



# Legislative Update

June 9, 2009

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48<sup>th</sup> Legislative District

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## Introduction

As always, thank you for allowing me to serve you as your representative in the WA State Legislature. It’s an honor to be elected and a privilege to serve. The job is intellectually fascinating and I get a chance to make the state work better.

This session was the most difficult I have ever faced. I’m pleased we were able to get through it, but responding to the damage caused by the economic crash we’re all still suffering through was

horrendous. We faced a \$9 billion budget shortfall that started out as a \$3 billion problem and got worse rapidly. At least 40 other states faced similar problems. The only ones that did not have significant oil and gas revenue or some similar strange budget. California is in terrible shape – I do not know how they will get through their problem.

In case you think that this job is all about dealing with horrible budget problems – there are some pleasant experiences. Last weekend I attended three separate Eagle Scout ceremonies for local Boy Scout troops. I’m getting a chance to see many of the young men who were in my Cub Scout pack earn their Eagle Scout awards, the pinnacle of achievement in the Boy Scouts. I’m always impressed with how much the entire community helps these young men develop – merit badge counselors, Scout leaders, parents, older boys, their clergy – the entire community is involved.

## Budget

This is the most difficult budget I have worked on, and certainly the most difficult since 1981 when the Governor called the legislature “troglydtes” and they had to come back in special session 5 times to cut spending and raise taxes. The problem this year is at least as bad as the 1981-82 budget, and possibly the worst since the great depression.

The way budget deficits are described is to take current law and apply it to the expected size of the problem in the next biennium. We predict the number of students who will appear in our public schools, the number of Medicaid patients who will be approved by the federal government, the number

of people we expect to ask for various kinds of assistance, etc. and compare this to the expected growth in revenue. This year there is no growth in revenue, but there is substantial growth in demand for services.

As I'm sure you've heard we solved the problem with a number of strategies. First, the federal government passed a large stimulus plan that enables gives about \$3-4 billion in usable money. Second, we cut the bejeebers out of the budget. Third, we transferred money from a number of funds into the operating budget.

This only works once. We will not get all this money from the federal government next year, nor will we be able to raid funds that now have no balances. All expectations are that the economy will continue to decline through the remainder of the summer and possibly start to pick up again in the fall. We expect our unemployment rate to peak at 10.6%, up from 9.1% now. This is a very, very high unemployment rate for Washington in modern times.

We will have to make very, very difficult cuts again next year to prepare for another difficult budget in 2011-2013. Unlike this time, we will have the entire interim to plan our approach and work things out with the Senate and the Governor.

Last week I sat through a presentation by Dr. Arun Raha, the state's economic forecaster, of the June economic forecast. Dr. Raha was pretty upbeat about us coming out of the recession in the 2<sup>nd</sup> quarter, but all the economic data we have is terrifyingly bad. We are down \$90+ million from the March forecast, and I expect the May revenue collection numbers (released on June 10) to be equally bad. This may be the budget projection for next year by several hundred million. If it's bad enough, we will need to come back into special session before January to make corrections to the budget.

You can read the forecast yourself at <http://www.erfc.wa.gov/pubs/ec20090605b&w.pdf>

The remainder of this section is a list of budget items that people asked me about very frequently in email this year. If you have a question about the budget that isn't answered here please feel free to send it in and we'll find out for you.

## K-12

We did the least damage to K-12, though we had to suspend both education initiatives. Initiative 728 paid for reduced class sizes and a number of other educational activities, including some teacher training. It should have been about a billion dollars this year and was reduced by at least half. Initiative 732 gives teachers cost of living adjustments equal to the consumer price index. We did not give any increases in salary to anyone this year, and teachers were no exception. We did protect their existing salary, and we'll recover to the level they would have been at over 4 years.

All in all we cut about a billion and a half from K-12. This equates to a 2 ½ % to 3% decrease for each district, exclusive of the salary adjustments, which don't affect staffing levels. Of course, the lack of cost of living adjustments will impact our ability to get and keep quality teachers...

