



## State Budgeting in the Great Recession, and Lessons for Today

### Briefly

*The June revenue forecast reduced estimated state revenues by \$4.540 billion (8.7 percent) in 2019–21 and by \$4.342 billion (7.8 percent) in 2021–23. While the current recession seems to be deeper than the Great Recession, there is hope that its duration will be shorter. Still, there are lessons to be gleaned from how the state Legislature responded to the Great Recession.*

*From the September 2007 forecast through the November 2011 forecast, revenues declined by a total of \$12.640 billion (the 2007–09 forecast was reduced by 6.9 percent, the 2009–11 forecast was reduced by 20.2 percent, and the 2011–13 forecast was reduced by 11.0 percent). To address the revenue shortfalls, the Legislature cut policy level spending, used federal stimulus funds, increased taxes, made transfers to the GFS from other funds, and tapped the rainy day fund.*

*The state has already learned two major lessons from the Great Recession: A constitutional amendment was approved in 2011 requiring the transfer of three-quarters of any extraordinary revenue growth to the rainy day fund. And beginning with the 2013–15 biennium, the Legislature has been required to balance budgets over four years.*

*Thanks to these strong budget sustainability practices, the state budget is much better prepared to weather the current recession than it was in 2008. Nevertheless, state spending increased substantially in recent years, which will make the response more difficult than it would be if spending growth had been constrained.*

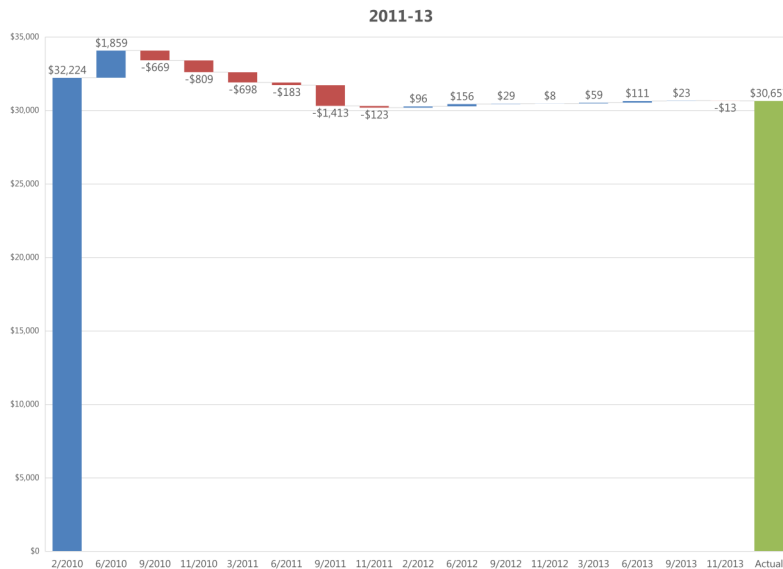
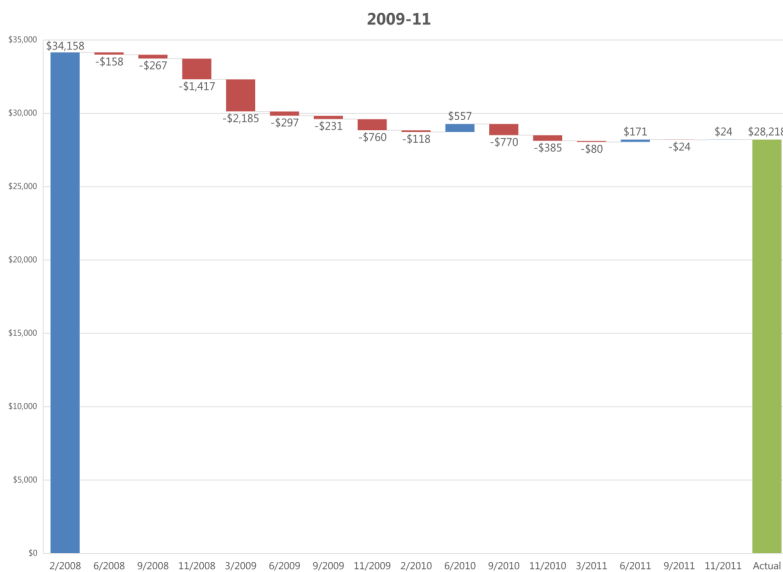
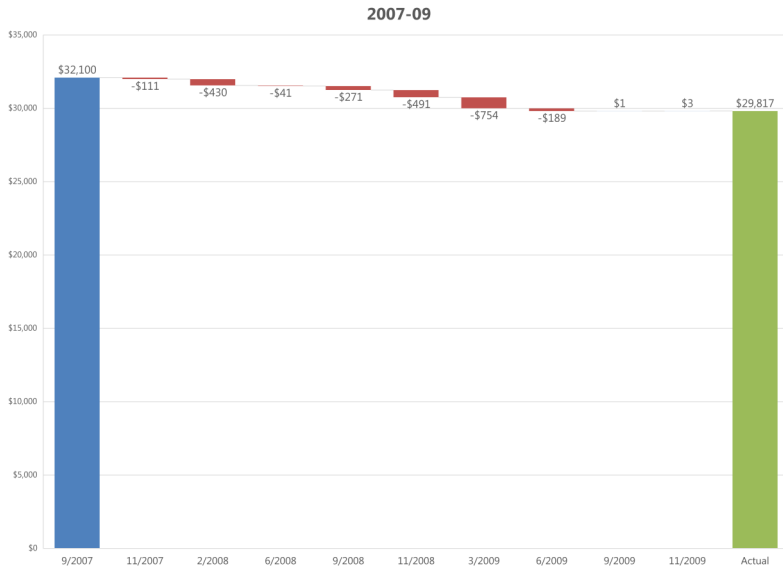
*A close examination of the state's response to the Great Recession reveals other lessons for policymakers responding to the COVID-19 economic crisis:*

- *Use the rainy day fund.*
- *Don't lead with tax increases.*
- *Treat federal aid as a temporary stopgap.*
- *Cut spending early.*
- *Eliminate low-priority programs instead of just suspending them.*
- *Anticipate additional revenue reductions.*
- *Maintain the four-year balanced budget requirement.*

*Going forward, the Legislature should also:*

- *Perform fiscal stress tests as a regular part of the budget process.*
- *Make Medicaid spending more transparent.*

Charts 1–3: GFS Revenue Changes by Forecast (Economic and Legislative Changes, Dollars in Millions)



Consistent with the broad shutdown of the economy over the past few months, the June revenue forecast reduced estimated state revenues by \$4.540 billion (8.7 percent) in 2019–21 and by \$4.342 billion (7.8 percent) in 2021–23. The depth of the current recession invites comparison to the Great Recession, as does the fact that state spending has grown significantly over the past few biennia, echoing the run-up of state spending immediately prior to the Great Recession.

