

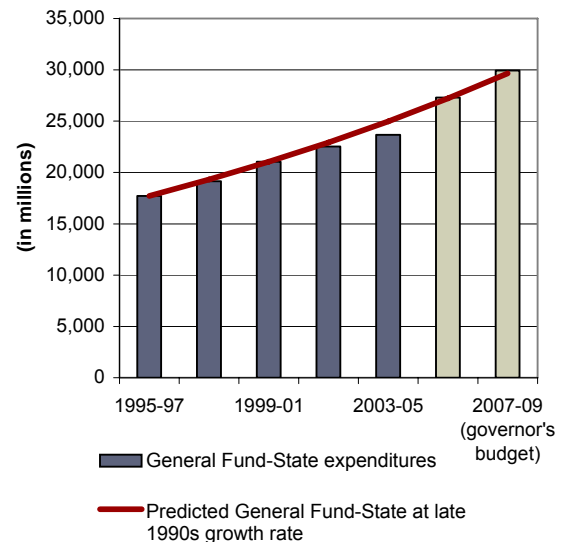
## Governor's budget is a modest step forward

Today, Governor Gregoire released her two-year budget proposal for 2007 to 2009, the starting point for the legislature when they convene in January. The budget is a modest step towards the kind of state Washingtonians want to live in.

The total level of state general fund expenditure called for by Governor Gregoire's budget is very much in line with state spending over the past decade, as shown in Figure 1. The trend line in Figure 1 shows what state general fund spending would be if it had continued to grow at the same level as in the 1990s. Spending (shown by the bars) fell below this trend during the national recession and slow recovery, requiring a robust increase in 2005-07 just to return to the previous trend. The Governor's budget would return the state to the modest historical growth level.

In fact, as a share of the economy, the governor's budget represents a reduced investment. Figure 2 shows the size of general fund expenditure as a share of all income earned by Washingtonians, a common way of looking at the size of state government. This chart shows that the governor's budget represents a smaller investment as a share of

**Figure 1:**  
**Budget proposal consistent with historical General Fund-State expenditure trends**



Source: OFM, LEAP

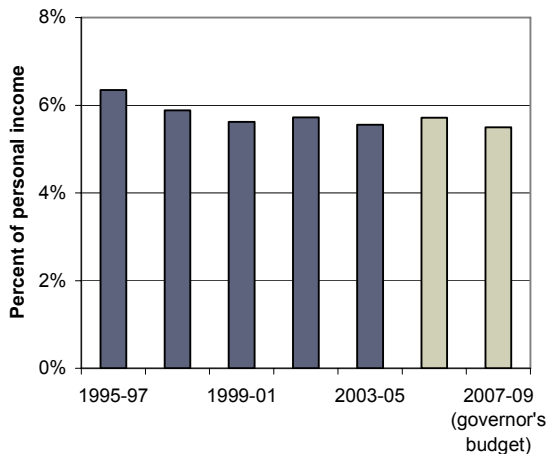
the state's resources than any of the six budgets before it.

These two charts together suggest that the 2007-09 general fund budget does not represent a significant shift in the total level of public investment in the state.

The governor's budget takes moderate steps towards public priorities including education, health care, human services, and fiscal responsibility:

- *Education*—Growth in kindergarten through 12<sup>th</sup> grade education investments in the Governor’s budget is focused on three main areas: 1) math and science education, 2) special education, 3) phasing in full-day kindergarten, beginning with the poorest schools, and improving teacher pay. The new Department of Early Learning also received significant investment. Compared to the findings and recommendations of Washington Learns, the state still has a long way to go in coming years.

**Figure 2:**  
General Fund-State expenditure has fallen as share of state personal income, 1995-97 to 2007-09



Source: OFM, LEAP, BEA

- *Health care* –The governor proposes additional funding to cover an estimated 32,000 uninsured children, mostly through investing in outreach to children eligible under current programs. If successful, this will still leave roughly 40,000 kids uninsured. The Governor’s budget does not show a commitment to expanding insurance coverage to uninsured adults. The Basic Health Plan, Washington’s main effort to

cover low-income uninsured adults, would receive no additional funding under the Governor’s budget.

- *Human services*— The Governor’s proposal responds to increased cost of providing services and new mandates from the federal government. Significantly, there are no cuts to current programs. Responding to federal changes, the budget funds citizenship verification and changes in the Temporary Assistance for Needy Families program among other items.
- *Rainy Day Fund*—A rainy day fund would save money when the economy is in full swing in order to use when the economy suffers, avoiding the need for cutting services when people need them most. A properly funded rainy day fund was sorely needed, but not available, during the recent national recession. The details of the governor’s proposal contain provisions that have proved problematic in other states, but the general idea of a rainy day fund is built on solid fiscal principles. However, it should be considered in light of the state’s budget situation.

This budget is an opportunity to think about where we want Washington to be as a state – not just in this biennium but in 10 years. In ten years, will we have a world class education system, health care for all children, and reduced the number of homeless? To do this we must ensure Washington State’s overall fiscal health with adequate revenue. While the level of spending called for in the Governor’s budget is

modest, the state is not expected to raise enough revenue during the 2007-09 biennium to cover the necessary investments of the Governor's budget. Those expenses, along with the ability to place \$606 million in reserves for the 2009-11 biennium, is due to the \$815 million the legislature passed on from the current (2005-07) biennium. This strongly suggests that the current revenue structure is not adequate to continue even the kind of modest expenditure maintenance represented by the governor's budget. This is referred to as a "structural deficit."

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