

## 2010 SESSION REVIEW

# Senator Rosa Franklin

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Dear friends and neighbors,

This year we took some of the most difficult steps to balance our budget that I've seen in my entire legislative career.

Last year, when the recession slashed our revenues by one-fourth (\$9 billion), we filled that gap with a combination of budget cuts, one-time federal dollars and fund transfers. This year, with revenues still down by 9 percent (\$2.8 billion), we made even more cuts and closed a number of tax loopholes. We also had to make the difficult decision of increasing some taxes to close the gap.

Much attention has focused on tax increases — even though the increase amounts to less than a third of this year's budget gap and just 6.7 percent of the total \$11.8 billion budget gap for the two-year budget cycle. The lion's share of the revenue shortfall was made in cuts to state government. Deeper budget cuts would have seriously undermined basic services to our most vulnerable citizens and the only way to stem the tide was to find new sources of revenue, which meant some type of taxation. Before we did that, we cut spending everywhere possible. We froze state employee pay. We suspended hiring to fill vacancies. We imposed furlough days and other measures to reduce spending at state agencies across the board. We consolidated and eliminated state commissions and boards. And we reduced public services. To reduce public services further would have ripped apart what's left of the social safety net that is so fundamental to our success as a society and our worth as human beings. And that's a place I won't go.

That's why I supported the increased taxes — I could not and would not support another all-cuts budget. To me it would simply be against the principles that all of us try to uphold as a society, those of compassion and caring for the unserved, underserved and least fortunate among us. Needless to say, however, our present system of taxation does not meet today's needs. It is unfair, unpredictable and unsustainable. The need for tax reform is past due. I have worked to try and get real public discussion going.

This newsletter highlights major legislation from this legislative session as well as a look at how the federal health care reforms passed by Congress this year will affect us on the state level. Implementing these changes at the state level will require coordinated efforts.

Despite our lack of revenues, I am proud we were able to pass legislation in two key areas affecting education. First, we passed a number of reforms to K-12 education. All schools will benefit from increased accountability, flexibility and targeted reforms in educator preparation and evaluation systems, while schools that continue to struggle will have access to a new strengthened system of support. Second, we funded the state need grant that assists middle-class families and continues to give 57,000 young men and women access to a college education.

We were able to address some basic human services needs. All in all, it has been a very difficult year for all of us. I look forward to better times and hope you will also.

My very best regards,

*Rosa Franklin*  
Sen. Rosa Franklin  
29th Legislative District

### Let's stay in touch

One of the best ways to stay in touch as well as receive timely information about my legislative issues is by e-memo.

If you would like to receive it, please send me an e-mail at [franklin.rosa@leg.wa.gov](mailto:franklin.rosa@leg.wa.gov).

## Our top three priorities are jobs, jobs and more jobs

I think anyone would agree that our most urgent need these days is to keep people at work and create new jobs for those out of work. To help our state economy along the road to recovery, the 2010 Legislature passed a wide-ranging package of bills to help preserve our existing jobs, create 60,000 new jobs and position Washington's economy for future growth. Granted, much more has to be done to get our economy going again.

### Putting people to work

- **The 2010 supplemental transportation budget** keeps all projects in the current 16-year transportation finance plan on schedule. Of the 391 projects funded by the 2003 "Nickel" and 2005 "TPA" gas tax increases, 241 have been completed, 54 are under construction and 21 will be advertised for construction in the next six months, which translates into **18,000 additional jobs**.
- **Moving forward with the 520 bridge**, the Legislature this year authorized toll revenue to be used on both sides of the bridge. This ended years of impasse, creating **5,000 additional jobs** and spurring economic activity in local communities. (SB 6392)
- **The 2010 supplemental capital construction budget** reprioritizes projects in the construction pipeline according to readiness, capitalizes on significant construction bid savings and adds several notable new projects that will create **4,800 additional jobs**.
- **The 2010 supplemental operating budget** funds retraining for existing, unfilled high-demand jobs in fields such as health care and aerospace for **an additional 3,800 workers**.

