

• 8th District • 2012 Session Review

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- Public Safety and Emergency Preparedness
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- Judiciary
- Education
- Transportation
- Joint Committee on Veterans' & Military Affairs

May 2012

Dear Friends and Neighbors,

The Legislature adjourned April 11, 2012, after a marathon 24-hour finish and agreement on operating and capital budgets and a series of reform bills. It has been many years and sessions since bipartisanship played a role in the budgets and key pieces of legislation.

There were many positive things that came out of both sides working in a bipartisan manner. It serves the taxpayers of Washington much better when we all work that way.

We hope you find this newsletter informative and we welcome your thoughts and ideas. It is an honor to serve you in the Legislature.

Sincerely,

Sen. Jerome Delvin

Rep. Larry Haler

Rep. Brad Klippert



2012 Session Review

OPERATING BUDGET



There were many things to like about the supplemental operating budget and some things not to like. On the plus side, it fully funds education, doesn't push payments into the next biennium, and is more sustainable than we have seen in quite some time. It also has tax incentives for food processors, ports, and server farms tied to it. This will help spur economic expansion and job growth.

Our greatest concern about the budget is that it leaves the ending fund reserves dangerously low, which could result in another budget shortfall if we see even the slightest downturn in our economy again. Also, some of the reforms associated with the budget needed to be stronger or more long-term. The balanced budget reform is a good first-step, but it is only in statute and we believe the voters should have been given the opportunity to make it a constitutional amendment. As we well know, statutes are easily changed, especially those related to budgets and spending.

CAPITAL BUDGET

The capital budget was probably the most difficult piece of legislation negotiated this session. Debt is a concern at all levels of government right now. However, we all supported a strong, bipartisan capital budget. It is a reasonable and responsible plan that provides infrastructure for our correction facilities, education and higher education systems, hospitals and sewer and water projects. The economy is still languishing, so this was not only an important piece of legislation to invest in our state's infrastructure but it is about putting people back to work.

FOUR-YEAR BUDGET OUTLOOK



The frustrating part of the budget process has been the failure to look ahead and take into consideration spending policies and how they impact future budget cycles.

A reform we passed this year will require the Legislature to balance operating budgets over four years before one is adopted. Lawmakers must balance a spending plan in the current two-year budget cycle – and also in the following two-year cycle. Legislators will have to consider the long-term effects of their spending decisions. Washington is the first state in the nation to adopt this budgeting practice.

STATE PENSION REFORM



Washington state's pension system is in much better shape than most, but investment returns in the system have been down with the economy, and it is likely contribution rates will increase in the future. This reform only affects new hires and reduces some of the early retirement benefits away from state employees hired after 2013. The rich benefit package for early retirees is something the state can no longer afford. **This reform measure is expected to save the state about \$1.3 billion over the next 25 years.** It will also help bring sustainability to the pension system.

Senator
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HEALTH INSURANCE FOR EDUCATORS AND PUBLIC-SCHOOL EMPLOYEES



Health insurance costs have skyrocketed for almost everyone, particularly employees in our K-12 school systems. They have seen their take home pay suffer and many feel they are being priced out of coverage.

We passed legislation that will require school districts to disclose expenses, reserves, fees and premium costs, and use open, transparent contracting for health insurance. All employees must contribute something to their coverage. School employees will have access to a plan similar in premium cost to one offered for state employees, and to high-deductible health plans and health savings accounts. The bill moves us toward more equitable costs between individual and family coverage plans.

It also provides transparency and more efficient health insurance benefits for our school employees, creates competition and choice, and holds the state more accountable for the \$1 billion it spends on these benefits.

IMPROVING REVENUE AND BUDGET SUSTAINABILITY

As you know the manufacturing and processing of foods is vital to our region. The construction of data centers in our state has also provided hundreds of jobs and benefitted our economy. We passed Senate Bill 6635 that included the extension of tax incentives for fruit, vegetable, dairy and seafood businesses through 2015, as well as the tax incentive for data center equipment through the same year. There are other pieces to the bill. But the bottom line is that it will bring jobs and revenue into Washington.

COST SAVINGS FOR LOCAL GOVERNMENTS



House Bill 2834 was a measure we were able to include in the package of reforms passed on the last day of session. It may not appear to be a significant piece of legislation, but it is to local governments. It reduces reporting requirements and provides savings for our cities and counties.

The bill creates some fiscal breathing room for county and local governments as they deal with tight budgets. It ensures local tax dollars are spent on the needs in the communities rather than unnecessary reports required by the state.



Rep. Brad Klippert, Sen. Jerome Delvin and Rep. Larry Haler

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JEROME DELVIN

Representative
LARRY HALER

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BRAD KLIPPERT

STILL WORK TO DO



FUND EDUCATION FIRST

While there are many good things that came out of the session, we still need to ensure we are fully-funding education.

In January, the state Supreme Court ruled in *McCleary v. State of Washington* that the Legislature is failing in its paramount duty. House Republicans introduced a Fund Education First proposal this session, and have every session since 2006, to address the court's ruling. It would require the Legislature to pass a separate K-12 education budget before any other state appropriations.

If we fund education first, prior to any other state programs or services, it will ensure that we are meeting our duty and expectations of the court. Fund Education First legislation sends a strong message of financial commitment to our students, teachers and schools.

JOBS AND ECONOMY

Other than the budget shortfall, the 2012 session should have been used to pass economic stimulus and regulatory reform legislation to help promote private-sector job creation. Despite our best efforts to advance important job-creating bills, House Democratic majority leaders refused public hearings on nearly all of our measures.

We introduced legislation that would have required permit decisions in 90 days from state agencies, put a moratorium on agency rulemaking until state revenues show evidence of economic recovery, simplified the number of tax rates for small businesses, and doubled the small business B&O tax credit – just to name a few. The burdens placed on employers in Washington go beyond federal regulations with no measurable environmental benefit. It is hurting existing industry and preventing new industry from locating in the state. We must get Washington working again and this in turn will help our budget bottom line.



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