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Great Recession Austerity Budgets Left Washington Vulnerable to COVID-19

From 2009 through 2012, Washington's Legislature made policy-level spending cuts totaling \$13.2 billion. They avoided even deeper cuts by modestly increasing revenues and transferring from other funds. Washington also received about \$4 billion in federal stimulus funds over three biennia (2007-2013).¹ The austerity approach:

- caused significant, long-lasting harm to individuals and communities;
- reduced jobs and incomes, slowing economic recovery;
- exacerbated racial, gender, and regional inequality;
- deprived working families, small businesses, and public agencies of the resiliency that would have put us in a much stronger position to respond to the COVID-19 pandemic.

The resulting cuts in public services undermined health and economic opportunity for hundreds of thousands of Washingtonians, particularly harming lower-income individuals and communities.²

Health by the End of 2011:

64,000 people lost health coverage through the Basic Health Plan, primarily low-income working adults;

155,000 on the BHP wait list;

180,000 lost dental care, eyeglasses, podiatry, and other services through Medicaid;

120,000 faced drastically reduced preventive mental health services through Regional Support Networks;

50,000 low-income seniors lost assistance covering prescription drugs;

40,000 seniors and people with disabilities had cuts in the home health care that helped them maintain health and independence;

46,000 women lost family planning services;

\$23 million cut from Maternity Support Services;

45% reduction in per capita funding for alcohol and substance abuse disorder treatment by 2017, after continuing declines.

Higher education: Large cuts resulted in reduced access and fewer course offerings, fewer staff, and large tuition increases. From the 2007-08 school year to 2012-13, student tuition and fees increased 75% at the University of Washington and 35% at community and technical colleges.³ Lack of funding prevented nearly 145,000 eligible students from receiving State Need Grants from the 2009-10 school year through 2013-14.⁴

Work and income supports: 27,000 families and their children lost child care subsidies by the end of 2011. Continued low public investment meant the early childhood workforce earned poverty wages and the industry was in crisis prior to the COVID crisis. 23,000 families lost TANF grants in 2011, and more families lost grants in subsequent years.⁵ 20,000 people who couldn't work due to disability lost income support.⁶

K-12: Class sizes increased, voter-approved education improvements were suspended, thousands of public school employees lost jobs, and those remaining lost cost of living increases and other pay and benefits.

Protecting Washingtonians: State agencies reduced staff and service levels through across-the-board cuts, consolidation of agencies, and postponement of purchases and programs. Corrections reduced beds and supervision. State parks lost funding, limiting access. Public servants faced reduced take-home pay with mandatory furloughs and higher health insurance contributions.

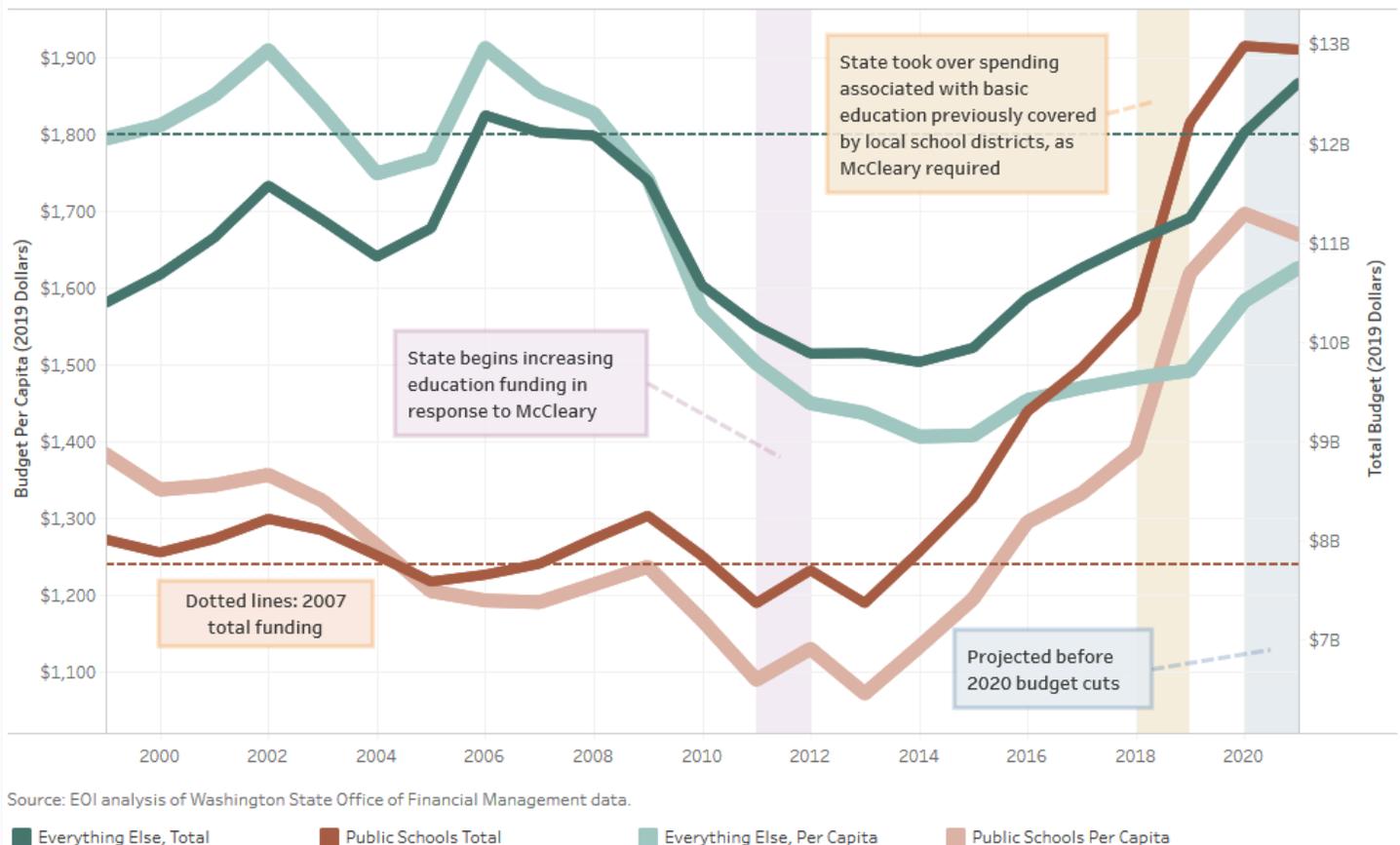
Reduced state spending slowed economic recovery and exacerbated existing inequalities.

