

# Raising new revenue to invest in our communities will spur Washington's recovery

Lawmakers must act now to revive Washington state's economy. Bold new investments in communities, paid for by raising taxes on the very wealthiest households, would spur spending at local small businesses, add billions of dollars to the state economy, and create thousands of new jobs, according to new economic modeling on the impacts of the state's policy choices.<sup>1</sup> By contrast, knee-jerk cuts to education, state employees' pay, or health and social services would only deepen and prolong the recession.

The charts below summarize the economic consequences of five possible paths Washington state lawmakers could take in the coming year to respond to the state's revenue shortfalls. **The results are clear: Investing in our communities by raising equitable new revenue is the only responsible course of action.**

## How policy choices would impact Washington state's economic recovery

Economic indicator			Public policy option
Jobs	GDP	Consumer Spending	
↑	↑	↑	\$3 Billion in equitable new revenue for community investment
↓	↓	↓	10% Cut to funding for higher education
↓	↓	↓	5% Cut to the Department of Social Health Services
↓	↓	↓	13 State employee furlough days
↓	↓	↓	5% Cut to public K-12 schools

**Footnotes:**

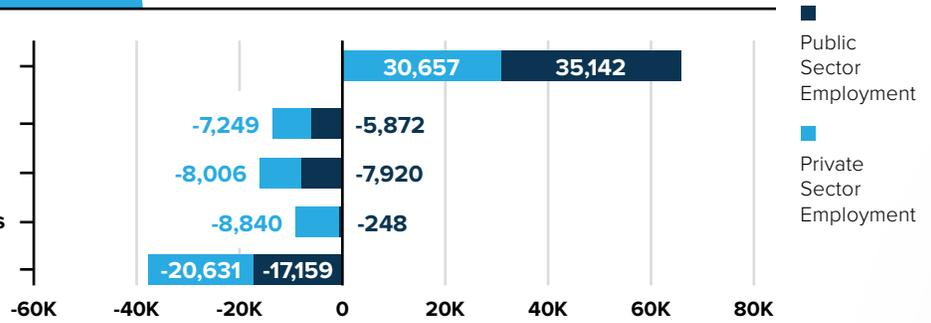
1. Findings are obtained from the Regional Economic Models, Inc. (REMI) model – an industry standard tool that is used to improve public policy decisions in the short and long-term.

# Equitable new revenue and investment would...

## 1 Create thousands of new jobs

Change in employment by policy option, FY 2022 (Number of jobs)

- \$3 Billion in equitable new revenue for community investment
- 5% Cut to public K-12 schools
- 13 State employee furlough days
- 5% Cut to the Department of Social Health Services
- 10% Cut to funding for higher education



Raising \$3 billion per year in new revenue for community investments by taxing the wealthiest households would create nearly 66,000 public- and private-sector jobs in Washington state. More than half (35,142) of the new jobs would be in the private sector, since more teachers, nurses, and other frontline public-sector workers would mean more customers shopping at local businesses. All scenarios involving cuts to public services would eliminate jobs and deepen the recession.

## 2 Increase economic output

Change in state GDP by policy option, FY 2022 (\$ Billions)

- \$3 Billion in equitable new revenue for community investment
- 5% Cut to public K-12 schools
- 13 State employee furlough days
- 5% Cut to the Department of Social Health Services
- 10% Cut to funding for higher education

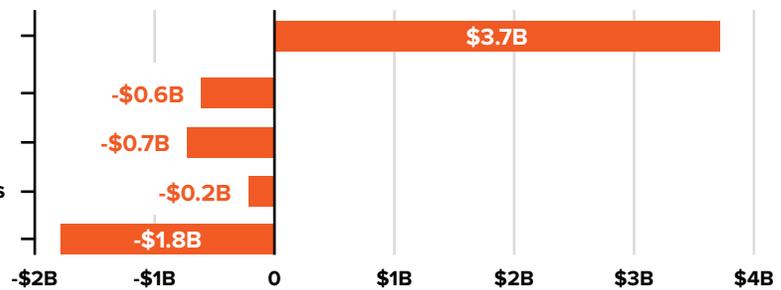


Investing in communities with progressive new taxes would increase state economic output (state GDP) by almost \$6 billion per year in Washington state. All scenarios involving cuts to public investments would shrink the state economy.

## 3 Stimulate spending at local small businesses

Change in total consumer spending by policy option, FY 2022 (\$ Billions)

- \$3 Billion in equitable new revenue for community investment
- 5% Cut to public K-12 schools
- 13 State employee furlough days
- 5% Cut to the Department of Social Health Services
- 10% Cut to funding for higher education



Investing \$3 billion per year in communities through equitable new taxes on the richest households in Washington state would increase consumer spending by nearly \$4 billion per year going forward. All scenarios involving cuts to public investments would reduce consumer spending and shrink the state economy.

**Endnotes:**

1. Results provided by the National Education Association using the "Tax-PI v. 2.4.3" instantiation of the economic model developed by Regional Economic Models Inc. (REM). The results show difference from the baseline scenario, which incorporates the projected impacts of the recession in 2020 and 2021, as forecasted by the Congressional Budget Office in July 2020. Revenues from a net \$3.181 billion annual tax increase were distributed across all functional areas of the state budget, according to their respective shares of the total state budget. The net tax increase assumes a \$138 million revenue reduction from funding the Working Families Tax Credit, Washington state's still-unfunded version of the Federal Earned Income Tax Credit. More information on the methodology is available [here](#).