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• 9th District • 2009 Session Review

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Dear Friends,

The Legislature's regular session bucked to a halt at the end of the constitutionally-permitted 105 days, on April 26. Immediately there was talk that the governor would keep us at the Capitol or quickly call us back for a special session. Fortunately that was ruled out because the bills to be considered in "overtime" would have taken our state farther in the wrong direction.

We are very glad to be home from what likely will go down as the most challenging session any of us have faced. It was with heavy hearts that we went to Olympia, shortly after Rep. Steve Hailey lost his valiant battle against cancer. Also, the multi-billion dollar shortfall predicted in this space two years ago came to pass. It was the largest budget gap in state history, and we knew the task of filling it would be difficult.

The Legislature could have responded in a way that minimized reductions in services and programs while putting state government back on firm financial footing. However, in a repeat of recent budget decisions, majority lawmakers chose to continue spending more than Washington taxpayers can afford. As a result, we left the Capitol knowing opportunities for important cost-saving reforms had been missed. This ensures legislators will face a similar — if not worse — budget situation in two more years. Also, if the condition of the state economy continues to weaken we may yet find ourselves having a special session later this year to rebalance the new budget.

While the budget challenge hung over the session like a dark cloud, we also saw significant measures relating to education policy, health care policy, environmental policy, unemployment insurance and whether hydropower should officially be considered a "renewable" resource. In addition, positive steps were taken in some areas, including progress on legislation important to the 9th District. This session review is our report about those actions and how we dealt with the budget and other issues.

Although the 2009 regular session has concluded, our responsibilities as your legislators continue during the interim. We value your opinions and encourage you to share your comments and ideas. Helping you resolve issues with state government is also a major part of representing you, so please remember we're always ready to lend a hand.

Sincerely,

Mark Schoesler
State Senator

Joe Schmick
State Representative

Don Cox
State Representative



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DON COX

A special note from Rep. Cox....

I returned to Olympia as your representative with the approval of the county commissioners in our district, following Steve Hailey's untimely passing. While I was glad to once again put my experience as a legislator to work, "once again" is all it will be, for I will not seek election to the House seat to which I was appointed. The 9th District is blessed with an abundance of people qualified to ably represent their neighbors and communities, and I look forward to seeing our legislative team take on a new member for the 2010 session.



Operating budget: it didn't have to be this way



The new \$31.4 billion, two-year state operating budget hits what should be priorities – education and care for our most vulnerable – harder than was necessary. We (and the governor) had recommended a responsible approach based on reducing spending quickly through policy changes and reforms to expensive programs. That could have made billions of dollars available for education and health-related services. Unfortunately, it seemed legislative leaders were content to wait for a federal bailout and to see whether there would be a groundswell of support for tax increases. So much time was lost that in the end the budget writers resorted to slashing.

- Nearly \$800 million is cut from K-12 education, not counting the suspension of teacher pay raises authorized by Initiative 732. The biggest single hit is to the Student Achievement Fund created by Initiative 728, which

will lose \$600 million. Per-pupil funding for districts is slashed to \$99 in 2010-11 (it's currently \$458 per pupil).

- Hospitals and pharmacies that serve the vulnerable, nursing homes, mental health services, county public health programs, even child vaccine programs – all will feel the pain of hundreds of millions of dollars in cuts, as will the people they serve. The state has refused to take people who can afford private health insurance off the Basic Health Plan and instead has raised the deductible and increased the fees paid by participants. This is a sign of things to come in how the majority is deciding to operate. The only savings the state will see is this sort of rationing – or raising the cost to the consumer.
- State support for our colleges and universities is cut by \$500 million, equivalent to thousands of enrollment slots. A separate bill authorizes our four-year schools to offset the cut by increasing tuition and fees by 28 percent over the next two years; our community and technical colleges are authorized to increase tuition and fees by 14 percent. **This repealed the 7 percent cap on annual tuition increases Sen. Schoesler successfully advocated just two years ago.** This set of actions clearly ran counter to what we thought was a desire to increase access to higher education in our state.

