

# Windows Into The Budget

Senator Andy Hill

## ***Senate Budget: Great for Education, the Most Vulnerable & Taxpayers***

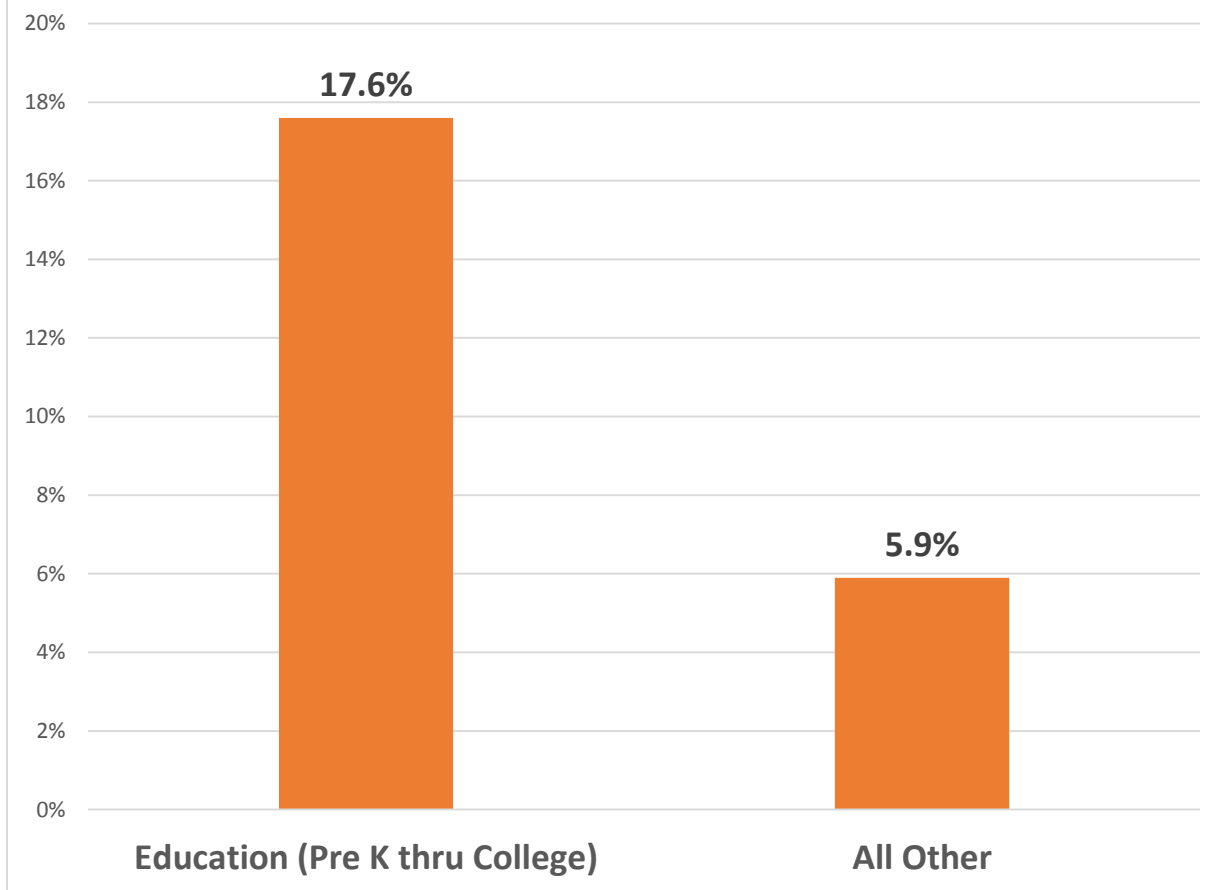
Crafting a two-year state budget is a great responsibility. We in the Senate focused our efforts on three priorities: a budget that would be great for education, great for the most vulnerable, and great for taxpayers.

This piece explores the final work product.

