

# A Step Backward: The 2009-11 State Budget

By Jeff Chapman and Andy Nicholas

The national economic recession that began in December 2007 had a dramatic effect on the ability of Washington and other states across the nation to maintain investments in core public priorities. As economic activity fell, revenue plummeted, forcing difficult choices in order to balance the budget. In Washington state, lawmakers combined modest revenue increases with deep and damaging cuts across the breadth of the state budget.

In total, the current (2009-11 biennium) budget will spend 10 percent below the amount that would have been necessary to maintain our previous commitments in education, communities, health care, and economic security.<sup>1</sup> Every area of the budget has been affected (Figure 1B):

- Investments in education and opportunity - from preschool to universities – have been cut by 11.3 percent;
- Programs that create thriving communities - such as public safety and balanced economic development – have been cut by 7.3 percent;
- Efforts to ensure the health of people and our environment have been cut by 9.3 percent;

- State spending on supports that provide economic security has been reduced by 9.7 percent.

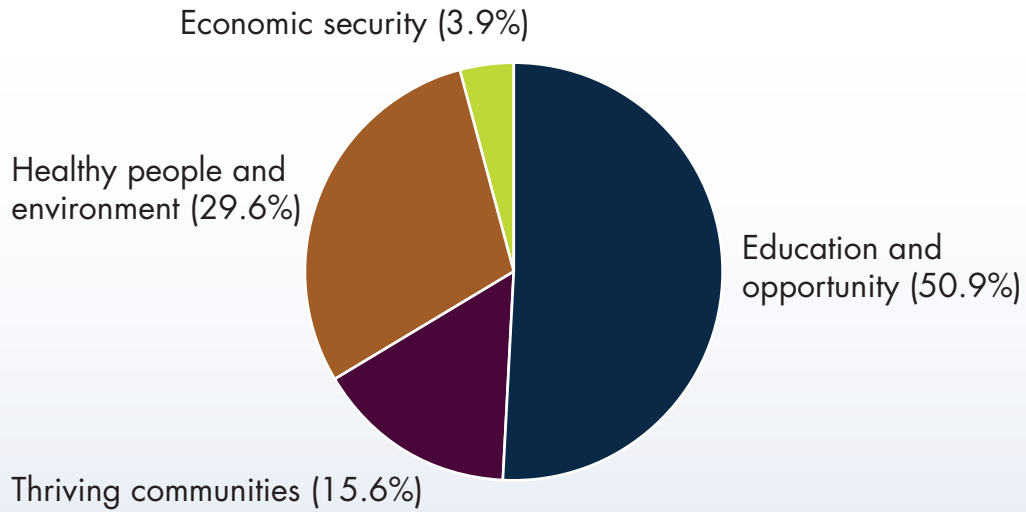
Budget cuts of this depth and breadth represent a sharp reduction in our investment in the future of our state. They have resulted in the loss of affordable quality health insurance for over 44,000 people, reduced access to higher education, a dramatic decrease in natural resource protection, the loss of needed financial assistance for people who are unemployed because of a disability, and more.

## Education and opportunity

Broad access to education and opportunity is fundamental to the future of our state. Education opens doors to better job opportunities, higher wages, and greater job security. Success in today's competitive, knowledge-based economy will require more than a basic education. Our children need schools that provide sophisticated, high-quality learning environments so they can graduate with the skills and knowledge to succeed in the global marketplace.

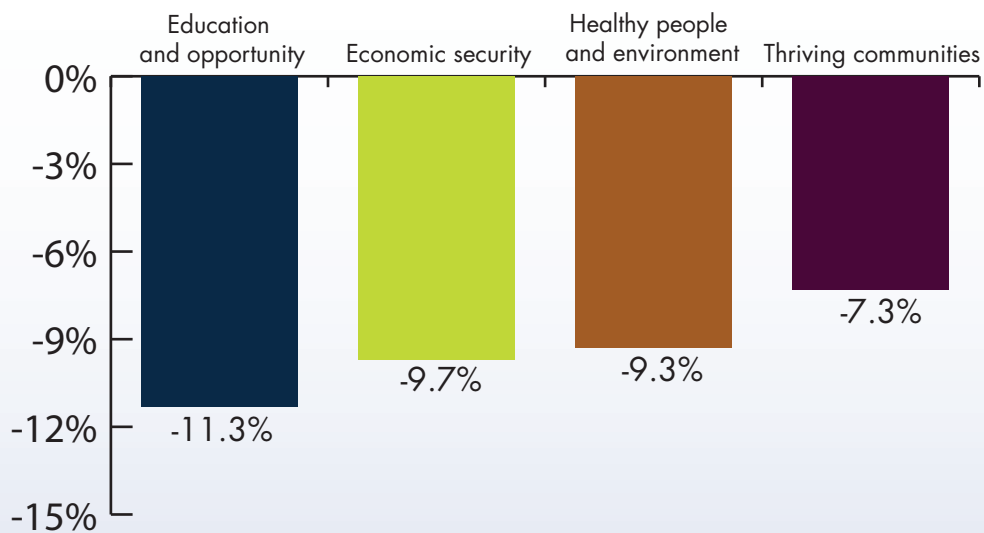
Goals for the state budget that will help us achieve education and opportunity include:

