

Rodney Tom

Summer 2009

Dear Neighbors,

The Legislature recently adjourned its 105 day regular session, completing the onerous task of balancing a budget with the largest deficit in state history, just over \$9 billion, without raising taxes. As tough as some of these cuts were, we still were able to accomplish a lot of good things, pass some vital legislation protecting consumers and the environment and position Washington state for growth and prosperity as we come out of this recession.

Inside this newsletter you'll find an extensive breakdown of the state's budget situation and how we plugged the \$9 billion shortfall. I'll also tell you about some major decisions we made about replacing the Alaskan Way Viaduct and the 520 bridge and how the Legislature authorized a complete rewrite of our state's formula for funding education.

But before I get to that I want to impress upon you that even in these tough times, we still live in the greatest state in the greatest nation in the world. Lots of our friends and neighbors will be adversely affected by the budgets cuts that were made but as the lead budget writer in the Senate I tried as much as possible to maintain our priorities for education, protect the most vulnerable and care for those who truly need a helping hand. We not only have to cut our way out of this mess, we must focus on growing our way out and make sure every branch of state government is running at maximum efficiency.

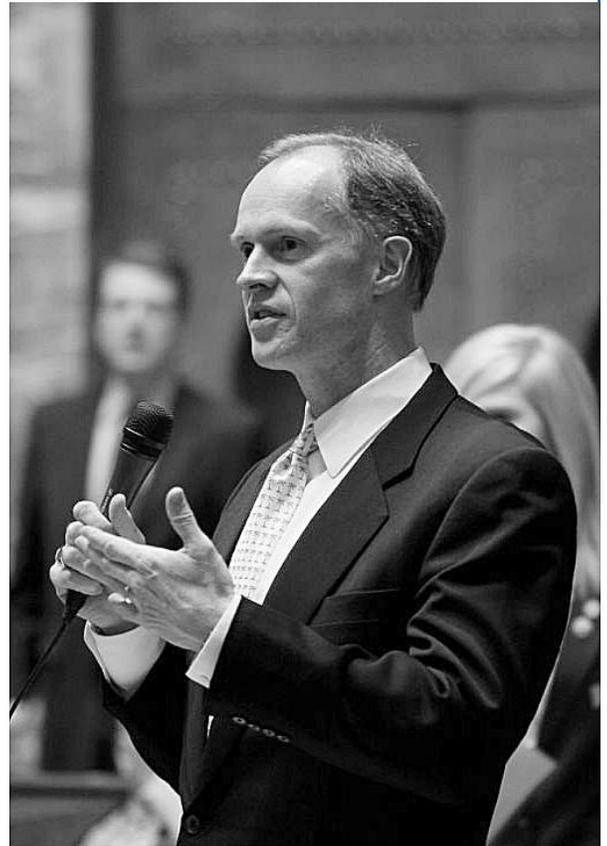
As you'll read inside, virtually every functional component of state government got hit. We had a budgetary philosophy of one for all, all for one. We also tried to avoid making across the board cuts, since across the board cuts marginalize our priorities and don't acknowledge those programs that have streamlined service delivery to maximize the impact of your hard earned tax dollars.

I can tell you that I didn't run for office hoping for the chance to raise college tuition, cut benefits for teachers or eliminate subsidized health insurance for thousands among the working poor. But I did run for office to make tough decisions when the times call for them. And the decisions we faced this year were the most difficult I've encountered in public life.

If you have questions or concerns I encourage you to contact my office. Now that I'm back home I'm able to spend quality time with constituents, learning about their needs on their turf. I'm eager to do just that. Please let me know if I can help.

Sincerely,
Senator Rodney Tom

Rodney Tom



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Senate Committees:

- Ways & Means, Vice Chair;
- Early Learning & K-12 Education;
- Judiciary

Washington's \$9 billion balancing act

How the Legislature closed a historic budget shortfall—without raising taxes



Sen. Tom meets with reporters after Senate leaders unveiled their budget proposal in March.

As vice chairman of the budget writing Ways and Means Committee, I had the dubious honor this session of playing the point for the Senate in the Legislature's efforts to write a new, two-year operating budget. It amounted to being awarded a front row seat to a game with no winners.

Before it was over we found ourselves plugging a void in our state budget larger than any the state has seen since at least the Great Depression. We did so in large part by cutting government services deeper than any of us wanted to. And, defying past practices during such downturns, we balanced the budget without raising taxes.