While the current recession seems to be deeper than the Great Recession, there is hope that its duration will be shorter. Still, there are lessons to be gleaned from how the state Legislature responded to the Great Recession. Some of the budgetary actions taken back then have already been taken by Gov. Inslee this year, but there are also some noticeable actions he has not taken.

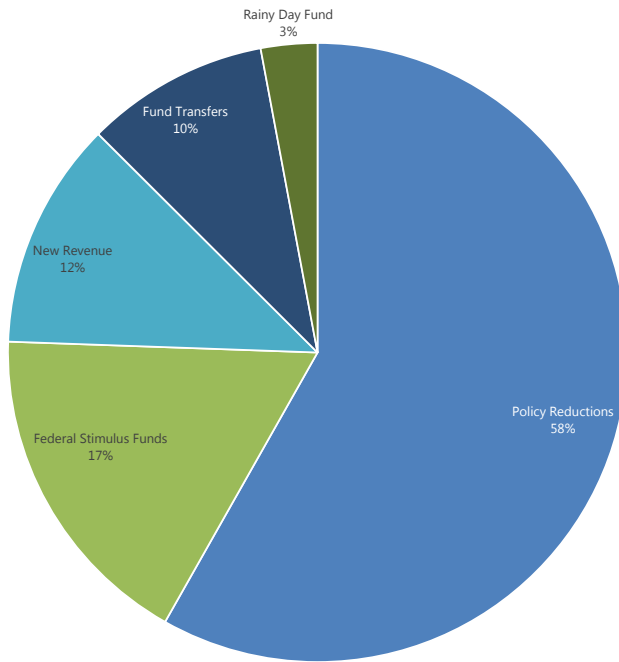
**Revenue Losses**

The Economic and Revenue Forecast Council began reducing the general fund –state (GFS) revenue forecast in November 2007. There was a slow drip of forecast revenue reductions through November 2011. (Revenue losses are shown in terms of the GFS because the early forecasts for this period did not include the education legacy trust account.)

From September 2007 through November 2009, 2007–09 GFS revenues declined by \$2.218 billion (6.9 percent). Over the course of the 2009–11 biennium, revenues declined by \$6.891 billion (20.2 percent). Through November 2011, revenues for 2011–13 declined by \$3.531 billion (11.0 percent). In total, from the September 2007 forecast through the November 2011 forecast, revenues over the three biennia declined by \$12.640 billion.

These are economic changes only; they do not include legislative changes to revenues. Including legislative changes (some of which are described below), actual revenues declined by \$10.259 bil-

Chart 4: Actions Taken to Address Great Recession Shortfalls



lion from the September 2007 through November 2011 revenue forecasts. Charts 1 through 3 on page 2 show the progression of losses by forecast over three biennia.

**Overview of the State Response**

State spending increased substantially immediately prior to the Great Recession.

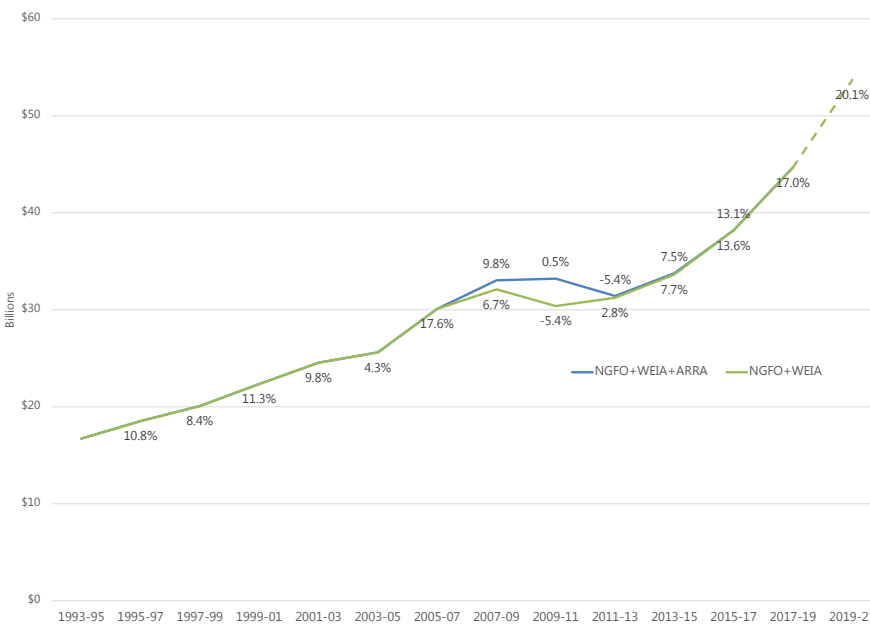
Actual spending in the 2005–07 biennium increased by 17.6 percent over 2003–05 and the original 2007–09 budget increased appropriations by 10.8 percent. Although revenues began to drop in the November 2007 revenue forecast, the Legislature *increased* 2007–09 policy level spending by \$101.9 million in the supplemental budget adopted during the 2008 legislative session. Appropriations in the 2008 supplemental were \$33.655 billion (11.8 percent higher than 2005–07), which turned out to be the high point of the state’s pre-recession appropriations.

Meanwhile, the costs of continuing current services (the maintenance level) continued to grow. The maintenance level grew by 13.6 percent in 2009–11 and 19.3 percent in 2011–13. Along with caseload increases, the maintenance level included some costly programs that were later cut. To address revenue shortfalls, the Legislature cut policy level spending, used federal stimulus funds, increased taxes, made transfers to the GFS from other funds, and tapped the rainy day fund (see Chart 4).

The Legislature made policy level spending reductions totaling \$13.194 billion from the near general fund–state (NGFS) from February 2009 through April 2012. Meanwhile, federal stimulus funds from the American Recovery and Reinvestment Act of 2009 (ARRA) were available for the state beginning in FY 2009. This funding provided \$926.6 million in 2007–09, \$2.825 billion in 2009–11, and \$185.1 million in 2011–13.

These ARRA funds, which were used to backfill state funds, helped shift overall

Chart 5: Actual Spending by Biennium (Percent Change)



spending reductions from 2009–11 to 2011–13, as Chart 5 on page 3 shows. With ARRA funds, the spending increase in 2007–09 was 9.8 percent (still below the 2008 peak in state appropriations). ARRA funds then kept spending virtually steady in 2009–11 before spending dropped 5.4 percent in 2011–13.