### ***A. Education: A Historic Investment Across the Educational Continuum***

For 30 years prior to our change of course in 2013, education was a declining priority of the state budget - with support for non-education growing at twice the rate of support for education, even though providing for education is the Legislature's number-one constitutional duty. This budget reverses that trend: education growth outpaces growth in the rest of government by a 3:1 margin.<sup>1</sup>

## Education grows at 3 times rest of state government in Senate Budget



Education is a continuum beginning before a child enters public school and continuing through college. The Senate budget recognizes and prioritizes each of these areas:

### 1. Early Learning: Historic Increase in Enrollment

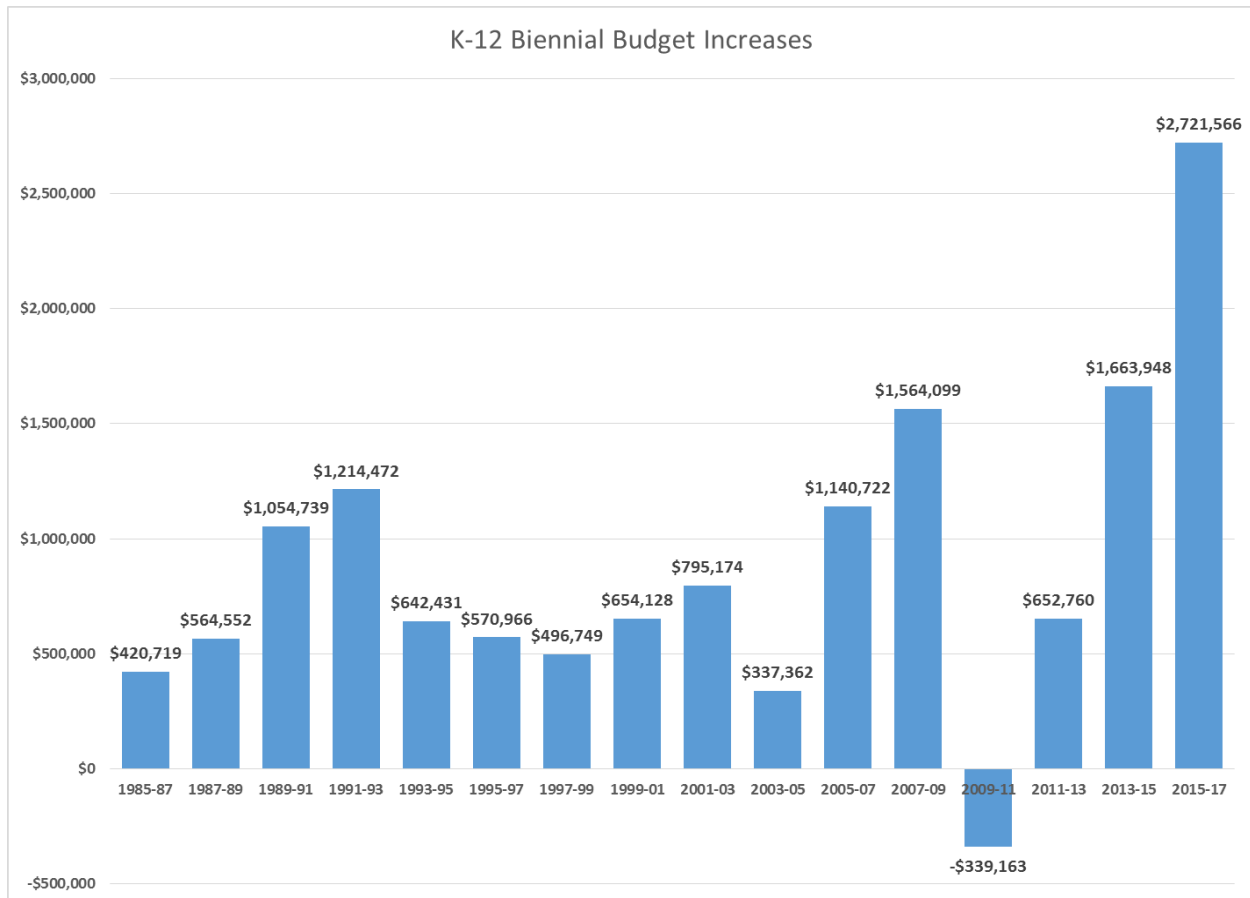
Research shows one of the best investments - a greater than 5 to 1 return -- is in high-quality pre-school education, particularly for low-income children.<sup>2</sup> To that end, the Senate budget increases Early Learning investments in two significant ways:

- 4,000 new slots for low-income three & four year olds – more than double the enrollment increase of any prior budget in state history; and
- Focusing investments on "high quality" early learning providers, driving constant improvements and better outcomes.

This investment will pay off exponentially in years to come, helping improve educational outcomes and close the growing opportunity gap that disproportionately impacts students from high poverty areas.

## 2. K-12: A Historic Increase (in \$\$\$ and %)

The Senate budget increases funding for public schools by over \$2.7 billion, the largest dollar increase in history and the largest percentage increase in 25 years.