This is the story of how we got into this mess and how we started to pull ourselves out of it.

An economic storm blows in

Some will argue the investments we've made in recent years to bolster early learning, support the beginnings of all-day kindergarten and provide health insurance for poor children drove our budget shortfall. But the record shows something far different.

Thanks in part to a prolonged housing boom, Washington's economy outlasted much of the rest of the country allowing the state to enjoy healthy budget surpluses well into 2008. But the economic storm that would ultimately shower red ink across 45 other states finally began creeping across our borders.

Credit markets froze nationally. Consumer spending slowed to a crawl. Unemployment began to creep up, then

leap up. Home foreclosures climbed to historic highs.

The drop in consumer spending proved particularly damaging in Washington, a state that derives a little more than half (52%) its revenue from the retail sales tax. In September, the state's forecast of anticipated tax collections plummeted by more than \$500 million. In November it fell again — this time by a whopping \$1.9 billion.

At the same time, demand for state services was climbing. In December more than 90,000 Washington residents applied for unemployment benefits, an all time record.

That month the governor unveiled a cuts-laden budget proposal to close what was then a \$6.1 billion budget shortfall. In time, these would come to be referred to as the good old days.

Legislature convenes dreary session

There was nothing happy about the new year that dawned for lawmakers when the Legislature convened its 105 day session on Jan. 12. We were acutely aware that many tough decisions lie ahead, that many of us would have to support tearing down a standard of service that we'd spent legislative careers building. But the worst was yet to come.

I immediately began meeting three nights a week with a small group of select budget staffers and, sometimes, a fellow senator or two to pour over the budget. After a full day of legislative meetings, hearings and floor sessions we'd retreat to a conference room on the third floor of the Senate office building for three hours or more. At first we reviewed each functional area of the budget in detail. Later we graduated to deciding upon actual cuts.

On Feb. 13, just one month and one day after the Legislature convened, the Senate approved a series of administrative cuts to come up with our first \$735 million in savings. When it was sent to the governor's desk five days later it was the earliest any Washington Legislature had approved steep budget cuts in modern history.

It was a good thing, too, because a month later a new forecast of tax collections added another \$2.9 billion to our budget shortfall, pushing it to a previously unthinkable \$9 billion, or about a quarter of our operating budget. Incredibly, in a span of just four months, \$4.8 billion in anticipated tax revenue had evaporated into thin air, burned off by a flaming recession.

This proved particularly challenging for myself and budget writers in the House because close to half our budget was either legally or practically off limits for cuts. About 7 percent of our operating budget is dedicated to paying off construction debt for university buildings, schools, prisons and facilities at other state institutions. Those payments can't be skipped.

Also untouchable was funding to support core education programs protected by our state constitution. And there was funding for other unprotected education programs and some medical programs that draw federal matching dollars that no one was eager to cut.

This would mean that what was left of the budget would have to shoulder a massive burden.

Solving the problem

To our great fortune, the Obama administration stepped up and provided \$3 billion in stimulus dollars that greatly helped mitigate the cuts we had to make to state services. The budget we sent to the governor's desk also assumed \$1.5 billion in use of reserves and fund shifts — most notably one from our state's construction budget that left us with fewer construction projects funded for the next two years.

But by far the single largest component to our budget balancing strategy was \$4.3 billion in deep cuts to valued government services. Individual cuts are far too numerous to list. In the health care and mental health component of our budget alone there were 39 cuts of at least \$1 million. But consider some of our biggest cuts.

- As many as 8,000 public employees, including some teachers, will lose their jobs. Management employees will have their salaries frozen and \$449 million was saved by reducing pension contributions.
- Suspending two voter approved initiatives to reduce class sizes and provide teachers with a cost-of-living pay raise saved almost \$1 billion.
- Some \$557 million was saved by slashing state college and university budgets by 17 percent. Some of that will be made up with tuition increases ranging from 7 percent at community colleges to 14 percent at Washington State University and the University of Washington in each of the next two years. But the cuts required will eliminate 9,000 enrollment slots statewide

from our colleges and universities.

