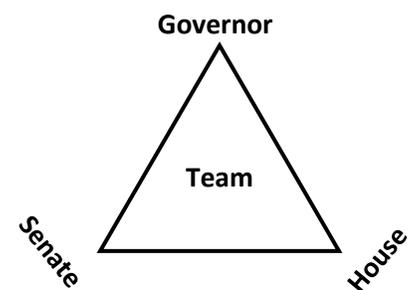


Budget Balancing Exercise

- Time:** At least 2 hours total (1 hour for background, prep, and corner proposals; 1 hour for team negotiations and debriefing). You can allow additional time for research and negotiations if available.
- Grades:** 9-12
- Objective:** Understand the major components of the Washington State Operating budget
Identify challenges in budget negotiations (limited time and money, difficult trade-offs, competing priorities)
- Materials:** [Citizen's Guide to the Washington State Budget](#)
Budget Balancing Worksheet (hard copy or electronic)
3 Corners Priority Lists
Revenue and Spending Proposals handout
Revenue and Spending boards and "money" tokens (optional)

Lesson Plan

- 1) **Budget background:** Share the NGF-P Operating Budget poster, and/or the 2015 Enacted Budget spreadsheet, showing how the state operating budget allocates money to various programs. The Citizen's Guide to the Washington State Budget also provides a good overview. Washington State has three budgets. The operating budget handles everything that isn't related to transportation or buildings. There are also many different funding sources, including taxes, fees, and federal grants, most of which must be spent in prescribed ways on specific programs. (Taxes on gas, for example, must be spent on roads. Federal match dollars for health care must be spent on health care. Higher education tuition must fund higher education.) In this activity, we are working with the Near General Fund (NGF-P), which represents about half the total operating budget. The NGF-P is made up of all general revenue that goes into an all-purpose fund, and the Legislature has the authority to decide how to spend it.
- 2) **Assign teams:** Divide into small groups. Budget negotiations involve the "Five Corners": the Governor's office and House and Senate Democratic and Republican Caucuses. Our exercise will use three "corners": Governor, House, and Senate.* Divide into teams of at least six, so that each corner is represented by two people. Each corner gets a copy of their Priority List, which they should not share with the other corners in their group. The Priority Lists give a few high priorities and a proposed budget total for each corner. In this example, the priorities are *loosely* based on real proposals offered by the House, Senate, and Governor's budget proposals in 2015. In addition, each group is tasked with finding an additional \$2 billion to fund the Supreme Court's McCleary decision mandating additional funding for public education.



*NOTE: "Corners" are an optional part of the activity. Role-playing as a "corner" helps students understand the different perspectives that lawmakers bring to the budget process and how that shapes negotiations.

3) **Hand out materials:** The rest of the activity can be done using manipulatives (like Legos or Monopoly money) or using either Excel or old-fashioned math to calculate budget proposals:

Manipulatives	Spreadsheet
<p>For each corner:</p> <ul style="list-style-type: none"> • Budget Balancing Worksheet in hard copy (or make up another graphic organizer to track proposals and justifications) • Priority List • Revenue and Spending Proposals handouts (optional/adaptable) <p>For each team:</p> <ul style="list-style-type: none"> • Spending Board • Revenue Board • Funding tokens: <ul style="list-style-type: none"> ○ 4 \$5B tokens (long Legos) ○ 16 \$1B tokens (medium Legos) ○ 25 \$100M tokens (short Legos) ○ Extra tokens for negotiation 	<p>For each corner:</p> <ul style="list-style-type: none"> • Budget Balancing Worksheet on a computer or in hard copy (the computer version automatically calculates totals) • Priority List • Revenue and Spending Proposals handouts (optional/adaptable) <p>For each team:</p> <ul style="list-style-type: none"> • Budget Balancing Worksheet in hard copy to turn in

NOTE: Because the budget is a complicated, technical document with many moving parts, it is extremely important to go over each handout as a whole group before students separate into pairs to work. You may choose to let students come up with their own proposals in addition to the suggestions on the Revenue and Spending Proposals handouts, which can allow more creativity but less realism. It is very helpful to set ground rules at the beginning of the exercise to avoid deadlock and frustration. You may want to come up with ground rules as a class, based on the following suggestions:

Sample Budget Negotiation Ground Rules:

1. Don't get hung up on details. Real legislators have several months to research and ask questions about each budget proposal. In the interest of time, we need to decide more quickly using our best judgment about each proposal.
2. Be ready to compromise. Each corner has important priorities, but we are ready to listen to other ideas and make trade-offs to find a compromise solution.
3. Think realistically. What are the political and personal costs to making radical changes like eliminating programs?