### Helping small businesses stay in business

- **Small businesses will gain increased access to capital, training and technical assistance** from the Department of Commerce and the Small Business Development Centers. (SB 6667)
- **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. (SB 6679)
- **Small businesses will gain leeway on paperwork violations.** Small businesses must receive a copy of the state law or agency rule being violated when cited with paperwork violations, and must be given a period of at least two business days to correct the violation before a fine, civil penalty or administrative sanction is imposed. (HB 2603)
- The General Administration (GA), Information Services, and Transportation departments must **increase the number of small business receiving state contracts for goods and services** by 50 percent by 2012 and 100 percent by 2014. (HB 1096)
- All small service businesses earning less than \$72,000 a year in gross receipts **will pay less in B&O taxes**, thanks to an increase in the B&O tax credit. (SB 6143)
- **Sole proprietors will now be able to obtain more affordable health care coverage** by changing the definition of "small group" for insurance purposes from covering two to 50 people to covering one to 50 people. (SB 6563)



- Thanks to health care reform efforts at the federal level, **92,500 Washington small businesses will receive tax credits** to help make coverage more affordable.
- 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 Local Revitalization Financing 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**. (SB 6609)
- **The Washington Works Housing Act** allocates \$1 billion of the Housing Finance Commission's outstanding debt to the Washington Works Housing Program, which allows nonprofit organizations and public agencies to purchase, build, and own real property used for affordable housing. This program will help **create 8,000 jobs** and long-term community equity in affordable housing. (HB 2753)
- **Data centers** bring stable, family wage jobs to the communities that support them. This year, the Legislature passed a tax incentive for tech companies that site computer data centers in our rural counties, which is expected to bring **3,000 additional jobs** to the regions of our state that need them most. (SB 6789)
- This session, the Legislature gave the **Washington State Convention and Trade 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.

### Positioning Washington for future growth:

- Washington's global health care industry is responsible for **approximately 50,000 jobs and more than \$1.7 billion in salaries** in the state. To spur growth, the Washington global health technologies and product development competitiveness program will award grants for research, development, and production within Washington. (SB 6675)

## Our modern society requires a modern tax structure

If nothing else, the recession has pointed out the need to reform our century-old tax structure. Not that any incentive should be necessary — the Gates Commission pointed out the inadequacies of our outdated tax system as far back as 2003.

Under our current system:

- People who earn less than \$20,000 annually pay 17.3 percent of their family income toward sales and excise taxes and property taxes.
- People who earn between \$99,000 and \$198,000 pay 7.6 percent toward their tax bill.
- People who earn more than \$537,000 a year pay just 2.9 percent.

In other words, minimum-wage and middle-class families struggle to make ends meet while those who can afford to pay the most pay the least. This is the main reason I voted twice against the Senate's budget this year because I did not want to support a system that requires increasingly higher taxes from middle class and lower-income households that are struggling to make ends meet. I did support the final negotiated budget passed in the special session. Our families are struggling — both at home and across the state — and we need to make sure Washingtonians can maintain their homes and give their kids the education they need to succeed in our ever-changing world.

That's why, in every year since 2003, I have proposed legislation that would ease the tax burden on middle income and limited-income homeowners and on small businesses. The idea wasn't mine — it came right from the 2003 Gates Commission — but it made sense from the start, and it makes even more sense today.

The plan would create a state income tax under which low-income and middle-class residents would pay less and the wealthy would pay more. At the same time, the plan would reduce the state sales tax and state property tax, offer credits for the business and occupation tax, and cap the regular property tax. The plan also would direct revenue into a student achievement fund and create a key safeguard — it would change the law to require a two-thirds majority vote to pass any future changes to tax rates and require a vote by the people.

The budget we passed this year doesn't erase the need for fundamental tax reform — it only postpones the need to close yet another revenue shortfall next year. It will take some time before our economy recovers, and in the meantime our revenue shortfall is expected to continue into the new year, if not longer. Even once we're out of the recession, because under our current outmoded tax structure we will continue to lose ground.

If we don't like what's happening to our revenue and public services, and I don't think many of us do, then we need to change the way we do things. And the place to start is with our tax structure, which dates back to the 19<sup>th</sup> Century. We need a 21<sup>st</sup> Century tax structure made for today's globally competitive economy, not the horse-and-buggy era of our grandparents and great-grandparents.