While the focus understandably is on what was cut, how the budget is built also is a major concern. Between the new (2009-11) budget and rebalancing the current (2007-09) budget, which expires June 30, the Legislature:

- Used \$3 billion in federal money;
- Pulled \$450 million from the state's new rainy-day fund;
- Transferred \$160 million from other funds (including \$29 million set aside for Initiative 900-approved performance audits); and
- Deferred \$449 million in state pension funding.

The use of "one-time" money to pay for ongoing expenses artificially props up the state's spending level and sets the state up for a budget situation as bad or worse in just two years.

The budget is not the "all-cuts" plan its supporters claim, as \$242 million in new revenue is being assumed – on top of all the diversions and one-time money. And that figure doesn't include the sneaky "opt-out" \$5 fee to support state parks.

One budget plus: the Legislature approved Senate Bill 5073, which will make government more transparent by taking several budget-related accounts created in recent years and folding them back into the state general fund.

2009 Session Review

Capital and transportation budgets: investments, but with concerns



The capital budget, which is separate from the operating budget, provides for construction and renovation of state facilities, including public schools, prisons, state hospitals, higher education institutions, parks, and so on. It is backed not by tax revenue, like the operating budget, but with money borrowed through the sale of long-term bonds and through other dedicated accounts.

The 2009-11 capital budget appropriates \$118.1 million for Ninth District projects which include:

- More than \$110.5 million for a wide range of projects at our region's two largest public facilities, Washington State University and Eastern Washington University. Projects include exterior and interior work, safety and environmental health improvements and so on.
- The largest individual entries are \$26.6 million to remodel Patterson Hall at EWU, \$7.4 million for WSU's Biomedical Sciences Facility and \$6.2 million for the first phase of WSU's Global Animal Health building.
- Social and health services facilities — \$3.29 million for Eastern State Hospital, \$870,000 for Lakeland Village nursing center and \$562,000 for the Coyote Ridge and Pine Lodge correctional facilities.
- \$2.5 million for Columbia Basin Ground Water Management Area hydrologic modeling (Adams, Franklin, Grant counties comprise the management area).

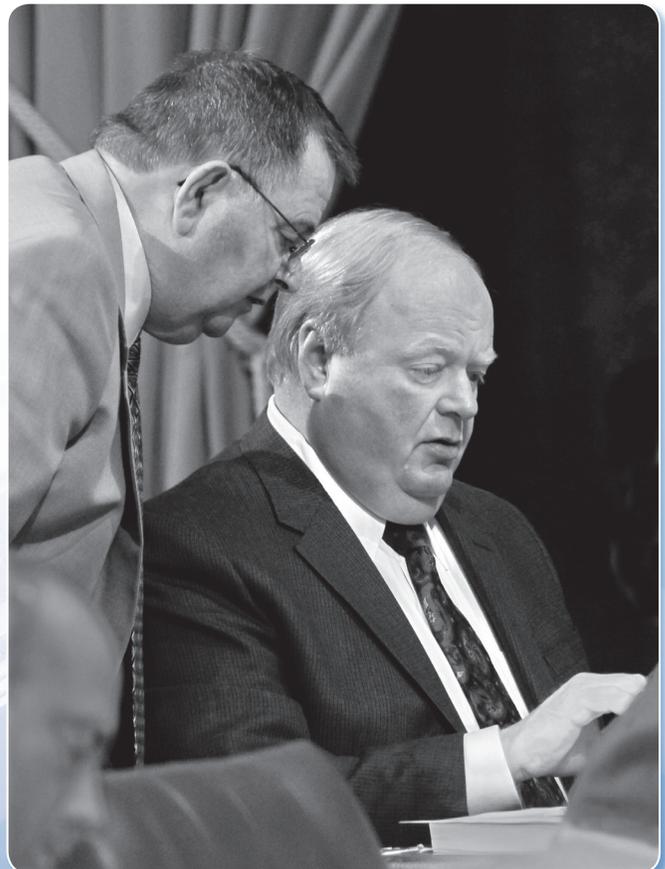
Just as families and employers commonly borrow money to buy or remodel a home or construct a shop or buy a new piece of equipment, it makes sense for the state to borrow for capital projects like these. Borrowing money to

pay monthly bills is a different story, however, so we were dismayed that \$777 million was raided from the capital budget to help plug the hole in the operating budget.

