

Virginia Changes Course

Governor's Budget Turns Back on Low-Income Virginians

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In his proposed budget, Governor McDonnell gets nearly 60 percent of his budget cuts from services and programs that serve low-income Virginians. These cuts will hurt the disadvantaged and lead to increases in poverty as thousands of low-income Virginians lose essential services like health care, and food assistance.

These disproportionate cuts to the most vulnerable in our state represent a dramatic departure from bipartisan efforts on Virginia's budget in recent years. Even in the depths of the recession, the budgets adopted by the General Assembly still recognized the need to support the most economically vulnerable Virginians and largely protected services for low-income

people from devastating budget cuts compared to deep cuts in the rest of the budget. Yet now – with the recession barely in the rear-view mirror – Governor McDonnell proposes that Virginia change course and use services that serve low-income Virginians as the main targets for budget cuts.

This report analyzes cuts in both recent Virginia budgets and the current proposal. We look at two time periods: from the start of the recession in 2007 through the current budget year (FY 2012) and the two-year budget for FY 2013-2014 that was proposed by Governor McDonnell in December and is now before the General Assembly. Program cuts are calculated against current service needs that take into account population growth and inflation.

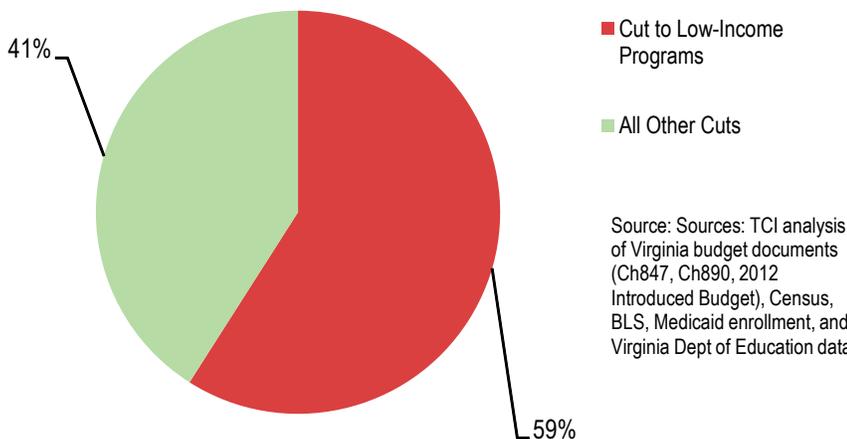
Programs and services serving low-income Virginians are defined strictly as those that are means-tested because they are only available to individuals and families with incomes below a specified level.

Key Findings

- Cuts to programs serving low-income Virginians make up 59 percent of all the cuts contained in the Governor's proposed budget, despite accounting for just 27 percent of the budget (see Figure 1). Prior years' budgets, however, got only 12 percent of their cuts from programs that serve low-income Virginians (see Figure 2).
- During the recession, programs that serve low-income Virginians were relatively protected in the state's budget balancing strategies.

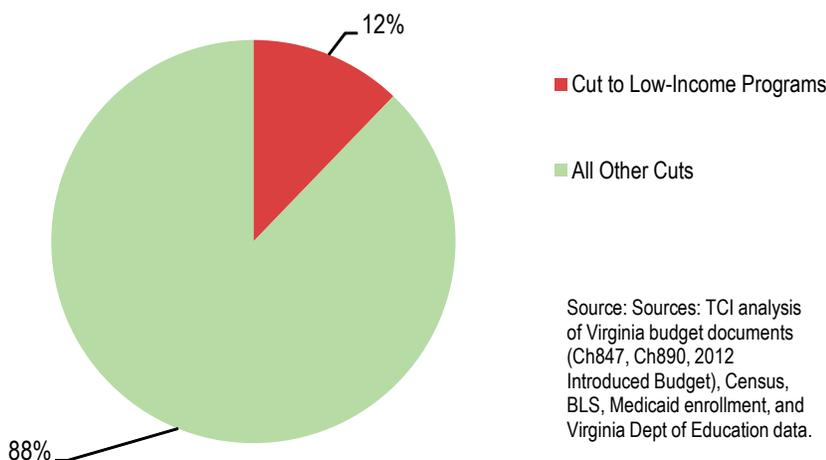
Protection Lost

Figure 1: Cuts to Low-Income Programs as a Share of Total Cuts, Introduced Budget (FY2013-FY2014)