The Legislature increased taxes in 2009 and 2010. These actions increased revenues by \$880.4 million in 2009–11 and by \$1.820 billion in 2011–13. Transfers to the general fund from other funds totaled \$192.8 million in FY 2009, \$1.384 billion in 2009–11, and \$595.2 million in 2011–13.

Legislators also tapped the rainy day fund. They used \$400.0 million in 2007–09 and \$268.3 million in 2009–11. (The rainy day fund had just been established effective July 1, 2008, so it hadn't had time to accumulate much (WRC 2018).)

Additionally, the Legislature made some policy decisions that lessened the need for more state funding cuts by shifting costs to other sources of revenue. For example, in 2010, the Legislature allowed school districts to use local property tax levies to generate more of their revenues beginning in 2011. And in the 2009–11 and 2011–13 budgets, the Legislature allowed higher education institutions to increase tuition. Given the sustained revenue declines, the Legislature often had a difficult time coming to agreement on budgets. Over the period, six special sessions were required.

Then-Gov. Gregoire also took several executive actions to address the shortfalls. Early on, she froze state hiring and purchasing (Gregoire 2008a). In 2008, she initiated additional savings, including some across-the-board cuts and delays to program implementations (Gregoire 2008b and 2008c). In 2010, she implemented across-the-board cuts in spending due to a cash deficit in the GFS (pursuant to RCW 43.88.110(7)) (Gregoire 2010b). Collective bargaining agreements (CBAs) with state employees that were signed in 2008 were determined not to

be financially feasible (Moore 2008). In 2010, state employee salaries were cut by 3 percent, after the governor declared a significant revenue shortfall (RCW 41.80.010(5)) and CBAs were renegotiated (Gregoire 2010e). The governor also suspended non-critical rulemaking for two years (Gregoire 2010c and 2011).

Appendix A on pages 11–12 includes a timeline of the actions taken.

### New Revenues

Tax increases in 2009 and 2010 made up 11.9 percent of the response to state revenue shortfalls.

In 2009, the Legislature passed two bills to improve tax compliance. Previously, purchases of goods and services for resale were exempt from sales tax if the buyer provided a resale certificate to the seller. SB 6173 required buyers to have a seller's permit (issued by the Department of Revenue) in order for such purchases to be exempt from sales tax. The bill was estimated to increase revenues by \$102.6 million in 2009–11 and \$160.9 million in 2011–13. ESSB 6169 made it easier for the Department of Revenue to collect on tax warrants by simplifying the process of ordering financial institutions to withhold property held by third parties. It was estimated to increase revenues by \$8.8 million in 2009–11 and \$9.1 million in 2011–13.

As part of the 2010 supplemental budget, Gov. Gregoire proposed increasing taxes by \$759.1 million in 2009–11 (WRC 2010a). The House and Senate each passed separate tax packages in March of that year (WRC 2010b). The House-passed version would have increased revenues by \$681.0 million and the Senate-passed version would have increased revenues by \$890.4 million. Several provisions were common to both versions (for example, both would have increased the cigarette tax). Among the differences: The Senate version included a temporary sales tax increase (to increase revenues by \$313.3 million) and the House version would have applied the

### NGFS and NGFO

During the Great Recession, legislative fiscal committee staffs based budget presentations on a synthetic "account" that rolled up the general fund–state (the state's primary budget account) with the education legacy trust account. This was called the NGFS. In 2010, the opportunity pathways account was added.

Now this roll-up is called "funds subject to the outlook" or the near general fund–outlook (NGFO). (Under the four-year balanced budget requirement, a positive ending balance is required in both the current and following biennium on an NGFO basis.)

In 2019, the Legislature created the workforce education investment account (WEIA) to fund higher education programs. As these programs would typically be funded through the NGFO, it is appropriate for budget transparency purposes to roll up the WEIA with the NGFO. Under legislation enacted in 2020, the WEIA will be included in the NGFO going forward.

sales tax to custom software (to increase revenues by \$76.5 million). Additionally, both versions included increases to the service business and occupation (B&O) tax rate, to increase revenues by \$170.8 million in the Senate version and \$46.6 million in the House version. (Both proposals to increase the service B&O tax rate were more modest than the one eventually enacted, as described below.)

Gov. Gregoire called a special session that year so the Legislature could finalize the budget. As we noted at the time, the Legislature needed the full 30 days of the special session because the House and Senate could not agree on the tax package until the last minute (WRC 2010c).

Ultimately, the tax package adopted in 2010 (2ESSB 6143 and ESHB 2493) increased state revenues by \$769.1 million in 2009–11 and \$1.65 billion in 2011–13 (WRC 2010c). Some of the major provisions included:

- Temporary B&O tax surcharge on service businesses (\$241.9 million in 2009–11, \$491.1 million in 2011–13). (This surcharge increased the B&O rate from 1.5 percent to 1.8 percent and expired as scheduled on June 30, 2013. In 2020, the Legislature increased the rate to 1.75 percent to fund the workforce education investment account (WRC 2020a).)
- B&O tax applied to businesses selling consumer products in Washington exclusively through direct seller’s representatives (\$155.0 million in 2009–11, \$199.4 million in 2011–13).
- Minimum nexus standards (\$84.7 million in 2009–11, \$395.0 million in 2011–13). (This provision broadened the rule used to determine whether a service or royalty business has sufficient connection to the state to be subject to B&O tax.)
- Temporary beer tax increase (\$59.0 million in 2009–11, \$106.8 million in 2011–13). (The tax increase expired June 30, 2013.)
- Temporary tax increase on carbonated beverages (\$33.5 million in 2009–11, \$82.4 million in 2011–13). (This was repealed by I-1107 in 2010 (WRC 2010d).)
- Sales and use taxes applied to bottled water (\$32.6 million in 2009–11, \$69.2 million in 2011–13). (This was repealed by I-1107; in 2017, the Legislature again applied sales and use taxes to bottled water (WRC 2017).)
- Sales and use taxes applied to candy (\$30.5 million in 2009–11, \$62.4 million in 2011–13). (This was repealed by I-1107.)
- Cigarette and other tobacco products tax increases (\$101.5 million in 2009–11, \$198.3 million in 2011–13).

### Fund Transfers

The Legislature regularly uses fund transfers to help balance the operating budget. Transfers to the NGFS from other funds (not including the rainy day fund) made up 9.6 percent of the response to the Great Recession shortfalls.

From 2009 through 2013, these transfers totaled \$2.179 billion. The funds came from 60 other accounts, including \$589.2 million from the public works assistance account, \$249.6 million from the education savings account, \$211.7 million from the education construction account, \$177.8 million from the local toxics control account, and \$147.0 million from the liquor revolving account.

