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- Government Operations & Elections
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2010

SESSION WRAP UP

34th Legislative District

Spring 2010

Dear Neighbors,

After both a Regular and Special Session, the Legislature has adjourned for the year. And while I love my work in the Senate, I am happy to be home in West Seattle full-time again. Although I was disappointed that we had to extend our session, I wasn't surprised. Sixty days simply was not enough time to address the greatest revenue shortfall we have seen since the Great Depression in a sustainable, compassionate, and responsible manner. Special sessions during times of economic crisis are not uncommon. For example, we were called back into special session three times for a total of 58 additional days when our state was reeling from the dot-com bust in 2001.

And while we worked to solve our budget problem, we did so with the intent of not letting the budget crisis slow our economic recovery or the education of a generation of students. Read on for our accomplishments in these areas and to find our solution to the budget crisis.

Serving you in the state Legislature for the past decade has been a great honor. Whether or not we have always seen eye-to-eye, we've engaged in discussion about our priorities and I have made the best decisions I could in setting policy and direction for Washington. I have great respect for all of you, and I thank you for letting me serve you.

Yours,

Joe McDermott

State Senator

Rebalancing our budget



Again this year, the vast majority of our focus during session was charting a course toward long-term economic recovery while meeting the growing needs of our neighbors during the national recession. Our state is not the only one facing these challenges – only two states

have not faced a budget shortfall over the past year. Consumers and businesses are spending less money leading to tax revenue dropping sharply. While businesses lose customers in tough economic times, government gains customers in recessions. Demand for public services like schools, affordable health care, emergency assistance, job training and state financial aid all increase – just as our ability to pay for them decreases.

Last year as we wrote a two year budget, we faced a \$9 billion budget hole. We balanced the budget with almost \$4 billion in cuts to vital programs, using federal stimulus funds, and fund transfers and reserves. The cuts led to about 4,000 layoffs, pay freezes for state employees and significant cuts to education, higher education, natural resource programs, health care, foster care and much more. We had hoped the economy would level out, but it only continued to deteriorate and by the time this session began, we faced a \$2.8 billion shortfall.

In balancing our budget this year. We agreed that another all cuts budget would be too devastating to our long-term economic health. So we took a balanced, sustainable approach to writing a new budget. We raised some new revenue in very targeted ways, and we made more budget cuts – a total of about \$4.40 in cuts for every \$1 raised in new revenue for this biennial budget—and mandated time off without pay for state employees. The cuts will result in a total of over 10,000 lay-offs in the two year budget cycle.

The new revenue totals \$794 million. By closing corporate loopholes we shifted the tax burden to those who should pay from those who cannot. We also temporarily increased the Business & Occupation tax rate for service business, such as lawyers and accountants, but worked to offset the effect of this by permanently increasing the small business tax credit. Thus small businesses who earn up to \$80,000 will actually be paying less in B&O taxes. On the consumer side, we focused on non-essential items and extended the retail sales tax to bottled water, gum and candy. We also increased the cigarette tax by \$1 a pack. Finally for the next three years, consumers will see an increased tax on beer, but not microbrews, and soda.

This new revenue meant our balanced budget:

- Maintains funding for class size reductions in grades K-3.
- Preserves critical preschool programs for children under three.
- Protects Working Connections Child Care for 37,000 working families.
- Stays on track to fully fund all-day kindergarten.
- Maintains health care for almost 500,000 of Washington's children.
- Secures state financial aid for 57,000 at need college students.
- Provides affordable health care for 69,000 people on the Basic Health Plan.

By taking a balanced approach, we will be able to maintain the infrastructure that all families and businesses depend on: public schools, workforce training, higher education, public safety, health, transportation and many other services. This will provide the foundation for Washington's long-term success.

Capital Budget

- \$15 million for Maury Island: Since 1997, advocates in our community have argued that expanded mining and barge loading on Maury Island would damage critical shoreline habitat and have disastrous effects on Puget Sound. This session we secured funding to help fund the potential acquisition of the Maury Island gravel site in partnership with other nonprofit groups. This is part of our ongoing Puget Sound clean-up effort.
- \$2 million for Aviation High School: Highline School District's Aviation High School is the only school with aviation industry curriculum in the Northwest. The school rightly believes that students can be prepared for college and the workplace at the same time. This money will allow this innovative school to build a new school at the Museum of Flight.
- \$1 million for Navos relocation: Navos' mental health campus in Burien must move as it is directly under the flight path of the 3rd runway and the location has been rezoned. This funding is critical to the full relocation.

Sen. Joe McDermott • 34th District

Investing in our future: Education



Despite significant reform begun in 1993, we know problems with our education system persist. Our achievement gap is not going away. Our students' performance in

math and science is unacceptable. Far too many of our students are dropping out. We aren't seeing more students attending college. And our public schools are woefully underfunded. It is all of these challenges that I have devoted significant effort to, and this session was no exception.

