

The Washington state budget in the wake of the Great Recession

Kim Justice

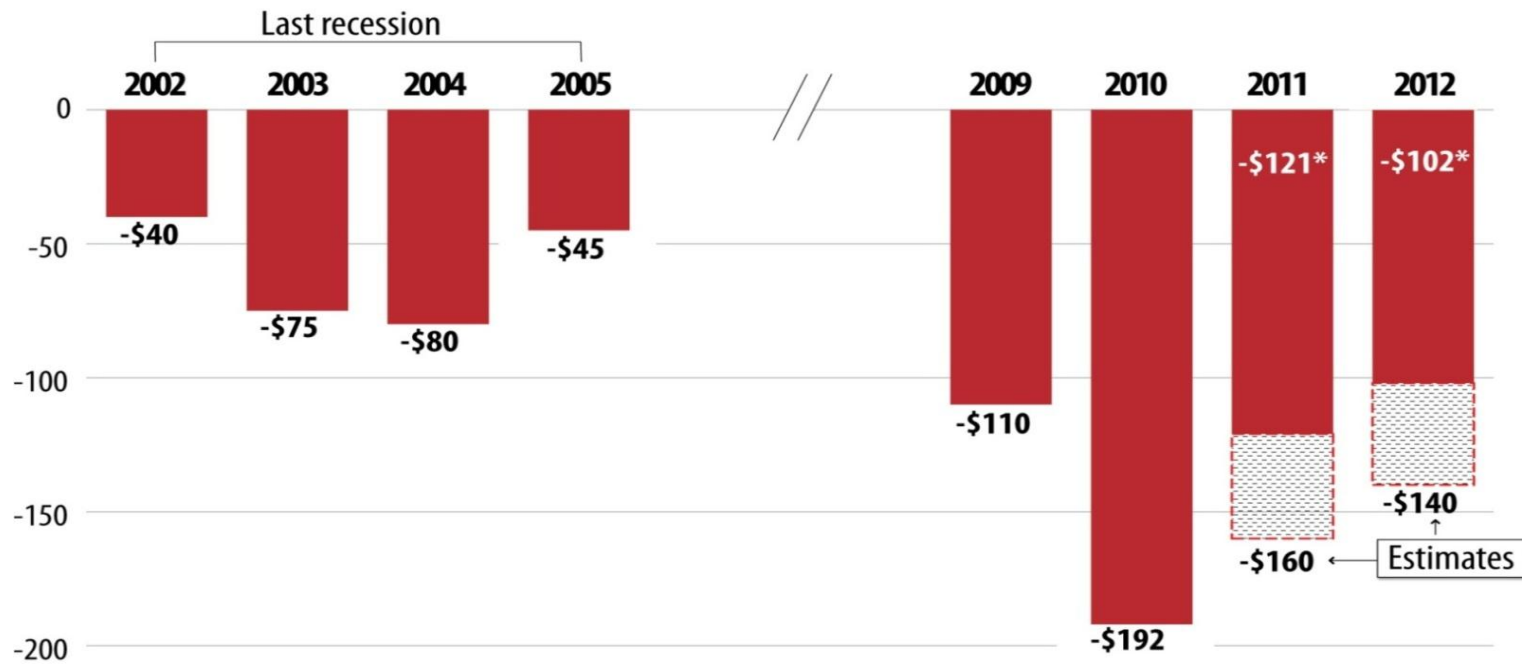
January 31, 2012

Agenda

- Magnitude of Recession
- Impact of cuts
- What's at stake in 2012
- Solutions: short-term & long-term

Largest State Budget Shortfalls on Record

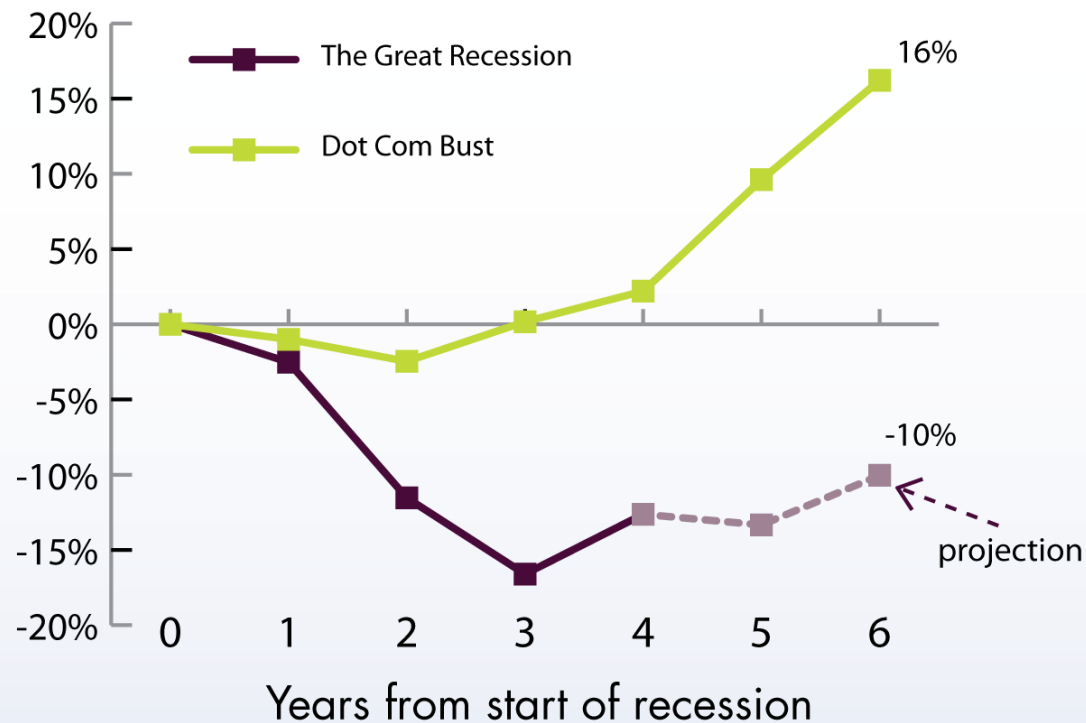
Total state budget shortfall in each fiscal year, in billions



