



Washington State Senator • 5th Legislative District

Sen. Cheryl Pflug

2010 Legislative Preview



January 2010

Dear Neighbors,

During last year's legislative session, I helped accomplish some excellent things for our district and our state. At the same time, I am deeply concerned about our state's overall direction, with out-of-control spending in a time of recession.

But first **the good news**: It was with great relief that we defeated House Bill 1776, which would have raised K-12 levy lids while maintaining the inequities of the current formula. Mercer Island and Seattle would have been authorized to increase levies to 35 percent while schools in our district would be at about 28 or 29 percent. Even after raising property taxes more, our schools would still have had less funding than neighboring districts. Increasing the disparity between districts would have saved the state money in the very short term, but it would have created even bigger problems next year.

We did manage to place one-percent of our state revenues, or \$115 million, into Washington's constitutionally protected **emergency fund**. Had this been done a decade ago, when Sen. Rossi and others first suggested it, Washington would have no budget problem today.

On the downside, **the majority in Olympia has refused to act quickly** to bring our budget in line with our revenues. Acting quickly, at the beginning of a two-year budget cycle, allows us to balance a shortfall with the least amount of cuts. Waiting to see if cuts can be avoided set us up for much more dramatic cuts toward the end of the biennium and has resulted in a \$2.6 billion deficit, **despite receiving about \$4 billion in federal stimulus funds**. This is why you are seeing the state **eliminating most of the safety net health care programs for the needy** just at a time when the need is greatest.

Shamefully, they also chose to add money to the **rich public employee health benefits**, and refused to consider initiatives to improve efficiency, reduce waste, and prioritize our spending. Now, instead of protecting Washington jobs by reducing the burden on struggling businesses, the governor is talking about new taxes.

This is a time when we must work together to accomplish more with less. I remain confident that "where there's a will there's a way." Ours is a community where people work hard and give generously. It's truly an honor and a joy to represent you, and I will strive to do just that.

Wishing you all a bright New Year!

A handwritten signature in red ink that reads "Cheryl Pflug".

Sen. Cheryl Pflug
5th Legislative District

Senator Cheryl Pflug

Your feedback is welcome

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Senate Committees:

- Ranking Member, Health and Long-Term Care
- Ways and Means
- Higher Education and Workforce Development

The state budget: \$2.6 billion in deficit – and growing

State revenues have dropped steadily since 2007 while state spending has continued to increase. Consumers, accustomed to buying on credit, are now facing a serious credit crunch. In addition, many have lost jobs or taken salary reductions.

In the last 12 months, Washington has lost 145,000 jobs, and unemployment is on its way to a projected 9.8 percent in 2010. The rate of home foreclosures continues to rise. Citizens are evidently smarter than legislators – they're saving and paying down debt rather than spending.

Last year Washington received nearly \$4 billion from the federal government. That is unlikely to continue, and state leaders MUST recognize that federal dollars are still tax dollars.

Legislators want it all

The current majority has added 6,000 new employees and ballooned the state budget 33 percent in the last five years. They used the \$4 billion in one-time stimulus funds to support operating expenses for bloated pet programs instead of the increased costs of safety net programs peculiar to a recession.

It's a matter of priorities

Some will argue that there *were* budget cuts made in 2009. But they were cuts to K-12 education, nursing homes, services to the developmentally disabled and mentally ill, and hospital payments.

That same budget gave illegal aliens taxpayer-supported health care while many young adults who are citizens remain unable to buy affordable health insurance. And last month the governor signed a labor contract that gives unionized state employees additional salary increases.

The cost of priority programs, like education and public health, were shifted further to local taxes. Public colleges and universities were given authority to raise tuition 42 percent over the next four years! And, by under-reimbursing doctors and hospitals, the state literally shifts the cost of Medicaid programs to your health insurance bill as providers increase the rates they charge people with private insurance.

