SESSION UPDATE

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37TH LEGISLATIVE DISTRICT • WINTER 2008-09

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Dear Voters,

Here I am again, back in your mailbox for the umpteenth time, blathering on about our state's politics. I love to write these newsletters – it's the second best part of this job. The first is hearing back from you. So read this, count to 10, and give me your two cents worth. And yes, you'll hear back from me, bet on it. My phone, e-mail, etc., are somewhere on this page.

First, let's talk about the **impending budget cuts**. I saw the news today, oh boy. As of this writing just after Thanksgiving, the revenue forecast for the next two-year budget cycle has us down $5.8 billion. By a stroke of irony, that's just a bit more than double the present-day revenue-loss caused by Tim Eyman's two biggest tax-cutting initiatives combined: the loss of the Motor Vehicle Excise tax in 1999 and the cap on the property tax last year. As a direct result of this revenue-loss, we will cut funding upon which good people depend for a fair opportunity in life. I'm ticked, and you should be too. But since we're going to cut government services like K-12, higher education, Medicaid coverage and social services, **let's cut our spending on incarcerating prisoners**, too. At $31,037 per prisoner per year, we need to be more selective about sending non-violent offenders up the river. Then there's a parasitic industry that infects our own district more than most and threatens even more people as times get tougher: **payday lenders**, whose business model suggests legalized loan-sharking. Another need in tough times: funding the **Family Leave Act** and providing a **Working Family Tax Credit**. And an Honorable Mention: **the high cost of heat**.

So if any of this touches a nerve, call me, and let's chat.

Adam Kline

Budget Impossible

Once every quarter, our State Economist analyzes Washington's economic activity and predicts its likely effect on our revenues for the following two years. These predictions have been negative for almost a year now, but the most recent, in November, is chilling: we can expect shortfall of $5.8 billion in revenues in the 2009-11 biennium, compared to the 2007-09 period. It is this prediction on which the Governor must base her budget proposal in December; we legislators will produce a final budget in April and so will have the benefit of the February forecast. I am not looking forward to it.

One needn't look far for the causes of this decline in revenues: half the story has been on front pages everywhere these past few months. We've seen a huge increase in home foreclosures, resulting in a drop of real estate prices that happened just as mortgage brokers and investment banks had figured out how to make money "securitizing" mortgages written on risky subprime loans. The resulting collapse of several investment banks has caused a downward economic spiral, while the credit that might have helped salvage lost homes has been unavailable. The High Chieftains of the auto industry, this nation's traditional leading manufacturing industry and the source of thousands of high-skill, high-pay jobs, had flown in their corporate jets to the other Washington in search of a bailout. Unsure which dominoes will fall next, we're just not spending a whole lot of money until the dust clears. That's the second half of the story.

The first half is why our state's revenues are so sensitive to a recession that they are expected to dip by $5.8 billion. If I had my druthers, that part would have been on the front pages too, but our local press apparently feels it's an unrelated story, and old news at that. I have never seen the two halves of this story connected in the local papers, and forget TV news altogether.

The first half of the story began in 1999, with I-695, which repealed the Motor Vehicle Excise Tax (MVET) that brought in $1.7 billion per biennium at that time, and which would be good for about $2 billion now. The story continued through 2002 and 2003, when the Gates Commission, which had been tasked with recommending possible ways to improve the fairness and reliability of our state's archaic tax structure, included among its options an income tax, only to be greeted by a long Bronx cheer from some quarters. It continued through 2006, with I-747, which capped growth in the property tax at 1% per year, while inflation is running at three times that, meaning that property tax revenues are now losing actual value at about 2% per year.

The MVET had been our state's only truly progressive tax. Because it taxed the current value of autos, and because wealthier folks tend to drive high-priced cars, it reached the disposable income of our most comfortable taxpayers. In the absence of a state income tax, it was one of very few state taxes that did. More importantly for today's lesson, its revenues were steady and predictable; it didn't vary much with short-term economic trends. Likewise, the property tax is both fair — falling on homeowners and landlords and passed on to tenants — and steady and predictable, at least outside the Seattle metro area, where an influx of professionals and high-tech businessfolks has increased the *values* of our property. These two taxes, along with the retail sales tax and the business and occupations tax, gave us a balanced portfolio of revenue sources that spread the pain *fairly* and produced revenue *steadily*.