Figure 1A: State budget by value area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

Figure 1B: State budget cuts by value area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

- Investing in early learning;
- Providing a high-quality education to all students;
- Preparing all adults for meaningful careers; and
- Cultivating opportunities for higher education.

As shown in Figure 1A, the budgets for agencies focused on these goals account for just over half (51 percent) of the current NGF+FR budget (see text box for explanation of NGF+FR budget). In total, the budget for these goals has been reduced by \$2.2 billion (an 11.3 percent cut) in the current biennium (Figure 1B). These cuts will likely harm the quality of education for Washington's students.

### *Invest in early learning*

State investments in early learning have been reduced by \$12 million (8.8 percent). Aside from across-the-board administrative cuts, reductions include those made to early learning apprenticeships, child care quality improvement specialists, and programs that provide support to parents, families, and caregivers.

### *Provide a high-quality education to all students*

The NGF+FR budget for K-12 education has been reduced by \$1.6 billion (10.3 percent).

In 2000, voters passed Initiative 728, which established funding to help local school districts pay for specific quality improvements such as class size reduction, extended learning, early learning, and professional development. In the 2008-09 school year, schools were allocated about \$458 per student for these efforts. In the 2009-10 school year, this amount was lowered to \$131 per student before being zeroed out for 2010-11. In total, this means a reduction of \$679 million.

Also in 2000, voters passed I-732, which provided a cost of living adjustment for education professionals. This spending has been eliminated for the current

This report focuses on the part of the state budget known as the "Near-General Fund," which in the current biennium includes the state General Fund and the Education Legacy Trust Fund. Also included is a newly created fund called the Washington Opportunity Pathways Account, which funds efforts in early learning and higher education. Finally, temporary federal recovery funding is included. The combination of these funds is referred to here as the Near-General Fund plus Federal Recovery (NGF+FR).

budget, a move that may diminish the state's ability to attract and retain high quality educators. The total reduction equals \$371 million.

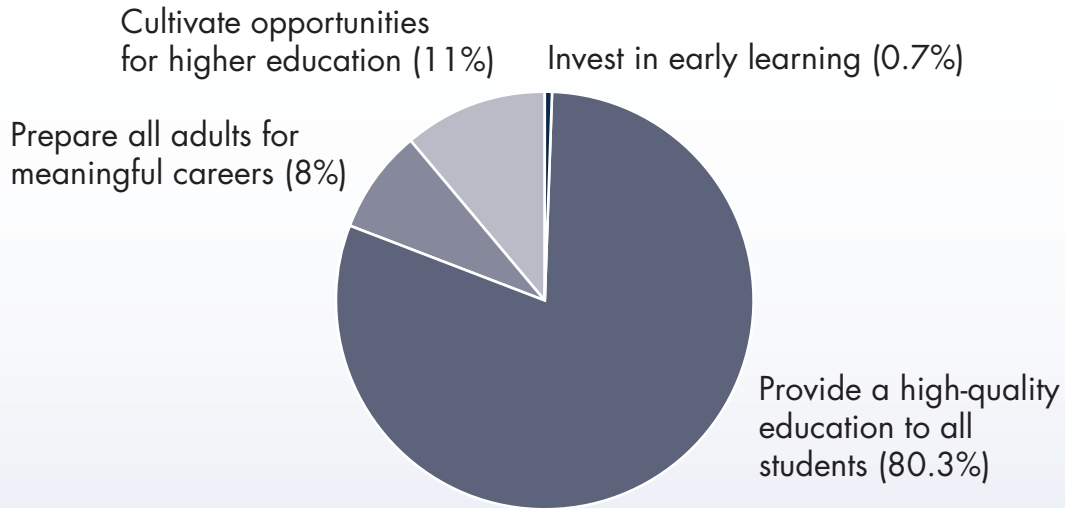
While "basic education" funding is ostensibly protected by the state constitution, it was reduced by \$375 million in the current biennium, primarily through pension rate adjustments.