### Spending Cuts

There are generally two components to state spending: maintenance level spending, which is the cost of continuing current services, and new policy spending. The maintenance level often increases (due to changes in caseloads and inflation) even when overall spending needs to be reduced; thus, larger reductions to policy spending are required to yield a reduction to total spending. (For example, the maintenance level in the 2009–11 budget increased by \$3.345 billion and policy level reductions were

\$5.611 billion, for an overall reduction to appropriations of \$2.267 billion.)

In this way, policy level cuts in some budget areas can be very deep and yet have a much smaller impact on overall spending, while policy level cuts in other budget areas lead to substantial overall cuts. Consider K–12 and higher education. Policy level cuts to public schools during the Great Recession were substantial (\$4.609 billion), yet overall state spending on K–12 increased over the period by \$25.3 million. Policy level cuts to higher education were \$1.452 billion and overall state spending on higher education decreased by \$919.1 million. The difference is that K–12 is an entitlement—all children must be served, so the maintenance level has a big impact on overall spending. This is not the case with higher education.

Thus, it’s useful to look both at how total spending changed during the Great Recession and how policy level spending changed.

*Total Spending.* The Legislature began cutting spending in an early session supplemental budget in February 2009. Alt-

hough 2007–09 appropriations from the NGFS were cut by \$1.540 billion from their 2008 peak, actual NGFS spending for 2007–09 still increased by 6.7 percent over 2005–07 to \$32.115 billion (see Chart 5 on page 3).

The appropriations low point came in the February 2011 early session supplemental budget, when they totaled \$30.358 billion for 2009–11. From the high point in the 2008 supplemental to the low point, appropriations dropped by \$3.297 billion (9.8 percent). Of those reductions, 63.1 percent came in human services, 15.0 percent came in K–12, and 17.1 percent came in higher education. From the 2008 supplemental to the 2011 budget, human services spending declined by 16.3 percent, K–12 spending declined by 3.6 percent, and higher education spending declined by 15.4 percent.

Although overall spending began to increase after that point, policy level reductions continued through the 2012 supplemental budget. From the 2008 supplemental to the 2012 supplemental, biennial state appropriations dropped by 7.1 percent (\$2.406 billion). (This includes changes to both new policy and maintenance level spending.) Of those reductions, 56.1 percent came in human services, 10.1 percent came in natural resources, and 38.2 percent came in higher education. From the 2008 supplemental to the 2012 budget, human services spending declined by 10.6 percent, K–12 spending increased by 0.2 percent, and higher education spending declined by 25.2 percent.

Chart 6 shows how much state spending was cut (or increased) in various budget areas through the 2011 budget and the 2012 supplemental. Over both time frames, K–12 spending was largely protected. Through 2012, higher education and natural resources were more deeply cut compared to their 2008 spending levels than human services.

*Policy Level Reductions.* Over the period from the Feb. 2009 supplemental budget

Chart 6: Change in Appropriations, 2008 Supplemental to 2011 and 2012 Supplementals

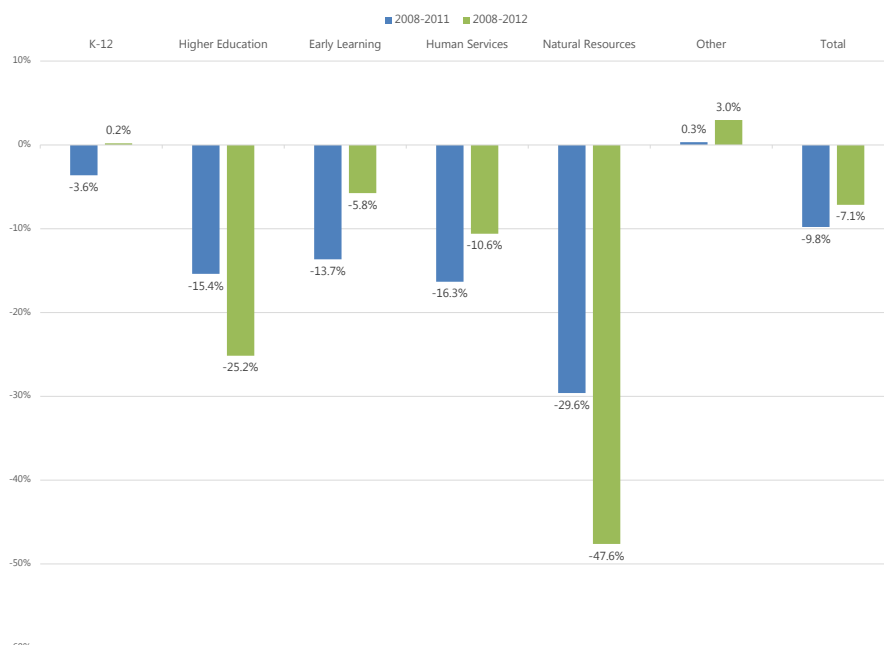


Chart 7: Budget Area Appropriations as a Share of Total Appropriations in the 2008 Supplemental

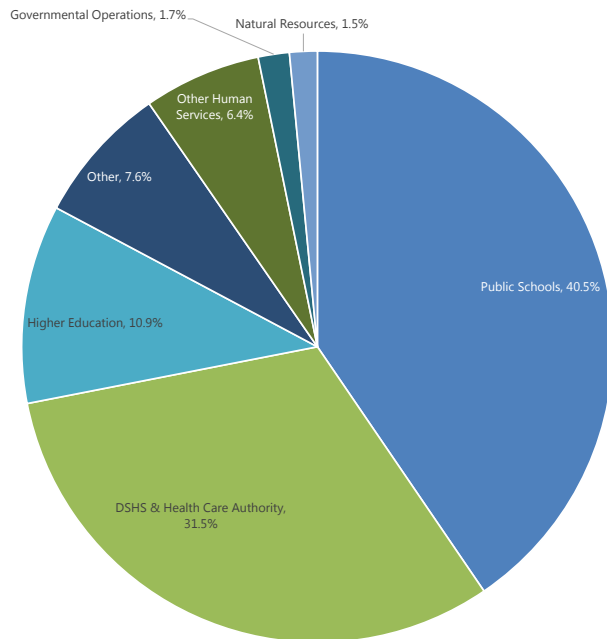
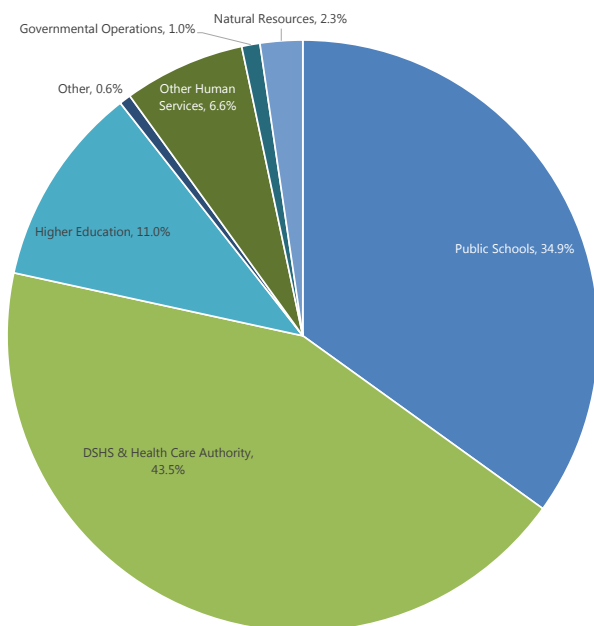