Compare that with our current situation: just over a quarter of our state's revenues come from the retail sales tax, the most notoriously volatile of all taxes. It's a tax on spending, and in a recession people quit spending. It's the single most regressive form of taxation and is the main culprit responsible for our skewed tax burden. We take four times the percentage of income from the bottom fifth of earners that we take from the top fifth. With the repeal of MVET and the capping of the property tax, the progressive state of Washington is the state *most* reliant on that regressive source of revenue. We are number one, ahead of Mississippi and Georgia and Tennessee. Whoopeee.

So cut we must, and cut we will. The budget is a high-impact bill every year, but this year, with a predicted increase in folks out of work and with a clear increase in foreclosures already, this budget will drive policy decisions in a way that we have never seen in recent decades. As I write this at the end of November, the Governor has just given us the preliminary results of her staff's review of all major governmental programs, using the Priorities of Government protocol for ranking them in order by degrees of priority. Some $2.75 billion in possible cuts have been identified, of which the largest is $1.3 billion in K-12 education.

Here are a few: the items in the K-12 budget that have been identified as possible cuts include $900 million that would be needed to fully fund I-728, approved by the voters in 2000, which allows school districts to lower class size; $342 million that goes to rural school districts to make up for their small tax-base; and even the small items like the $20 million that funds local programs for gifted students. These cuts will mean an increase in class sizes, reduction or elimination of preschool programs for at-risk students, and the end of some important teacher-training programs.

In the healthcare arena, the Governor may be forced to recommend cuts totaling $130 million in children's health coverage and in state reimbursements for nursing home care for the elderly. In higher ed, where $404 million in state funds is matched by about $200 million in federal funds, the resulting total cut of over $600 million will be devastating: state colleges and universities have already been asked to factor a 20% cut into their own budgets — no doubt putting upward pressure on tuition and fees and making college education even more difficult for kids from struggling families.

You get the point. These are not little nips and tucks on last year's budget. Already, with the first news article on this, I've gotten e-mails from concerned folks in the education community and from healthcare professionals, asking that I vote to prevent cuts in their particular programs. No doubt there will be a fuller measure of these e-mails and phone calls as the size of these cuts begins to sink in, and the social consequences become apparent to folks who care. I will answer them all one way, so I must as well say it here: I'll try, I'll do what little I can to spread the pain equally — but please understand, on your part, that this is not entirely a rational exercise. The Legislature is not enacting cuts *because* we fail to recognize the value of the programs; we are cutting them *despite* our understanding of the great value and often literal cost-savings that they represent. We are quite aware, most of us, that these cuts will simply postpone other, and greater, expenses to another day, and in the meantime incur social costs not measured in any budget. And yes, I am not bound by any pledge to refrain from raising tax revenues — though I will insist, as the price for such a vote, that we overhaul the *structure* of our so-called tax "system," rather than just raise an existing tax.

This will not be a pleasant session. I'll keep my predictions out of this newsletter, where they may be read by impressionable children, but adults may call me at 625-0800. You are invited to sympathize with me for having been assigned to the Ways and Means Committee.

Cuts in Criminal and Civil Justice

This year, the negative revenue forecast looms more ominously over Olympia than it has in my 12 past sessions as your Senator. We Democrats will make some deep cuts in good programs, and we won't have the Republicans to blame. The biggest failures to invest will inevitably come in the fields in which our fiscal investment is greatest: K-12, higher education, health care, non-entitlement social services, and environmental protection. But the courts and the criminal justice system will be called upon to yield up their share of effectiveness, too.

Within the Senate Democrats, I've gotten off easy for years as the cheapest of the committee chairs. As the chair of the Judiciary Committee, I hardly ever appear with my hat in hand at Ways and Means hearings like my colleagues who chair the Committees on Health and Long Term Care, Education, and Human Services and Corrections. (It's been my standing joke with Sen. Prentice, the Chair of Ways and Means, that I'm her cheap date.) And I've been happy not to spend time with spread-sheets; they make my eyes glaze over. But those days are done. We'll cut everywhere — nothing is safe — and I have come to live with the prospect that most of the cuts I ask for are in court functions that I know are beneficial to the law-abiding public.