Washington is bleeding jobs

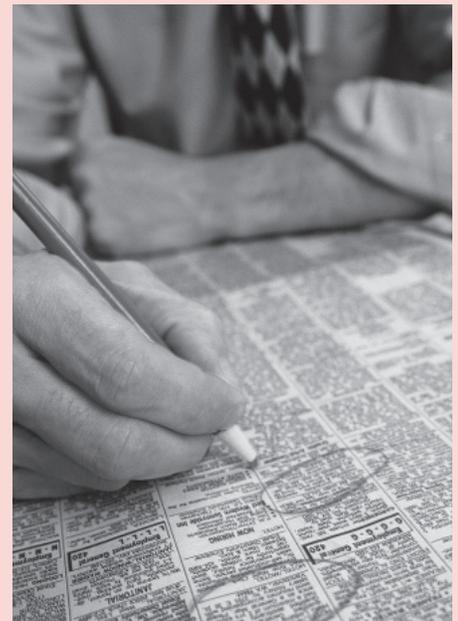
According to the Washington State Employment Security Department, more than 310,000 Washingtonians were looking for work in October. Late that month, we learned that Boeing chose South Carolina for its second assembly line – a loss of thousands more high-paying jobs. This causes a ripple effect as school enrollments, demand for local goods and services, and tax revenues decrease.

Our leaders talk a lot about how Washington is economically competitive, but that's not what I'm seeing. If we were competitive, we'd be able to retain jobs and grow new ones. Instead, we're bleeding jobs – yet legislators won't pass the legislation necessary to grow our economy. Instead, the governor hires a new "commerce director" and government agencies hold conferences to talk about the problem. There is a lot of splashing, but not much forward progress.

Meanwhile, the Department of Labor and Industries' proposes a \$117 million workers' compensation tax increase for 2010 – despite a 50 percent drop in claims since 1990. Plus legislators have repealed the 2003 unemployment insurance reforms passed specifically to get the 787 assembly line here in the first place.

Unfortunately, while other states lower the costs of doing business, ours is rapidly moving in the wrong direction. Hiring another bureaucrat with the title "Director of the Department of Commerce" is not creating jobs. There's an enormous difference between a sympathetic-sounding press release and real economic development.

The proof is in the pudding, as they say... and our competitors are eating ours.



No performance audits?

The Democrat leaders quietly defunded the state auditor's performance audits, which were mandated and permanently funded when Washington citizens passed Initiative-900. Those audits have exposed waste and recommended reforms – yet to be adopted – that could save hundreds of millions of dollars.

What I'd do instead

We MUST return to the Priorities of Government approach we used after the '03-05 recession. That successful, bipartisan approach to balancing the 2003 budget, without compromising safety-net programs, won Washington a national award.

The Priorities of Government is a clear list of what state government does, listed in order of urgency. This method keeps vital programs in place and trims nice-to-have, but not urgent, programs. It is a painstaking, line-by-line approach to budget reduction that requires every agency to find more efficient ways of doing business, and it requires budget writers to ask and answer questions like, "why do we have 65 people on the 20th floor of Seattle's Bank of America building 'supervising' low-income housing?"

The state should commit to keep spending within existing revenues. In fact, I introduced Senate Bill 8210, which would do just that, but it was rejected.

Here comes the poison pill

During the 2010 legislative session, the big spenders will remind you of the pain of layoffs, a depressed economy, and the suffering of our most vulnerable.

If you think it is too horrible to bear and agree to more taxes, you are responding exactly the way they hope you will. These legislators will have succeeded at maneuvering you into "buying back" state services via a tax increase.

If there's one thing I've learned in my years in Olympia, it's that taxes are forever. The money you pay can be funneled into the general fund and used for any purpose – not necessarily for the programs originally proposed. Government must be required to keep past promises before asking for money for new ones.

Health Care – Let's

Federal "Reform"?

Congressional health care bills are exorbitantly expensive, poorly-thought-out train wrecks – and I say that as the one Washington legislator who proposed a Health Insurance Exchange.

The basic idea has merit, but Congress has missed the target completely and the consequences to our state of a bad plan may be very expensive. We need cost control and better access – two ideas which are linked when resources are limited. That means taking action to make health care affordable without denying access to the care we need, and ending a shell game that shifts costs to private programs under the guise of "state bargaining power."

The pharmaceutical industry is funding the ad campaign to promote the Congressional health care package. Do you think that "reform" is likely to reduce prescription costs? Also in support is WalMart, which employs large numbers of Medicaid-eligible employees. Do you think WalMart expects they will pay the bill for a large Medicaid expansion?