The \$2.7 billion increase for K-12 includes:

- \$1.3 billion for K-3 class size reduction, all day kindergarten and enhanced funding to districts for books, supplies, and related costs;
- \$230 M for K-12 salary increases for all staff as identified in voter-approved Initiative 732;
- \$210 M for higher pension costs, primarily due to longer employee life spans;
- Doubling the state's investment in highly capable education; and

- “Maintenance” increases for higher enrollment, inflation, bilingual & special education, and increased costs for items such as levy equalization.

A few other facts of historic note:

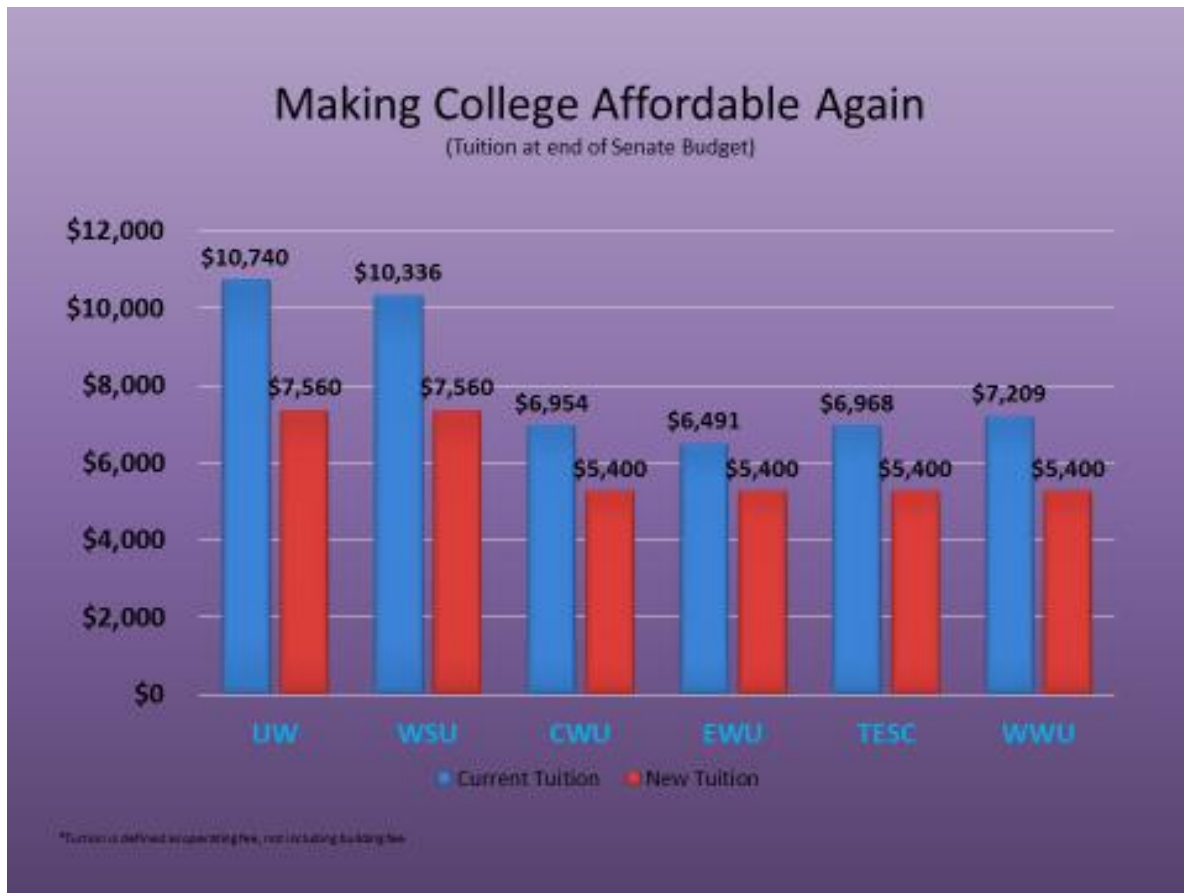
- Public schools' state funding will increase from \$15.3 billion to \$18 billion, a nearly 18% increase. This percentage of growth hasn't occurred since 1991.<sup>3</sup>
- K-12 would be over 47% of the state budget, which is the highest share in over 30 years. You have to go back to the last Republican Governor, John Spellman, to find K-12 with a higher share of the state budget.<sup>4</sup>
- The Senate’s capital budget builds 2,200 new classrooms to accommodate the increased demand for space as class sizes are reduced.<sup>5</sup>

### **3. Higher Education: 25% Tuition Reduction at 4 year institutions**

College has become increasingly unaffordable, particularly for middle class students and their families. Tuition at the beginning of the 21st century was below \$3,500, and today it's nearly \$11,000 at the UW. As a result:

