

# Three Steps for Protecting our Community's Safety Net within a Bleak Budget Horizon

Ideas from the Skagit County Community (January 2011)

## STEP 1: Prioritize Baseline Safety Net Services

Our Skagit County community understands that state legislators are faced with extremely difficult budget decisions. Fortunately, there already is a widely accepted method of prioritizing government funding: Maslow's Hierarchy of Needs.

Maslow began by identifying those basic human needs that must be met before people have the capacity to do anything else.

These primary needs include food, shelter, emergency

health care (including dental and mental health services), and personal security.

Regrettably, many of the cuts proposed in the Governor's biennial operating budget concern the very kinds of services that instead ought to be given highest priority:

- food assistance
- emergency shelter and housing, and
- emergency health (including dental and mental health) support.

Step 1 ½: Then, once baseline needs are covered, look to fund preventative services that are proven to impact lives and save resources in the long run.

## STEP 2: Enact New Revenues (but not new taxes) as appropriate to Help Offset Harmful Cuts to Human Services

In some cases the legislature may be able to impose reasonable new fees, or to temporarily repeal or reduce certain tax preferences, to help erase the more damaging human service cuts that might otherwise be necessary.

### Two Fee Examples

Recording fees based on SHB 2060, 2163 and 2331 have created substantial sources of revenue for homeless prevention at the state and local levels. Of these, 2331 is set to sunset in June 2013, without legislative action, resulting in a nearly 50% reduction in funding for homeless prevention throughout the state. Here are two ideas:

1) Extend the fee (\$58 per transaction combined for 2060, 2163 and 2331) to secondary mortgage sales (the purchase of a home mortgage by one bank from an-

other), which are currently exempt from this particular fee. This extension would raise about \$10 million per year – enough to help offset some of the deficit.

2) Lift the 2013 sunset provision added to the \$20 recording fee increase that was enacted in 2009. If the sunset provision is not removed, the cost in 2013-2015 will be a loss of \$41 million in state and local homeless funding (about \$300,000 per year in Skagit County alone); and roughly 23,100 fewer homeless people served statewide.

Likewise, increase the liquor and tobacco licensing fees to help replace the cuts to community and school based substance abuse prevention efforts.

## STEP 3: Determine which Current Tax Preferences are worth continuing

Tax preferences (credits and exemptions) are akin to allocations from the general fund, since the money is simply diverted from the GF by the legislation in question.

Like the various human service and other line items in the budget, these allocations were made when times were good and for particular purposes. In the case of tax preferences the theory often is that additional jobs are created as a result.

In this budget climate, legislators are understandably engaging in “zero based budgeting” or putting any and all line items on the possible chopping block. There ought to be a commensurate examination of all tax preferences. Those that are not producing the promised results, and those whose repeal or reduction would not cause as much harm compared to certain human service cuts, ought to be repealed or diminished – at least until we get past this awful fiscal period.

Illustrations of existing tax breaks that seem to require closer inspection given this deficit :

- A sales tax exemption on elective cosmetic surgery (\$8 million per year);
- Preferential tax treatment re: private jets (\$5 million per year);
- A B&O deduction meant for a major bank that was headquartered in Washington (when we no longer have this or any other major bank centered in this state) -- \$100 m per year.

If the legislature determines that such preferences are indeed earning their keep, then so be it. Regardless, these enactments ought to be reviewed and not just continued as a matter of course.