Chart 8: Budget Area Policy Cuts as a Share of Total Policy Cuts, 2009 to 2012 Supplementals



(the first to cut overall spending) through the 2011 supplemental, policy reductions were \$8.619 billion. Although actual NGFS spending increased modestly in 2011–13, the maintenance level for the biennium increased by an exceptionally large 19.3 percent. In addition to caseload increases, this included \$861 million for Initiative 728 (student achievement program) and \$318 million for Initiative 732 (teacher cost-of-living adjustments). (Both initiatives had been suspended in 2009–11.) The maintenance level also included \$566 million for projected increases in pension rates.

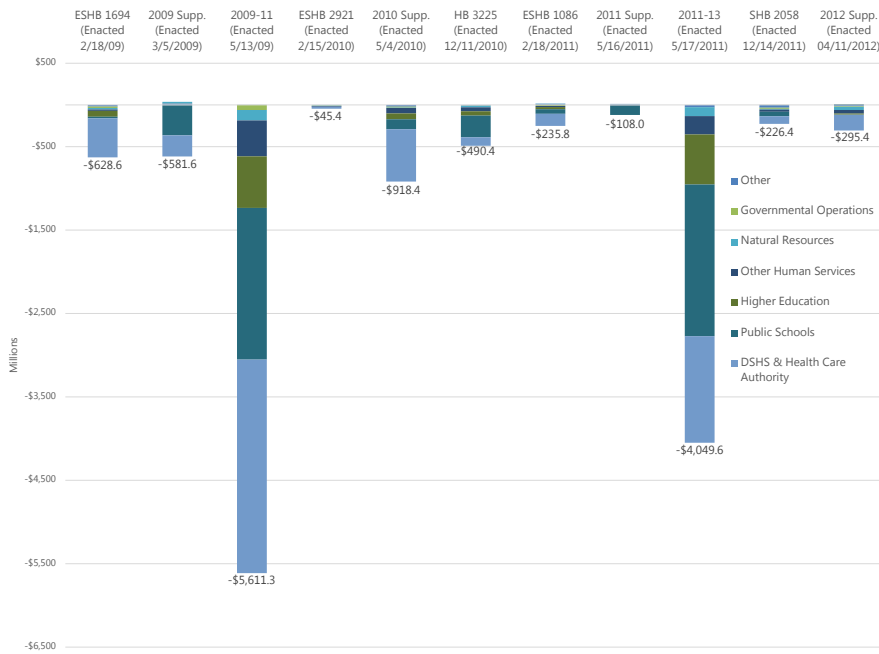
With that high maintenance level and the loss of ARRA funds, the state had to continue to make policy level reductions through the 2012 supplemental. All told, the Legislature made policy level spending reductions of \$13.194 billion from 2009 through 2012 (across the 2007–09, 2009–11, and 2011–13 budgets).

Of the total policy cuts, \$5.737 billion occurred in the Department of Social and Health Services (DSHS) and the Health Care Authority (HCA), \$4.609 billion occurred in public schools, and \$1.452 billion occurred in higher education. (DSHS and HCA are combined because the Legislature transferred Medicaid spending from DSHS to HCA in 2011. If they are accounted for separately, the transfer skews the policy change numbers.)

The largest policy cuts went to DSHS and HCA, public schools, and higher education because that's where the money was. In the 2008 supplemental budget, K–12 made up 40.5 percent of appropriations, DSHS and HCA together made up 31.5 percent, and higher education made up 10.9 percent. However, policy level cuts in response to the Great Recession were not made proportionately. For example, cuts to public schools made up just 34.9 percent of total policy cuts, while cuts to DSHS and HCA made up 43.5 percent of total policy cuts. (See Charts 7 and 8.)

Chart 9 on page 8 shows the level of

Chart 9: Net Policy Changes by Budget



policy cuts in each of the 11 budget bills enacted over the time period. The largest cuts occurred when making original 2009–11 and 2011–13 appropriations.

Appendix B on pages 13–15 lists the major policy reductions by budget. To summarize them: Federal stimulus funds, new fees, higher tuition, and higher local levy authority allowed for reduced state spending over the period. Several rounds of across-the-board cuts were made and efficiencies were found in many budget areas. Employee compensation was reduced. State-funded human service programs were cut (but so were Medicaid programs). Major non-basic education programs were eliminated. The most substantial budget gimmick was a one-day school apportionment shift in 2011.

Although these strategies were used in combination in most of the budget bills over the period, the availability of federal stimulus funds was concentrated in fiscal years 2009, 2010, and 2011. This delayed some service cuts. Stopping planned spending early on (e.g. freezing hiring, delaying program implementations) also helped to delay actual cuts to services.