State and local governments and school districts laid off workers, and the state spent less in the private sector, reducing overall economic activity. According to economist Mark Zandi, every \$1.00 of state spending generates \$1.41 in economic activity.⁷ Other economists have estimated multipliers of 1.7 to 2.1.⁸ Economists across the political spectrum agree that the negative economic impact of new taxes on the affluent is much less than the positive impact of maintaining state spending.⁹

Cutting income supports and other services to lower-income people was also particularly damaging, both to those individuals and families and to the overall economy. The U.S. Department of Agriculture estimates that SNAP spending has a multiplier of \$1.54 for every \$1.00 spent. It also creates jobs and supports the agricultural sector.¹⁰ SNAP, along with other government spending focused on lower-income households, also has a higher multiplying effect than general government spending because low-income households spend all of that money, while higher income households tend to save more.

We can avoid the mistakes of the past. By choosing now to raise the revenues necessary to invest in our people and important structures, we can rebuild our economy to be stronger, more equitable, and more resilient.

Washington's Near General Fund Budget 1999-2021, Adjusted for Inflation



Source: EOI analysis of Washington State Office of Financial Management data.

Everything Else, Total Public Schools Total Everything Else, Per Capita Public Schools Per Capita

¹ Emily Makings, "Looking back at state budgeting in the Great Recession, part 2: How the governor and Legislature responded," April 10, 2020, Washington Research Council.

² Washington Budget and Policy Center, "Cuts on the Rise, Health in Decline: The Impact of Cuts to Washington State's Health Care Structures," by Kim Justice, Feb 2012; Washington Budget and Policy Center, "WOMEN, WORK, and WASHINGTON'S ECONOMY: How State Budget Cuts are Hurting All Three," by Lori Pflugst, Feb 2013; EOI analysis of fiscal.wa.gov data.

³ Aaron Keating, "Public Higher Education Tuition in Washington: State budget cuts have pushed the cost of college out of reach," Aug 2019, Economic Opportunity Institute.

⁴ Washington Student Achievement Council, 2014 State Need Grant Legislative Report, by Rachele Sharpe, Dec 2014.

⁵ Washington Budget and Policy Center, "WOMEN, WORK, and WASHINGTON'S ECONOMY: How State Budget Cuts are Hurting All Three," by Lori Pflugst, Feb 2013.

⁶ Washington Budget and Policy Center, "No denying it: At least \$10 billion has been cut from the state budget," Kim Justice and Andy Nichols, Dec 2011.

⁷ Mark Zandi, "Fiscal Policy Roadmap," Moody's Economy.com, October 19, 2009.

⁸ Daniel Shoag, "The Impact of Government Spending Shocks: Evidence on the Multiplier of State Pension Returns," June 2011, Harvard University Economics Department.

⁹ See Zandi and Peter Orszag and Joseph Stiglitz, "Budget Cuts vs. Tax Increases at the State Level: Is One More Counter-Productive than the Other During a Recession?" Center on Budget and Policy Priorities, revised November 2001.

¹⁰ US Department of Agriculture, "The Supplemental Nutrition Assistance Program (SNAP) and the Economy: New Estimates of the SNAP Multiplier," by Patrick Canning and Brian Stacy, July 2019.