Part of the package of bills we expected to pass at the end of the session was one (HB 1776) that would have allowed school districts to collect local levies that have been approved by the voters but would now be disallowed due to the cuts we had to make. This bill didn't come up in the last few days because of a clash between the house and senate that I considered childish. It leaves hundreds of millions on the table for our local districts.

The effect of this bill not passing is that about \$150 million in local levies that have already been approved by the voters may not be able to be collected by the districts, denying the schools the ability to cash a check their voters have written. This is about 10% of the total budget cuts we approved for K12, and is hugely important.

I have urged the Speaker of the House, the Governor, and the Majority Leader in the Senate to agree to a limited agenda for a special session early in the fall that would pass some version of this bill. I will come back to everyone in the fall asking you to pressure your legislators and the governor to come back in a special session and pass the bill.

## Higher Education

In some ways higher ed took the brunt of cuts, though it was damaged less than health and human services was. We made huge cuts to our higher ed system, but allowed the UW and WSU to raise tuition by 14% to make up for some of it. The other levels are allowed lower raises. I am very uncomfortable with this – I believe we have done damage to the system which wasn't strong enough to start with, but this was probably the best of a bad lot of decisions.

## Reproductive Health Care

One of the cuts I heard about a lot was the initial proposal to cut our support for pregnancy prevention programs. Planned Parenthood runs clinics that provide access to birth control. An unplanned pregnancy prevented saves the state a huge amount of money, and unlike many social programs the payback is within 9 months.

Unfortunately we cut 70% of the funding for this line item in the second year of the biennium. I expect that we will have to fix this next year. The assumption is that we will get additional support here from the federal government, but I would be surprised if that happens. You should plan for the worst and be happy if something improves, rather than the other way around.

## Healthcare

Here's where the story gets grim. We currently provide a program called "**basic health**" to working people who don't make enough to pay for their own healthcare. They pay on a sliding scale based on income and the state picks up the rest. We have had

as many as 140,000 people on it, but were down to 100,000 coming in to the biennium. We cut 40,000 of these slots. The healthcare department is now trying to figure out what method to use to eliminate these slots. Some people will drop the coverage anyway because they get covered somewhere else, but most people in this economy will stay on if they can. The options are pretty ugly.

There are over 700,000 people in Washington who don't have private coverage, so this program does not seem like it will scale in the long run to address the problem. We need to solve this on a national level, not at the state level.

A number of years ago we made a commitment to **cover all kids in Washington before 2010**. The program here is called "Apple Health." We won't get there, but this was a program we did not cut significantly. We eliminated a planned widening of the population that is covered from those who earn less than 250% of the federal poverty level to 300%, but didn't cut anything. This is important – kids are cheap to cover and preventing problems now improves outcomes later.

## Long-Term Care

The long-term care budget is an area of serious growth. As our population ages we as a state share responsibility with the federal government for Medicaid, a program that supports citizens who need long-term care but are too poor or disabled to pay for it. We pay half and the federal government pays half. This area of the budget has grown tremendously as the demand increases. Most of the services are outsourced to private nursing homes, adult family homes, and homecare workers and agencies. We try our best to provide the least restrictive setting to a senior or disabled person, which is usually what they want, and also usually the cheapest.

We made a number of changes here that none of us like. None of the agencies got a rate increase this year, even though their costs have gone up, and in many cases the rates went down. We tried to keep

the cuts consistent across all the different types of care.

Adult Day Health is an area that generates a lot of passion. Just like all the other services it was cut. People who were already getting another service are most likely no longer eligible. If someone is already staying in a boarding house they won't be able to also go to the adult day health facility in the afternoon.

These were really painful cuts that none of us like. I think we did a reasonable job of spreading the pain evenly, but if you were one of the people who's service was cut you probably won't feel that way.

