In the 2009 legislative session, which ended in April, the legislature and governor closed a $9 billion budget shortfall. Governor Christine Gregoire signed the biennial budget statute into law in May. To balance the state’s budget, the legislature utilized $3 billion of federal stimulus monies as a part of the American Recovery and Reinvestment Act, and used $1.5 billion from reserves, fund transfers from capital to operating accounts, temporary fund transfers from many dedicated funds, and additional measures. Although these additional funds helped balance the budget and curb overall budgetary decreases, the state also had to cut a number of state programs by $4.3 billion in order to balance the biennial budget (WA Office of Financial Management, 11/19/09).

Washington is recognized as one of 11 states spread throughout the country that has had to reduce services in each of the following areas in order to cope with the budget crisis: public health, elderly/disabled services, K-12 and early education, higher education, and state workforce (Johnson et al. 2009). These budget cuts were felt throughout the state, as they directly affect many routine human and health services provided by the State of Washington. Among those services reduced or eliminated in 2009 included: reductions in eligibility for Apple Health medical assistance for children from low-income families; elimination of 1,800 jobs in higher education; increased K-12 class sizes; reduction of juvenile rehabilitation funding; reduction of housekeeping and offsite laundry services for 7,100 elderly or disabled clients; reduction of homecare funding and total hours spent in the home assisting certain categories of clients; elimination of Alcohol and Drug Abuse Treatment and Support Act (ADATSA) clients; reduction of reimbursement rates for foster parents by an average of 8 percent; cuts in vision and dental services for the poor; cuts in elderly podiatry funds; and elimination of maternity support services for women with at-risk pregnancies & hospice care for low-income adults (Washington State Department of Social and Health Services, 2009).

Additionally, Washington increased premiums for its public health programs that serve low-income residents by an average of 70 percent. Although many programs faced severe cuts, the federal stimulus money from the federal government did help preserve some public services such as public safety funding, though the dramatic cuts elsewhere greatly reduce the impact of such savings as caseload demands and calls for service are on the increase. All due care was exercised to avoid jeopardizing federal transfers in programs where minimum state effort standards are present. See Figure 1 below for an overview of areas cut during the 2008-09 fiscal year.
Although Governor Gregoire signed a balanced budget in May after the close of the legislative session, the state still faced serious economic challenges as the year closed out with continued revenue shortfalls. The balanced budget left $739 million in savings -- $250 million in the Rainy Day Fund, which is constitutionally protected, and $489 million in unobligated revenue. [See Figure 2 at right.] The projected shortfall for the remainder of the biennium is $2.6 billion, for a total gap during the full two-year period of $11.6 billion.

In June, Governor Gregoire directed state agencies to decrease spending even further. As a result of this reduction in spending, agency directors were required to implement **hiring caps and salary freezes**, **reduce General Fund employee costs by 2 percent** from the budgeted amount, **decrease equipment purchases**, and **decrease out-of-state travel** and **limit personal services contracts**.
The budget cuts that came in mid-2009 were due in large part to poor state revenue collections. Over the course of the past eighteen months, the state has experienced the largest drop-off in total revenue in 80 years. Although the legislature balanced the budget, state analysts anticipate continued economic challenges as the rebound from the recession continues to build at a snail’s pace. The state’s last official revenue projection, released in November 2009, anticipates that Washington’s revenues to the state will drop by $760 million for the remainder of the biennium, ending June 30, 2011. This predicted rate of collections would push the state’s budget deficit past $2 billion (Woodward, 11/19/09). This forecast forces the state’s lawmakers to continue budget cutting and revenue enhancement efforts in order to balance the current biennial budget. The drop in projected revenue is due primarily to a continued below normal rate of consumer spending throughout the state and a lethargic real estate market in the state. The state economy does appear to be improving somewhat in selected sectors, but this is in major part a direct result of federal government stimulant funds (WA Office of Financial Management, 11/19/09).

POLITICAL CONTEXT: 2008 NOVEMBER ELECTIONS

Heading into the Fall elections, both houses of the state legislature looked to be largely safe for the regnant Democrats who control both the legislature and the Governor’s office. In 2006, Democrats took control of the legislature after a decade of a close partisan split, and that control remained largely unchanged after the elections of 2008, with a 61-37 Democratic majority in the House and 30-18 Democratic majority in the Senate.

