

2010

Legislative Review

Senator
Paul Shin

Update for the 21st Legislative District



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Senate Committees

- Agriculture & Rural Economic Development
- Economic Development Trade & Innovation (Vice Chair)
- Higher Education & Workforce Development
- International Relations Subcommittee (Chair)
- Joint Legislative Oversight Committee on Trade Policy (Chair)

Dear Neighbors,

It has been hard to miss legislative news clips over the past four months, even if you tried. As predicted, the economic recession continued to drain the state budget well which resulted in a \$2.8 billion deficit. We are experiencing a historical recession in our country but we faced this challenge head on during the legislative session. Knowing we had to leave Olympia with a balanced budget as is required by law, legislators went through pain-staking analysis and multiple proposed solutions—the goal being to support our most vulnerable citizens and position our state to rebound as quickly as possible. We have passed a final budget that makes cuts many are not proud of, but realize are necessary. With this plan I believe we are trying to serve the people as best we can.

I was pleased to meet with a diverse range of constituents at the town hall meetings in February. This provided a great way for me to hear what is on the minds of voters in the midst of the most historic legislative session of our time and incorporate your thoughts into my decisions. Thank you to all who attended.

Within this newsletter, please find details of the final budget as well as other accomplishments that help Washington citizens on such topics as jobs and commerce, K-12 education, and higher education. We focused on these issues to help mitigate the effects of the economic situation. I hope this helps you to comprehend our agenda.

I truly believe a large part of recovery is the individual support we give to each other in this time of need. While state support is there for many, it is individual actions which can strengthen our communities and our state.

I thank you for giving me an opportunity to serve our state. If you have any recommendations or new ideas for the state, I am happy to hear from you. In closing, I've created a metaphor that I think is fitting for this economic recession. "Life is not about waiting for the storm to pass. Life is about learning how to dance in the storm."

As such, let us not be complacent. More than ever, we need new ideas, new competitive methodologies, innovation, and above all, hard work to establish a bright future for our children. Indeed, I feel honored to serve you as we work together to see the sunshine behind the clouds.

Respectfully,

Senator Paul Shin

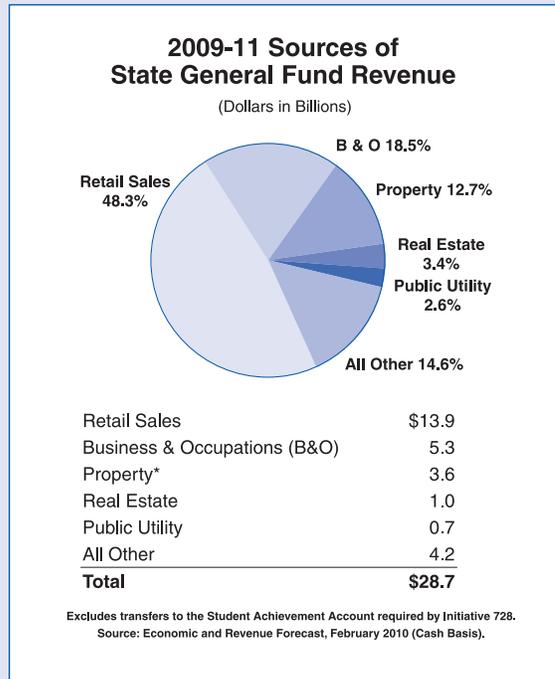


State Budget

Provided below is a general overview of how the state budget receives and allocates money to help you put all the numbers discussed in context.

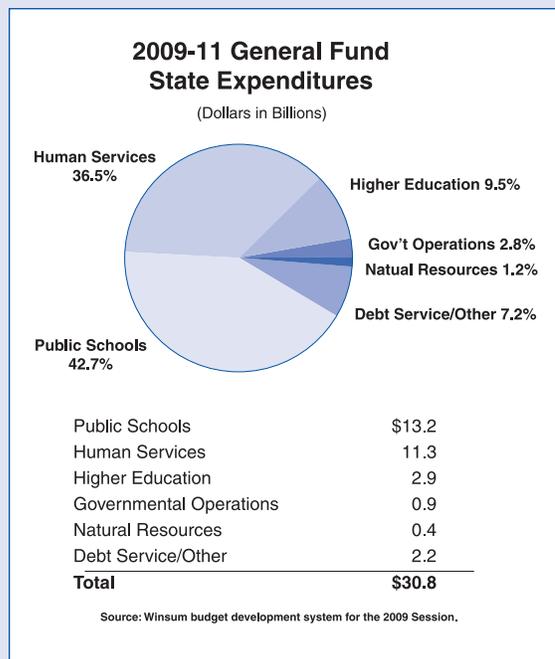
What is the State General Fund?