4) **Corners develop proposals:** Starting with the items on their Priority List, each corner fills in their Budget Balancing Worksheet with their spending and revenue proposals. The final corner proposal must be a balanced budget, meaning that spending and revenue are equal. (The Legislature is required by law not to enact budget deficits, where spending is greater than revenue.) If your revenue is greater than your spending, add a line to the spending column directing the difference to the Rainy Day Fund. Proposals can come from the Revenue and Spending Proposals handouts, or you can come up with your own ideas. Groups can add proposals in addition to the priorities on their corner sheet, but should keep track of which proposals are the most important to them and which they might be willing to compromise on in negotiations.

For each proposed change, you must list a justification statement. Who is affected by the change, and how many people are impacted? (The information on the right-hand column of the NGF-P Poster can help with this.) Who will oppose it, and are there any downsides to doing it? Why, in your judgment, is it worth doing anyway? These justifications will be important in the next step of negotiating with the other corners.

- 5) **Team negotiations:** Come back as a team. Each corner presents their proposed budget and justifies their choices to the group. Begin negotiating a balanced budget deal agreeable to all three corners. If using manipulatives, divide your tokens on the Spending Board as you agree on spending levels for each area. If you agree on new revenue, you may add more tokens accordingly (if you agree to cut revenue, give up the appropriate number of tokens). If using the spreadsheet, fill in the “Deal” column on the Budget Balancing Worksheet with your agreed-on proposals. Try to finish negotiating before the end of class, so you don’t have to go into special session!

Adaptations and Extension Activities

Set your own priorities: The Priority Lists and Spending and Revenue Proposal handouts in this activity can be adapted any way that works for you. They are loosely based on proposals from the 2015-2017 budget negotiations. Alternatively, students could start with a clean slate and come up with their own proposals and priorities, individually or in groups. Priorities are an important part of the activity, however, because all budget choices involve a trade-off of some kind. Understanding which policies are MOST important to the people negotiating is key to understanding the result of those negotiations.

Cut the corners: As noted above, with younger students or limited time, you can skip the “corners” part of the activity and have students just negotiate the budget in groups. In this version, it’s very helpful for each student to spend a little time deciding on one or two items that are their personal priorities.

Explain to the voters: Instead of writing full justifications for each proposal (or in addition), have students write a letter responding to a constituent who is upset about one of the choices in their budget deal. It could be a taxpayer who disagrees with a tax increase, a business owner concerned about how a change will affect their sales, or someone who gets assistance from a state agency that has had its budget cut. In their responses, students should address the constituent’s concern and explain why they made the decision they did.

For More Information

All proposed and enacted Washington State Budgets are posted online and can be searched and compared: <http://fiscal.wa.gov/>

Budget proposals by individual agency are available: <http://fiscal.wa.gov/BudgetOCurrAgyDetail.aspx>

The Senate Ways and Means Committee publishes an annual Citizen’s Guide to the Washington State Budget:

http://leg.wa.gov/Senate/Committees/WM/Documents/Publications/2016/2016%20CGTB_Final_website.pdf

More information about Washington’s tax and revenue systems can be found at the Department of Revenue’s website: <http://dor.wa.gov/content/FindTaxesAndRates/>

“Corners” Priority List - HOUSE

In budget negotiations, the Governor’s office and the House and Senate Democratic and Republican caucuses are often referred to as the “five corners,” each bringing their own priorities to the negotiating table. Our exercise has three corners: Governor, House, and Senate. You and your partner represent one of the corners, and need to advocate a balanced budget deal that preserves as many of your priorities as possible.