*Reported to date
Source: CBPP survey.
Revised August 2010

Current revenue losses much *deeper* than past recessions

Percent change in state tax revenue since start of recession,
 adjusted for inflation*

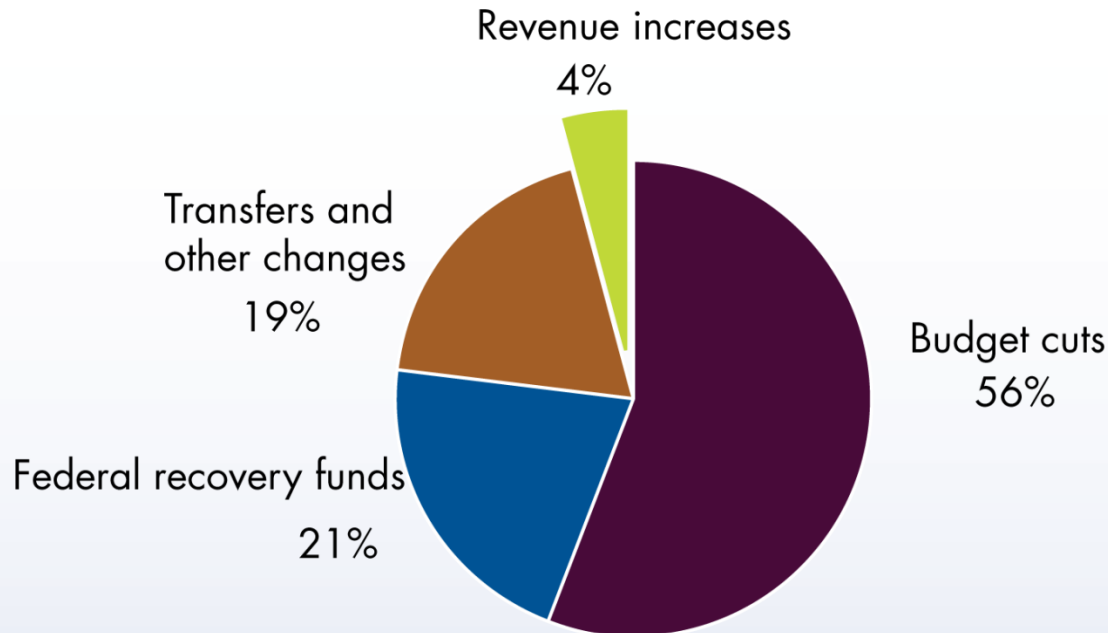


Source: Budget & Policy Center analysis; data from ERFC and BLS.

*Near-General Fund, state-only revenue; real (2010) dollars.

2009-2013: Economic crisis knocked an \$18 billion hole in the budget

Revenue has made up the smallest part of the budget solution
2009- 2013



Source: Washington State Budget & Policy Center analysis of data from OFM, DOR, and LEAP; reflects budgets through original 2011-13 enacted

Over **\$10 billion** in cuts
damages the public structures that
help build a strong economy.



Budget cuts have real impacts

Healthy People & Environment

- People with low incomes no longer have access to glasses and most hearing devices
- Over 50,000 low income seniors no longer get assistance with their prescription drugs
- 60,000 low-income, working adults have lost health care coverage (and over 150,000 are on a waiting list)

Economic Security

Basic Needs

- 20,000 individuals who cannot work due to a disability have seen their income support vanish.
- Food assistance for 13,000 legal immigrants has been reduced.

Work Supports

Over 20,000 adults and children have lost support to get and keep a job; roughly 7,000 low-income working parents have lost crucial child care support

Education & Opportunity

- Students now pay over half the costs of instruction at four-year institutions due to tuition increases.
- Voter-approved initiatives to improve learning by reducing class sizes and providing cost of living adjustments for teachers have been suspended.
- Teachers have had their salaries reduced by 1.9 percent.

