needs[37] and the constitutional $10 (per $1,000 of assessed value) limit on all regular levies, which harms local governments' ability to maintain roads, emergency services, and more. Lawmakers should also enact a safeguard rebate program to ensure taxes are manageable for low- and moderate-income homeowners.[38]

End wasteful tax breaks on the ultra-wealthy. Without policy changes, people with extreme wealth will likely come out of the pandemic with even more wealth and power than before.[39] Raising existing taxes on, or applying new taxes to, the following sources of highly concentrated wealth would help address looming revenue shortfalls – and go a long way toward creating a more equitable state and local tax code:

- **Excessive wages and salaries.** New taxes on excessively high wages and salaries could help fill revenue shortfalls relatively quickly. Recent legislation to tax excessively high salaries would have generated roughly $360 million in new tax revenue this biennium[40] and impacted only 0.1% of total workers in Washington state.[41] Other recent legislation[42] would have allowed King County to levy a small tax payroll from employees earning more than $150,000 per year to fund affordable housing investments. That proposal could also serve as a template for a similar statewide tax.

- **Capital gains.** Capital gains are profits from the sales of corporate stocks, bonds, investment real estate, and other financial assets. They are more heavily concentrated among the richest households in our state and nation than any other form of wealth. A capital gains tax could generate up to a billion dollars per year to aid in Washington's recovery.[43]

- **Mansions and high-value real estate.** Real estate in Washington state is highly concentrated among people who have been the beneficiaries of significant privilege and will continue to generate enormous sums of wealth for those at the top. Lawmakers should add additional tax rates to real estate selling for more than $3 million to generate more resources for investments that benefit all residents. Lawmakers should also amend the state constitution to allow for higher annual property tax levies on mansions and other high-value real estate.

- **Large estates and inheritances.** Washington administers an estate tax on the right to transfer property at the time of death. Lawmakers should increase the top rate on the estate tax. They should also impose a new tax on wealthy Washingtonians who receive large inheritances from nonresident relatives who were never subject to the estate tax. Modernizing the state's estate tax could bring in millions in additional resources for schools and other priorities.[44]

- **Pass-through business profits.** Pass-through business income is a profit that private corporations or partnerships distribute to owners and shareholders. Yet wealthy investors living in Washington state pay no state or local taxes on profits funneled to them from private corporations or partnerships located outside of the state.[45]

Envisioning a just and inclusive future for our state

The Budget & Policy Center team reached out to partners to understand their challenges in this moment and to strategize the path forward together. Out of these conversations, we crafted a set of principles that we are following as we respond to this crisis. We hope they will also guide the response of state policymakers as well as support the work of partners as they advocate for equitable policy solutions.

Lead with equity

Recovery efforts must center communities experiencing the greatest health and economic impacts. That includes people with low incomes, immigrants and refugees, people who are undocumented, communities of color, tribal nations, people with disabilities, rural communities, young workers, older adults, women, domestic violence survivors, and trans and nonbinary people. So many communities are already working on innovative and resourceful ways to meet community needs, and policymakers must include them in decision-making processes and prioritize resources to these communities first.

Provide immediate, impactful, and sustained relief

To prevent the economic downturn from being deeper and longer than necessary, leaders must deliver immediate, direct, and sustained relief to Washingtonians most in need, including direct cash assistance and bolstering public services. In many cases, this will require thinking beyond our existing services and systems.

Make permanent fixes to underlying structural failures

We cannot afford to go back to the status quo of regressive and inequitable systems. Lawmakers must make bold, permanent structural changes to fund the investments that benefit us all. Big, visionary solutions – not short-term, incremental changes – are the only way to advance an equitable recovery and to prepare our state for future crises.

Implement policy responses rooted in trust and dignity, not paternalism

Our safety net is only effective if communities can access it. Washington state's policy response must prioritize implementation that is primarily automatic, low-barrier, and inclusive.

Reject a scarcity mindset: There is enough wealth in our state to invest in our people

We have the resources to preserve community investments while also making new investments that boost Washington's economic recovery and mitigate impacts on those most impacted by COVID-19. Ensuring we have revenue to fund the public services that benefit us all will require adopting sustainable and equitable new funding sources.

To read these principles in full, visit: budgetandpolicy.org/principles-for-addressing-covid-19

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44 Changes to the state's estate tax structure can generate anywhere from around $30 million per biennium to $300 million per biennium, depending on the details. For more information, see Department of Revenue Fiscal Note for Senate Bill 6581, https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=60052. See also: John Burbank, "The state Estate Tax: A Leveler for Democracy," Economic Opportunity Institute, January 2019, http://www.opportunityinstitute.org/research/post/the-state-estate-tax-a-leveler-for-democracy/

45 As of 2017, a 7.9% tax on all passthrough business profits from households earning at least $500,000 per year would have generated $860 million per year in new tax revenue, according to Budget & Policy Center calculations of data from the Internal Revenue Service.

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