A series of education reform efforts including programs to improve math and science learning, professional development, and others were suspended, eliminated or reduced, for a reduction of \$98 million.

School districts with lower property wealth have a more difficult time raising sufficient school funding. A state program has been in place to equalize funding between rich and poor districts. Cuts in this area (\$50 million) will have a disproportionate impact on those school districts least able to offset state cuts with local funding.

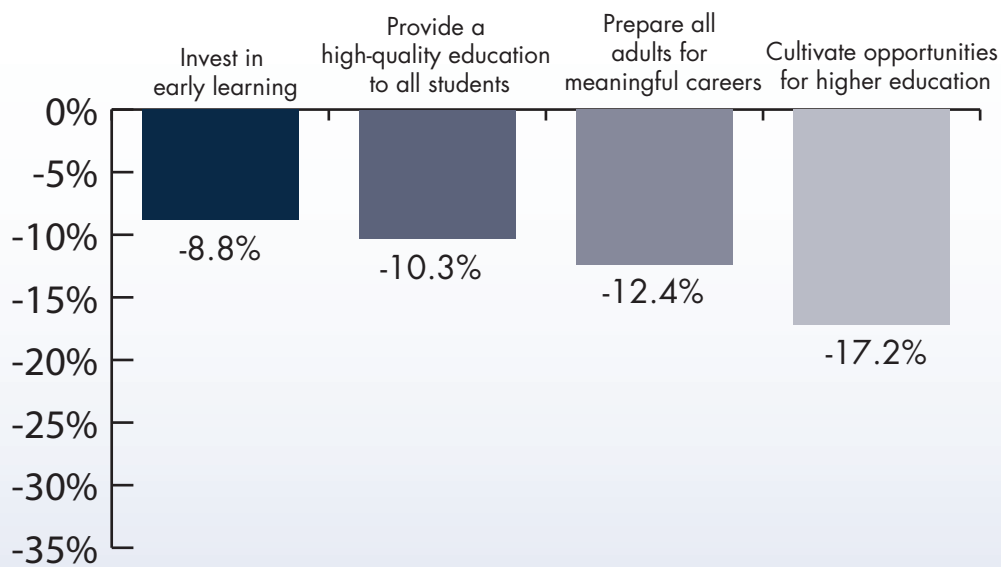
There were \$11 million in other cuts in K-12 education.

Figure 2A: Education and opportunity budget by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

Figure 2B: Budget cuts in education and opportunity by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

### *Prepare all adults for meaningful careers and cultivate opportunities for higher education*

The NGF+FR budget for the state's colleges and universities was cut by \$588 million (15.2 percent). While cuts will be focused in non-instructional areas to the extent possible, there will be direct impacts on class sizes, course offerings, and student support services.

The cuts are partially offset by a \$232 million increase in tuition, which is expected to increase tuition rates by 14 percent for four-year institutions and seven percent for community and technical colleges. An increase in financial aid funding was implemented to offset the increased tuition costs for lower income families.

\$100 million in federal recovery funding was used to prevent even deeper reductions.

### Thriving communities

Public investments that maintain our state infrastructure and protect our natural resources create thriving communities. Public structures such as transportation, communications, justice, and the arts keep our state economy in motion, our neighborhoods safe, and our cultural life vibrant. To create thriving communities we will need to do more than address short-term needs. We will need thoughtful, long-term planning and sustainable use of resources.

Goals for the state budget that will help us achieve thriving communities include:

- Promoting balanced and sustainable economic growth;
- Protecting public safety and ensure equal justice; and
- Ensuring an efficient and transparent state government.

The budgets for agencies focused on these goals account for about 16 percent of the current NGF+FR

budget (Figure 1A). In total, the budget for these goals has been reduced by \$418 million (a 7.3 percent cut) in the current biennium (Figure 1B). The most significant cuts were in natural resource protection and public safety and justice, areas that are important to our quality of life.