Our cornerstone legislation this session positions our state in strong competition for Race to the Top funds from the federal government. President Obama created this program to encourage states to compete for federal funds to pay for education reform. The goal is to reward accomplishments and incentivize improvements. **Senate Bill 6696** increases accountability and flexibility and makes targeted reforms in educator preparation and evaluation systems. The legislation implements a comprehensive and mandatory accountability system for schools where students aren't meeting educational standards. It also requires the development and implementation of a more comprehensive teacher and principal evaluation system.

Last summer I wrote to you about our efforts to redefine basic education and update the way we fund our schools. Until last year, our K-12 funding structure had not been changed since the late 1970s. This year, we continued those efforts. **House Bill 2776** further defines the new education funding distribution model adopted last year. This helps to ensure that funding increases from last year's bill will begin to be phased in next year and are completed by 2018. This measure increases funding levels for material, supplies and operating costs that have been underfunded for years. It also implements all day kindergarten and commits to smaller class sizes of 17 students in grades K-3.

Our efforts would be incomplete if we failed to make a commitment to early learning opportunities. Studies have shown that few strategies for reducing the achievement gap are as successful as giving children learning opportunities at the most critical point in their brain development. That's why we passed **House Bill 2731**, which starts us down the path of ensuring preschool opportunities for three- and four-year-olds who need them most. We've set a goal of guaranteeing early learning opportunities for all eligible children by 2018-2019.

Helping those who help us



Earlier this year the Fautleroy Community Service Agency, the non-profit parent agency of the Fautleroy Children's Center, purchased the old Fautleroy School that they had leased from Seattle Public Schools for over 20 years. When the school district decided

to sell, I was happy to help secure a state grant to assist with the purchase. An unintended outcome here and at several other similar community centers was that once they were no longer in public ownership by the district, they were liable for property taxes that had not previously been assessed on the property. We instituted a small tax exemption for neighborhood community centers that are owned by nonprofit organizations and used to deliver coordinated services for community members. This

will help centers across Seattle that provide vital services to an increasing number of individuals. The measure does apply the leasehold excise tax to space leased to for-profits within these community centers, which makes the measure revenue positive.

I also secured \$100,000 for South King Council of Human Services. South King County has the most number of children and families in the County, and one-out-of-three of these families are single parent households. This one-time funding will help to build a stronger social service agency base for their diverse needs by providing free technical assistance to nonprofit service providers and focusing funders' attention on basic needs. Building the capacity of non-profits to attract additional funds will leverage the state funds and increase the collective ability to assist these families.

A more efficient ferry system



We have seen drastic cuts to our ferry system over the last decade, cuts that have left our ferry-dependant neighbors with fewer options and less reliable service. I have said it before, and I will say it again, funding ferry operations is every bit as important as funding snow removal in Snoqualmie Pass. And replacing our aging ferries is every bit as important as replacing the crumbling 520. As people drive less and drive more fuel efficient vehicles gas tax revenue drops, leaving us with no ability to do radical ferry reforms. So we are working to make our system more efficient. This year we authorized a study that will track system-wide ferry

performance. This data will help to ensure that the new ferry reservation system works efficiently and properly. I realize that this may seem like a small step, but this small step could save the state \$280 million. And hopefully we can put these savings to work making real reforms to our ferry system.

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Putting people back to work



I think anyone would agree that our biggest priority these days should be keeping people working and creating 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 preserve existing jobs, create new jobs and position Washington's economy for future growth.

I sponsored a bill that our majority leader called "one of the best jobs bills of the session." **Senate Bill 6889** grants

the Washington State Convention and Trade Center a new management structure. The new structure is similar to that granted to centers in other counties across Washington and could lead to an expansion project and future economic growth in the region.

This measure could result in the creation of over 2,000 construction jobs and provide real relief to a sector that is facing 30 percent unemployment. I have worked in Seattle's tourism industry for the past seven summers, and I know firsthand how invaluable this industry is to our local economy.

We also approved the Washington Works Housing Act, **House Bill 2753**, which allocates \$1 billion of the Housing Finance Commission's outstanding debt to the Washington Works Housing Program. This will allow 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.

And we aimed to help the backbone of our economy — small businesses. Businesses earning less than \$80,000 a year in gross receipts will pay less in B&O taxes, thanks to **Senate Bill 6143** which increases the B&O tax credit. **Senate Bill 6667** will give small business increased access to capital, training and technical Washington Small Business Development Centers. And **House Bill 2603** gives small businesses time to correct paperwork violations before a fine can be imposed.

Responsible solutions in challenging times

 Recycled

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