The gubernatorial race was much more unpredictable, with a long-awaited re-match between incumbent Christine Gregoire (D) and challenger Dino Rossi (R), a popular and well-known legislator and successful self-made real estate entrepreneur of humble origins. In 2004 the race for governor was extremely close; Gregoire won by only 133 votes after a third recount. Many Republicans felt that the election was actually won by Rossi, with the Democrats wrongfully counting votes of illegal immigrants and convicted felons in King County (Seattle area). Legal challenges were filed, and a request was made to the US Attorney John McKay to investigate electoral wrongdoing by the Democrats. McKay found no grounds for federal involvement upon the advice of Secretary of State Sam Reed (R), and in time his decision became one of the elements of “poor performance” that caused former US Attorney General Alberto Gonzales to dismiss McKay from his post. McKay and former US Attorney David Iglesias, who also received walking papers from the Bush White House team, led the charge to remove Gonzales from office (Bowermaster, 4/19/07; Shukovsky and Modie, 8/28/07; Anderson, 03/12/08). The second match-up in 2008 also proved to be a relatively close race that focused largely on economic and health care issues. In the press and in debates early in the year, Rossi continually characterized Gregoire’s economic spending as “fiscal recklessness,” referring to a large state budget deficit and a rising unemployment rate as evidence of her fiscal mismanagement. Under Gregoire, state spending increased by 1/3 (Riley, 10/17/08), and many felt Rossi was better equipped to balance the state budget without raising taxes than the incumbent. Gregoire responded to such criticisms by highlighting the successes of her first term,

1 The partisan split heading into the November 2008 elections consisted of Democratic majorities in the House (63-35) and Senate (32-17).
including successful implementation of statewide health services and the establishment of early childhood and school readiness development programs.

There was much movement in the polls for both candidates throughout the race, beginning in mid-2008. In May, Gregoire held a relatively strong lead, 52% to Rossi’s 41%, not indicative of a very close race; however, by September Rossi had pulled in front, 52% to 46%. Heading into October the candidates were tied, and by late October Gregoire had pulled ahead by two points (Rasmussen Reports 10/23/08). Despite the close race leading up to the election, Gregoire won re-election with 53% of the vote to Rossi’s 47%, most likely on the coat-tails of a strong Obama vote in the state.

2008 Initiatives Election Results

Tax and budget-related initiatives:
Initiative 985 (Tim Eyman initiative):
Opening HOV lanes and other transportation policy changes
Failed; Y-39%, N-61%

Proposition 1: Sound Transit
Expansion of light-rail, commuter-rail, and express-bus service
Passed; Y-59%, N-41%

2009 Initiatives Election Results

Tax and budget-related initiative:
Initiative measure 1033:
Concerning limitations on state, county, and city revenue
Failed; Y-42%, N-58%

OTHER POLITICAL ACTIVITY

New Primary Process

Although the 2008 gubernatorial race featured a rerun of 2004, the elections process for this latest match-up was different. In August, Washington voters participated in the country’s first partisan top-two primary. Passed by citizen initiative in 2004 (by nearly 60 percent), the top two primary entails that the top two vote-getters for each partisan office — regardless of party self-designation or regardless of official party sponsorship — qualify for the November ballot (Office of the Washington Secretary of State). Also, it is the case that voters are not required to choose a political party in order to vote in the primary, highlighting the political independence and autonomy that Washington voters espouse (Reed, 4/25/08).

Although the initiative passed in 2004, the top-two primary was not immediately implemented because the state’s political parties challenged its legality. Clearly, this type of ballot takes political power and influence away from party organizations. Despite a strong case made on the argument that political parties are private associations whose independent role is essential to the proper operation of the state’s electoral process, the U.S. Supreme Court ruled in
2009 that the top two primary system was constitutional; the Court noted in its majority opinion that this process reflected the will of the people of Washington as evidenced by the initiative process establishing the practice.

**Highest turnout Rate in State History**

Secretary of State Sam Reed’s office predicted the highest voter turnout in state’s history, forecasting a turnout rate of 83%. This anticipated high turnout rate was attributed to extraordinarily high interest in both the presidential race and in the gubernatorial race, as well as the presence of some ballot measures of wide interest (The Seattle Times staff, 10/14/08). The Secretary of State’s office was very close in its estimate — Washington reported a voter turnout rate of 84.61%, surpassing the state’s turnout record set in 1944 during World War II (The Seattle Times staff, 11/25/08). The Secretary of State’s office attributed the high turnout to interest in both Barack Obama’s well-organized and energetic campaign in the state, and the tight gubernatorial race between Governor Gregoire and challenger Rossi.