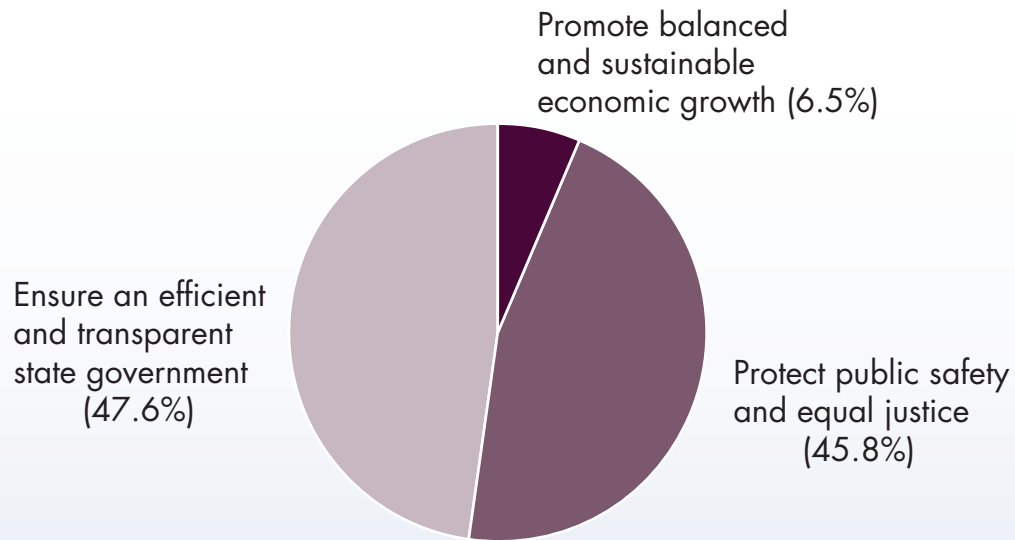
### *Promote balanced and sustainable economic growth*

The current budget includes significant cuts in the state's investment in natural resource protection, a key part of our efforts to promote balanced and sustainable economic growth. The NGF+FR budget for natural resource agencies (not including the Departments of Ecology and Agriculture, which are considered under "Healthy People and Environment," below) was reduced by \$111 million (32 percent). \$42 million of the total are cuts made to state parks that are offset with new revenue sources. Not including the cuts to state parks, total budget reductions are around 20 percent in this area.

These cuts include a 31.3 percent reduction to the budget for the Department of Fish and Wildlife, cuts that will directly affect the agency's ability to manage wildlife, protect habitats, enforce laws that protect resources and endangered species, provide educational opportunities, and so on. Reductions to the Department of Natural Resources (14.9 percent) will likely affect forest management, natural area planning, and other key programs. (The Natural Resources budget also includes an \$11.5 million increase in funding for emergency fire suppression.)

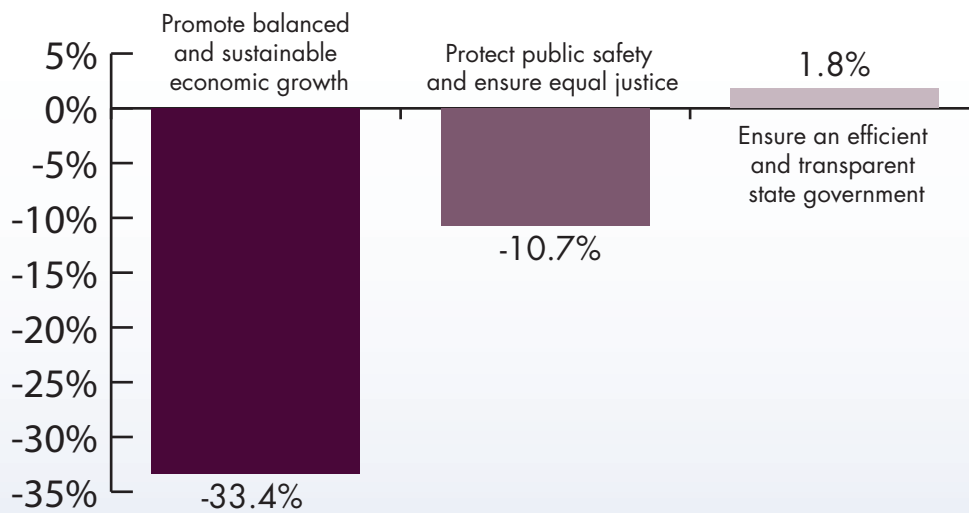
The Department of Community, Trade, and Economic Development was renamed and refocused as the Department of Commerce. The NGF+FR budget for the department was reduced by \$55 million, (38 percent). However, this figure includes a number of general fund cuts that were offset by other sources of funding (such as the transfer of funding for the Homeless Family Shelter Program to the Home

Figure 3A: Thriving communities budget by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

Figure 3B: Budget cuts in thriving communities by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

Security Fund) as well as a number of programs being transferred to other departments as part of the switch to Commerce (such as the transfer of the Emergency Food Program to the Department of Agriculture). There were, however, a number of significant cuts in programs that assist local government, provide important community services, and invest in economic development.