Begin by working with your partner determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to offset it. But remember: the other two corners have their own priorities. Anticipate how the other corners might approach the task, and discuss with your partner what compromises you would be willing to make. In the second half of the activity, the three corners will come together to negotiate.

Starting total revenue: \$38 billion

Starting “maintenance” budget: \$38 billion

Maintenance budget + McCleary obligation: \$40 billion

HOUSE CORNER PRIORITIES:

Top priorities:

- Fund McCleary obligations (\$2B)
- Limit cuts to health care, human services, natural resources, and education

Second tier priorities:

- Increase funding for human services to expand programs for Children & Family Services, mental health, developmental disabilities, and central administration at DSHS (\$0.1B)
- Increase funding for human services to expand Economic Services Administration (food, housing, and financial assistance for needy individuals) (\$0.1B)
- Increase funding for public education to provide COLA and benefits increase for teachers (\$0.4B)
- Increase funding for government operations to provide COLA and benefits increase for state employees (\$0.2B)

Third tier priorities:

- Increase funding for natural resources (\$0.1B)

HOUSE total operating budget proposal: \$40.9 billion

NOTE: to achieve this proposal, you will need to identify at least \$2.9 billion in cuts or new revenue.

“Corners” Priority List - SENATE

In budget negotiations, the Governor’s office and the House and Senate Democratic and Republican caucuses are often referred to as the “five corners,” each bringing their own priorities to the negotiating table. Our exercise has three corners: Governor, House, and Senate. You and your partner represent one of the corners, and need to advocate a balanced budget deal that preserves as many of your priorities as possible.

Begin by working with your partner determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to offset it. But remember: the other two corners have their own priorities. Anticipate how the other corners might approach the task, and discuss with your partner what compromises you would be willing to make. In the second half of the activity, the three corners will come together to negotiate.

Starting total revenue: \$38 billion

Starting “maintenance” budget: \$38 billion

Maintenance budget + McCleary obligation: \$40 billion

SENATE CORNER PRIORITIES:

Top priorities:

- Limit new taxes or tax increases on businesses and families
- Fund McCleary obligation (\$2B)
- Maintain present level of funding for public education

Second-tier priorities:

- Increase funding for higher education to pay for tuition reduction at public universities (\$0.2B)

SENATE total operating budget proposal: \$38 billion

NOTE: to achieve this proposal, you will need to identify at least \$2.2 billion in spending cuts.

“Corners” Priority List - GOVERNOR

In budget negotiations, the Governor’s office and the House and Senate Democratic and Republican caucuses are often referred to as the “five corners,” each bringing their own priorities to the negotiating table. Our exercise has three corners: Governor, House, and Senate. You and your partner represent one of the corners, and need to advocate a balanced budget deal that preserves as many of your priorities as possible.

Begin by working with your partner determining how you would balance the budget to achieve your priorities. Your budget proposal must balance, meaning if you increase spending in one area, you must either reduce spending in another area or increase revenue to offset it. But remember: the other two corners have their own priorities. Anticipate how the other corners might approach the task, and discuss with your partner what compromises you would be willing to make. In the second half of the activity, the three corners will come together to negotiate.

Starting total revenue: \$38 billion

Starting “maintenance” budget: \$38 billion

Maintenance budget + McCleary obligation: \$40 billion

GOVERNOR CORNER PRIORITIES:

Top priorities:

- Implement Cap and Trade Carbon Tax to contribute to McCleary obligation (increase revenue by (\$0.4B)
- Fund McCleary obligation (\$2B)
- Limit cuts to natural resources spending

Second-tier priorities:

- Increase funding for Washington State Health Care Authority (\$0.5B)
- Implement Working Families Tax Exemption to refund up to \$500 in sales tax to 350,000 households (reduce revenue by \$0.1B)

Third-tier priorities:

- Increase funding for Human Services to expand long-term care and alcohol and substance abuse services (\$0.1B)

GOVERNOR total operating budget proposal: \$40.6 billion

NOTE: to achieve this proposal, you will need to identify at least \$2.6 billion in new revenue.