## Education

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The big news this year on the education front was the passage of HB 2261, which redefines what "basic education" means in Washington. This creates new requirements for the state to fund a set of services that are adequate to prepare students for either college or a reasonable vocational institution. The bill also creates a new, more transparent way of accounting for what we spend on education, both in Olympia and in the school districts, and a new data system to track what really works and what doesn't.

In 2261 we added early learning to the constitutionally required definition of basic education, but only for at-risk kids. The governor vetoed this section, saying that she wanted to do it for all kids, not just at-risk students. I'm disappointed by this veto – early learning for at-risk kids is the most data-driven recommendation we made. Most of the kids who need it can't afford it, and most of the kids who can afford it don't need it, hence our focus on at-risk kids.

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This is a big deal, and was the result of 4 years of work by a group I led. We built a powerful community-based coalition that worked.

We also made some progress this year on the policy front. I've been concerned for a number of years that our online learning efforts were growing significantly without adequate oversight. This year we approved legislation that consolidates the state's efforts in one place and creates a review mechanism for offerings that local districts do when they allow students from other districts to enroll in significant numbers. We want to make sure that kids are actually attending these schools and getting a quality education – I have some concerns that the area is ripe for financial fraud.

## Gun Safety

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A few years ago a deranged young man killed 32 people on the Virginia Tech campus. He had been declared mentally ill by a judge and clearly should not have been allowed to own firearms. The federal government passed legislation addressing this, and we've finally caught up in Washington.

I worked with both Ceasefire and the National Rifle Association to pass legislation (HB 1498) that revokes a person's right to own firearms when they have been involuntarily committed to a mental institution. This makes our law comply with federal law, and we believe will result in hundreds (seriously) fewer suicides every year.

The NRA worked with me on this because the bill also clarified how someone gets back their rights when they can show a judge that they are no longer a danger to themselves or other people. I want to thank them for their help.

This kind of bill seems like common sense, but is very, very difficult to pass. Everyone gets all wired

up any time you talk about guns at all, and it required unusual delicacy on my part to get it done. The bill had been attempted a number of times over the years and failed every time.

## Transportation

A number of key things happened this year on the transportation front. One of the key things to understand about the transportation budget over time is that our dependence on the gas tax as a way to fund future investments in infrastructure isn't going to work. People are buying much more fuel efficient cars and trucks which reduces the revenue at the same time it increases the use of the roads. Coming up with an answer here is a long term project that we'll have to deal with.

### 520 Bridge

The 520 bridge has been one of my key projects since I was first elected. It frustrates me no end that we cannot finalize the project design. Nevertheless we continue to make progress, if glacially.

We have finished the design of both the center and East sections of the project. We know what they will cost, what they look like, what color the concrete will be, etc. We do not know this for the West end because the neighborhoods over there do not agree on what it should look like. This year we approved a financing plan that has enough money to pay for about 2/3 of the bridge by approving tolling of the bridge, starting next year as soon as we start building the pontoons.

I voted against this bill, not because I'm against tolling the bridge, but because the bill prohibits the DOT from using the revenue from tolling to pay for the East section of the bridge. I don't want us to wind up having a tollbooth to a floating dock – I want the approaches all the way back to 405 fixed. Without them we won't be able to gain any throughput improvements.

The reality is that the limitation doesn't actually slow the project down for this year, but I find it an

arbitrary restriction designed to hold us hostage until the Westside agrees on their design.

Your 48<sup>th</sup> district delegation plans to hold a session on the tolling and bridge design issues this summer somewhere in the Points Communities so that everyone understands how it will work. I'll write about this in detail in another newsletter later this year before it takes effect.

### Federal Stimulus Funds

In addition to the revenue from tolling we get a bunch of money from the federal government. The distribution rules were somewhat arbitrary – they forced us to start construction within 120 days of getting the money, so we could only fund projects that were ready to go – “shovel ready” in the new parlance.