### *Protect public safety and ensure equal justice*

Budget cuts to public safety total \$290 million (10.7 percent), including significant cuts to corrections and juvenile rehabilitation.

Juvenile Rehabilitation funding has been reduced by 13 percent (\$30 million). Enhanced parole services for juvenile offenders convicted of crimes including manslaughter, robbery, and assault was eliminated. These services helped youth navigate issues with family, mental health, substance abuse, housing, and employment. Facilities, including the Maple Lane School and community transitional facilities, were closed. Other facilities will see significant staff reductions. Funding for juvenile courts was reduced.

NGF-FR funding for the Department of Corrections was reduced by 10 percent (\$190 million).

Community supervision has been eliminated for many misdemeanor offenders. Programs designed to assist offenders' reentry into society were scaled back. Sentencing policies have been altered and the use of home detention expanded. The budget also adopts recommendations to downsize and close certain correctional facilities.

### Healthy people and environment

Quality of life in the state depends on healthy people and environment. Good health allows people to participate in the social, economic, and cultural opportunities of their community. A healthy environment ensures food, water, and recreation without fear of pol-

lution or toxins. Efforts to promote a healthy state are part of our shared responsibility and benefit all of us.

Goals for the state budget that will help us achieve a healthy people and environment include:

- Protecting public and environmental health;
- Supporting families and protect children;
- Expanding health insurance coverage and quality of care; and
- Caring for people with long-term health needs.

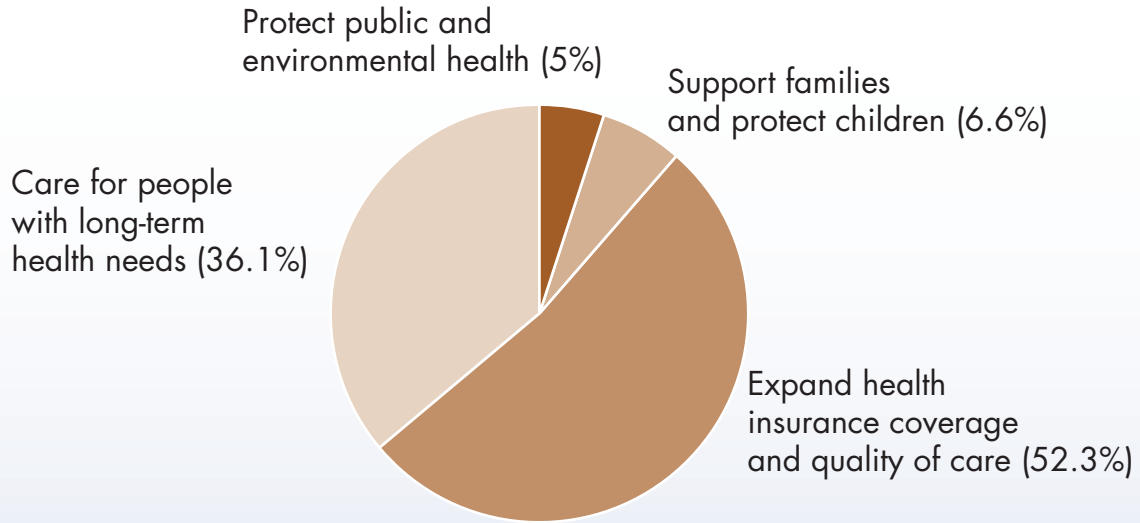
The budgets for agencies focused on these goals account for about 30 percent of the current NGF+FR budget (Figure 1A). In total, the budget for these goals has been reduced by over \$1 billion (a 9.3 percent cut) in the current biennium (Figure 1B). As a result of these cuts, tens of thousands of Washingtonians are losing access to affordable quality health care and the quality of care for many others has been reduced.

