

Budget Realities



Washington is reeling from a national recession that has led to historic drops in state revenues. Senate Democrats have met our responsibility to balance our state's books but this budget has real impacts — stalling progress we've made for working people, children and our communities.

K-12 Education

- Applied federal stimulus funding to mitigate cuts, keeping cuts under four percent.
- Suspended Initiative 732 granting teachers cost of living raises.
- Nearly eliminated funding for I-728 reducing class sizes.
- Cut levy equalization by 75 percent.

WHO'S AFFECTED: 1 million Washington students and about 55,000 school teachers

Colleges & Universities

- Kept current State Need Grant framework and access.
- Held tuition increases at current-law rate.
- Cut all of higher education by 14 percent

WHO'S AFFECTED: 10,500 fewer students will attend college



Health Care

- Kept Basic Health Plan, but reduced it by 45,000 middle-class individuals.
- Reduced reimbursement rates for hospitals, pediatricians, nursing homes and supported living facilities
- Reduced the children's vaccination program.

WHO'S AFFECTED: The over 1 million people receiving some form of publicly purchased health care

Social Safety Net

- Maintained General Assistance-Unemployable, but reduced the total program by 50 percent.
- Maintained Adult Day Health, but limited its to clients who live in their own homes.
- Closed Yakima Valley School, Green Hill School, McNeil Island prison
- Cut community mental health services by 7 percent

Other areas:

- Deep personnel cuts across state government — about 7,000 jobs
- No raises for state management employees and higher health care costs for most employees.
- \$850 million left in state savings account
- Eliminate mailing of Voter Pamphlet
- Reduce State Patrol Meth Team
- Keep state parks open through voluntary \$5 program at time of vehicle registration
- Eliminate aircraft from State Patrol, Fish & Wildlife and Dept. of Natural Resources

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Cutting the cost of government

According to the Pew Research Center for the States in 2008, Washington is the best-managed state in the nation.

In a time of economic crisis, we must continue to manage taxpayer dollars wisely and well. Our budget makes unprecedented cuts in services, but it also takes unprecedented steps to make government lighter and leaner.

Some of the ways we cut costs, restructure how services are delivered, and help ensure taxpayers get the most bang for their buck include:

- No pay increases for teachers and state employees
- Higher health care cost for teachers and state employees
- Deep personnel and administrative cuts at state agencies
- Performance-based contracting in child welfare services
- Selling state planes operated by the State Patrol and Department of Natural Resources
- Closing state facilities, including:
 - Green Hill School
 - Yakima Valley School
 - McNeil Island Corrections Center

Combined, these steps save a total of over \$1.1 billion.

But these cuts are not without costs of their own. Through personnel reductions at state agencies, institutions of higher education and our schools, the Senate budget will add over 7,000 people to the ranks of Washington unemployed.

The effect of a lost job on a family employed by the public sector is as painful as for a family employed by a small business. And the economic effect of 7,000 lost public service jobs is the same as 7,000 lost Boeing jobs.

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Revenue-related legislation

The 2009-2011 operating budget calls for more than \$138 million in revenue adjustments. By ending or modifying tax exemptions and changing certain state regulations, revenues are increased by more than \$155 million. They are offset, however, by more than \$17 million in new and existing tax exemptions and incentives such as the B&O tax credit for small business.

Fourteen bills must pass the Legislature in order for all the revenue adjustments to take effect.

New Revenue and Savings

- Bank sales of foreclosed property. Senate Bill 6062 would end tax breaks for banks when they dispose of foreclosed properties. New revenue: \$54 million.
- Purchase of spirits and licenses. Senate Bill 6119 would eliminate the discount that licensees receive on the purchase of spirits for resale. New revenue: \$36 million.
- Hybrid car exemption. The Senate proposes eliminating the sales and use tax exemptions for hybrid vehicles. \$30.7 million.
- State Convention and Trade Center Account. Senate Bill 6118 eliminates the two percent credit against the state sales tax on lodging sales in Seattle that was distributed to the convention center. New revenue: \$22.1 million.
- State lottery games. Senate Bill 6108 would allow the state lottery to reach agreements to conduct multistate shared games in addition to the current Mega Millions game. New revenue: \$11.5 million.
- Creating Uniform Limited Partnership Act. House Bill 1067 would update Washington's limited partnership law to update the fee structure and make it more like laws governing other business entities in Washington. New revenues: \$1.2 million.
- Filing Taxes Electronically. Senate Bill 5571 would require taxpayers who are mandated to file and remit taxes monthly, to do so electronically. Savings: \$544,000.

New or Extended Tax Exemptions

- Small business Tax Credit. Senate Bill 5899 allows businesses with 10 or fewer workers to subtract \$2,000 to \$4,000 from their state business taxes for every new job they create. Cost: \$10 million.
- Biomass energy production. Senate Bill 5441 provides a sales and use tax exemption for sales of forest-derived biomass used to produce electricity, steam, heat or biofuel starting October 1, 2009. Cost: \$137,000.
- Electrolytic Processing Tax Exemption. Senate Bill 5206 extends the public utility tax exemption for sales of electricity by a utility chlor-alkali or sodium chlorate chemical business until December 31, 2018. Cost: \$313,000.
- Radioactive waste cleanup. Senate Bill 5390 clarifies that certain support services, which are either within the scope of work under a cleanup contract with the US Dept. of Energy or which assist in the requirement of a cleanup subcontract, qualify for the reduced 0.471 percent B&O tax rate for radioactive waste cleanup. Cost: \$1.8 million.
- Newspapers. Under Senate Bill 5942, the B&O tax rate newspapers pay is reduced from 0.484 percent to 0.2904 percent. Cost: \$2.1 million.
- Hog fuel. Senate Bill 5442 provides a sales and use tax exemption for hog fuel (wood waste and other wood residuals) used to produce electricity, steam, heat or biofuel. Cost: \$2.4 million.