If passed, the federal bill would add 45 million people to state Medicaid rolls, more than 380,000 in Washington alone. At a cost of \$900 billion or more, half would be paid for with cuts to Medicare, leaving the other half to the states. All this for a plan that doesn't provide additional coverage for anyone until 2014, and then all new enrollees get a Medicaid-style plan. Do *you* want to be on Medicaid?

Meanwhile, even though a couple of medical organizations have been convinced to sign on, the vast majority of physicians' groups are opposed and extremely concerned.

As a registered nurse and single mother, Sen. Pflug understands our concerns about health care, the cost of living, and the economy. Last session, she introduced a plan to save the health care safety net for our most vulnerable citizens, but it was rejected in favor of spending more on state employee benefits.



put priorities before politics

We must spend *better*, not more

It's senseless to spend money on new programs when we're not spending sensibly and effectively on current programs.

Last year, legislators eliminated coverage for the most needy and vulnerable, who count on our Basic Health Plan. Yet these same legislators retained rich health care benefits for state employees. Where are their priorities, if not with the most vulnerable in our society?

Now they're talking about a new tax on hospitals, and further cost shifting to those who pay the premiums on private insurance. While I'm not an apologist for insurance companies, clearly their premiums must cover the cost of the care provided. Turn on the TV. Many local hospitals and doctors are refusing to sign contracts where reimbursement doesn't cover their costs.

Oblivious, local Democrats are promoting Oregon's plan, promising that seniors will benefit, while former Oregon Governor Kitzhaber asserts, "we need to have a conversation with the [people] about what they are willing to go without." What does that mean?

Oregon cancer patient Barbara Wagner found out the hard way. She received a letter from the Oregon Health Plan denying her cancer treatment because they predicted she had less than a 5 percent chance of recovery. The same letter offered payment for the state's

physician-assisted suicide program. Although the drug-maker eventually gave Wagner the medication for free, she died a few months later. Is that the "conversation" they want to have with us?

People have a reason to ask if we are getting the whole truth.

Is government trying to save itself, or serve the people?

Maybe what citizens can do without is so many politicians and bureaucrats dreaming up new programs for us to pay for, while our fundamental priority needs such as education, help for the needy, and real economic development are not met.



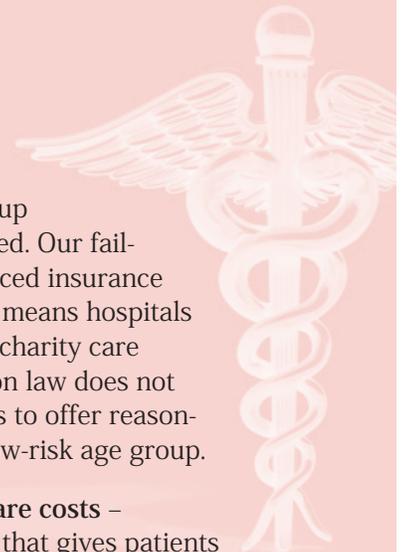
State Health Care Issues and Ideas

Young Adults – Young adults age 19 to 34 make up almost half of our uninsured. Our failure to offer reasonably priced insurance for this healthy age group means hospitals must add the cost of their charity care to your bill. Yet Washington law does not allow insurance companies to offer reasonably priced plans to this low-risk age group.

Transparency in health care costs – Washington needs reform that gives patients the right to know what a health service will cost before they agree to it.

Buying insurance across state lines – If Washington had this option, we could pursue a Northwest Regional Compact, allowing interstate sales of health insurance policies. If crafted correctly, this could offer broader competition, a larger insurance pool and economies of scale.

Payment reform – We should change the way health care providers are paid for their services. First, we must promote care that focuses on clinical effectiveness. Then we must establish a medical home model, where your primary doctor is fairly reimbursed for coordinating your care and including you in decisions about your treatment plan. These measures save money and improve both patients' health status and satisfaction with treatment. Happy customers at a fair price, that's success!



Transportation Update

SR 520 Bridge

We're now awaiting the final recommendations from the SR 520 Legislative Work Group, due to the governor this month. This process has been going on since 1996, however.