### *Protect public and environmental health*

Budget cuts to public and environmental health total \$149 million (23 percent).

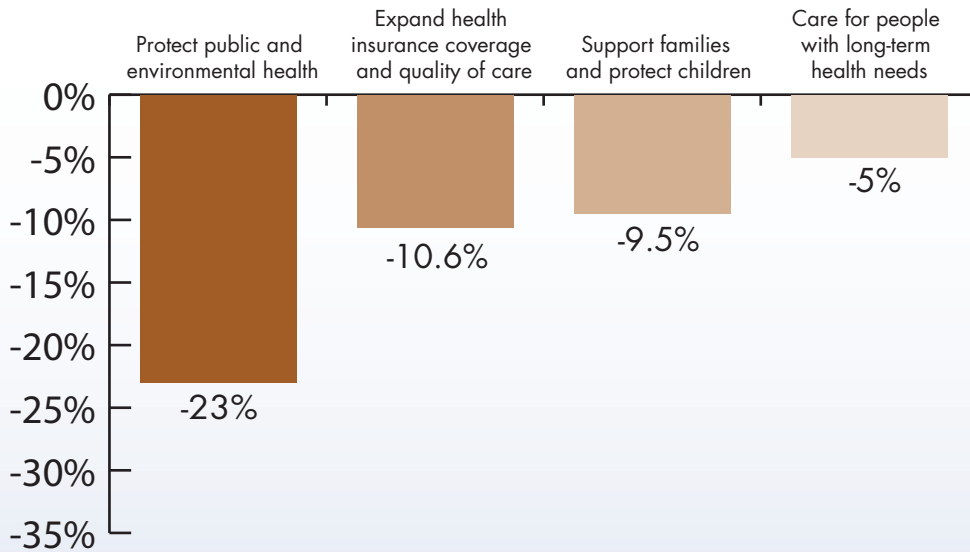
The largest single cut (\$55 million) in this area was made by ending state funding for universal coverage for the HPV vaccine and discontinuing state funding for the universal purchase program for other vaccines (with children enrolled in state health care programs and some other children from families with very low incomes still eligible for vaccine coverage). This cut was made in 2009. In the 2010 session, a public/private partnership was established that will allow the universal vaccine purchase program to continue providing vaccines to children.<sup>2</sup> Other Department of Health cuts targeted grants to local health jurisdictions, family planning grants, tobacco prevention, poison control, nutrition assistance, and services for people living with HIV/AIDS.

Figure 4A: Healthy people and environment budget by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

Figure 4B: Budget cuts in healthy people and environment by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP



A \$12.4 million cut to Division of Alcohol and Substance Abuse (DASA) within the Department of Social and Health Services has sharply scaled back funding for treatment of substance abuse and detoxification services for lower income Washingtonians. In the Department of Ecology, funding for watershed planning and water rights processing was cut.

### *Support families and protect children*

Budget cuts to programs that support families and protect children total \$70 million (9 percent). Cuts include reductions in behavioral rehabilitation services provided to foster children with severe needs, services aimed at preserving families, and broad administrative cuts and freezes on payment rates, contracts, and so on. Over \$10 million in cuts to programs including Crisis Residential Centers, HOPE beds, and the Street Youth Program, are offset with funding from the Home Security Account.

### *Expand health insurance coverage and quality of care*

The biggest single health care budget change was a 43 percent cut to Basic Health. Basic Health provides affordable health insurance for lower income Washingtonians, most of whom are working but lack employer-provided coverage. The cuts to Basic Health made last year will eliminate coverage for over 44,000 people and increase premiums for the remaining enrollees by 50 to 100 percent.<sup>3</sup> The state has eliminated Basic Health coverage at a time when the need for the program is rising dramatically. Since last April, the number of people on the waiting list for Basic Health coverage has risen from under 20,000 to over 93,000. There are now significantly more people on the waiting list than on the program.

Medical assistance for persons who are temporarily unable to work due to disability has been scaled back in the current budget. (This assistance is provided through the Disability Lifeline program, previously called GA-U. Information on financial assistance pro-

vided through this program is included below.) The 2010 legislature significantly altered this program, imposing time limits (24 months within a five-year period), improving transitions to federally-funded programs, and imposing stricter chemical dependency requirements. These changes are expected to result in a significant reduction in the average number of clients being served by the program and reduce the budget by \$16 million. Another \$16 million will be saved in the budget by transitioning clients to managed care initiatives. The budget also includes a \$22 million increase to cover increases in need for the program.

