

Maralyn Chase

2011 Legislative Session Wrap-up



Senator Maralyn Chase
32nd Legislative District

Olympia office:

304 15th Ave. SW #241
Olympia, WA 98504

Office phone: (360) 786-7662

Toll-free: (800) 562-6000

District office:

18560 1st Ave. NE, Room E-750
Shoreline, WA 98155

Office phone: (206) 366-2604

E-mail: maralyn.chase@leg.wa.gov

Web site: www.sdc.wa.gov/senators/chase/default.asp

Committees:

- Economic Development, Trade & Innovation (Vice Chair)
- Environment, Water & Energy
- Government Operations, Tribal Relations & Elections

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Dear Neighbors:

Citizens and legislators struggle to identify and understand the forces driving the perfect storm that was the 2011 legislative session. And it is not over.

Our state's revenue shortfall is similar to the revenue shortfall our families experience when a job is lost. Thousands of Washington families have lost their homes over the last three years as they are forced to rely upon an unemployment check that simply won't cover all the bills. The state, however, has a constitutional obligation to stay out of debt. We must present a balanced budget which means the necessities of our citizens – Basic Health, K-12 Education, services for our seniors – had to be cut to the tune of nearly \$5 billion.

All the things we value as a civilized society – the social safety net, education, environmental protections, infrastructure repair, housing, libraries – have been cut. This is not a sustainable situation for our state as we devise a strategy to expand our economy and put people back to work.

Until we regain economic stability, not much else is going to matter. But, successful economic development strategies must first create businesses that hire workers at living wages, allowing them to pay the mortgage, buy cars and build new buildings – activities that generate new revenue to operate the government.

Our most fundamental task is to address the real issue facing us: We need to regain our leadership position as producers and sellers to the world. We can do this!

Regards and respects,

Maralyn

Innovate Washington: Rebuilding our Economy

Innovate Washington is the primary state agency that responds to the technology transfer needs of existing businesses in the state. Think of it as a business accelerator on steroids that will serve as the lead entity for coordinating clean energy initiatives. Innovate Washington is charged with working with community and technical colleges, Impact Washington and firms in Innovation Partnership Zones.

This is an important milestone in economic development circles as it institutionalizes developing relationships between existing businesses and universities. Rather than spend all our efforts in commercializing innovations for “high growth businesses” involving venture capitalists and exit plans for the founder, Innovate Washington recognizes the value of existing small businesses and their role in revitalizing our economy. High growth businesses are viewed as attractive equity investment opportunities but unless the products are manufactured locally, they do not develop our state’s economy. Smaller businesses located in our communities, operated by entrepreneurs with fewer than 500 employees engaged in small scale manufacturing offer expansion opportunities in every community. Innovate Washington is there to help small businesses succeed.

Success will be measured by the contribution to rebuilding our state’s manufacturing capability and producing a “net benefit” to the state.



RHC Closures: A Medicaid Disaster

As disappointing as many aspects of the 2011 legislative session were, none were larger, and I think as damaging, as the decision to close Frances Haddon Morgan School in Bremerton and essentially close access to the Yakima Valley School.

Autism diagnosis has increased to one in every 110 births. A few short years ago it was one in every 160 births. Frances Haddon Morgan was staffed by a team of experienced autism specialists that provided care for the most extreme cases. Indeed, the budget we just passed allocated a million dollars to move just two individuals from FHM into a single household with eight caregivers because their behaviors were too extreme to live in the “community”. The funding for this move lasts for 365 days. What will happen to these folks on day 366? We are also providing nursing care so individuals can live in single family homes that cost upwards of \$300,000 each. But DSHS averages these costs into the numbers of individuals who receive the fewest services so the expenditures are hidden from view or shifted onto other budgets.

This is not the time for an expensive new social program. The RHCs are the most cost effective means to care for the most profoundly disabled people in our state. The residents are not the mildly disabled citizens who can work or go to the local coffee house.

But now these vulnerable citizens have become profit centers for some enterprising entrepreneurs who want to make a buck. In some cases, proponents of closing RHCs merely want to lower the level of services provided at the RHCs. These pseudo-businesses do not increase the

wealth of our communities as they merely move your tax dollars around, lower the services to disabled residents and the wages of the workers in order to turn a profit.

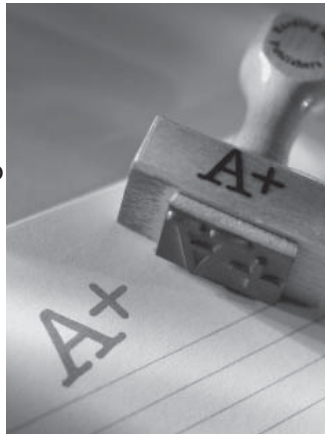
The feds pay about 63 percent of the costs of RHCs and if a state does not provide the services, the money goes away. This is a “means-tested” welfare program – if an individual has too many assets or is only mildly disabled, they are not eligible for services but are placed on a waiting list anyway. The decision to close FHM was due to misleading facts and figures that inflated the waiting list of unserved people by 15-20 thousand people. The 45,000 reported cases of abuse and neglect were largely ignored, and the closed admission diversion policy was denied. Of course the populations in RHCs have declined – admission is refused.