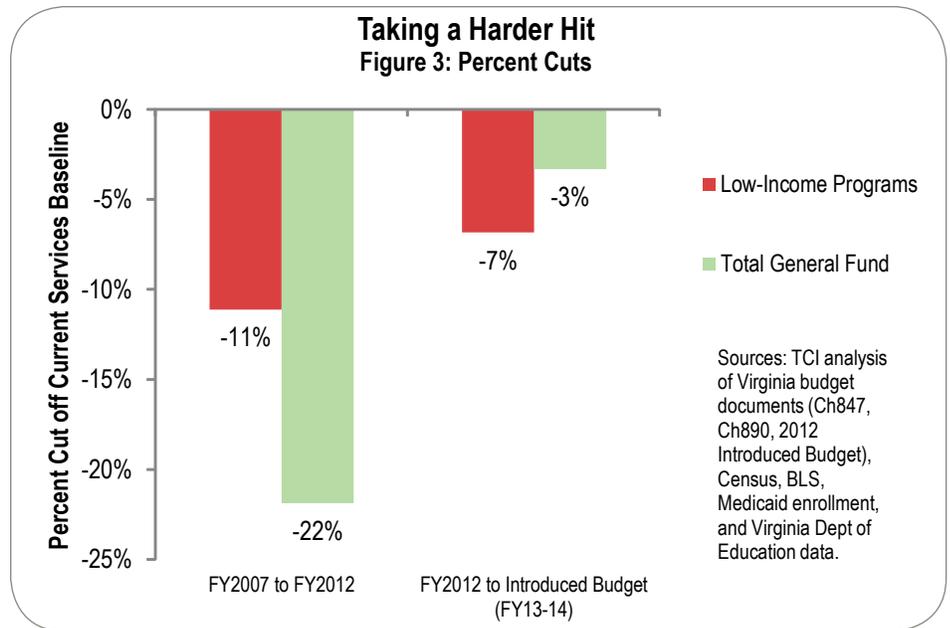
Protection Provided

Figure 2: Cuts to Low-Income Programs as a Share of Total Cuts, Prior Years' Budgets (FY2007-FY2012)



For example, since the beginning of Virginia's budget shortfalls in 2007 and through the current fiscal year (FY2012), programs serving low-income Virginians were cut by 11 percent, whereas cuts to all other programs funded by the general fund were cut by 22 percent (see Figure 3).

- But the Governor proposes to take a significantly different course. His budget proposal cuts the total general fund budget by 3 percent, but cuts programs serving low-income Virginians by more than twice that – 7 percent (see Figure 3).



The Governor's budget proposal cuts crucial services across a wide array of areas including:

- \$633.8 million in cuts to health care for low-income children, pregnant women, elderly, and disabled Virginians
- \$62.2 million in cuts to services for at-risk youth and families
- \$12.5 million in cuts to local social services offices
- \$7.9 million in cuts to self-sufficiency programs for needy families
- \$2.4 million in cuts to individual care services for elderly Virginians
- \$1.2 million in cuts to general and emergency relief for low-income Virginians
- \$587,740 in cuts to nutritional services for elderly Virginians

These cuts will have significant negative impacts on low-income Virginians. For example, Governor McDonnell proposes to eliminate long-term care coverage for over 4,500 low-income elderly Virginians by slashing eligibility for this critical program.