And there's another side to this. Most years, my work involves fending off political attacks on our justice system, often in the form of bills to jack up the sentence for whatever crime recently made the front page in a conservative Senator's district. This year, the falling economy and our urgent need for massive budget cuts have given me both an opportunity to take the offense in this and a theme to play by: *"Improve public safety by making the civil and criminal justice system more cost-efficient."* There's a long list of proposals that reflect this theme; here are four.

The misdemeanor offense, *Driving While License Suspended, 3rd Degree* involves driving while the license has been suspended *only* for failure to pay traffic and parking fines, *not* for Driving While Intoxicated (1st degree) or other serious moving offenses like Reckless Driving (2nd degree). This offense involves no violent or dangerous activity. It affects the poor disproportionately, in effect a further punishment for those who can't pay tickets, and even more disproportionately the rural poor who have longer drives and no public transportation. These offenses constitute 30% of the District Court caseload, according to a study by the Administrative Office of the Courts. The plan: convert the misdemeanor to an infraction and allow courts to delay sentencing for up to six months (renewable once at court discretion) so long as the offender is making good faith effort to pay-down the fines on the court-set schedule. Infractions carry no jail time, meaning no jail and public defender costs, and less for prosecution. The problem with this proposal: for those 10%-20% of offenders who are true scofflaws, the courts need a "hammer" to enforce payment. For an infraction, that hammer can only be another larger fine — which makes little sense in the case of a scofflaw — or else community service hours spent on public works. The virtues: drivers regain their license, their insurability, and their employability; local government gains revenue from paid fines; drivers are not punished for *inability* to pay, only *unwillingness*; and public respect for courts is strengthened. If I can't persuade my colleagues to turn this into an infraction — and the prosecutors are not happy — Plan B is to allow the courts specific statutory authority to divert first-offenders and occasional-offenders out of the criminal justice system altogether and into a payment plan, and get their fines paid, leaving the courts time to deal with the multiple-offenders. Either way, removing this high volume of cases from the misdemeanor calendar will allow district courts to focus more time on true misdemeanors, such as domestic violence cases. Theft cases, too. See the next item.

Theft and Property Offenses: Current law makes Theft a Class C felony if the value stolen is $250 or more, and a Class B felony if over $1,500. These dollar-figures were set in 1975. Think of it — a felony charge for stealing an old bike. My bill, SB 5343, which would increase the dollar-values that differentiate between the degrees of Theft and several other property offenses, passed the Senate last session but died in the House Public Safety Committee by one vote. The bill would simply account for 33 years of inflation by making Theft and the other property offenses Class C felonies at $1,000 and Class B felonies at $5,000. The bill has been worked very heavily over the summer, with major retail chains now reconsidering their opposition. I have agreed to add a task force of law enforcement officers, judges, and retailers to monitor the effect. I am also discussing with prosecutors ways to allow them to better aggregate small thefts into a single felony, allowing them to focus on the real problem, organized shoplift rings.

The fiscal benefit (less prison population) is mitigated by the fact that many of the 39 elected prosecutors are using their discretion to do this already, to one degree or another, but their criteria vary wildly. Generally, western Washington and urban prosecutors use higher dollar figures; for example our King County Prosecutor already draws the Class C felony line at $1,000. But in Benton County, it's $600. No county uses the statutory $250. Even the Prosecutors seek uniformity. Nationally, some 15 states have the initial felony at $1,000 or more.

Private causes of action in environmental claims. It's the common understanding of most folks that since we have environmental protections in our law, a private individual who is injured by a polluter who violates one of those laws can sue the polluter directly. Not quite. Many environmental statutes require the Attorney General to sue on behalf of the individual. This is true, to varying degrees, in the Water Pollution Control Act, the Hazardous Waste Management Act, and the Clean Air Act, among many other laws. This bill, introduced as SB 6104 and SB 6833 these past two sessions, simply allows a landowner to go to court directly against the polluter or other violator, saving the AG's office the necessity of representing landowners who choose to do it themselves. The bill does not prohibit the AG from acting on a landowner's request for representation, as in the past, but simply allows the landowner or an environmental group to choose to go directly to court.