- Tuition is among the highest in the country -- Washington public institution tuition is among the highest in the nation, ranking in the top 15 for both research and regional universities.<sup>6</sup>
- Debt saddles most graduates -- Over half of Washington students graduate college with debt and the average debt load is nearly \$25,000.<sup>7</sup>

The Senate budget says "enough" to this crushing combination of tuition costs and debt. It puts in place a policy reform (SB 5954) that caps tuition to a percentage of the state's average wage, thus ensuring that college is once again affordable for the middle class. This translates to a 25% tuition reduction on average at our four-year institutions, plus it ensures tuition remains affordable into the future.



In this regard, the Senate budget proposal is at the forefront of tuition reform and, once again, ensures that middle class students and families can afford to go to college. A recent Seattle Times article<sup>8</sup> quoted national higher education thought leaders:

*“A 25 percent reduction in tuition rates is almost unheard of,” said Thomas Harnisch, assistant director of state relations and policy analysis for the American Association of State Colleges and Universities.*

*“It really is kind of a unique idea,” said Dustin Weeden, a policy specialist with the National Conference of State Legislatures. If it were to pass, he said, “That’s going to start a lot of conversations in other states. They’ll be asking: ‘If Washington can do this, why can’t we?’”*

## ***B. A Great Budget for the Most Vulnerable***

The second priority during budget development was protecting the most vulnerable. The safety net was preserved, and significant investments were made in three areas: mental health, individuals with developmental disabilities, and senior citizens.

## **1. Mental Health: Over \$70 million investment in new capacity and treatment**<sup>9</sup>

The largest non-education investment in this budget provides over \$70 million of additional state resources for treatment and services, including:

- Increasing community bed capacity;
- Expanding services for those who are a danger to themselves and others, including an ability for loved ones to more easily get treatment and care for family members;
- More timely determination of an individual's mental health capacity when they are in jail and awaiting trial; and
- Expanding capacity and safety at our state mental health hospitals.

These investments will ensure better services while simultaneously increasing public safety.

## **2. Individuals with Developmental Disabilities: Serving Thousands More**

Last year, the Legislature passed the "[VIP Act](#)" which put in place a framework to expand services to the thousands of individuals with developmental disabilities (and their families) that currently receive no state support.

Unfortunately, Governor Inslee proposed -- in his budget that raised taxes by \$1.5 billion -- to significantly cut funding for these individuals and their families.<sup>10</sup> The Senate budget rejected that proposition, recognizing the high value and importance of last year's legislation.

To that end, the Senate budget:

- Expands respite services for 4,000 families that currently get no support, and
- Expands supported employment services for 1,000 individuals with developmental disabilities.

## **3. Seniors: Protecting from Abuse & Enabling Persons to Stay in Their Homes**

When it comes to senior citizens, the Senate budget prioritizes two reforms:

- Preventing Elder Abuse – With instances of elder abuse and exploitation on the rise, the Senate budget hires 40 new workers who are assigned to investigate elder abuse and neglect claims.<sup>11</sup>
- Increase the Senior Citizen Property Tax Exemption -- Low income seniors are able to exempt a portion of their property value from taxation in order to enable them to continue to reside in their homes. This income threshold hasn't been raised in over a decade. SSB 5186 raises the qualifying income threshold from \$35,000 to \$40,000. This will benefit over 100,000 low income seniors.<sup>12</sup>

## ***C. A Great Budget for Taxpayers***

Finally, this is a great budget for taxpayers:

### **1. Rejects Call for Largest Tax Increase in History**

Prior to the 2015 session, I shared a piece entitled, "[The Deficit Myth](#)" explaining that with a one billion dollar surplus heading into this budget cycle, plus \$3 billion in revenue growth, there was no need to raise taxes.

The Governor disagreed, proposing the largest total-dollar tax increase in state history (\$1.5 billion), including a carbon tax that would have hit every family in the state and a capital gains tax that would make Washington the only non-income tax state to have such a tax.

After the Governor's budget proposal, positive economic news resulted in a February revenue forecast that increased state revenue projections by nearly \$300 million and the Medicaid caseloads and cost projections declined by almost \$200 million. In addition, the Legislature passed a medical marijuana reform that was expected to direct more of the marijuana sales to legal I-502 stores. All told, the good news that came to budget writers after the release of the Governor's budget totaled in excess of \$600 million.