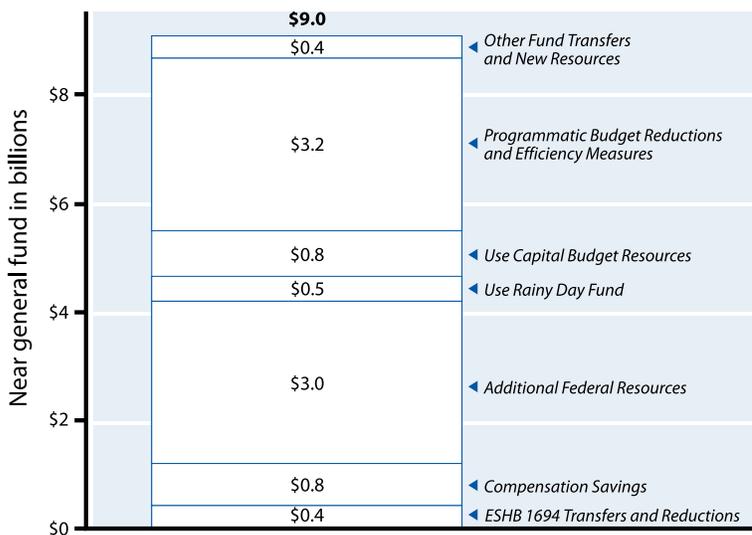
- More than \$255 million was saved by removing subsidized health insurance for 40,000 among the working poor. To save hundreds of millions more we slashed funding for hospitals, nursing homes and local health districts and assistance to those who are unemployable due to a physical or mental disability.

Again, these are just a sampling of some of the biggest cuts. In truth, virtually every functional area of state government took a hit.

But as much as there is to dislike about this budget, I can say that our approach was judicious and forward thinking. We focused on saving prevention programs, such as some health care programs, that can head off higher costs in an emergency room at a later date.

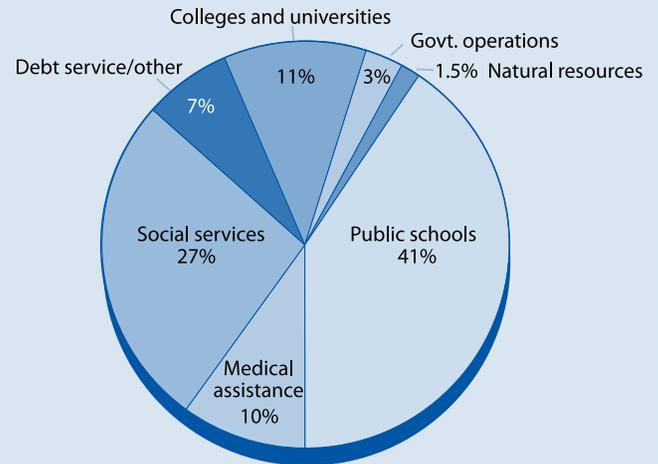
We also favored programs that appear to be most sustainable well into the future. We maintained a safety net, albeit a smaller one, to provide for our most vulnerable citizens. And we left a healthy budget reserve — about \$750 million — to help us weather any aftershocks of the economic earthquake that has rattled our state and nation. Let’s hope our economy continues to improve, so that we never have to make this level of cuts to such core, vital services again.

The three year budget solution

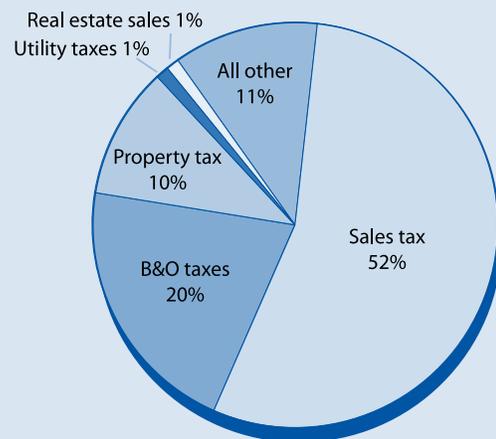


The three year budget solution* * Amounts may not total because of slight rounding differences.

Breaking down the operating budget



Sources of operating budget revenue



Redefining basic education



One of the Legislature's crowning achievements this session was its approval of legislation to redefine basic education and establish the foundation for a new K-12 education system. In recent years the state's commitment to fully fund basic education has been called into question. It's no wonder.

Consider that between the 2004 and 2011 fiscal years, state spending on our program to provide assistance to those deemed unemployable due to a mental or physical disability is expected to grow five times faster than spending on education. Make no mistake, what is known as our general assistance-unemployable (GA-U) program is a valued service for many of our most vulnerable citizens. But it is not the paramount duty of this state to provide that service. Washington is one of only 18 states that provide this program. Providing a basic education is our paramount duty as spelled out in the state's constitution, and for far too long it has taken a back-seat to other programs.