One useful project in the 48<sup>th</sup> is the 36<sup>th</sup> Street Bridge over 520 in Redmond. This will significantly improve mobility in the Overlake area, and was paid for with money from the feds, from Redmond, and from Microsoft. We broke ground within days after the session was over.

I'd have preferred a more thoughtful approach to designing how we use the money, but the intent was to get the economy going, not make me happy.

### Viaduct Replacement

We also, in a miracle of decisiveness, finalized the decision on the deep-bored tunnel to replace the viaduct. It's a reasonable approach that I've written about before. I was particularly pleased that we actually made a decision – we need to do this much more as a region.

### Transit

Transit agencies all over the state are facing sharp revenue reductions due to their dependence on the sales tax. Most transit systems, including King County Metro, are down about 20%. This will cause significant reductions in service.

One of my efforts this year was to give counties the tools they need to fix this. It's up to the counties if they want to use them or not – not every decision will be right in every place. We did two things – one specific to King County and the other a more general approach for all counties and transit agencies.

In SB 5433 these local governments have the authority to ask their local voters to approve a \$20 vehicle license fee. Again, this is a voter-approved option. The governor vetoed it because there is a study going on about transit funding. This makes me grumpy – the voters ought to be able to figure out what they want to do here.

The other option for transit was King County-specific. When we set up ferry districts a few years ago we gave them \$0.75 per thousand dollars of property tax authority. This makes sense for most counties, but is a humungous amount of money in King County. King County is using 5.1 cents per thousand dollars today to fund the West Seattle-Vashon and the downtown foot ferry. It seemed prudent to reduce this authority for King County somewhat, so we reduced the 75 cents down to 15 cents, but allowed them to use 7.5 cents for transit instead of just ferries – flexibility that allows them to make better decisions.

King County will have to make the decision themselves if they want to use this flexibility.

## King County Issues

King County came to me this year with concerns about their budget. They had to cut almost \$93 million from their general fund this year, a large reduction proportionally. This year they expect to

cut \$50 million. They wanted additional revenue options – the ability to raise local taxes.

It's a complex problem – there is wide agreement that there is a mismatch between their responsibilities and their taxing authority. There are many, many studies that have been done over the last few years that point this out. The Washington Research Council, a moderately conservative think-tank, had the following to say in their 2008 King County Budget Brief: “... *the underlying structural problem for King County budgeting is the mismatch between tax base and service costs in the unincorporated areas. The solution to this, which is*

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*... the underlying structural problem for King County budgeting is the mismatch between tax base and service costs in the unincorporated areas. The solution to this, which is encouraged by the Growth Management Act, is to ensure that the remaining unincorporated areas within the urban growth area get annexed to an adjacent city...”*

Washington Research Council 2008 King County Budget Brief  
<http://www.researchcouncil.org>

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I created a package of bills that gave the counties (and cities) some flexibility in their use of existing sources of revenue and focused on fixing the annexation problem the Research Council and every other study found. I created a package of incentives for the cities in King County to annex

the large chunks of land inside the urban growth boundary that are still not in cities. This required making sure that there was a solution for each area that would work with the cities. We fixed problems with house-banked card rooms, cities that overlap county lines, potential annexation areas that two cities fight over, etc. Everyone agrees that it works, and that the cities will now be able to annex these areas.

These annexations should fix about 25-30% of King County's structural budget problem, and fix it for years to come.

## Stadiums, Arts Funding and more

Last summer I served as co-chair of the King County Local Options Financing Task Force. This task force was charged with producing a plan for unwinding the tax streams created to fund construction of the Kingdome, Safeco Field, and Qwest Field.

Safeco gets paid off in about two years and it's important to know what happens to the revenue streams once that happens. It's important to me that Washington taxpayers understand the return on their investment and be able to determine priorities for continued spending, should certain taxes remain.