In late November, the group endorsed a six-lane replacement bridge on Highway 520 with an enlarged Montlake interchange and a second drawbridge on Montlake Boulevard.

If this is the group's final recommendation, it would not only be obsolete the day it opens, but it would cost from \$4.4 billion to \$4.6 billion. Nearly half of that amount will be spent on the Seattle side to coddle Montlake residents.

The tragedy is two-fold: Not only is transportation infrastructure necessary to support our economy, the cost of construction projects is down. This is the ideal time to build the capacity we need to support our region into the future.

Alaska Way Viaduct – So who pays?

For the last three years, I have consistently recommended a deep-bore tunnel replacement for the Alaska Way Viaduct as the only economical option that provides adequate capacity. Finally, the governor and Seattle city officials agreed, but their funding plan is wrong.

The \$4.2 billion tunnel replacement will receive up to \$2.8 billion from state funds, \$400 million of which will come from tolling, probably on all regional state routes. This will likely include tolling in advance, tolling after the project is paid off, and using tolls on one road to pay for another!

They're also arguing over who will pay cost overruns. The negotiated agreement between the state and Seattle says Seattle is liable for any cost overruns, but now the city is balking.

Light Rail – but not on I-90

Rebuilding I-90 has been stalled by a lawsuit filed by a group of citizens against Gov. Gregoire and the Washington State Department of Transportation.

At issue is the sale of I-90's center express lanes to Sound Transit. As you know, this center roadway is reversible, sending traffic flow inbound or outbound during rush periods.

The lawsuit argues that since I-90 was funded using gas tax funds, the sale is prohibited by the 18th amendment to our state constitution. That amendment forbids the use of money from the Motor Vehicle Fund for anything other than "highway purposes."

I hope both the lawsuit and sanity prevail. WSDOT's own estimates claim that placing light rail in I-90's center roadway will reduce overall vehicle capacity by one third and will significantly increase travel time for drivers. That's all we need, right?

I'm hoping that the decision-makers realize our economy cannot grow if commuters and goods can't move efficiently across the lake. Agricultural and other products from Eastern Washington must have easy access to Puget Sound ports.

The solution has been obvious from the start: Light rail to the eastside should be built into the expansion of the 520 bridge. The capacity of our primary freight route would be maintained, grades could be engineered to accommodate the trains, and the trains would actually connect to the planned Sound Transit station at the UW, thus providing a functioning network instead of fragmented lines that don't connect. I'll keep working on this!



Alaska Way Viaduct in Seattle.

Unequal Education Funding

To balance the budget last year, majority legislators reduced the stabilization account, which uses federal funds to help equalize school funding for teacher salaries. At the same time, they reduced the levy equalization account, which offers property-poor districts funds to offset the difference in the amount of levy funds they can collect and those the wealthier districts can collect.

In Olympia, it's popular to quote Article IX, section one of the state constitution, that "providing for education is the state's primary duty." But Article IX, section two is equally important. It says that education must be "general and uniform" across all districts.

After a lawsuit in 1975, the state agreed to equalize levy lids across all districts. Initially, it grandfathered in those wealthy districts at their already higher lids but promised to hold them flat so that other districts could

catch up. That promise was never kept. Each time levy lids have been raised, the lids for those original wealthy districts are also raised so that the inequity has continued. Last year, we narrowly defeated House Bill 1776 to both increase the lids for wealthy districts and eliminate the equalization dollars.

Allowing Mercer Island and Seattle to go to 35 percent puts the rest of Washington, as well as our district, at a competitive disadvantage for funding education programs in our schools. In combination with the reduced levy stabilization funds and levy equalization dollars for poor districts, House Bill 1776 makes a bad situation worse.

While we managed to stop the bill from passing last year, Seattle Democrats seem determined to pass it this year. Last year House Bill 1776 was a last-minute surprise: this year we're ready.

See my final-day-of-session [recap of House Bill 1776 on video at:](http://www.senatorepublicans.wa.gov/pflug/042609EOSEducation.htm)
www.senatorepublicans.wa.gov/pflug/042609EOSEducation.htm

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