Thriving Communities

Cultural institutions- state funding for parks has been eliminated and replaced with a user-fee; funding for tourism development has been eliminated.

Public safety- McNeil Island Correctional Center and Maple Lane School for juveniles are scheduled to close.

Impact on nonprofits

Survey of over 150 nonprofits conducted at end of 2011:

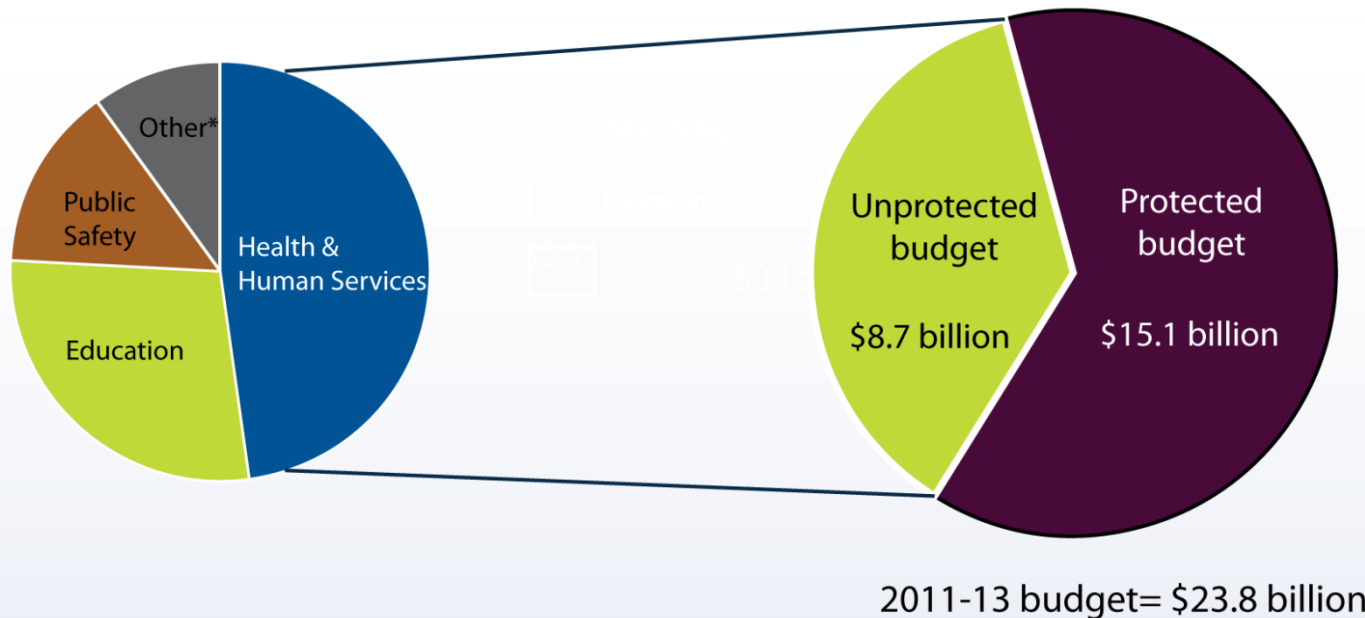
- Over half of respondents lost more than \$50,000 in state funding
- 80% had to make staff reductions

More tough choices ahead

- Revenue projections continue to decline
- Governor submitted a budget that cuts \$2 billion; buys-back approximately \$500 million through a half a penny sales tax increase that would need voter approval.
- Legislature met for a special session in December and cut \$480 million.
- Gap to be closed in 2012 session: **\$1.5 billion**

Options are Limited

Nearly Two-Thirds of 2011-13 Budget is Protected



Source: Budget & Policy Center calculations; data from OFM; *Other category includes governmental operations, natural resources, transportation, other education and other appropriations

Deeper cuts would put lives on the line

- Health care for **35,000 low-income working adults** would be eliminated.
- Medical services for **21,000 people** who cannot work due to a disability would be cut off.
- Services that keep over **500 families** intact each year would be eliminated.
- **1,600 low-income, elderly clients and individuals** with developmental disabilities would lose care.

- Child care support that helps low-wage workers keep their jobs would be reduced, affecting **4,000 children** and their parents.
- Food assistance to an estimated **13,000 individuals** each month would be eliminated.
- Funding to colleges and universities would be cut by 13-17 percent.
- Financial aid through the state Work Study program would be eliminated for **7,600 students** at colleges and universities.

Framework for Prosperity

What are the short-term options?

Raising Revenue in the Short Term:

1. Raise and modernize sales tax
2. Close targeted tax breaks

Long-term structural change is needed

- **Washington suffers from a ‘structural deficit’**
 - \$2 billion dollars starting with the 2015-17 biennium.
 - Basic Education likely requires billions more in support

Long-term structural change is needed

- **Enact a tax on Capital Gains**
- **Strengthen our rainy day fund**
- **Lower taxes for working families**
- **Increase transparency and accountability for tax system**

Questions?

Kim Justice, Policy Analyst

kimj@budgetandpolicy.org

(206) 262-0973 x 236