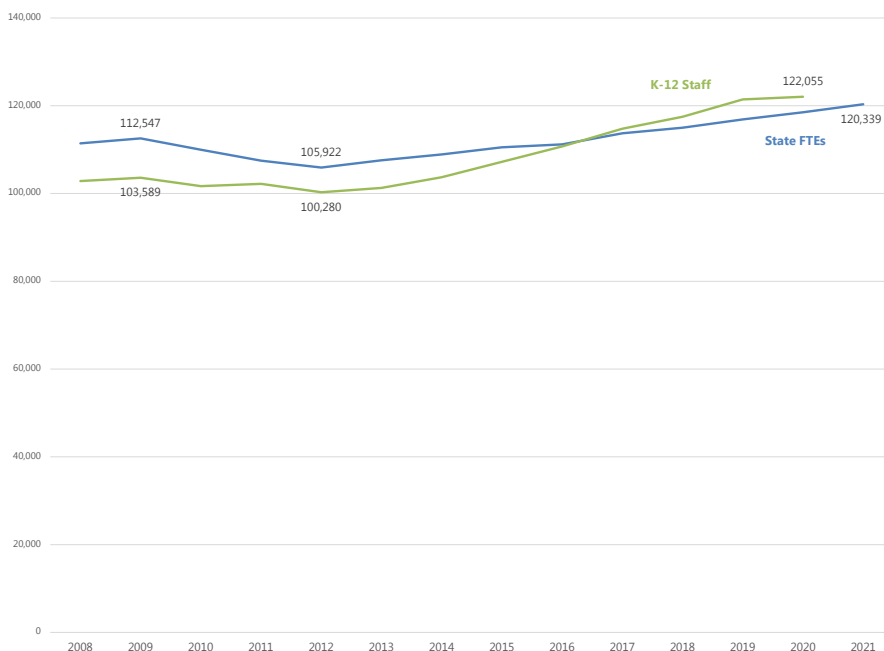
*Public Employment.* One result of all these cuts was a drop in state and K–12 employment. But, post-recession, the number of both K–12 employees and state employees rebounded (see chart 10).

On a per capita basis, the numbers of state employees have not recovered. (The number of state employees per 1,000 population was 16.9 in 2009 and 15.4 in 2021.) But K–12 employment is up in the post-recession period even when considered on a per-pupil basis. (The number of K–12 employees per 1,000 pupils was 105.7 in SY 2008–09 and 110.5 in SY 2019–20.)

**Lessons and Recommendations**

The state has already learned two major lessons from the Great Recession: A constitutional amendment was approved in 2011 requiring the transfer of three-

Chart 10: Number of Public Employees





quarters of any extraordinary revenue growth to the rainy day fund (WRC 2019). And beginning with the 2013–15 biennium, the Legislature has been required to balance budgets over four years (WRC 2019).

Thanks to these strong budget sustainability practices, the state budget is much better prepared to weather the current recession than it was in 2008. Nevertheless, state spending increased substantially in recent years, which will make the response more difficult than it would be if spending growth had been constrained.

Other lessons from the Great Recession include:

- *Use the rainy day fund.* The state has built up a high level of reserves (\$1.618 billion at the end of 2017–19). By using these funds, the state will be able to avoid some spending cuts or tax increases. However, early use of these one-time funds could mean more dramatic cuts later.
- *Don't lead with tax increases.* Tax increases were a minimal part of the Great Recession response. Even if the Legislature could agree to increase taxes, in cases like a capital gains tax the revenues might not be collectible for some time, making them unhelpful in the near term. (Moreover, the part of the tax response to the Great Recession that brought in the most revenue was an increase in the B&O tax surcharge on service businesses. The Legislature has already gone to that well this year, for the workforce education investment account.)
- *Treat federal aid as a temporary stop-gap.* Federal stimulus funds helped maintain some state spending in the Great Recession, but more state spending needed to be cut when the federal tap was turned off a few years later. This just delayed hard decisions. The federal government has already sent billions of dollars to Washington in response to COVID-19. These funds

largely cannot be used to address revenue shortfalls (though an increased federal match for Medicaid and funding for school districts provide some flexibility). It is unclear at this point whether more (and more flexible) federal relief is forthcoming. The Legislature should address the shortfall by creating a budget that is sustainable and that uses federal funds only to bridge gaps.

- *Cut spending early.* The sooner necessary cuts are made, the better. Cutting planned spending before it takes effect is politically easier and saves more money in the long run.
- *Eliminate low-priority programs instead of just suspending them.* For example, during the Great Recession, the Legislature reduced funding for a K–4 class size enhancement multiple times before finally eliminating it. Had they eliminated it the first time, it wouldn't have consistently formed a part of the maintenance level requiring additional policy level cuts.
- *Anticipate additional revenue reductions.* Revenues declined over a long series of forecasts during the Great Recession. Plan for this possibility by including healthy reserves in the budget.
- *Maintain the four-year balanced budget requirement.* The requirement already includes exceptions in downturns, and this recession will be its first test. Planning over more than one budget cycle will help prevent gimmicks like the one-day delay in school payments in 2011. Though there are exceptions in the current law, lawmakers would be wise to continue the practice.

Going forward, the Legislature should also:

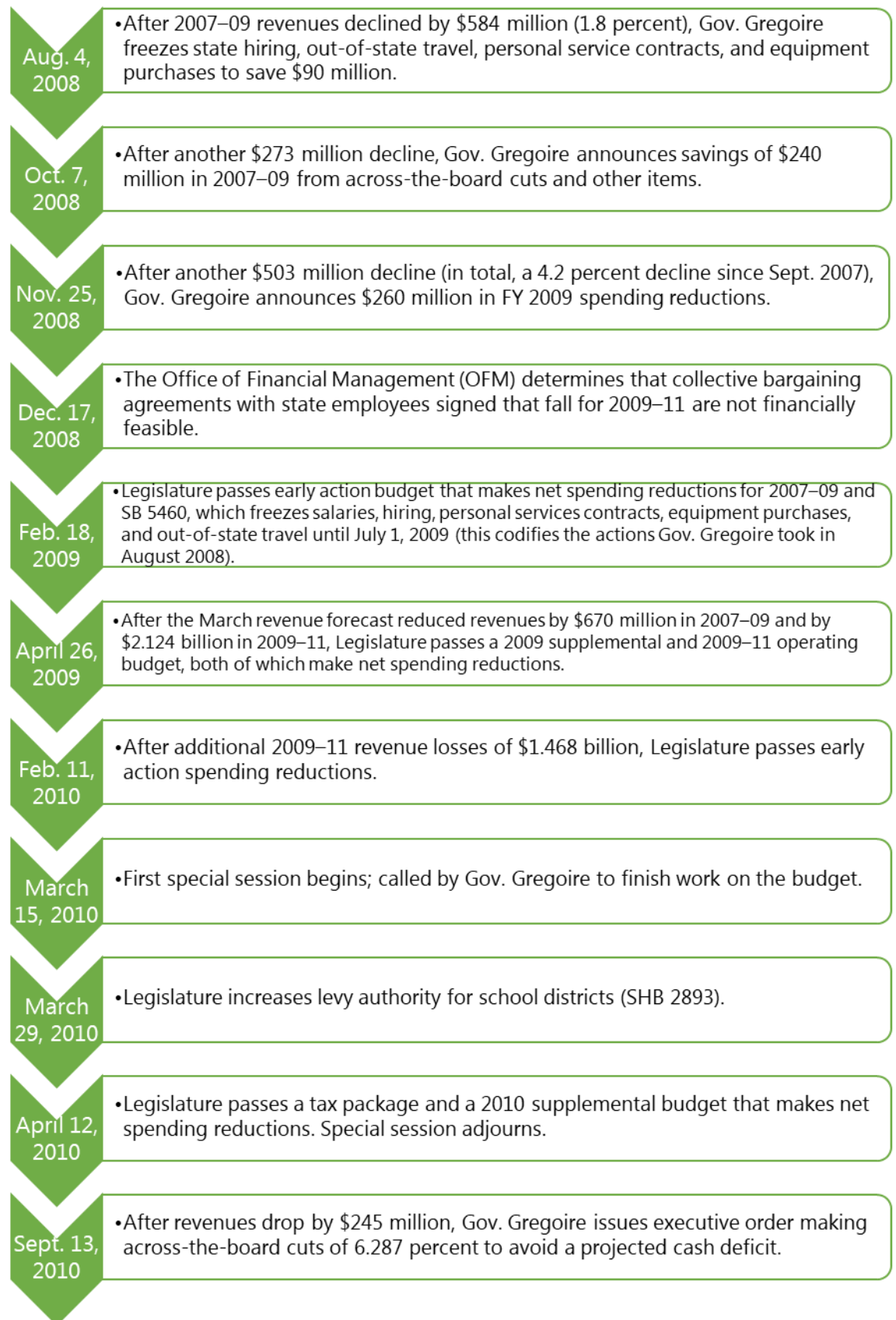
- *Perform fiscal stress tests as a regular part of the budget process.* A stress test run by Moody's Analytics recently found that Washington's rainy day fund balance (though high) would not