The budget passed last year aimed to decrease the amount of state money spent on pharmaceuticals by \$84 million. (This cut would decrease federal funding as well for a total cut of \$183 million.) The biggest component of this measure is to emphasize the use of generic drugs. In addition, the budget aimed to reduce the use of certain drugs, provide 90-day supplies of low-risk drugs, and establish drug purchasing initiatives.

Payments made to hospitals, clinics, managed care plans, and providers for caring for clients of Medicaid and other state health plans were also reduced. These cuts, which have real consequences for patients, providers, and other health care consumers, total about a \$242 million reduction in state funding. Cuts to hospital rates were offset by the Hospital Safety Net Assessment, bringing the net change in federal spending in this area to a \$104 million increase.

A number of reductions in benefits such as maternity support services, durable medical equipment (including enteral nutrition, bath or shower items, stockings, auto blood pressure cuffs, incontinent supplies, non-sterile and sterile gloves, and diabetic supplies), and dental care reduced the state budget by \$27 million and decrease federal funding by \$33 million.

Other cuts include reducing health services provided to lower income families not eligible for Medicaid

because of their citizenship status, cost controls in transportation, laboratory and X-ray services, and suspending outreach for Apple Health for Kids.

Federal recovery funds were essential to prevent even deeper cuts in this goal area. The temporary increase in Medicaid matching funds provided over \$1 billion and other federal sources kicked in another \$267 million. This total will be somewhat less than expected because Congress passed a smaller Medicaid enhancement extension package.

### *Care for people with long-term health needs*

The biennial budget made deep cuts in adult day health programs (structured daytime programs that provide skilled nursing care and rehabilitative therapy as well as an important source of social activity). As a result of the cuts, clients living in adult family homes or boarding homes were no longer eligible for adult day health. In September 2009, this cut was declared to be a violation of due process rights and the affected residents were again eligible for services. The cut was also declared to violate Medicaid rules. The 2010 legislature reinstated eligibility for residents of adult family homes and boarding homes, but placed an enrollment cap on the program. The budget also made cuts in transportation assistance, including eliminating such assistance for clients living at home. On net, the total budget reduction to adult day health was \$11 million in state funding and \$6 million in federal funding.

Over 30,000 long-term care and developmental disability clients receive care in their own home. These services, which are essential to allowing people to remain in their own homes, meet needs not met through other resources. The current budget has made \$34 million in cuts to this service, compounded by a corresponding loss of \$51 million in federal funds.

Deep cuts have been made to the rates paid to nursing homes, boarding homes, supported living facilities, group homes, and so on for caring for people with

long-term care needs. Some of the cuts made to nursing home rates in the 2009 session were blocked by a court decision. Including the restoration of those cuts, rate cuts total \$31 million in state funding and \$42 million in corresponding federal funding. In addition, there were sharp cuts (\$34 million state, \$9 million federal) to the rates provided to Regional Support Networks to pay for the care of people with serious or long-term mental illness, in particular for those clients not eligible for Medicaid.

Other cuts in this area total \$64 million in state funds and \$8 million in federal funds. Federal recovery funding (through an enhanced Medicaid match) was expected to provide \$1.2 million in funding to care for people with long-term health needs in the current biennium. This total will be somewhat less than expected because Congress passed a smaller extension package.

### Economic security

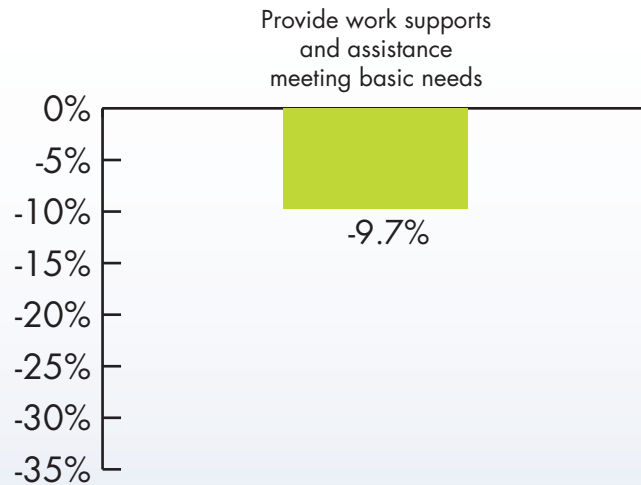
We all need public supports and services that provide avenues to economic security. Supports such as child care and health care are often needed to make employment practical and possible. And for those who can't work or have lost their jobs, help is sometimes needed to meet basic needs. The resilience of our communities and our state depends on how well we ensure economic security for all.

