



SENATOR

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2010 Legislative Update



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Dear friends,

As you know, the issue of our state budget dominated the 2010 legislative session. Lawmakers worked overtime to bridge the largest revenue shortfall our state has ever seen in a supplemental budget year, after bridging the largest revenue shortfall our state has ever seen *period* just one year before.

At the beginning of the year, I sent you a newsletter devoted exclusively to our budget situation. I talked about my values as a Democrat and as your elected representative in the state Senate. I pledged to you that I would stand up for kids in preschool, for students in our classrooms, for young adults who want to go to college, for working families struggling to keep their health care and their day care, and for those among us who are unable to take care of themselves.

Since then, many have expressed their frustration with the Legislature for going into special session. But I have maintained all along that rushing to an incomplete solution just to end the legislative session does the public a disservice. After talking throughout session about my promise to make the tough choices needed to uphold our shared values as a people, I was not willing to suddenly switch gears just for the expediency of a deal to get lawmakers out of Olympia.

That promise paid off. I'm proud to report that, even amid the worst economic downturn since the Great Depression, the Legislature passed a budget that keeps faith with the basic commitments mentioned above.

You'll find details inside this newsletter, as well as other highlights that have often been overlooked this year due to the intense focus on the budget. Please take a minute to look it over, and, as always, let me know your thoughts.

Sincerely,

Ed

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LAST YEAR'S BUDGET CRISIS



The Legislature writes the state budget in two-year cycles; the combined revenue shortfall in our state for last year and this year is \$12 billion – or about 33 percent of the state budget.

One thing to keep in mind: well over half of our state's general fund is supported by the sales tax. This isn't normal – in fact, it's more than twice the national average among other states. That means Washington is overreliant on consumer spending, and is especially susceptible to national economic trends.

Given that 47 other states led by Democrats and Republicans alike currently have revenue shortfalls totaling \$350

billion, it's fair to say that the fiscal challenge facing lawmakers was brought about by a nation-wide revenue problem, not a Washington spending problem.

Last year, when the nation-wide recession created a \$9 billion state revenue shortfall, lawmakers said that taxes would be raised only as a last resort. And, in the end, we balanced the budget without raising a dime in new revenue.

We knew that the public wanted to see cuts in state spending to deal with the crisis. And even with considerable help from the federal government, we cut more than any Washington Legislature – led by Democrats or Republicans – in state history, and passed a two-year budget smaller than the one preceding it for the first time since 1951.

“Even with considerable help from the federal government, in 2009 we cut more than any Washington Legislature – led by Democrats or Republicans – in state history, and passed a two-year budget smaller than the one preceding it for the first time since 1951.”

THIS YEAR'S BUDGET CRISIS



This year, the continuing recession caused another \$3 billion hole to open up in the budget.

Again, this is a budget that had already eliminated waste, made across the board administrative cuts, frozen salaries, made thousands of state employee layoffs, transferred Rainy

Day funds and made cuts to classrooms, to college enrollments and low tuition, to health care and hospital services, and to prisons.

This is a budget that had already been stripped down to basic services.

Given that a tax increase is the hardest vote any lawmaker can make – and a vote no state lawmaker has made in 17 years – the easy thing for lawmakers to do this year would have been to continue on the same path from last year.

The easy thing would have been to forget about our fundamental values, to not draw any lines in the sand and, instead, to allow the recession-induced drop in revenues to force

the wholesale elimination of essential education, higher education, health, social and public safety services – and indeed, lawmakers were under considerable pressure from interest groups to do exactly that.

But while the public wants to see spending cuts – and in the past two years combined, we've cut around \$5 billion from state government – the public doesn't want us to put our schools, our colleges and universities, the safety of our communities and the health of our environment at risk.

There's only so far lawmakers can cut before we get into that danger zone and start hurting our economic future. Another all-cuts budget would have not only kicked much bigger costs down the road, it would have created real and damaging human costs today that none of our communities can afford.

That's why this year – instead of taking the easy way out – lawmakers did the responsible thing and took pains to avoid the destructive outcomes that another all-cuts budget would have made a reality.

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A CAREFULLY CALIBRATED REVENUE SOLUTION

The revenue package approved by the Legislature is a fair and responsible one.

In order to have as little of impact as possible on our economic recovery, lawmakers took an approach that balances the responsibility between businesses and consumers. We also carefully calibrated it so that the average family can easily avoid any tax increase at all.