The fiscal impact is positive. *There is no reason the taxpayers should have to pay for legal representation that individual landowners are willing to pay for themselves.* There is no reason that landowners should be required to submit to state representation if they would prefer to hire and direct their own lawyer, and be the sole decision-maker in negotiations. Various industries and the Building Industry Association of Washington will again succeed in killing this, this time with the possible assistance of the Attorney General. This is a long-term project, and I won't expect an easy victory.

Fighting fraud against state and local governments. This would be a state version of the federal False Claims Act, enacted by Congress in 1871 after the Union Army's experience with fraudulent claims from suppliers. In its 137-year history, the federal law has played a role in the government's recoupment of several billion dollars of payments made on fraudulent claims for a wide variety of goods and services sold or provided to the government. It allows a whistleblower to claim a "bounty" for informing the US Attorney of the fraud and cooperating in the federal action to recoup it. The courts set the percentage of the bounty within a limit set by Congress: 10-25% if the whistleblower had not been party to the fraud, 5-15% if he/she had been involved. If the US Attorney refuses the case, the whistleblower may initiate the action at his/her own expense, and if successful, gets a higher percentage. In any case, the remainder goes to the US Treasury for the benefit of all taxpayers.

My bill would allow the whistleblower to report the fraud to the Attorney General or to the appropriate city attorney, county prosecutor, or other local government entity, but would otherwise be entirely analogous.

Again, this will not be a one-year bill. I tried this during the Republican majority in 1998 or so and got nowhere. This bill is prompted first by our fiscal crisis but also by a sense that public confidence in state government requires that we be careful with taxpayer dollars and recoup any losses. The building contractors will oppose this bill as they did in 1998, unless we exempt claims under state construction contracts as well, but we shouldn't: there are hundreds of millions spent in state-only capital projects and highways, and we are responsible for protecting the taxpayers.

These are only four examples of ways to improve public safety by making the criminal and civil justice system more efficient . Mostly, I'm happy to use this financial crisis as an opportunity: it gives me a fiscal argument to help defeat the endless stream of expensive bills that just increase sentences to demonstrate a fellow-legislator's tough-on-crime attitude, typically while that same legislator campaigns for No New Taxes.
At $31,037 per average prisoner per year, incarceration is an expensive function of government, and we need to be conservative — in the better sense of that word — in allocating taxpayers' dollars.

Payday Lending

No doubt you've seen the proliferation of "payday loan" offices along Rainier Avenue, Martin Luther King Way, and in the Central District. Maybe you've wondered how they differ from banks and credit unions and why there is a growing controversy about their business model. Here's an overview and a sober suggestion that this business model operates to trap financially-stressed borrowers in permanent debt. I've come to the conclusion that Washington should ban short-term loans with interest rates over 36%, as over a dozen states have already done and as Congress has done nationally for those who lend to military service-members and their families.

Like check-cashing services, payday lenders operate a financial service for a sector left unserved by banks, credit unions, and savings and loan institutions: in this case, low-income workers, typically with poor credit, often the result of spotty employment. All that's needed to qualify for a loan is identification, a checking account, and proof of either employment or receipt of government benefits.

As a transaction, it's simple enough. The borrower writes a check to the lender for the full amount of the loan about to be received, plus the fee. Loans may be up to $700, the maximum under the law, but according to a recent report by the state Department of Financial Institutions (DFI), the average loan is $428. The fee is typically the state maximum, $15 per hundred dollars borrowed up to $500, $10 per hundred up to $700, for a term of two weeks — the usual pay-period. So using the average loan of $428 as an example, that's a fee of $64.20 and the borrower's check is for $492.20. The lender agrees not to cash it until the loan comes due. When it does, the borrower has several options. If the borrower has the cash to pay it off, no problem. He or she can just pay cash or let the lender cash the check. But if not, the borrower must renew the loan, paying an additional $64.20 fee to extend the loan another two weeks. During those two weeks, any of life's hard knocks — reduced work hours, an illness, an increase in the cost of gas, the cost of a child's coat — may mean another loan, another fee.