**GOVERNOR’S 2010 PROPOSED BUDGET**

After the election cycle in 2008, the state continued to confront serious financial issues. Although the $3 billion in funds from the American Recovery and Reinvestment Act helped preserve certain components of the budget in mid-2009, cuts to the 2010 budget were still eminent. In the December prior to the start of the legislative session, the governor is required by state law to provide the legislature with a proposed balanced budget based on existing revenue figures. Governor Gregoire’s December 2009 supplemental budget proposal for 2010 was an all-cuts budget that closed a $2.8 billion deficit in the 2009-2011 biennial budget. As part of this plan, the following major health- and education-related cuts were proposed:

**HEALTH CARE CUTS**

| The state Basic Health Plan, which includes subsidized health care coverage for approximately 65,000 individuals ($160 million); Apple Health care, which includes subsidized health care coverage for approximately 16,000 low-income children ($11 million); and the General Assistance Unemployable program, which provides cash grants for 23,000 adults and medical services to 17,000 adults ($188 million) (WA Office of the Governor, 12/9/09). |

**EDUCATION CUTS**

| Elimination of funding for 1,400 3-year-olds participating in the Early Childhood Education Assistance Program; K-4th grade staffing enhancement that reduces class size in early grades; and levy equalization, which provides additional support to school districts with a lower-than-average property tax base. Also, the governor’s cuts affect the State Need Grant program, which helps the state’s lowest-income undergraduate students pursue degrees, hone skills, or retrain for new careers (WA Higher Education Coordination Board webpage). The program, which currently assists 12,300 students, would terminate some grants and leave in place some reduced grants. Also slated for reductions was funding for the state’s community and technical colleges, as well as for baccalaureate-granting institutions. |

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In an official press release, Governor Gregoire expressed her discontent with the proposed budget: “Let me be very clear: I do not support this budget. As required by law, it is balanced. For me, it is unjust.” (WA Office of the Governor, 12/9/09). In December, the governor expressed her plans to propose a second supplemental budget to the legislature in January, one which would restore several of the most needed programs that would be eliminated by the all-cuts budget. These “buy backs” include: the Basic Health and Apple Health plans, General Assistance program for the most needy, Levy equalization funds for public schools, state financial aid to allow more students to attend higher education, early childhood education money, and developmental disability and long-term care provider funds (WA Office of the Governor, 12/9/09).

**LATEST DEVELOPMENTS: REVISED 2010 SUPPLEMENTAL BUDGET**

On January 12, 2010 Governor Gregoire did in fact release a revised 2010 supplemental budget [“Book Two Budget”] as planned. In this new budget revealed in the first week of the legislative session, $779 million in services originally cut in the December proposal were restored. The governor noted that “This is a budget I believe better reflects Washington values and principles.” The governor noted regarding her 2nd spending plan that “this budget better funds our public schools and the safety net for our most needy, and helps set the stage for rebuilding our economic future” (WA Office of the Governor, 1/12/10). Among the programs restored were: the State Basic Health Plan, which provides health care coverage to approximately 65,000 low income individuals; the State Need Grant program, which provides funding for 12,300 low income college students; levy equalization, which provides additional support to schools in areas with lower than average tax bases; all-day kindergarten and other student programs for young children; subsidized temporary child care for needy families; and a re-designed general assistance program, which covers the unemployed and provides them with medical services. As planned, the governor restored most of the health and education programs originally cut in the December proposal.

The restored expenditures are made on the assumption that additional funds from the federal government are to be expected, though the amounts of these “one time” funds are not yet known. Additionally, Gov. Gregoire informed the legislature that she is planning to work with the legislature to secure additional sources of revenue in order to restore programs that the proposed budget cannot support (as it stands, the January proposal is a no-new-revenue budget). Overall, the session, scheduled for sixty days (mid-January through mid-March) is charged with coming up with a new plan of attack for the expected continued budget shortfalls and consequent program cuts. A key part of this plan entails suspending the provisions of Initiative 960 passed by a large majority in November of 2007 which requires that all increases in taxes and fees obtain supermajority votes in both houses, and bills containing these provisions must go before the people for an advisory vote if such a vote is not provided for in the legislation itself. The Republican minority defended Initiative 960 vigorously, and the majority of Democrats used their votes to suspend the statute (all initiatives must remain in full force for two years; after that time the legislature is permitted to amend them); the Democrats attached an “emergency clause” to their bill which holds that a bill is “necessary for the immediate preservation of the public peace, health or safety, support of the state government and its existing public institutions.” This clause on a bill exempts the legislation from being subject to a referendum from citizen petition.
ADDITIONAL INFORMATION

In an effort to enhance fiscal transparency, the State of Washington has established two websites featuring up-to-date state fiscal information in order to promote greater fiscal transparency and governmental accountability. The Legislative Evaluation and Accountability Program Committee’s (LEAP) website, http://leap.leg.wa.gov/leap/default.asp, is maintained by the legislative committee in collaboration with the Office of Financial Management. Mandated by state law to commence operation in January of 2009, the website is designed to provide the public with detailed state expenditure information. Such information includes: current budget data, access to current accounting data for budgeted expenditures and staff, and access to historical budget data (WA State Legislature, RCW.44.48.150). In addition, the Washington State Fiscal Information website provides additional budget and revenue data for the public to review.