In addition to looking in detail at all the sources of funds and the various proposals for how to use the taxes at the completion of bond repayment, I had a chance to look into some related topics, most particularly how the Convention Center is funded and problems that King County is having with their budget.

During this process the national economy fell apart, changing most people's priorities. I know mine have changed. The task force was unable to produce a final report, but I introduced my own personal proposal.

The details don't matter at this point, as we were unable to pass anything this session. I made several offers to our leadership, the City of Seattle, and the Senate during the session but nobody was able to pay enough attention to this problem to deal with it.

Late in the session the bill I proposed went over to the Senate, but they never sent anything back. I hope we can continue to work on this – eventually we need to resolve these problems.

In particular, I'd like to see if we can enable the City of Seattle to get the \$30 million from the Oklahoma City thieves that they'll be due if we give the City of Seattle a way to fund improvements to Key Arena. I continue to be concerned that a mostly empty Key Arena is a financial drain on the City of

Seattle and that they should be able to make the decision if they want to fund improvements to attract a new team. I do not support the use of state funds for this, and had hoped to be able to come to a deal on this. There was no interest in the legislature, so it went nowhere.

There was a proposal in the Senate to fund about \$150 million in improvements to Husky Stadium with local taxes. This also went nowhere, most likely because legislators felt it was inappropriate to put money into a stadium at the same time as we were cutting hundreds of millions out of their academic program.

King County runs 4Culture, a program that distributes funds to local arts institutions out of local taxes. Due to the world's most complex set of tax policies, we need to pass legislation authorizing the continuation of this. The Arts decision should be separate from all of these other ones, but the politics of the issue connect them. I will continue to work hard to make sure we continue funding 4Culture with local option taxes.

## Tax Policy

A number of key tax policy bills were passed this year. These are interesting to me because I chair the Finance committee and am responsible for making sure the system works.

I sponsored HB 2075, a complete re-write of how sales taxes are figured out on digital products. This was an interesting situation – the tax rules hadn't been revisited for 30 years, long before Al Gore invented the Internet. My goal was to make sure that the tax system taxes the same thing in the same way – downloaded music should have the same tax treatment as stuff you buy on disks. I worked out a deal with the business community that we all agree on. It protects state revenue from deteriorating as usage shifts to downloaded products and fixes related problems for business, making sure that Washington is hospitable for Internet businesses into the future.

At the very end of the session we had a little fire drill to deal with. One the last weekend the Senate passed a bill (SB 6173) with little public scrutiny that was intended to eliminate some of the fraud associated with misuse of sales tax resale certificates. Businesses are entitled to not pay sales tax on items that they will eventually resell, on the theory that they'll pay the tax then.

The Senate version of this bill solved the problem by denying anyone in the construction industry the ability to avoid paying the tax up front and giving them a credit they could use when they eventually sold the product. This makes builders and remodelers carry the float on everything they buy for resale. I arrived on Monday to read through the bill and we had an army of angry guys with nail guns outside my door.

I was able to re-write the bill in cooperation with all the business groups to be much smarter about how we went about fixing the problem. We got a solution at the last minute that both the Republicans and I agreed with and that the business community was OK with. It passed overwhelmingly and should help homebuilders by eliminating a lot of the fly-by-night contractors who never pay sales tax, unemployment insurance, or workers compensation premiums.

The Master Builders of King and Snohomish County made me their legislator of the session for my work here.

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## Contact Me

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I love to hear from you about your issues, suggestions, or concerns. We can solve a lot of problems for people, direct you to resources, etc. During the time between legislative session my assistant Marilyn Pedersen and I have an office in Bellevue and it's best to contact us there.

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I maintain a web site through the state house at [www.housedemocrats.wa.gov/members/hunter/](http://www.housedemocrats.wa.gov/members/hunter/)

The site is somewhat lame due to the insane bureaucracy at the state, but it has a lot of stuff on it. Someday I'll get government to come into the 21<sup>st</sup> century.