A simple one-shot loan for two weeks, to tide a working guy over till the next payday? That's how it works in about 2% of loans, according to a comprehensive report last December by the Center for Responsible Lending, a non-profit community-development organization. The Center reported that the average payday loan was made to a borrower who had 8.2 loans in the previous 12 months. (This figure is higher than the DFI study, since the latter assumes that each borrower uses only one lender, and counts that lender's loans as the only loans. In fact, the industry's own study shows that a majority of borrowers use more than one lender.) Using the example above, our average borrower has paid interest of $526.44 (that's 8.2 times $64.20) to borrow $428 for 16.4 weeks, a bit less than four months. To get an annual percentage rate (APR), multiply the bi-weekly interest ($64.20) by 26 to get $1,669.92, the interest that would have been paid if the loan continued for a year, and divide that by the $428 principal — that's an APR of 390%. No, that's not a typo. Compare that to the rates you see advertised in your bank.

The high interest rate, coupled with the requirement that the loan be repaid in one lump sum on the next payday, virtually ensures that cash-strapped borrowers will be unable to pay the loan off. Data from DFI, quoted in that report by the Center for Responsible Lending, shows that 89% of loans go to borrowers with five or more transactions per year and 56% go to borrowers with 12 or more.

Even more troubling, the Center's report and research conducted by the Federal Deposit Insurance Commission (FDIC) find that in many states, as payday lending stores become more established, repeat use increases. Not just use, but repeat use. There is every reason to believe that it is the repeat users, not the 2% who repay their first loan, who are the most lucrative for the industry. In Michigan, a study prepared for the state regulatory agency showed that borrowers taking out five or more loans over a 13-month period generated 94% of the Michigan payday industry's loan business. At the far extreme, there are 8% of payday borrowers who took out 30 loans or more in those 13 months — those 8% of borrowers accounted for 27% of the total loans.

The Department of Financial Institutions' report shows a major increase in payday lending during the years 2000-2006. The number of lender locations has almost doubled from 377 to 729, far more than the 400 or so Starbucks. The number of loans made has also almost doubled, from 1.83 million loans to almost 3.5 million, and the annual volume (total dollar amount of loans) has much more than doubled from $580 million to $1.49 billion. All this in a six-year period when our state's population increased by about three percent.

It is hard, given this information, to resist using the terminology of addiction to describe this phenomenon. This is a business whose profit depends on trapping borrowers in loans. The typical borrowers are financially pressed, even desperate, and often at the mercy of unanticipated expenses such as rent increases, higher food prices, and medical emergencies. The lenders are sophisticated marketers of a seemingly benign product, credit. Dollars that flow from borrowers to lenders add nothing to the economy by purchasing any goods, nor any real service, but simply exact a toll for maintaining existing debt. The current recession, with the likelihood of more job losses and layoffs, will only increase the number and desperation of people who live at the edge. It's time to limit payday lending.

From my experience making this argument to some of my fellow legislators, I don't expect an easy time of it. I am told that my attitude toward borrowers is condescending, that I must think they can't manage their own lives, that I want to save people from themselves. This is an economy that works on credit; isn't credit necessary to economic development?

I believe that most people can manage their own affairs just fine, given an equal chance. My wife and I have had occasion to borrow, but our bank doesn't charge us 390%. I see nothing condescending in wanting the residents of the 37th Legislative District, just like the folks across the lake, to have credit at the most favorable rate that will allow willing lenders a reasonable profit. Yes, the economic viability of Southeast Seattle does depend on an even and well-regulated flow of credit to all who would live here and create and patronize businesses here. It's a fact of economic life that even the most reasonable lenders will not lend at the most favorable rates to struggling people. Higher risk of default raises even the "reasonable" rate. Apparently, 36% APR is high enough to allow a reasonable profit in those states which have used it as the cap on payday loan interest, for responsible lenders continue to make profitable loans in those states and to military service-members and their families. I suggest we follow suit.

To find out more: www.dfi.wa.gov/consumers/education/payday_loans.htm

Family Leave and Working Family Tax Credit

If the US Treasury got a dollar every time a politician touted the importance of "the children, our nation's future" and "working families," we could lead the world in pro-family programs. As it is, we're lagging behind many industrialized countries. For example, while 163 other countries guarantee paid leave to pregnant women or new mothers and 45 of those countries guarantee paid leave for new fathers, our federal laws guarantee only unpaid leave for a small percentage of new parents. In Washington, we addressed this shameful deficit in 2007 by becoming the second state to pass "paid family leave" legislation. (California was the first; New Jersey has since become the third.) Then last year we again went to bat for working people by passing the Working Families Tax Rebate, which will provide a sales tax rebate for low and moderate income families who are eligible for the federal Earned Income Tax Credit (EITC).