This decision to increase community programs will shift costs to fire departments and 911, police departments for behavior control, homeless shelters and jails when no neighborhood residence can handle the uncontrolled behavior, and ambulance services and emergency rooms for medical care. Instead of specialized medical personnel, proponents somehow believe the local physician (most of whom refuse to take Medicaid patients) will provide medical care. Why? Because the employees of the private facilities are not trained to handle the very serious situations these most profoundly disabled people present. Their private staff turnover rate is between 49 and 95 percent whereas the public employees turnover rate is only five percent.

Despite setbacks this year, I will continue to advocate on behalf of the residents of our RHCs and their families.

Education Experiments

We know how to educate children. We have one of the best models in the nation right here in our district at Lakeside School. Small class sizes of 10 to 16 students and well-paid teachers, sufficient books and resources. But, it is easier to bash public employees, including teachers, than to realize that education is a public service and is supposed to cost money. Lakeside spends twice as much per student than does the public education system. We know what it takes. Our task is to generate sufficient revenue to pay for those services. If our excellent public school teachers only had 10-16 students, just think what they could do!



We Must Work Together on a Point Wells Solution

Point Wells is another potentially beautiful area in our region, but as you all know, it is in dire need of renovation and cleanup. We've already discussed the different ideas for a resolution on Point Wells, so let me just reiterate again that we must continue to work together to find an amicable solution. For me, and for many, many people whom I've spoken with about Point Wells, we'd like to see this area first cleaned up and then turned into a park. The problem is how do we pay for it?

I'd like to again thank Snohomish County Council Chair Dave Somers and Sen. Craig Pridemore, Chair of my Senate Government Operations and Tribal Affairs Committee, for working with me, Rep. Kagi and Rep. Ryu to reconcile differing viewpoints as we come toward a mutually beneficial solution.

St. Edward Park is Expanding

I'd like to tell you about a major victory for our district and indeed our state. The Capital budget set aside more than \$300,000 to expand St. Edward Park by nearly 10 acres.

If you've ever visited the park, I don't need to tell you how fortunate we are to have such a picturesque stretch of land in our area. The secret's out. St. Edward is one of the 10 most frequented state parks in Washington as more than 750,000 people visit annually. Expansion, which includes a 15 percent increase in the park's shoreline, means more tourism dollars into our local economy. This is a great deal for our area.

Closing the Coal Plant

Replacing the coal plant in Centralia has been a long term goal of mine since I first introduced legislation in 2004-05. It presents an opportunity for significant expansion of our manufacturing base in the several-hundred acre industrial sites surrounding the coal plant. Everyone wins with this agreement, including TransAlta, the operator of the plant, and especially the community which now has the opportunity to expand into the clean technology manufacturing sector! Congratulations to all who worked on this effort with special thanks to organized labor and the Sierra Club.

It's Clawback Time!

There are other avenues we can take in the fight against unnecessary or out-dated tax loopholes. I introduced a pair of bills this session which will provide oversight of tax loopholes and expenditures through audits known as Clawbacks.

If it is learned that a tax subsidy no longer serves its purpose or the entity receiving the break hasn't lived up to its end of the bargain, the state will be able to recoup money through a so called Clawback provision. Clawback laws are already on the books in more than 20 states.

Clawbacks provide taxpayers a way of making sure their investment in development subsidies pays off in the form of net benefits to the greater good, and allow governments to recoup their money if it does not. The concept of a Clawback may seem like common sense. However, with the way many subsidy deals are currently structured, companies often face no penalties if they fail to deliver on promised jobs or investment. The result of such lax enforcement is that taxpayers end up subsidizing companies for things they don't do.

Look for more bills attempting to establish Clawback provisions next year.



An Unfair Tax System: The Truth about Intangible Property

In our state “rentiers” (folks who derive income from intangible property assets – things such as stocks, bonds, mortgages, commodities contracts, patents and trademarks) don’t pay the property tax as called for in the State Constitution (Article 7, Section 1) nor do they pay a state income tax. The framers of our State Constitution cut a deal in 1889 that no income tax would be assessed but that all “property... shall mean and include everything, whether tangible or intangible, subject to ownership”, and would be subject to a uniform tax rate.

A massive tax shift from intangible property to residential property has taken place thanks to two pieces of legislation passed in 1931 and 1997.

Stocks and bonds were removed from the property tax base in 1931. Senate Bill 5286, passed in 1997, further exempted intangible property from the property tax

base causing a tax shift which for the 2011-2013 biennium amounts to \$8 billion for state property tax, which could support education, and \$17 billion for counties and cities to support their budgets.

With a one percent lid on property tax, money simply is not being collected. Placing the one percent lid on property tax was easy for voters to understand – but it hid the real reason that property taxes increased so rapidly. From 2000 to 2007, when the stock market was flush, and sales and REET taxes flowed into state coffers, this massive tax shift was hidden. Now sales and real estate tax revenues are down and the tax structure is exposed as the most regressive in the entire United States. I will continue the fight to change our regressive tax system which depends on the hard work of the poor and middle class to sustain itself.

A Major Victory for our the next generation of leaders

The first bill I passed as your state Senator came with a big assist from some great kids. The MLK Group, fourth, fifth and sixth graders at Madrona K-8 in the Edmonds School District, came up with the idea to encourage the teaching of the history of the civil rights movement in our state’s classrooms. This is a shining example not only to other students, but to everyone throughout our state: this is your government and you should play a role in the decisions it makes.



Senator Maralyn Chase
PO Box 40432
Olympia, WA 98504-0432

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