The State general fund is the largest single fund within the state budget. It is the principal state fund supporting the operation of state government. All major state tax revenues are deposited into this fund. The sources of tax revenue for the state general fund are shown in the following chart.



How is State General Fund Money Spent?

Because of the nature of its tax sources, the state general fund receives the most attention during the budget-building process. The following chart shows how the state general fund budget is allocated. Some of these are constitutionally protected and must be funded each year: basic education (public schools), debt services and some healthcare services.



Balancing the budget and safeguarding

With revenues down by 9 percent (\$2.8 billion), we made even more cuts and closed a number of tax loopholes. Then, when we reached the point where further cuts would have threatened basic services to our most vulnerable citizens, we passed a modest tax increase to close the final portion of the gap.

Businesses lose customers in tough economic times. But government gains customers in a recession. Demand for public services like public schools, health care, emergency assistance, job training and state financial aid increase—just when our ability to pay for them decreases.

The Legislature's balanced budget solution:

- Makes no cuts to basic education and preserves 54,658 teachers
- Preserves critical preschool programs for children under three
- Fully funds all-day kindergarten
- Maintains the Apple Health for Kids program serving 486,000 children
- Preserves levy equalization funding for rural school districts
- Secures state financial aid for 57,000 young adults
- Provides retraining in high-demand fields for an additional 3,800 workers
- Provides community mental health services to an average of around 55,000 people per month
- Saves health care for 69,000 people on the Basic Health Plan

These are exactly the kind of services essential for the safety, health and security of Washingtonians that it is state government's job to protect.

And these are exactly the kind of services essential to ensure a strong economic future.

What's more, this budget leaves \$484 million in reserve, a responsible sum to help the state weather any additional economic aftershocks during the remainder of the two-year budget cycle and get a jump on tackling future budget challenges.

ing core priorities

In order to re-balance the budget and still provide the kind of core services that reflect Washington values, many uncommonly difficult decisions were required. Over the past two legislative sessions, the Legislature has cut \$5.1 billion in valued services and public employee compensation, eliminating 8,887 public sector jobs in the process.

This year the Legislature also voted to raise taxes by \$794 million. On the business side, we close unfair corporate loopholes that shift the burden to those who should pay more from those who struggle to, and we level the playing field for our home-grown businesses by making out-of-state companies pay their fair share.

We temporarily increase the B&O rate for business services, such as lawyers and accountants. But we also permanently increase the small business tax credit so that businesses earning up to \$93,389 annually are eligible. Services businesses earning up to \$80,000 annually would actually pay less.

On the consumer side, we focus on nonessential items. We add a dollar per pack tax to cigarettes, and remove the sales tax exemption from bottled water, candy and gum.

We also temporarily increase taxes on beer and soda—both will go away in three years.

Macro-brews will cost an extra 28 cents per six-pack. Studies have shown that 10 cent increase per six-pack has the same effect on underage drinking as raising the drinking age one year.

Carbonated beverages will cost an extra 2 cents per 12 ounces. This will cost the average family \$7 per year, but families have the choice to avoid it as well.

It's important to note that for every \$1 in new revenue, \$4.40 is cut from state spending in the 2009-11 budget.

Historical Healthcare Reform

This year Congress and President Obama accomplished something no other administration has been able to achieve in 100 years—substantive health reform.