The Family Leave Act and the Working Families Tax Rebate were both originally scheduled to take effect in October 2009. But in a move that frustrated even some of her most ardent supporters, Governor Gregoire recently suspended the planning for both programs in light of the recent revenue forecast. As I write this in late November, our state is faced with a potential $5.8 billion gap between what we expect to collect in taxes and what we'd spend in the next two-year budget cycle if we just continued at the same rate. Since the economy is thought unlikely to improve in the coming biennium, the Governor's suspension of these programs probably signals a delay in their effective date, at a time when working families most need support. With some very serious reservations — see below, about the tax rebate — I think she made the right call. We are about to make unprecedented sacrifices in long-established programs; we may just have to delay the start of two much-needed new ones.

As originally proposed, the Family and Medical Leave Act provided for five weeks of paid family leave to care for a new child or a seriously ill relative. All Washington workers would have paid a two-cent-an-hour tax on their wages, which works out to about $40 a year for a full-time worker. I wholeheartedly supported this version of the legislation, but after much contentious debate and vociferous opposition by the business lobby, the Legislature ended up passing a compromise that covers only paternity and maternity leave for parents of newborns or newly adopted children. Under the law, starting in October of 2009, workers were to get $250 a week for up to five weeks of maternity or paternity leave. Rather than specifying a funding source such as the two-cent tax, the legislation mandated that a task force — including legislators, business representatives and others — study how to finance the start-up of the program.

In December 2007, the task force recommended that the state pay for the program directly from the General Fund through June 2011. Gov. Gregoire rejected using the General Fund for anything but program set-up costs in the first years, explaining that in light of the gloomy economic forecast — and mind you, this was a year ago — she and many of my colleagues were loath to increase taxes. And because of Tim Eyman's Initiative 960, which was narrowly approved by voters in 2007, any tax increase now has to receive a two-thirds vote in each house of the Legislature. (Like most of those initiatives, this is of questionable constitutionality, but don't get me started.) As a result, the 2008 Legislature failed to provide the program with a permanent funding source, beyond start-up funds.

Because of its still-uncertain funding status, there has been some doubt that the Legislature would follow through with the implementation of the Family Leave program until this recession ends. The Governor's recent suspension of start-up work means that even if theLegislature does approve of a funding source this session, it's almost certain the infrastructure won't be in place to start providing maternity and paternity benefits in October 2009. The Governor and the Democratic majority still support the program, but since we failed to find a funding source, most of us agree we don't want to pay now for administering a program that we'll have to delay anyway.

Now, given the current negative economy and the prospect of $5.8 billion shortfall these next two years, it's unlikely that any funding plan will emerge until the next economic forecast is issued in February. The option most likely to be considered is the one that was originally proposed: a 2-cent-per-hour tax on wages of all Washington workers. A wide range of legislators think that in order to make the tax palatable to a broader base of workers, the program may have to be expanded to include paid time off to care for one's own illness or that of a family member. Because of the political risk of calling for a new tax, even $40 per year, in such uncertain times, we may place it on the November 2009 ballot as a referendum.

The outlook for the Working Families Tax Rebate (WFTR) is just as uncertain. The WFTR is a sales tax rebate for low-income families that complements the federal Earned Income Tax Credit (EITC). The EITC is a federal income tax refund available to low-income workers (see the box below). Twenty two states and the District of Columbia offer state-level EITC's that boost the benefit of the federal program by granting a similar break in the state income tax. Because our state lacks an income tax, our tax rebate is a refund of some of the sales and gas taxes that absorb such a large portion of lower-income household budgets each year.

The federal Earned Income Tax Credit (EITC)

You may be eligible for the EITC if your total earned income from employment or self-employment is under these levels:

$37,783 ($39,783 married filing jointly) with two or more qualifying children;
$33,241 ($35,241 married filing jointly) with one qualifying child;
$12,590 ($14,590 married filing jointly) with no qualifying children.

Here are the maximum federal income tax credits for Tax Year 2007:

$4,716 with two or more qualifying children;
$2,853 with one qualifying child;
$428 with no qualifying children.