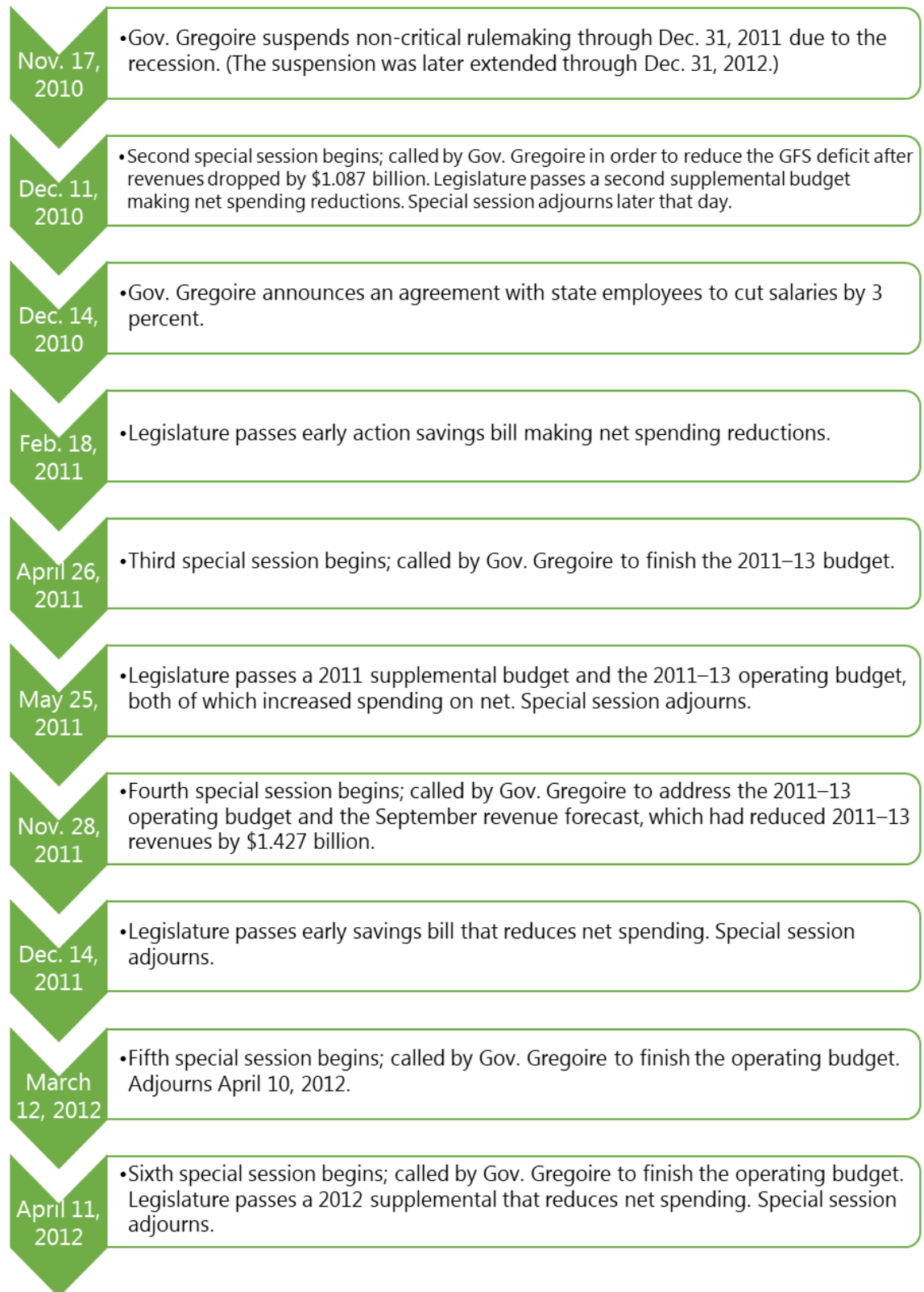
be enough to withstand the estimated shock from the current recession. Stress tests can help to fine tune the appropriate level of reserves for a state. (Makings 2020)

- *Make Medicaid spending more transparent.* The National Association of State Budget Officers estimates that Medicaid is the second-largest part of Washington's state budget (after pub-

lic schools) (NASBO 2019). But there's no line item for Medicaid in state budget data. Moreover, some Medicaid programs are more protected than others (WRC 2020b). Budget data should separate mandatory and optional programs so the Legislature and public have more information about the growth of state spending.

## Appendix A: Timeline of Actions Taken





## Appendix B: Major NGFS Policy Reductions by Budget Bill

**ESHB 1694 (enacted 2/18/09):** The \$628.6 million in policy cuts included the hiring, travel, equipment, and goods and services freeze and across-the-board cuts directed by Gov. Gregoire in Summer and Fall 2008. Also:

- Federal funds were used in lieu of state funds for the Temporary Assistance for Needy Families (TANF) program, saving \$154.5 million.
- The federal stimulus bill provided a higher Federal Medical Assistance Percentage (FMAP), so the federal government covered more of the state's Medicaid costs, saving \$124.2 million.
- Pharmacy initiatives were undertaken to lower drug costs, saving \$15.0 million.
- Across-the-board cuts to state funding for higher education institutions, saving \$71.0 million.