With the state's unemployment rate above 9 percent, those dollars should have been left in the capital budget to provide jobs. While we appreciate the investments this budget does make, we opposed the measure because of this unwise diversion of funds.

The transportation budget also is a separate budget. It pays for day-to-day operations of state transportation agencies and the construction and preservation of state highways and roads. Most of the revenue allocated through the transportation budget comes from the state gas tax.

"Megaprojects" like Seattle's Alaskan Way Viaduct and projects of "regional significance" took a big chunk of construction funding off the table this year. The large-scale projects on the list nearest our area are the massive Interstate 90 safety/congestion project east of Snoqualmie Pass, and the State Route 395 North Spokane Corridor project (commonly known as the "North-South Freeway").



During a pause in the House chamber, Reps. Cox and Schmick confer on legislation prior to a floor debate.

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9th District projects



The 2009-11 transportation budget allocates \$22 million for many in-district projects, including:

- Construction of a half-mile-long passing lane on east-bound State Route 26 about four miles west of Othello. The governor had recommended delaying this safety project beyond 2015, but the Legislature kept it on track.
- A streetlight to illuminate the intersection of S.R. 26 and Reynolds Road between Othello and the Adams County line. Given the traffic volume on that highway, any safety projects are welcome.
- Rumble strips on State Route 195 south of Spokane (between State Route 271 and Cornwall Road) to help prevent crossover collisions.

The term “**vehicle miles traveled**” was mentioned several times this session – a bad sign for people who live in regions like ours where driving long distances tends to be mandatory. Between high gas prices causing people to drive less and the growing number of more fuel efficient and hybrid cars, the state hasn’t collected as much gas-tax revenue as expected. That’s why there is more talk about tolls and taxing people based on how many miles they drive.

The new transportation budget doesn’t specifically address **VMT**, as it’s known, but it would provide money to study “long-term transportation funding mechanisms and methods.” Expect vehicle miles traveled to be on that list of mechanisms.

Another disappointment has to do with the operation of the state ferries on Puget Sound. The new transportation budget gives the state ferry system an exemption from the new requirement (which took effect June 1) that diesel purchases by state agencies include at least 20 percent biodiesel. Instead, the ferry system diesel purchases can be as little as 5 percent biodiesel, and only then if the price is within 5 percent of petroleum-based diesel.

This requirement was approved by the Legislature in 2006

as part of the state’s effort to promote a biodiesel industry in Washington. State agencies knew it was coming. We see the exemption for the ferry system as a case of the state promising biodiesel producers there would be a market for their product, then pulling the rug out from under them.

Agriculture: tax on farming thwarted



Olympia’s interest in creating jobs, particularly “green” jobs, certainly didn’t translate into significant gains for Washington agriculture, the state’s largest and greenest industry. We saw for the first time legislation that would impose the business and occupation tax on farming operations and subject farm auctions to the state sales tax. An outcry from the agriculture community helped sideline the bill, but it will remain eligible for the 2010 session.

Another issue to watch is stock watering. It was the subject of several bills, now that the state has attempted to put a limit on what traditionally has been an unrestricted use of water. A working group is being put together to look closer at the question this year.

On the positive side:

Commissions combine: The Legislature passed Rep. Schmick’s proposal (**HB 1254**) to combine the wheat and barley commissions into a new Washington Grain Commission. Wheat and barley growers assess themselves millions of dollars to pay for marketing and other activities; the merger will save them money through economy of scale and result in a small savings for taxpayers as well.

Insurance for apple growers: Lawmakers approved SB 5765, sponsored by Sen. Schoesler, to make \$150,000 from the industry-funded fruit and vegetable inspection account available this summer to Yakima-area local horticultural pest and disease boards to control apple maggot infestations. We need to be able to certify to worldwide buyers of Washington apples that our apples are pest-free, making this bill a cost-effective insurance policy.

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Losses to predators: Owners of commercial crops damaged by deer or elk already may seek compensation; add to that list, thanks to **House Bill 1778**, owners of commercial livestock that are killed or significantly injured by bears, cougars, or wolves.

New agriculture chief: The state Senate confirmed the governor's appointment of Dan Newhouse, a longtime hop farmer and now-former veteran state legislator from Yakima County, as the new director of the Washington State Department of Agriculture.

