

Senator Braun - 2018 Supplemental Budget Proposal

As the Legislature nears the end of a short 60-day session, Senate and House Democrats have offered two conflicting supplemental budget proposals.

After adopting a robust \$43.8 billion two-year operating budget in June, the Legislature has the opportunity to address specific issues in key areas like education, job creation, and property tax relief.

Revenue growth has been strong since the beginning of the 2017-19 biennium. Washington's chief economist now projects the state will take in an additional \$2.3 billion in taxes through June 30, 2021.

With stark contrasts between Senate and House Democratic budget proposals unveiled this week, Senator Braun sponsored another option that would protect historic education investments, provide property tax relief for all homeowners, maintain responsible budgeting practices, and create jobs in struggling sectors and communities.

Senate Republican Supplemental Budget

- Provides nearly **\$1 billion in property tax relief** for all Washingtonians this year, without raiding budget reserves.
- Protects and enhances historic investments in our public schools while addressing the state Supreme Court's *McCleary* concerns about the timing of fully state-funded teacher salaries.
- Cuts community and technical college tuition by 10%.
- Prioritizes job creation in a struggling sector by providing tax parity for all manufacturing businesses.
- Maintains fiscal responsibility by respecting the four-year balanced budget requirement and preserving the rainy day for an economic downturn.

Spending and Revenue

Budget by the numbers

- Increases overall budget spending from \$43.7 billion to \$44.4 billion in the 2017-19 biennium and from \$49.9 billion to \$50 billion in 2019-21.
- Total reserves would be \$2.8 billion in 2017-9 and \$2.46 billion in 2019-21.

No new taxes

- Neither Senate budget proposal proposes new taxes (*carbon tax passed in W&M not assumed in budget*), but House Democrats propose a capital gains income tax in order to provide long-term property tax relief.
 - We strongly disagree with the House's plan to raise taxes when the **state just received the largest revenue forecast increase in a decade.**

Nearly \$1 billion in tax relief while addressing concerns in McCleary case

- Last year the Legislature approved historic bipartisan education funding reforms.
- State school property tax increased by \$0.81/\$1,000 of assessed value in 2018, but local levies were not capped at \$1.50/\$1,000 or \$2,500 per student until 2019, creating one year of overlapping tax rates.
 - Thanks to strong economic growth we can afford to provide property tax relief for all Washingtonians now.
- Assumes SB 6616, which provides \$972 million in 2018 property tax relief by allocating state funds for K-12 salaries in compliance with the state Supreme Court order, while simultaneously reducing local levies ahead of schedule.
- We have the money to provide relief in 2018 and have worked with the Department of Revenue to find a financially and legally sound way to address the immediate needs of taxpayers.

Tax Parity for Manufacturing Businesses

- Washington's manufacturing sector has lost more than 50,000 jobs this century.
- That translates to nearly 17% job loss in both urban and rural communities, often the best paying jobs.
- Manufacturing jobs are critical to helping rural and suburban areas experience some of the same economic success urban communities have seen in recent years.
- We propose phasing in a reduction of the business and occupation tax rate from 0.4840% down to 0.2904% by lowering it 10% annually over four years.
 - That would bring all manufacturing businesses down to the same rate paid by Boeing and other aerospace businesses.
- This passed with overwhelming bipartisan support last year before the governor vetoed this job creating measure, which was already paid for in our existing budget.

Maintain ample budget reserves

- Unlike Senate and House Democrats, we do not propose using the rainy day fund beyond \$20 million for wildfire costs, which would only require a simple majority vote.