To find out if you're eligible for the EITC, contact the IRS at **1-800-829-1040** or at www.irs.gov/eitc. The United Way of King County provides free tax preparation and access to the Earned Income Tax Credit and other tax credits to help working families increase their incomes and create savings. Contact them at 206.461.3700 or EITC@uwkc.org

The WFTR would give an annual rebate to as many as 350,000 Washington residents who qualify for the federal EITC. That's about one of every eight tax filers. The legislation specified that in fiscal year 2009-2010 the rebate will be an extra 5% of the EITC rebate. In 2010 it goes to 10%. At 10% of the EITC, the average tax rebate sent to moderate-income Washingtonians would be about $170 a year, and the total about $55 million.

Here's my dilemma: I believe that a tax rebate aimed at working people is *exactly* what we need now, *this year*, because it puts that $55 million in the hands of people who have to spend it now, and thus has some small effect on stimulating the economy. I feel that Congress did the right thing this fall in giving the Secretary of the Treasury $700 billion in spending authority and wide discretion in bailing out the banks, but *only* because the alternative would have been a credit freeze that would have brought on a cataclysmic depression. That action alone did literally nada, zero, for the homeowners whose foreclosures are still pending, nor is it yet clear that it will even accomplish its stated purpose of freeing up commercial credit. The most effective economic stimulus is one that will circulate *immediately* — and that $55 million would move like lightning through the economy to buy groceries, pay rent, maybe get some kids a bike. Forget the trickle-down nonsense; how many years ago was it that President Reagan's own budget director, David Stockman, called it a Trojan horse? It was a ruse by conservatives to gain political support from ordinary people to allow tax-cuts for the very wealthy, gussied up as a grand economic theory.

Our problem is that we have to balance our state budget, and we don't have even $55 million in revenue we can spare. It doesn't matter how much it would help in the long run if we can't spare it in the short run. And that's why I'm torn over this issue. What's your take on this? Call me and give me some advice here. Please. Believe me, I can change my mind about this.

High Cost of Heat

The rising cost of fuel, food, housing, and health care means that many folks in our community are making difficult choices about which necessity they must forego. According to a recent study by the US Department of Energy, home heating costs will rise 15% this year alone. Some people will manage by piling on the sweaters and hats and turning the thermostat down.

Thankfully, there are some local and state resources that assist low-income people to pay heating costs. Funding may also be available for emergency services such as heating system repairs or replacements. In Washington, a household is eligible to receive assistance when its income is equal to or less than 125% of the federal poverty line. For a household of four, that's about $2,500 per month. The average household benefit for the 2007 program year was $389. The highest level of assistance is provided to the lowest income households with the highest energy consumption, taking into account family size.

Unfortunately, public funding for this assistance has never been enough to serve more than about 20% of the income-eligible households in Washington. For years, increases in the federal share haven't kept up with rapidly rising energy costs, harsh winter conditions, or higher child poverty rates. In 2006, the Legislature responded to this shortfall by kicking in an additional $7.6 million to augment the federal funding. We also provided funding for household weatherization projects and leveraged an additional $6 million in heating assistance from utilities. With the dismal revenue forecast, we'll have to fight to avoid a cut in that figure.

In our state, the Department of Community, Trade and Economic Development (CTED) administers the program through a network of 27 community-based nonprofit organizations. The Central Area Motivation Program (CAMP) is the sponsor for the city of Seattle, and the Multi Service Center serves folks who live outside the city in south King County. You can make an appointment with either of these agencies to discuss your heating needs by calling CAMP's 24-hour energy assistance and information hotline at 1-800-348-7144. CAMP can also inform you about Puget Sound Energy's bill-payment assistance to qualified PSE customers.

Qualified low-income families who face a possible loss of electric or natural gas service may also receive assistance from the Warm Home Fund, PSE's partnership with The Salvation Army. You can contact 1-866-223-5425 for more information. The City of Seattle Human Services Department and Public Health-Seattle and King County provide one-stop access to several benefit programs for low-income to moderate income families and individuals through the PeoplePoint initiative, at 684-0355. To find out about a wide range of programs and services available to low-income folks in our community, you can also dial 211, the Community Information Line, or go to the 211 Community Resources website at www.211.org

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