The bills have enormous implications for our state as demand for health and long term care services continues

to increase. In sum, it is believed the legislation will help preserve the state's insurance safety net, strengthen small businesses and provide important consumer protections. Here are some of the major ways we believe it will help Washington citizens:

- Insurance companies will be prohibited from excluding coverage of pre-existing conditions for the 1.6 million children in Washington, starting this year.
- Starting this year, 615,337 young adults in Washington will be able to remain covered by their parent's insurance policy until age 26. In addition, once the health insurance Exchanges are operational in 2014, 1 million Washingtonians under age 30 will have access to less costly catastrophic-only health insurance plans.
- Reduction of Medicare premiums for the 692,000 Washington seniors who are not enrolled in Medicare Advantage.
- 811,000 Washingtonians who are uninsured and 359,000 Washingtonians who purchase health insurance through the individual market will have affordable coverage options.
- As many as 105,019 uninsured Washingtonians who have a pre-existing condition will have immediate access to affordable insurance options.
- Up to 457,000 Washingtonians will get tax credits to help make health insurance more affordable, bringing \$7.4 billion in premium and cost-sharing tax credits into Washington during the first five years of the health insurance Exchange.
- Family health insurance premiums will be reduced by \$1,470 - \$2,090 for the same benefits, as compared to what they would be without health reform by 2016.
- More federal funding will be provided for 232 Community Health Centers in Washington.

Basic Education

K-12 Race to the Top Grant

Washington gained a competitive edge in seeking federal Race to the Top funds by passing SB 6696. The federal grant program is designed to reward past accomplishments and incentivize future improvements of K-12 schools across the country.

This comprehensive K-12 education bill solidifies the education reforms

started long ago and therefore positions Washington to competitively apply for the Phase II RTTT grant. These reforms will help close achievement gaps, encourage students to be more competitive in a global society, retain great teachers and leaders in our schools, support parent and community involvement, improve math and science achievement and further innovation by supporting the arts.

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Updating K-12 funding formula

This year we further refined the new education funding distribution model adopted last year to ensure that funding enhancements to our basic education obligations begin phase in during the 2011-13 biennium and are completed by 2018. This includes an end goal with phased-in smaller classes in kindergarten through 3rd grade beginning during the 2011-13 biennium and moves up the start date for implementation of the new student transportation funding formula.

Higher Education and Job Training

Aerospace worker opportunities

The aerospace industry accounts for \$36 billion in economic value for Washington and more than 82,000 jobs. To enhance the vitality of the aerospace industry, the state is helping to train aerospace workers in an innovative partnership with Edmonds Community College and local businesses. The Washington Aerospace Training and Research Center will offer classes based on the skills that employers are demanding.

Training more nurses to take care of our neighbors

The Legislature provided funding for a new nursing program created with the help of Everett Community College and the University of Washington-Bothell.

The funds will allow up to 25 students to earn a bachelor's degree in nursing, starting this summer. Nurses are in high demand even in today's economy and provide great family-wage jobs.

Supporting and Growing Jobs and Commerce

This session there was a strong focus on supporting commerce and attracting jobs in this slow economy to help Washington families get back on their feet again. These major efforts include:

Export assistance—Small businesses looking to finance exports or to accommodate increased export sales will be eligible for loans or loan guarantees from the Small Business Export Finance Assistance Center, which must also develop a rural export outreach program.

Washington State Convention Center expansion—The Washington State Convention and Trade Center brings in millions of dollars of economic activity to the state. This session, the Legislature gave the Center the authority to expand, which will allow it to attract more and larger conventions from across the country, and create 2,000 additional jobs now.

Local government infrastructure—Last year, the Legislature created the Local Revitalization Financing (LRF) program, which builds infrastructure to spur economic activity and uses tax revenues from the increased economic

activity to pay off the cost of having built the infrastructure—in other words, letting growth pay for growth. This session, the Legislature added six more demonstration projects to the 2009 LRF program. The six projects are located in Richland, Lacey, Mill Creek, Puyallup, Renton and New Castle, and the expansion will create 13,000 additional jobs.

Expanding our International Economy

The state legislature recognizes the value of international trade and strong international relations. As such, Senate leadership selected me to chair the Joint Legislative Oversight Committee on Trade Policy in addition to my chairmanship of the International Relations Subcommittee. We have appointed committee members from both parties to work collaboratively on these important issues. I will try my utmost to maintain our state's place in the global economy by promoting:

- International relations in the fields of education, culture, and mutual understanding
- International trade partnerships to export American products abroad
- A business friendly state by inviting international investments and business relations
- Family wage jobs for the benefit of our state

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