So in 2007 the Joint Task Force on Basic Education Finance was formed to recommend a new legal definition of basic education.

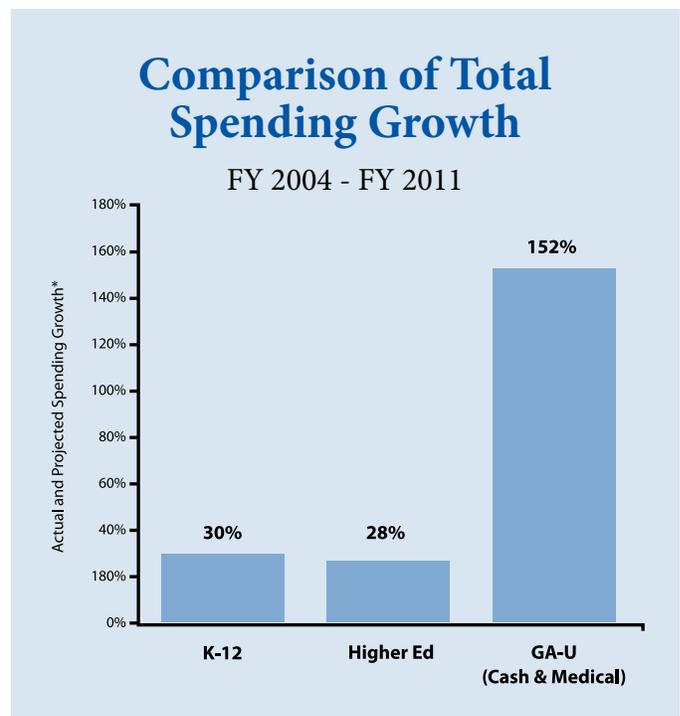
I had the good fortune to sit on that task force and am delighted to report that many of our recommendations formed the basis for House Bill 2261, which the Legislature sent to the governor's desk this session. Key components of the bill include the following:

- The definition of basic education will be expanded to include all-day kindergarten, transportation to and from school, expanded instructional time from 1,000 hours per year to 1,080 and the opportunity to complete 24 credits before high school graduation.

- Core funding formulas will be rewritten to follow a prototypical schools model to specifically identify amenities, including staffing levels, each school needs to provide a quality education.
- A new system to receive and analyze detailed data from schools across the state will be created to identify critical research and policy questions, analyze new funding models and identify shortcomings throughout the educational system.
- The Professional Educator Standards Board will be required to set new teacher performance standards and recommend changes to teacher certification requirements.

All of these changes will have to be in place in time for the 2018 school year. There's a lot of work to do in the meantime. Most notably, the Legislature must figure out a way to pay for this new commitment.

But we believed it important to first define where it is we want to go. We've done that. And as our state grows out of this recession there will be an opportunity to reshape our government and redefine our priorities. With this plan in place, education will once again be our state's paramount duty, not just in words but as witnessed in our budget.



* Reflects as passed budget or Caseload Forecast Council projections.

A banner year for transportation

Though there are continued challenges on the horizon, this may prove to be a watershed year for transportation priorities in Washington.

For starters, it's going to be a record construction season, thanks in large part to transportation investment packages approved by the Legislature —and in one case reaffirmed by voters — earlier this decade. This comes at a time when the economy could sorely benefit from the jobs that will be created.

Additionally, the Legislature this year took action on two Puget Sound megaprojects, continuing momentum for both. We approved legislation that will allow for tolling to support the replacement of the 520 bridge over Lake Washington, paying for it as we start construction on the pontoons. With commencement of pontoon construction for the new bridge at sites in Tacoma and Grays Harbor County, we can jump-start the long process required to construct the most technical aspect of the corridor, the floating portion of the 43-year-old bridge.

The Legislature also approved plans for a deep-bored tunnel to replace the Alaskan Way Viaduct. Our transportation budget met the state's commitment to invest \$2.4 billion in the project while also authorizing \$400 million in tolling revenue to support it.



This was a significant decision. By supporting the tunnel option we've embraced a solution that will have minimal impact on motorists and businesses in the area and will produce more predictable construction timelines.

This year the Legislature also underscored its commitment to public transportation. The final transportation budget included money for paratransit and special needs grants, rural mobility grants and a grant program to support van-pools.

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