An Economic Overview: Washington Compared to National Trends

<table>
<thead>
<tr>
<th>Month</th>
<th>National</th>
<th>Washington State</th>
<th>Month</th>
<th>National</th>
<th>Washington State</th>
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<tbody>
<tr>
<td>January</td>
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<td>January</td>
<td>4.9</td>
<td>4.6</td>
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<tr>
<td>February</td>
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<td>February</td>
<td>4.8</td>
<td>4.7</td>
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<tr>
<td>March</td>
<td>8.5</td>
<td>9.1</td>
<td>March</td>
<td>5.1</td>
<td>4.8</td>
</tr>
<tr>
<td>April</td>
<td>8.9</td>
<td>9.0</td>
<td>April</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>May</td>
<td>9.4</td>
<td>9.1</td>
<td>May</td>
<td>5.5</td>
<td>5.1</td>
</tr>
<tr>
<td>June</td>
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<td>June</td>
<td>5.6</td>
<td>5.2</td>
</tr>
<tr>
<td>July</td>
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<td>5.3</td>
</tr>
<tr>
<td>August</td>
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<td>5.4</td>
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<tr>
<td>September</td>
<td>9.8</td>
<td>9.1</td>
<td>September</td>
<td>6.2</td>
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</tr>
<tr>
<td>October</td>
<td>10.2</td>
<td>9.3</td>
<td>October</td>
<td>6.6</td>
<td>5.9</td>
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<td>November</td>
<td>10.0</td>
<td>9.0</td>
<td>November</td>
<td>6.8</td>
<td>6.1</td>
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<tr>
<td>December</td>
<td>10.0</td>
<td>9.5 (preliminary estimate)</td>
<td>December</td>
<td>7.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>

2009 Unemployment Rates (%) -- National and for Washington state

Source: U.S. Bureau of Labor Statistics

2008 Unemployment Rates (%) -- National and for Washington state

Source: U.S. Bureau of Labor Statistics

- Percent Change in Non-Farm Payroll Employment, 2009

- Proposed Budget Expenditures: General Fund-State: Operating & All Funds and Operating Plus Transportation Capital

**Near General Fund-State: Operating Distribution of 2009–11 Near General Fund-State Expenditures**

<table>
<thead>
<tr>
<th>Category</th>
<th>Dollars in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Schools</td>
<td>$14,232</td>
</tr>
<tr>
<td>Higher Education</td>
<td>3,588</td>
</tr>
<tr>
<td>Social &amp; Health Services</td>
<td>9,246</td>
</tr>
<tr>
<td>Corrections</td>
<td>1,809</td>
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<tr>
<td>Bond Retirement &amp; Interest</td>
<td>1,805</td>
</tr>
<tr>
<td>Health Care Authority/Dept. of Health</td>
<td>653</td>
</tr>
<tr>
<td>General Government</td>
<td>948</td>
</tr>
<tr>
<td>Social &amp; Health Services</td>
<td>451</td>
</tr>
<tr>
<td>All Other*</td>
<td>777</td>
</tr>
</tbody>
</table>

**TOTAL**

$33,509

*All Other includes Other Education, Transportation, Contributions to Retirement, Other Special Appropriations.
Percentage Cut from Maintenance Level by Area

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12</td>
<td>5.6%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>6.3%</td>
</tr>
<tr>
<td>Early Learning</td>
<td>6.4%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>7.6%</td>
</tr>
<tr>
<td>Health Care &amp; Human Services</td>
<td>12.2%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

Source: Office of Financial Management

*All Other includes Other Education, Contributions to Retirement, Other Special Appropriations.
APPENDIX B: Supplemental Information

Related to the Gubernatorial Race of 2008:

A Seattle Times headline read: “Washington newspaper editorial boards split over governor endorsement” (10/17/08), indicating the split between the western and eastern regions of the state, each with their traditional Democratic and Republican leanings, respectively. Some of the endorsements were a surprise, though the split was indicative of the close nature of the race (Gregoire endorsements: the Olympian, Seattle Post-Intelligencer, News Tribune in Tacoma, Vancouver Columbian, the Herald in Everett, and Spokane’s Spokesman Review, Skagit Valley Herald, Bellingham Herald, and Kitsap Sun; Rossi endorsements: The Seattle Times, Yakima Herald-Republic, Walla Walla Union-Bulletin, Centralia Chronicle, and Tri-Cities Herald).

2008 Initiatives:

Initiative 1000 (Physician-Assisted Suicide):
Allowing terminally ill, competent adults to obtain lethal prescriptions
Passed; Y-56%, N-44%

Initiative 1029 (Long Term Care):
Long term care for elderly and persons with disabilities
Passed; Y-74%, N-26%

Source: Seattle Times, 11/05/08

2009 Initiative:

Referendum 71:
Concerning the rights and responsibilities of state registered domestic partners
Passed; Y-53%, N-47%

REFERENCES


Initiative Measure No. 985. Retrieved from


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