Extension extended: The budget's treatment of our higher education institutions is a disappointment, but at least Washington State University leaders have committed to preserving WSU Extension (which means 4-H and other programs) to the extent possible, while having to make other administrative cuts because funding for higher education will be reduced significantly.



As Senate Republican floor leader Sen. Schoesler has a seat on the powerful Senate Rules Committee, which chooses the measures brought for votes.

Education pluses and minuses

Providing for K-12 education is state government's "paramount duty" under Washington's constitution, as legislators are often being reminded. How to best provide basic education is an ongoing debate, however. And as the only state legislators who represent two public four-year universities we are particularly mindful of the benefits of matching student needs with those of our higher education institutions. These bills suggest the range of topics taken up this session:

- **House Bill 2261**, passed by the Legislature, redefines basic education to include increased instructional hours; opportunity to complete 24 credits for high school graduation; transportation to and from school; all-day kindergarten for highest-poverty schools; pro-

grams for highly capable learners, and the intent to provide early learning for at-risk children. The program must be fully implemented by 2018.

- **Senate Bill 5276** (introduced by Sen. Schoesler), approved by lawmakers, will expand access to certain engineering degrees at our regional public baccalaureate institutions.
- **House Bill 1776**, which died on the final evening of the session, would have hit property-poor school districts hard by cutting levy equalization money by some \$60 million. People in areas with poor property-tax bases, particularly rural communities, pay more than their fair share, and they deserve an equitable education system.

Tax bills fall short, fortunately



More than a dozen tax proposals were put forward this year in addition to the suggested B&O tax on farmers. These bills did not pass, but indications are we will see a push again next year by those who view our consumer-driven revenue system as unfair.

- **Income tax.** Senate Bill 5104 would have imposed a state income tax on "all taxable income of resident individuals, estates, and trusts on all individuals, estates, and trusts deriving income from sources in Washington for each taxable year." It would amount to a \$63 billion tax over 10 years.
- **High incomes tax.** Senate Bill 6147 would have imposed a 1 percent income tax on income above \$500,000 for individuals and income for married couples above \$1 million.
- **Sales tax increase.** House Bill 2377 would have increased the state sales and use taxes by 0.3 percent from Jan. 1, 2010 through Dec. 21, 2012 with the funds going toward health care. The measure would have been referred to voters. The bill did receive a hearing but did not come before the full House or Senate for a vote.

2009 Session Review

Need a guest speaker?

If you belong to a club, civic group or community-service organization and would like a guest speaker at your next meeting or event, please contact our offices to arrange a convenient date. We're happy to report on the issues we dealt with during the 2009 session, or we can tailor our remarks to address particular areas of interest or concern.

Mark, Joe and Don



Your 9th District Legislators

Sen. Mark Schoesler

Senate Republican Floor Leader

Committees:

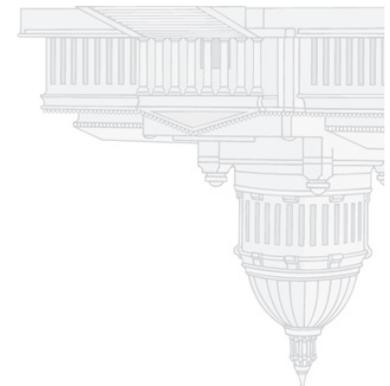
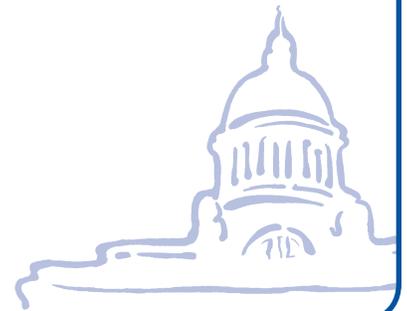
- Agriculture and Rural Economic Development (ranking Republican)
- Financial Institutions, Housing and Insurance
- Ways and Means
- Rules

Rep. Joe Schmick

- Health and Human Services Appropriations (ranking Republican)
- Higher Education (assistant ranking Republican)
- Ways and Means
- Rules

Rep. Don Cox

- Local Government and House (assistant ranking Republican)
- Education
- Education Appropriations
- Transportation



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