



Update from Olympia – Special Session Edition

Dec. 6, 2011

Dear Neighbors-

We are in “Special Session” this week without any big demonstrations or noisy interruptions. It’s eerily quiet. Last week as we began this session, thousands of citizens turned out to encourage us to raise revenue. This week we are delving into all of our options for the current budget crisis. The crisis is huge – amounting to about \$2 billion dollars. This cannot be fixed with a few minor adjustments. We are facing major choices.

One of the reasons our budgets are recovering so slowly is that revenue from state and local taxes have fallen to the lowest level in 50 years. During this Great Recession, many citizens have just stopped spending on big ticket items subject to our state sales tax. And the housing slump continues to drag down revenues too.

So it is no surprise to see the new numbers on taxes from the US Census Bureau. According to the new data, state and local taxes in our state have dropped from \$105.49 in 2008 to \$93.24 per \$1,000 in income. Taxes per capita also declined from \$4,354 in 2008 to \$4,049. The national average was \$4,141.

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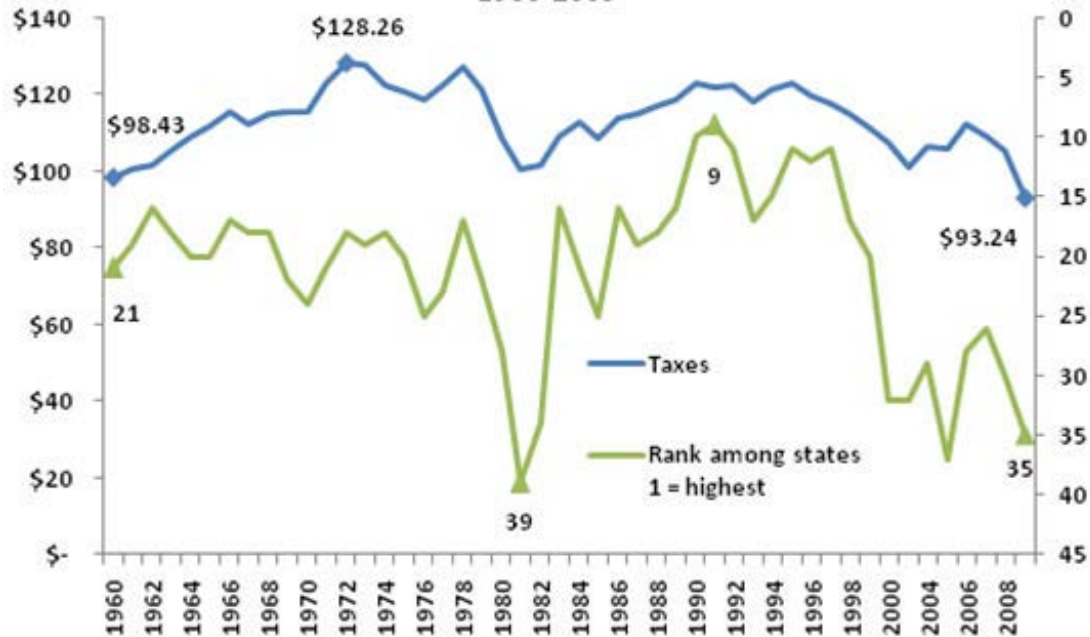
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State and Local Taxes Per \$1,000 personal income

1960-2009



Web site:

<http://www.sdc.wa.gov/senators/keiser/>

Legislature Public Website:

www.leg.wa.gov

Check out “In the Loop”

If you’d like to keep up with legislative actions, you can check out the Senate [podcast](#) “In the Loop” for a summary of the week’s events or visit us on Twitter [@WASenDemocrats](#). A tip for Twitter users – follow [#waleg](#) to see what other people are saying about the Washington State Legislature.

Today we reviewed some of our options for public education. Last session we reduced K-12 programs by \$1 billion, and made about \$800 million in compensation reductions. Some of those cuts included cutting K-4 class size reduction funding by \$194 million, cutting K-12 salaries by \$179 million, suspending the Initiative 732 cost of living adjustments saving \$255 million, and reducing National Board Certification bonus payments to teachers by \$61 million.

Now we are looking at further cuts. The Governor’s proposal includes \$288 million in further reductions. Here are some of her proposals:

- 50% reduction in levy equalization, including eliminating payments to Highline, Kent and Federal Way school districts, saving \$151.9 million to the state budget.
- Reduce the school year by 4 days, saving \$99.2 million.
- Decreasing the National Board Certification bonus by another \$8.6 million.
- Eliminating the “readiness to Learn” program for disadvantaged children, saving \$3.2 million.

- Delay the payment of apportionment payments into next fiscal year, saving \$340 million.
- Cut school bus depreciation payments, saving \$49 million.

As we are well aware, the state's constitution directs the Legislature to treat basic public education as our "paramount duty," so that protects much of the budget for our public schools. We spend nearly 50% of our budget on education, so these cuts are "on the edges" of what is considered basic education.

We are nowhere close to reaching a consensus on our budget crisis, but we are meeting and working together across the aisle to find our way to an agreement. Your encouragement or suggestions are always appreciated.

On a more upbeat note, the state was able to report some encouraging news on two key insurance programs for workers and our state's employers. Because of reforms, the unemployment tax and workers' compensation rates will save businesses about \$650 million over the next year.

Eighty-eight percent of Washington's businesses will pay a lower unemployment tax rate in January, 2012 than they pay today. The average UI tax rate will drop by 13%, and for the 77,228 employers that have had no layoffs over the past four years, the tax rate will fall by 71%. The UI system is set up to encourage employers to avoid layoffs if at all possible, and Washington State is one of the few states in the country to have managed our system prudently. More than 25 states have bankrupted their systems and are having to take loans to pay unemployment benefits.

In addition, the Department of Labor and Industries announced that premiums on industrial insurance, known as workers' comp, will remain flat in 2012, saving state businesses \$150 million. Individual employers may see premiums go up or down, depending on their recent claims history of course. For example, construction industry rates will still rise by about 3%, but retail sales and restaurant premium rates will decrease by 3%.

As the special session continues over the next couple of weeks, I will continue to update you about proposals and developments. Personally, I do not see how we can find the number of votes needed to pass an emergency supplemental budget in that time. But this time of year can be magical, so perhaps we will see some magic yet.

Always,



Senator Karen Keiser