Goals for the state budget that will help us achieve economic security include:

- Providing work supports and assistance meeting basic needs.

The budgets for agencies focused on these goals account for about four percent of the current NGF+FR budget (Figure 1A). In total, the budget for these goals has been reduced by \$141 million dollars (a 9.7 percent cut) in the current biennium (Figure 1B). The result is a step backward on investments that

Figure 5: Budget cuts in economic security by goal area, 2009-11



Source: Budget & Policy Center calculations of data from LEAP

provide financial supports during the worst economic downturn since the Great Depression.

### *Provide work supports and assistance meeting basic needs*

Financial assistance for persons who are temporarily unable to work due to disability has been scaled back in the current budget. (This assistance is provided through the Disability Lifeline program, previously called GA-U. Information on medical assistance provided through this program is included above.) The first round of cuts (\$25 million) focused on achieving savings by aggressively facilitating transfers to federal programs and through a change in how earned income is calculated. The 2010 legislature significantly altered this program, imposing time limits (24 months within a five-year period), improving transitions to federally-funded programs, and imposing stricter chemical dependency requirements. These changes are expected to result in a 13 percent reduction in the average num-

ber of clients being served by the program and reduce the budget by \$12 million.

The need for WorkFirst, a program that provides financial and employment services to struggling families, has risen sharply during the economic downturn. New federal funding has been made available to help defray the cost of rising caseloads and in the 2010 session, \$17 million was appropriated to maintain these services. But WorkFirst has also seen significant cuts. First, there was a reduction in state funding of \$69 million through administrative reductions and caseload management. Reductions totaling \$24 million in the supplemental budget include suspending the Community Works Program, decreasing job search and work requirements (lowering child care expenditures), and increasing sanctions of participants.

In August, Governor Gregoire announced further cuts to WorkFirst, totaling \$51 million (not included in the figures above).<sup>4</sup> The eligibility threshold for child

care subsidies will be lowered. Fewer extensions will be granted to families who have reached the five-year time limit. Cuts will also be made to services that help clients find and maintain employment, education, and training.

## Conclusion

The economic downturn severely damaged the ability of Washington state's revenue structure to fund key public priorities. In response, state policymakers passed modest revenue increases, but relied most heavily on making deep and broad cuts in state investments in education, communities, health, and economic security.

The economy isn't done taking a toll on the state budget. In the current biennium, revenue forecasts have fallen and anticipated federal funding is lower than previously expected. The current budget balance is only about \$72 million.<sup>5</sup> If revenue forecasts continue to fall, the budget could go into the red, requiring action by state policymakers. Cuts in programs that help people find and maintain employment have already been announced.

The outlook for the next biennium is bleak because economic woes will continue to hold back revenue growth. According to the most recent forecast, current revenue expectations will be \$3 billion short of the amount needed to continue our current commitments.<sup>6</sup>

A slate of ballot initiatives to be voted on this fall adds a layer of concern.<sup>7</sup> The results of November's election could push the budget out of balance in the current biennium and deepen the problems faced in the 2011-13 period.

A thoughtful and balanced approach to the ongoing economic and fiscal crisis will consider the depth and breadth of the cuts already made and the damage done to the state's core priorities because of those cuts. Such

an approach would consider further cuts carefully and alongside meaningful revenue reform.

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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\\_lbns.asp](http://leap.leg.wa.gov/leap/budget/index_lbns.asp)).
2. For more information on this change, see the Washington State Department of Health website at <http://www.doh.wa.gov/cfh/immunize/providers/universal.htm>.
3. Correspondence with Washington State Health Care Authority.
4. Washington State Department of Social and Health Services (<http://dshs.wa.gov/mediareleases/2010/pr10075.shtml>).
5. Governor's press release (<http://governor.wa.gov/news/news-view.asp?pressRelease=1557&newsType=1>) and correspondence with Washington State Office of Financial Management.
6. Washington State Office of Financial Management Six-Year Outlook, June 2010 (<http://www.ofm.wa.gov/budget/info/June2010Six-YearOutlook.pdf>).
7. For more information on 2010 ballot initiatives, see <http://budgetandpolicy.org/policy-areas/ballot-measures>.