

Washington

Federal Policies Have Cost Washington \$3.4 Billion over the Past Four Years

Federal Policies Affect Washington Revenue and Spending Levels, 2002-2005

Cost to
Washington

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$0
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$1.9 billion
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$132 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$1.2 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$594 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$401 million)

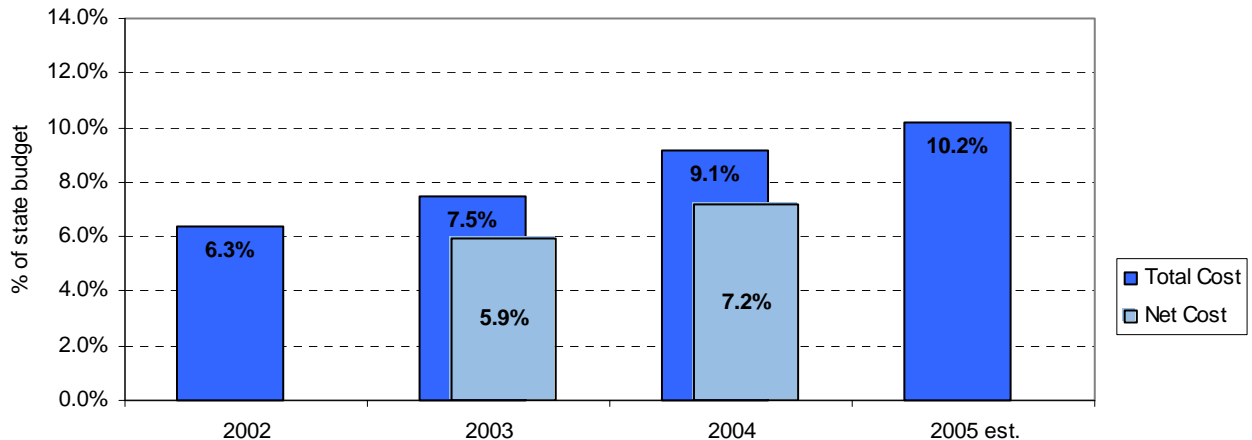
TOTAL COST (net of fiscal relief), 2002-2005: **\$3.4 billion**

Federal Policies Have Worsened Washington's Fiscal Problems

Ranking among 50
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	8.3%	25th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	7.4%	25th

Net Cost of Federal Policy to Washington as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.