

Governor's Budget Proposal: Not a Prescription for Progress

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Introduction

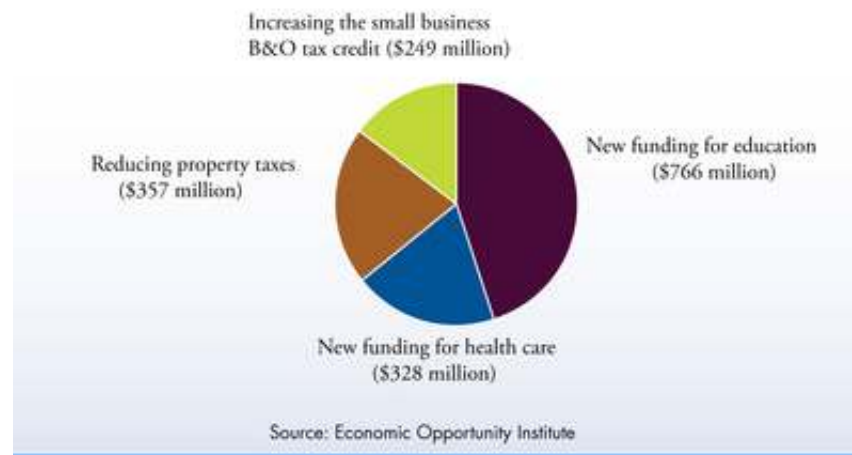
In response to the continuing effects of the recession, Governor Gregoire has proposed a short-sighted, all-cuts budget for the 2011-13 biennium, which runs from July 1, 2011 to June 30, 2013. Her proposal fails to include sensible revenue reforms needed to preserve essential, voter-approved commitments to health care, education and other vital public priorities while the economy recovers.

As shown in Figure 1, the Governor's budget would result in unacceptably painful and economically-damaging cuts to many core public systems needed to sustain our economic recovery¹. On top of the \$5 billion in cuts to important services enacted in the 2009-11 biennium, the Governor's proposed budget plan for the next two years would mean:

- Cutting efforts to ensure the health of people and environment by another 10.2 percent. For example, services that seek to improve infant survival and health for women and babies would be reduced by 50 percent.
- Investments in education and opportunity – from preschools to universities – would be cut by another \$2.2 billion. Thousands of students seeking to further their education will see a 9-11 percent rise in the cost of tuition, pricing many families out of higher education.
- Programs that create thriving communities – such as public safety and balanced economic development – would receive an additional 4.3 percent cut. Two correctional facilities would close- one for adults and one for juveniles.
- Systems that provide economic security for struggling families would be reduced by 22 percent, resulting in a loss of basic food assistance to roughly 14,000 people.

While there has been much recent talk of transforming government, the Governor's proposal does little to improve long-term fiscal management. Rather, the proposal's overly simplistic, cuts-only strategy would severely weaken or eliminate fundamental public services in the short-term, saddling future generations with even higher costs.

A more rational and balanced proposal would couple targeted budgets cuts and short-term revenue enhancements – needed to preserve essential services while our state economy recovers – with long-term reforms aimed at improving budget transparency and fiscal management.

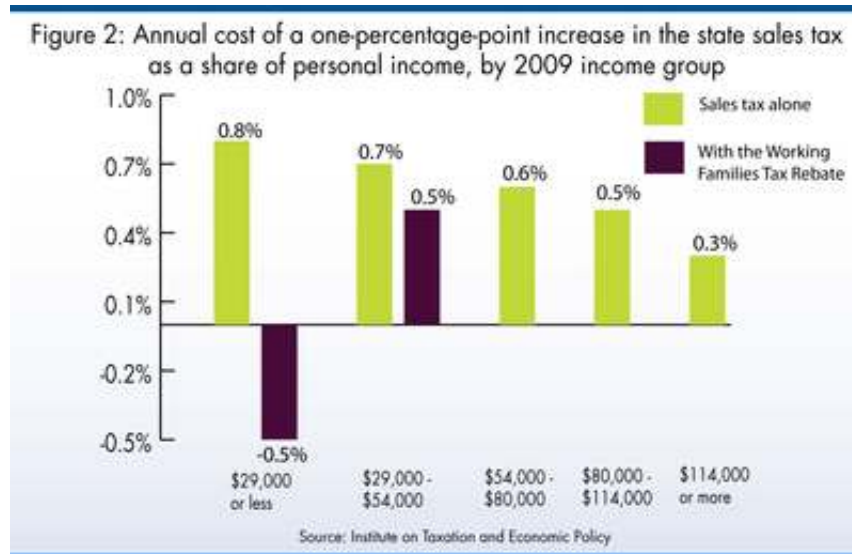
Figure 1: Distribution of I-1098 revenues

Cuts-only budget: More damage

Since the start of the Great Recession in 2008, policymakers have predominantly responded to the crisis by sharply cutting the very services struggling workers and families most need – health care, worker retraining programs, child care, and many other core supports. If enacted, the Governor's budget would only continue to damage our communities.

