MANAGING CUTBACKS AT THE DEPARTMENT OF SOCIAL AND HEALTH SERVICES (B)

Alan Gibbs, the new Secretary of the Washington State Department of Social and Health Services (DSHS), had made up his mind about Department-sponsored public hearings on proposed budget cuts. Gibbs wanted the hearings to be effective forums for public comment and needed to proceed rapidly. He had hit upon the idea of holding all the hearings on the same evening in each of DSHS’ six regions across the state. The department’s Executive Committee members would chair the hearings, thereby assuring that public comment would be heard directly by those who would be making the recommendations. Gibbs himself would personally chair the hearing in the State’s largest and most urban region. In general, he hoped that this approach would consolidate public support for the recommendations he would ultimately make to the Governor on behalf of DSHS.

Outcome of the Hearings

The six hearings were quickly announced and held throughout the Washington State at the end of August, 1981. The hearings drew over 1,000 people statewide. Regional advisory committee members, legislators, and community leaders were invited to hear the public’s comments.

Every member of the DSHS staff was familiar with the budget cutting process. Briefings had been held in DSHS field offices, and department-wide updates had occurred periodically. Approximately twelve thousand constituents and groups had received mailings about the proposed DSHS cuts between May and August. Many of the hearing participants were among those who had received the mailings and were already familiar with the reasons for the budget cuts and the process that the department was using. Discussion at the hearings thus tended to focus more on the substance of the proposed budget cuts than it did on the process.

The strategy that Gibbs and Executive Committee had used to structure departmental proposals—classifying all of the department’s services into three priority categories and
developing related one-page “decision packages”—was easy to understand for most hearing participants. The three categories of services were generally accepted, although some citizens criticized the absence of a “prevention” category in the programs funded by the department and in the department’s description of its service priorities.

**Recommendation to the Governor**

After the hearings, Gibbs and the Executive Committee completed their work on a recommendation to the Governor (Attachment 1). The recommendation, entitled “Plan to Offset the Loss of Federal Funds and to Implement Block Grants”, was accepted by the Governor and the Legislature with only minor changes. In retrospect, Gibbs felt that several factors combined to prompt the elected officials’ acceptance of the budget reduction plan:

1) By the end of the summer of 1981, the scope of the total cuts was smaller than expected. Congress ultimately required cuts of $70 million dollars, not $110 million.

2) DSHS experienced two major decreases in the number of clients the agency served. The first drop in DSHS caseloads, which was unanticipated, saved the department nearly $28 million of the $70 million dollars in mandated cuts. The imposition of new federal welfare eligibility requirements, with which the state had no choice but to comply, resulted in another drop in caseloads and saved the state an additional $9 million dollars. A six month delay in construction of two new state hospitals also produced short-term savings.

3) The DSHS Executive Committee had issued department-wide guidelines for expenditure reductions. Implementing these guidelines produced enough savings for DSHS as a whole that only about $12 million dollars in cuts to direct client services were ultimately required. For instance, the department wide guidelines suggested that all divisions in the agency eliminate non-essential regulatory functions, such as annual evaluations of nursing homes, when those reviews duplicated analysis already regularly occurring. These reductions saved $1.6 million dollars. The guidelines also prompted concerted efforts to collect overdue payments, which brought in a substantial $12 million dollars. Charging moderate fees for licensing and inspections netted another $2.4 million dollars.

Overall, Department-wide reductions resulted in substantial savings without cuts in Category I or II services, i.e. those programs providing basic life support or services to avoid or reduce the need for basic life support. Most of the first round of cuts throughout DSHS affected programs in Category III, those designed to improve access to the service delivery system.

The targeting of programs for elimination underscored several aspects of Gibbs’ approach: he insisted that reductions be based on the priorities established during the
planning process; he considered probable sources of political support; and he ensured that the process was genuinely responsive to reviewers’ comments.

**Reaction from Outside DSHS**

The Governor was satisfied with the DSHS cutback plan. The press did not criticize the cuts. Gibbs’ process had blunted criticism by legislators and social services advocates. All along, Gibbs had kept legislators informed about how DSHS intended to proceed. When they received the decision packages, legislators watched to see which of their constituents complained of unfair treatment or intolerable effects. Few did. Gibbs had provided an effective forum for hearing and responding to concerns. He had tried to respond to them before sending his recommendations to the legislature. When no major criticisms surfaced, legislators went along with the designated cuts.

**Staff and Advocates’ Reaction**

Gibbs’ process for planning and implementing the cutbacks was viewed favorably by advocates, including those on staff at DSHS. Gibbs later commented, “Response at the program level was good. Uncertainty was hardest on morale. The staff welcomed an orderly process which implied that we could shape some of this. There was no fuss about the process.” Merchant’s recollection of the reaction of DSHS staff was similar: “The workload was enormous and the schedule for the plan was tight, but the work got done. Alan (Gibbs) was always there and visible. Everyone knew the problem was huge, and Alan made it clear he expected the work to get done. The process was intensely complex and was handled professionally. The budget director was involved and was good at being non-threatening. Alan set this tone; it had not always been so. The previous budget offices had been more dictatorial. Remember, people in this agency have a commitment to the programs they oversee. Nobody ever let us down.”

At the program level, staff feedback was positive as well. The program director of Chore Services commended the process as “a rational process during a chaotic time.” The cuts were appropriately targeted on low-priority services. Hence, they compared favorably to the earlier legislative cuts. Another program administrator recalled that “spring 1981 had the worst cuts, the most traumatic ones. After that we felt we just could not take other cuts. The others were less dramatic.”

Members of the regional advisory committees were satisfied that their basic aims, with the exception of preventive measures and programs, had been met. A lobbyist representing Catholic Community Services gave a typical response. “We hated those cuts. We fought against them. But Gibbs was competent and compassionate, and the process was fair.”
## Attachment 1

### Department of Social and Health Services

**Budget reduction recommendation to Governor Spellman**  
**September 1981**

<table>
<thead>
<tr>
<th>Decision Package</th>
<th>Description</th>
<th>Savings in State Dollars</th>
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<tbody>
<tr>
<td>Department-wide administrative reductions</td>
<td>Reduce planning, management, support, and research Department-wide</td>
<td>$1,050,000</td>
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<tr>
<td>Implement change in eligibility requirements for AFDC-E</td>
<td>Restricts the number of families eligible for income assistance where both father and mother are employable regardless of whether jobs are available.</td>
<td>$9,000,000</td>
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<tr>
<td>Elimination of non-essential regulatory review functions</td>
<td>Condenses or eliminates regulatory reviews of providers of selected social and health services. Largest affected group is nursing homes.</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Reduce number and amount of uncollected payments due to the state</td>
<td>Increase follow up and collection rate on uncollected accounts reducing state subsidy</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Establish moderate fees for licensing and inspection services</td>
<td>Charge small fees for the processing of licenses and completion of required inspections of private and non-profit facilities and professionals</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>Reduce Category III and a small amount of Category II services to DSHS clients</td>
<td>Eliminate and reduce services designed to improve access to the social and health services delivery system. Reduce services targeted to avoiding or reducing the need for basic life support services.</td>
<td>$12,000,000 total, $348,000 from Aging and Adult Services.</td>
</tr>
<tr>
<td>Unanticipated drop in Department caseloads</td>
<td>Difference between projected caseload and actual experience projected over next twelve months</td>
<td>$28,000,000</td>
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<tr>
<td><strong>TOTAL REDUCTION</strong></td>
<td></td>
<td><strong>$70,000,000</strong></td>
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