Having services for low-income Virginians bear the brunt of budget cuts represents a marked departure from bipartisan efforts on Virginia's budget in recent years. Since the recession began in 2007, Virginia lawmakers have used a variety of tools and approaches to balance the budget. Among them was an approach to protect services for low-income Virginians hard hit by the

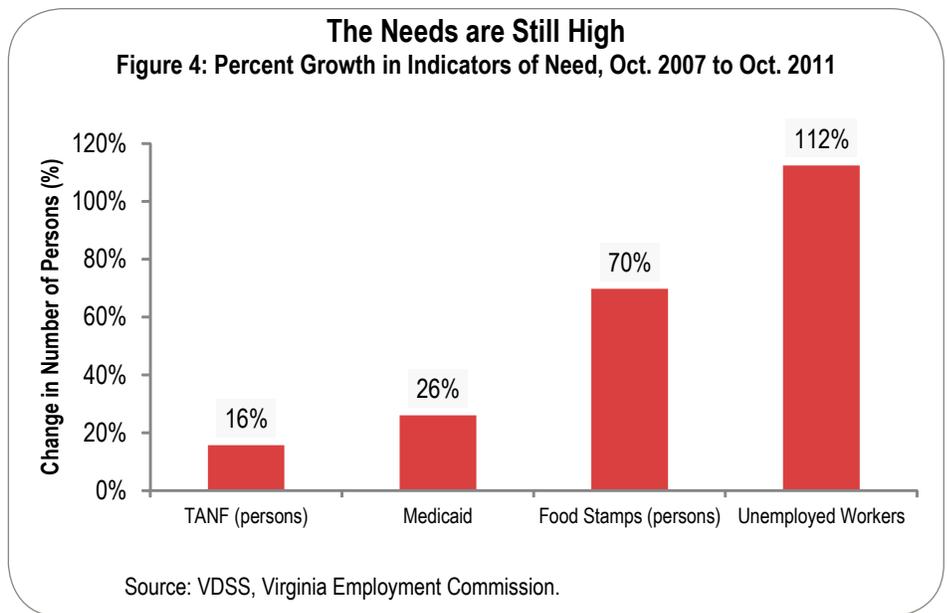
effects of the deep economic recession. For example, Virginia used extensive funding from the federal Recovery Act to help forestall deep cuts in key programs such as health care and safety net services. In addition, lawmakers explicitly worked to shield programs that serve low-income Virginians from budget cuts. For example, House Appropriations Committee Chairman, Delegate Lacey Putney, said, "...even in times of economic downturn, I believe it is imperative that we remain true to our core responsibilities of state government, which is to protect the public safety of our citizens; ... to promote and support a strong system

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of public education” and “to ensure the safety net for our most vulnerable citizens.”¹ Furthermore, Governor Kaine stated that despite “tough cut decisions,” lawmakers worked to “maintain the safety net that must be protected during these difficult times.”²

Furthermore, the need for adequate funding is clear given the uptick in demand for these services throughout the state. Poverty is increasing in Virginia. The poverty rate for children is the highest it has been since 1998. The latest Census data show the number of Virginians living in poverty grew by 7.4 percent in 2010. The number of uninsured Virginians grew from 909,611 in 2009 to 1.02 million in 2010, an increase of about 10 percent in the number of uninsured Virginians.

With these increases in poverty and the number of uninsured come increases in the need for public services. Since 2007, we have seen unemployment levels rise by nearly 130,000 Virginians. Medicaid enrollment in 2014 is projected to come in about 40 percent higher than in



2006-2007. Food stamp participation and Medicaid enrollment are hovering near their highest levels since the recession began, up roughly 70 percent and 26 percent, respectively. As shown in Figure 4, the number of unemployed workers in the state is still up 112 percent since the start of the recession, and TANF enrollment is up 16 percent.

Conclusion

As the General Assembly works to build a budget for Virginia during the legislative session, it should restore the cuts to these programs to ensure that our state budget policies effectively support the most economically vulnerable Virginians.

The Commonwealth Institute

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Endnotes

- 1 See Chairman Putney’s Remarks, February 8, 2009: <http://hac.state.va.us/documents/2009/SubcommitteeReports/PutneyRemarks--02-08-09.pdf>
- 2 See Governor Kaine’s Remarks to the Joint Money Committees, December 17, 2008: <http://wayback.archive-it.org/263/20100115140110/http://www.governor.virginia.gov/MediaRelations/NewsReleases/viewRelease.cfm?id=838> and Governor Kaine’s 2010-2012 Biennial Budget Proposal to the Joint Money Committees, December 18, 2009: http://wayback.archive-it.org/263/20100115175721/http://www.governor.virginia.gov/MediaRelations/Speeches/2009/2010_2012budget.cfm?printpage=Yes