The graph below shows that, by far, budget cuts represent the largest share of our state's response to the economic downturn under the Governor's proposal:

- Cuts in core public services would account for a whopping 51 percent of the \$17.9 billion in shortfalls encountered by policymakers since the recession began.
- While much attention was paid to the modest revenue package enacted in early 2010, tax increases would account for only 5 percent of total budget-balancing actions.
- Federal stimulus funding, which expires at the end of the current fiscal year, would account for 22 percent of the solution.
- Transfers and other changes would account for 22 percent of the solution.



A cuts-only approach is the wrong prescription for Washington

Another \$4 billion in cuts would take our state back in time, undoing the commitments affirmed by both the Legislature and overwhelming support from the public over the years:

- The Basic Health Plan was established in the late 1980's to provide affordable health care to low-income working adults and has served as a national model for health care delivery. The public asserted the value of the program at the ballot box in 2001. The proposed budget eliminates the program entirely, resulting in the loss of health care for nearly 60,000 working adults.
- In 2000, voters approved Initiative 728 to improve learning for kids in K-12 by reducing class sizes. The proposed budget suspends this initiative.
- Initiative 732 was passed by voters in 2000 to provide cost of living increases for our teachers. The proposed budget suspends this initiative.
- The Legislature passed the Apple Health for Kids bill in 2007 to set the goal of covering all kids with health care by the year 2010. The proposed budget eliminates health coverage for 27,000 children.

Not only do the proposed cuts damage our public structures – our education system, health care infrastructure, and public safety – they literally change the role of state government. If the Governor's budget becomes law, it will spell the end of the state's role in supporting a healthy and prosperous society. Under the Governor's budget, the state would no longer provide:

- Medical and income support to over 20,000 people who cannot work due to a disability;
- Food assistance, interpreters, employment services, and naturalization services to low-income immigrants and refugees;
- Prescription drug assistance for low-income seniors;
- Funding for our parks system.

An all-cuts budget is unsustainable and irresponsible

Over the last few years, Washingtonians have seen the toll that the economic recession has taken on our state. At this critical juncture, an excessive reliance on deep cuts to fundamental public priorities could leave Washington ill-equipped to compete once the national recession has abated.

If our state continues on the trajectory of making deep cuts to our priorities, we will only end up pushing the costs forward:

- Cuts to health care for vulnerable populations result in higher utilization of emergency rooms;
- Less support for seniors aging at home results in greater usage of nursing homes;
- Lack of mental health treatment results in increased use of jails;
- Cuts to education mean that fewer businesses will find the workforce that meets their needs.

All of these alternatives have significantly greater costs – to our state, to us as individuals, and to the society that we aspire to create.

Initiatives not an excuse for an unbalanced approach

It would be a mistake for lawmakers to read the passage of Initiatives 1053 and 1107 last November as a mandate for a damaging, cuts-only budget in the coming biennium. (I-1053 requires that all tax increases be approved by two-thirds vote in the legislature or a vote of the people; I-1107 repealed taxes on soda, candy, and bottled water.)

Given the depth of the economic crisis two-thirds of legislators ought to agree on a sensible package of revenue enhancements that would offset the worst of the proposed cuts. Failing that, a simple majority of legislators should allow voters to decide on such a package by adding a referendum measure to the 2011 November ballot.

Long-term reforms needed

To ensure that our budget is sustainable over the long-term, it is imperative that the Legislature reform one set of state policies that cost the state more than \$6.5 billion a year¹ – blindly keeping hundreds of special tax breaks on the books each year. In times like these, it is critical that all areas of spending become part of the conversation. Effective management of our state's resources requires a thorough review and evaluation of the money the state spends not only through the budget but also through tax exemptions – everything from exemptions on out-of-state coal to medically unnecessary cosmetic surgery.

Over the coming days, the Budget & Policy Center will roll out a more detailed approach to balancing the budget – an approach that offers a path out of accepting a budget that decimates our values.

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, provide economic security to those in financial need, and rebuild our economic future.

The Governor's proposed budget is a starting point, not the end. Over the coming weeks and months, both chambers of the Legislature will craft their own versions of a balanced budget.

The Legislature has a unique opportunity to stand up for the values of Washingtonians and ensure the long-term fiscal health of the state.

The Legislature and Governor should work together to enact a budget that protects our investments in core values and provides for true reform of our tax expenditure system.

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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).
2. Estimate based on DOR data on tax exemptions and taxpayer savings. The estimate is illustrative of the amount of revenue foregone each biennium, but is not precise as some taxpayer savings could not be realized as revenues.