Education

K-12 Education

- Other budget proposals do not do enough for children with special needs.
 - Senate Republican budget would invest \$141 million through the four-year outlook as opposed to Senate Democrats \$74 million.
 - We propose increasing the special education multiplier from 93% to 96% **and** increasing the safety net to 5% of base special education appropriations.
 - Senate Democrats also increase the multiplier but **cut** safety net funding, which will disproportionately harm small school districts that cannot as easily absorb the costs.
- We've heard consistent feedback from school districts that more must be done for pupil transportation costs, especially in large rural communities.
 - We propose adding \$30 million through June 2021 to help pay the cost of getting students to and from school, which is part of the state's responsibility to pay for in full.
- Small school districts can run into problems due to small enrollment, while facing certain fixed costs that cannot be absorbed as they are by a large student populations.
 - Provide \$6 million to increase funding for the state's smallest districts, which did not all see meaningful funding increases in new education financing program.
- We must keep our students safe -- they must be able to focus on learning, not fear for their safety.
 - The budget includes a task force that would develop strategies for identifying and intervening against potential perpetrators of mass shootings, educate the public about the availability of extreme risk protection orders, and report on recommendations to prevent these tragedies.
 - **Sen. Steve O'Ban:** *"We cannot keep wringing our hands and do nothing to stop mentally ill perpetrators of mass violence. The horrific Parkland, Florida massacre is typical of many before it; students, school officials, family members, neighbors, social media users, law enforcement and even mental health professionals knew the perpetrator was mentally unstable, a high risk, and owned a firearm. We need to gather smart people in a room, develop a plan to identify potential perpetrators, and prevent as many of these senseless killings as possible."*
 - Include \$10 million for OSPI to work with Criminal Justice Training Center to improve school safety.
- Running Start is a very successful program which allows 11th and 12th graders to enroll in advanced courses at Washington's 34 community and technical colleges at no additional cost to the student. When enrolled they can earn both high school and college credit.
 - While the Senate Democrats cut funding by \$100 million over four years, we preserve this critically important opportunity to better prepare students for future academic success.
 - In addition to better preparing students for success in college and career, earning credits early also helps reduce long-term student debt.
- Our new education funding system recognizes the differences -- sometimes significant -- in the cost of living throughout the state and implements a regional pay factor.

- In rolling out a complicated statewide financing structure, we recognize there are areas that need to be improved.
- Like the Senate Democrats we propose and fund a policy to allow neighboring districts to have no more than a 6% spread in state-funded salaries to ensure all districts can attract and retain high-quality teachers.

Higher Education

- More jobs than ever require some training or education after high school. The state's community and technical colleges train students in a variety of important skills that set them up for success in the workforce. Making these opportunities more affordable is better for our students and our economy.
 - 170,000 students would see a 10% reduction in community and technical college tuition starting next school year.
- Provide \$73 million to eliminate the State Need Grant waiting list for Community Colleges and at Washington's four-year regional colleges by the 2020-21 school year.
- Similar to Senate Democrats, we propose additional funding for enrollment opportunities in University of Washington computer science and pay for faculty compensation needs.

Early Learning

- Pre-pays and protects \$102 million for 5,000 additional enrollment slots in the Early Childhood Education and Assistance Program.
 - Provides enough funding for all low-income children expected to need the program through 2023.
 - High-quality early learning greatly improves a child's readiness to learn and increases their likelihood of future academic success, especially for low-income children.

Health Care and Treatment

Children's health

- Ensuring access to care for children on our state's Apple Health program is essential. But current reimbursement rates are too low -- only 30% of what commercial insurance pays -- which has led to some physicians and health care facilities not accepting these children as patients.
- Provides \$49 million through 19-21 biennium to ensure access to the treatment and care children on Medicaid deserve, by raising reimbursement rates for pediatric providers.
 - Only \$19 million provided in Senate Democrat budget.

Mental Health Treatment and Care

- Despite significant investments in previous budgets, institutions and mental health treatment continue facing significant problems. Improving mental health treatment is not just a money problem, but also a management issue.
 - This comes despite the Legislature providing an additional \$216 million increase for Western State Hospital (a 68% increase) and another \$101 million (38% increase) for residential habilitation centers since 2013.

- The budget proposal provides a \$75 million funding pool for the executive branch to specifically address institutions in crisis facing federal sanctions (*Western State Hospital, Rainier School and Fircrest Residential Habilitation Center*).
- Washington state has one of the highest rates of mental illness in the country and one of the lowest levels of treatment capacity.
 - Research shows the most effective way to treat many people is in their community, near their existing support network.
 - By providing adequate community facilities we can get people out of Western State Hospital as well as jails and emergency rooms and get them the actual treatment they need.
 - Budget asks voters to approve a \$500 million long-term bond issuance to dramatically increase community mental health treatment capacity.

Health Care Authority Efficiencies

- Last year the Legislature directed the Health Care Authority to use a single pharmacy drug benefit manager, which included cost savings. The governor vetoed the proviso saying the savings were unachievable.
 - We reinstate the efficiency to ensure those savings accrue.

Protecting our most vulnerable citizens

- Create a developmental disability endowment with \$25 million to expand community-based services to people currently not receiving any state assistance.
- 4,000 more low-income senior citizens would have access to Meals on Wheels.
- Our military veterans served their country, and now we must be willing to help those now in need. \$6 million would allow us to provide assistance to 1,100 additional veterans facing financial hardships.
- Cancer screening is critical to catching issues early, making treatment significantly more effective. \$6 million would allow us to serve 1,100 more low-income people.
- We provide \$6 million to expand critically important services for victims of domestic violence and sexual assault.
- Invests \$10 million into the Andy Hill Cancer Research Endowment to help attract and retain world-class cancer research in our state.