**2009 Supplemental (enacted 3/5/2009):** \$581.6 million in policy cuts.

- With the higher FMAP for Medicaid, the state saved \$193.5 million.
- The higher FMAP also meant reduced state costs for long-term care, saving \$57.4 million.
- Federal stimulus funds were also used in lieu of state funds for the Student Achievement Program (which had been funded via I-728 in 2000), saving \$362.0 million.

**2009–11 (enacted 5/13/09):** \$5.611 billion in policy cuts. The agency spending freeze and other agency savings continued in this biennium.

- The higher FMAP reduced state Medicaid costs by \$746.4 million, long-term care costs by \$274.8 million, and developmental disabilities costs by \$163.9 million.
- Reduced Medicaid hospital expenditures, saving \$64.3 million.
- Basic Health Plan enrollment cut, saving \$222.4 million.
- State funding for vaccines discontinued, saving \$55.3 million.
- Federal stimulus funds used in lieu of state funding for the Department of Corrections, saving \$182.4 million.
- Family Leave Insurance program delayed until 2012.
- Changes to actuarial assumptions for pensions saved \$272.2 million.
- Levy equalization funding was cut by \$236.6 million, of which federal stimulus funds offset \$176.3 million.
- The student achievement program (I-728) was suspended for the biennium, saving \$800.3 million, but \$200.3 million was offset with federal stimulus funds.
- I-732 (teacher cost-of-living adjustments) was suspended for the biennium, saving \$352.6 million in K–12 and \$35.0 million in higher education.
- For higher education institutions, cuts to institutional and academic instruction saved \$118.5 million, cuts to non-instructional services saved \$127.5 million, and cuts to student services and instruction saved \$310.4 million. Using stimulus funds in lieu of state funds saved \$81.4 million. (These cuts were offset by tuition increases of 7–14 percent.)

**ESHB 2921 (enacted 2/15/10):** \$45.4 million in policy cuts. Restrictions on agency hiring, travel, services, and equipment continued.

**2010 Supplemental (enacted 5/4/10):** \$918.4 million in policy cuts. In March 2010, the Legislature increased the levy lid (the maximum amount of school district revenues that may be levied) from 24 to 28 percent for 2011 through 2017.

- McNeil Island Corrections Center was converted to minimum security, saving \$49.2 million.
- The budget assumed an extension of the higher stimulus FMAP, saving \$472.6 million.
- The higher stimulus FMAP for Medicare part D saved the state \$86.9 million.
- The hospital safety net assessment was created to leverage higher federal matches, saving \$66.8 million.
- The Security Lifeline Act capped Disability Lifeline benefits at 24 months in a 60-month period, saving \$28.2 million.
- The SY 2010–11 student achievement program distribution was eliminated, saving \$78.5 million.
- Funding for class size reductions in grades K–4 was reduced, saving \$30.0 million.
- Across-the-board reductions in higher education saved \$73.1 million.
- State agencies were closed for 10 days, saving \$39 million.

**HB 3225 (enacted 12/11/10):** \$490.4 million in policy cuts.

- An Education Jobs Federal Grant was used, saving \$208.1 million.
- K–4 class size reductions were eliminated for SY 2010–11, saving \$39.4 million.
- A 4.2 percent service reduction to higher education institutions saved \$51.1 million.

**ESHB 1086 (enacted 2/18/11):** \$235.8 million in policy cuts.

- A 10 percent cut was made to Medicaid in-home personal care hours, saving \$19.3 million.
- Funding for class size reductions in grades K–4 was reduced, saving \$25.4 million.
- Special education safety net costs were deferred into 2011–13, saving \$24.8 million.
- GFS support for the state need grant was reduced (but higher education institutions were required to hold students harmless), saving \$25.4 million.

**2011 Supplemental (enacted 5/25/11):** \$108.0 million in policy cuts.

- The June 2011 apportionment payment to school districts was delayed from the last business day of June to the first business day of July, saving \$115.0 million in 2009–11 but shifting those costs to 2011–13.

**2011–13 (enacted 5/25/11):** \$4.053 billion in policy cuts.

- McNeil Island Corrections Center was closed, saving \$23.2 million.
- Implementation of the family leave insurance program was delayed until 2015, saving \$33.2 million.
- New admissions to the Basic Health Plan were frozen for the biennium, saving \$128.5 million.

- Tobacco settlement funds were used in lieu of GFS for the basic health plan, saving \$44.0 million.
- Disability Lifeline grant was reduced, saving \$100.3 million.
- The state food assistance program was cut, saving \$30.3 million.
- The 10 percent cut to Medicaid in-home personal care hours saved \$88.3 million.
- Medicaid emergency room visits capped at three a year, saving \$33.0 million.
- Medicaid hospital inpatient and outpatient rates were reduced, saving \$110.5 million.
- Medicaid adult dental funding was cut, saving \$28.6 million.
- The Discover Pass was created and proceeds were used in lieu of the GFS, saving \$67.1 million.
- The K–4 class size reduction enhancement was eliminated, saving \$169.6 million.
- The Student Achievement Program (I-728) was suspended for the biennium, saving \$860.7 million.
- I-732 teacher cost-of-living adjustments (COLA) were suspended for the biennium, saving \$295.4 million.
- Higher education institutions were cut by 4 percent, saving \$535.5 million. (Offset by tuition increases of 12–16 percent.)
- State, K–12, and higher education salaries were cut, saving \$356 million.
- Future automatic COLAs for Public Employees' Retirement System Plan 1 and the Teachers' Retirement System Plan 1 members were eliminated, saving \$344 million.

**SHB 2058 (enacted 12/14/2011):** \$226.4 million in policy cuts.

- Implementation of changes to the Involuntary Treatment Act was delayed, saving \$22.6 million.
- Federal funds were used in lieu of the GFS for TANF, saving \$38.4 million.
- Some medium security units at the Washington State Penitentiary were converted to minimum security, saving \$11.7 million.
- Pupil transportation depreciation payments were shifted from October to the following August, saving \$49.0 million.

**2012 Supplemental (enacted 3/23/12):** \$295.4 million in policy cuts.

- Funding for TANF and Working Connections Child Care was reduced to reflect caseload under-expenditures and other changes, saving \$126.6 million.
- Administrative and efficiency reductions saved \$73 million.
- The state contribution to employee health care was reduced from \$850 to \$800 per member per month, saving \$33 million.

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