I do hope that the people of the state of Washington will join together and work for a fair, sustainable, more stable form of taxation to better serve the needs of all Washingtonians.

## Passing bills, saving lives

### Drug overdoses

One of my bills that passed this year, **SB 5516**, has the potential to actually save lives by ending the prosecution of people who alert hospitals or police if they think someone needs medical help. This bill focuses on drug-related overdoses and was inspired by the tragic case of a Puyallup teenager who died on New Year's Day 2007 after a night of partying in Edmonds and Seattle. Although the young woman showed signs of overdosing for hours, no one who was with her called for medical aid.

This happens more than you think. Drug overdoses are second only to motor vehicle accidents as a leading cause of death, and here in Washington nearly two people die every day from unintentional drug overdoses. Many of these people could be saved, but their friends are scared of prosecution and gamble that their friends will make it through without medical help.

It's important to note that this bill does not spare drug criminals from prosecution. Anyone who gives drugs to someone who dies from using those drugs would still be prosecuted, as would anyone who manufactures or sells the drugs.

What's most important is that we do everything we can to save lives. After all, who among us does not have a friend or family member who made an unwise choice at some time in life? Should they pay for it with their lives? With this change in law, many people who might otherwise die could get a second chance to live and learn from their mistakes and enjoy long, productive lives.

### Full pay for services

Another bill I sponsored, **SB 6487**, makes sure health insurance carriers will continue to pay chiropractors the same as other providers for the same physical medicine and rehabilitation code or evaluation and management code. This bill extends the fairness provisions of my SB 5596, passed back in 2008, which required that chiropractors be fully reimbursed for their services but had an expiration date of June 2013. My new bill eliminates the expiration date so that our chiropractors will continue to receive full and fair payment for their expertise.

### Public safety

When death claims the lives of police, as happened so shockingly and tragically last fall in Lakewood, we are reminded that the sacrifices of our emergency professionals extend to their surviving family members. House Bill 2519 recognizes this by extending workers compensation benefits to surviving spouses of police and firefighters and waives tuition and fees at state universities and colleges for surviving spouses and children.

We also passed legislation to enhance public safety for police and other members of society. HB 4220 modifies our bail system to reduce the possibility of bail for those who may pose a threat. SB 6293 increases penalties for those who assist people who have committed crimes. SB 6550 sends offenders on community custody back to jail if they assault a law enforcement officer or community corrections officer. And SB 5476 increases penalties for trafficking children for sexual purposes.

# How federal health care reform affects us at the state level

The impact of this year's federal health care reform legislation will be dramatic. Here are some of the major changes you will see in the coming months:

- We'll receive up to \$3.9 billion in federal funding during just the first five years of this coverage expansion.
- A Medicaid waiver made possible by the reforms would provide nearly \$100 million per year in federal matching funds to refinance our Basic Health and General Assistance - Unemployable programs, including up to \$30 million per year to expand the state's high risk pool and a reduction in premiums for up to 100,000 uninsured Washingtonians with pre-existing conditions.
- 92,500 Washington small businesses will receive tax credits to help make coverage more affordable.
- Insurance companies will be barred from excluding children for coverage because of pre-existing conditions or dropping people from coverage when they get sick. Lifetime coverage limits will be eliminated, helping many avoid bankruptcy.
- More than 600,000 young adults in Washington will be able to stay on their parents' insurance policies until age 26.
- Family health insurance premiums will cost \$1,470 to \$2,090 less than what they would cost by 2016 without health reform.
- A reinsurance program will be created to help companies maintain health coverage for early retirees between the ages of 55 and 64.
- Of the more than 900,000 Medicare drug beneficiaries in our state, those in the "doughnut hole" coverage gap will receive a \$250 rebate this year and the gap will be closed over several years.
- Medicare payments to Washington hospitals and providers will increase immediately.
- Starting in 2014, we'll receive 100 percent federal matching funds to cover nearly 60 percent of uninsured Washingtonians.
- Up to 457,000 Washingtonians will receive tax credits to make health insurance more affordable.
- Tens of millions of dollars in additional federal funding will be provided for 232 Community Health Centers operating in every region of Washington.



In her role as Senate President Pro Tem, Sen. Rosa Franklin consults with legislative staff during a pause in action on the Senate floor.

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