On the business side, the package clarifies laws that unfairly allow companies to take advantage of our tax system. It levels the playing field for our home-grown businesses by making out-of-state companies pay their fair share. And it closes unfair tax



exemptions for banks and other corporations that shift the burden from those who should pay to those who cannot. It also includes a temporary, three-year B&O rate increase of .3 percent for service businesses, such as lawyers, architects, accountants, public relation firms, and consultants. 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 will actually pay less in B&O taxes.

On the consumer side, lawmakers steered clear of taxing daily necessities. Instead, the revenue package we approved adds a dollar per pack tax to cigarettes, and removes the sales tax exemption from bottled water, candy and gum.

It also temporarily increases taxes on beer and soda. "Macro-brews" will cost an extra 28 cents per six-pack, and carbonated beverages will cost an extra 2 cents per 12 ounces. Both will go away in three years.

While I believe this the revenue package approved by the Legislature is of a sufficient size to protect Washington's

key priorities, it's important to note that for every \$1 in new revenue, over \$5 is cut from state spending in the 2009-11 budget.

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A BUDGET TO PAVE THE WAY FOR A ROBUST RECOVERY

A lot of people have said that state government should operate more like the private sector and make the same decisions that private employers have had to make during this recession.

On the one hand, I agree that government should be leaner, which is why the 2009-11 budget cuts state employment by 9,000 positions, and cuts employee compensation by 5 percent.

On the other hand, I disagree with that blanket comparison. Whereas businesses lose customers in tough economic times, government gains customers. 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.

It's precisely during times of a recession when we need our public systems to respond, to provide support and protection to those hardest hit and to pave the way for a robust recovery. Because lawmakers passed a fair and responsible revenue package, we were able to pass a 2010 supplemental budget that:

- Makes no cuts to basic education and preserves 54,658 teachers,
- Preserves critical preschool programs for children under three,
- Protects Working Connections childcare for 37,000 families,
- 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 public systems essential for the safety, health and security of Washingtonians that it is state government's job to protect.

In the end, lawmakers approved \$800 million in new revenue as part of the solution to closing a \$12 billion revenue hole. This represents a smaller ratio of new revenue (6.7 percent) compared to the overall budget than the budget proposed by then-Sen. Dino Rossi and acclaimed by Republicans in 2003 (7.4 percent).

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HIGHLIGHTS OF THE 2010 LEGISLATIVE SESSION

- **Creating green jobs** – The JOBS Act of 2010 will create 38,000 jobs by making energy efficiency improvements to public schools and buildings on public college and university campuses.
- **Creating jobs in the construction budget** – The 2010 construction and maintenance budget creates 13,700 jobs by making other key infrastructure upgrades in facilities such as our K-12 schools, at our colleges and universities, and in community health and human services facilities.
- **Creating jobs in the transportation budget** – We're putting 18,000 people to work on critical infrastructure and safety projects across the state at a time when the competitive climate is bringing projects in under bid and under budget, saving money that we can apply to additional transportation projects.
- **Expanding the Washington State Convention Center** – The Legislature gave the Washington State Convention Center the authority to expand, which will allow it to attract more and larger conventions from across the country, and create 2,000 jobs now.
- **Supporting our global health industry** – To spur growth in Washington's \$4.1 billion global health care sector, the Washington global health technologies and product development competitiveness program will award grants for research, development, and production within Washington.
- **Competing for Race to the Top funds** – Lawmakers coordinated ongoing K-12 education reform efforts to make the state more competitive in its application to the federal "Race to the Top" grant program by increasing accountability, flexibility and targeted reforms in educator preparation and evaluation systems.
- **Providing opportunities for preschool** – Because it's one of the smartest investments around and can produce returns in as little as a decade, lawmakers set a goal of guaranteeing early learning opportunities for all three and four year-old children by the 2018-19 school year.
- **Making baby bottles safe** – After years of hard work, the Legislature passed a bill to limit the use of the toxic chemical bisphenol A (BPA) in certain plastic products intended for children such as baby bottles, sippy cups and sports bottles.
- **Containing mercury from lightbulbs** – Lawmakers passed a requirement for compact fluorescent light bulb manufacturers to fund programs that provide free, convenient methods to collect used bulbs and to properly recycle and dispose of the bulbs without releasing mercury into the environment.
- **Limiting the use of copper and other substances in vehicle brake pads** – Lawmakers approved a measure to phase out most copper in automobile brake pads over the next decade and encourage manufacturers to develop alternative brake friction materials that avoid copper and other toxic materials.
- **Protecting our Puget Sound** – To address two key contributors to the ill-health of Puget Sound, lawmakers included \$41 million in the capital budget to clean up toxic sites around Puget Sound, and \$50 million in the capital budget to help local governments manage storm water, the number one water pollution problem in the state.

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