Yet, despite that influx of over half-a-billion dollars that the Governor didn't have, the House Democrat budget proposal matched the Governor's tax increase request: \$1.5 billion. They decided against the carbon tax that would hit every family in the state and instead proposed raising the tax on service businesses, a tax that would adversely impact over 140,000 employers in the state. To date, however, the House has not voted on their tax bill<sup>13</sup> (or any of the others they proposed), leaving a \$1.5 billion hole in their budget proposal, something cautioned about in a piece earlier this year titled "[Unbalanced Budgets Don't Count.](#)"

In contrast, the Senate budget raised zero taxes and lives within the state's ample revenue.

## **2. Leaves Largest Reserve in History**

At the end of this budget, the state is projected to have a \$1.4 billion reserve, the largest projected reserve in state history. This includes a healthy \$500 million unrestricted balance and \$900 million in the constitutional rainy day fund to be available in the event of an economic downturn.

## **3. Sustainable: Balances Over 4 Years**

Furthermore, the Senate budget proposal is projected to balance over the ensuing biennia, accommodating additional K-3, early learning, and teacher salary increase enhancements that are required to be funded in the 2017-19 biennium.<sup>14</sup> A four-year balanced budget eliminates the opportunity for one-time fixes or “gimmicks.”

The budget is on sound and sustainable footing.

## **4. Reforms to Ensure Money is Spent Transparently and Responsibly**

Taxpayers have the right to expect that government expenditures are closely monitored as to their effectiveness. To that end, the Senate budget has two notable reforms:

- [Office of Performance Management \(SB 5737\)](#) -- This establishes an office to bring the promise of LEAN management to state government in a meaningful, measurable way.
- [The SMART Act \(SB 5944\)](#) -- This bill requires new programs to “sunset” and be subject to performance audit reviews, so that programs that aren't fulfilling their purpose don't continue indefinitely.

## **5. Actual Middle & Lower Income Tax Relief**

Finally, the budget is significant for middle and lower income taxpayers because, as noted earlier, it contains a 25% tuition reduction. This translates to a \$300 million tax cut for students and their families over the course of a full biennium.



# Windows Reflection

*The Senate budget increases support for basic education to a level not seen in 30 years, provides for a landmark reduction in college tuition, and significantly expands services for our most vulnerable, all without raising taxes and while setting aside a record-sized reserve. By any credible measure it is a great budget.*

## Footnotes:

1. Education (K-12, Higher Ed, Early Learning) grew from \$18.5 B to \$21.8 billion, a 17.6% increase. All other components of state government grew from \$15.3 to \$16.2 billion, a 5.9% increase.
2. The Washington State Institute for Public Policy concluded that state and district early childhood education programs have \$26,386 more benefit than costs, for a 5:1 ratio.
3. In 1991-93, K-12 grew by 20.7%. Since then, the largest prior increase was 13.3%.
4. In 1983-85, K-12 was 48.1% of the state budget. A decade ago, 2005-07, was the low point at 38.9%.
5. ESSB 6080 <http://aor/billsummary/default.aspx?Bill=6080&year=2015>
6. 2013-14 Tuition and Fee Rates: A National Comparison, Washington Student Achievement Council, p. 2 (<http://www.wsac.wa.gov/sites/default/files/2013-14.TuitionFeeReport.FINAL.pdf>)
7. Project on Student Debt, [http://www.projectonstudentdebt.org/state\\_by\\_state-view2013.php?area=WA](http://www.projectonstudentdebt.org/state_by_state-view2013.php?area=WA) See also: Student Financial Aid and Access Programs Annual Report, WSAC [http://www.wsac.wa.gov/sites/default/files/2013.SFAAnnualReport-Rev.Final\\_0.pdf](http://www.wsac.wa.gov/sites/default/files/2013.SFAAnnualReport-Rev.Final_0.pdf)
8. <http://www.seattletimes.com/seattle-news/education/gop-proposal-to-slash-college-tuition-puts-house-senate-at-odds/>
9. [http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary\\_0331.pdf](http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary_0331.pdf) (p. 10-11)
10. <http://fiscal.wa.gov/BudgetO.aspx> (Gov. Inslee proposed over \$18 million worth of cuts to services for families and individuals with developmental disabilities.)
11. [http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary\\_0331.pdf](http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary_0331.pdf) p. 10
12. <http://aor/billsummary/default.aspx?bill=5186&year=2015>
13. <http://aor/billsummary/default.aspx?bill=2224&year=2015>
14. [http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary\\_0407.pdf](http://leap.leg.wa.gov/leap/Budget/Detail/2015/soSummary_0407.pdf) p.8