

2013 Session Recap: Not a Path to Prosperity

Introduction

The 2013 Legislative Session did not adequately invest in rebuilding a middle class still struggling to recover from the Great Recession, nor did it make significant progress to create widely shared prosperity. Instead lawmakers maintained the status quo, providing short-term fixes to our most pressing problems that do nothing to meet Washington state's long-term needs.

During the 2013 Legislative Session, lawmakers grappled with how to balance the budget as the state continues to recover from the recession. Following several years of deep budget cuts, lawmakers also needed to address a State Supreme Court mandate to fully fund basic education by 2018. Our [Framework for Prosperity](#), published at the beginning of 2013, laid out a path to rebuild our economy with specific recommendations for targeted investments in education, health care, and other resources that provide opportunity for all and create better jobs. The Framework also laid out ways to pay for those investments and proposed changes to the state's tax system to help fuel economic recovery and stabilize Washington state's schools, transportation system, and other public resources. Throughout the session, our staff played a key role in working with our partners to advance these recommendations with our research and analysis.

In the end, lawmakers opted for temporary solutions to patch over the biggest challenges faced by our state. But they will confront the same issues when they reconvene next year, giving them yet another opportunity to take meaningful steps to put Washington state on the road to prosperity.

Investing in Prosperity

Targeted investments—like making college affordable, bolstering worker retraining, and providing access to affordable health care—are the building blocks of a strong economy. They increase opportunity and create jobs by making Washington state a good place to live and work. But state investments for public services have declined dramatically since the Great Recession. After several years of spending cuts, college is more expensive than ever, fewer unemployed people can get job training to help them get back to work, and more kids lack the basics, like food and a stable home.

While lawmakers made some modest investments over the next two-year budget cycle, much more needs to be done to rebuild our economy. Below we highlight decisions the Legislature made this session in key areas of opportunity.

Education & Opportunity

Investments in early learning: Quality early learning that begins at birth is critical to successful lifelong learning and to opening the doors to prosperity. In the next two years, lawmakers will invest \$22.4 million to provide 1,700 more children the opportunity to enter kindergarten ready to succeed.



In addition, [House Bill 1723](#) was signed into law, which will improve access to early learning, make it more affordable, and boost its quality.

Funding for basic education (McCleary): The State Supreme Court ruled in *McCleary v State* that lawmakers were failing to uphold their constitutional commitment to fully fund basic education. This session they invested just \$1 billion of the \$4.5 billion we need by 2018. Without new revenue, lawmakers will struggle to make greater investments for the next biennium.

Closing the education opportunity gap: Making sure that all students have a chance to succeed regardless of their economic circumstances or ethnicity is critical to future economic prosperity. For the upcoming budget cycle, policymakers invested roughly \$140 million dollars in the Learning Assistance Program, which helps low-achieving students get the support they need to improve classroom performance, and another \$20 million to give bilingual students more hours of instruction.

College affordability: The 2013-15 budget puts the brakes on further tuition increases, but only temporarily. After the first year of the biennium, four-year and

community and technical colleges can increase tuition. However, schools that do so will have to provide more funds for financial aid, including the State Need Grant program in order to reduce the impact of tuition hikes on students from lower-income families.

Thriving Communities

Tax break reform: Billions of dollars of state resources are spent on tax breaks for individuals and corporations, and many of those breaks are outdated and ineffective. Lawmakers took an important step toward shining more light on the tax breaks. [Senate Bill 5882](#) will require all new or expanded tax breaks to include an expiration date, a specific and well-defined public purpose, and clear performance standards. Information on businesses that receive more than \$10,000 per year from a new tax break will be made available to the public.

Better budgeting: Decisions about how to spend state resources should take into account the broader and longer-term impacts on the budget. This year, [Senate Bill 5638](#) was introduced to inject more transparency, accountability, and researched evidence into the fiscal analysis process. While the legislation did not advance this session, it's a model that should be taken up again.

Healthy People & Environment



Embracing the Affordable Care Act: Washington state is primed to expand and improve health care beginning in 2014. With the decision to expand Medicaid, over 250,000 more people with low incomes will get

coverage. In addition, the Washington Health Benefit Exchange, our online private health insurance marketplace for individuals, families and small businesses, will begin enrollment on October 1st. With passage of [House Bill 1947](#), lawmakers financed the Exchange through a combination of funding sources.

Lawmakers did not implement another component of health reform, the Federal Basic Health Option, which would make coverage more affordable for people with lower incomes who do not qualify for Medicaid. They did, however, provide funding to study and explore the Basic Health Option.



Cleaning up the environment: Lawmakers cut \$58 million from efforts to cleanup over 5,000 toxic sites around the state that pose a direct threat to the quality of air we breathe, water we drink, and land we use. In addition, agencies that protect our environment and plan for the impact of climate change were severely cut.

Economic Security

Helping families get back to work: In the last budget cycle, lawmakers cut cash assistance and imposed time limits on families receiving help to get them back to work. These policy changes cut families off from WorkFirst—our state’s primary effort to help families find a job – despite persistently high unemployment and a stagnant economy. This year, lawmakers cut an additional \$162 million from WorkFirst, weakening it even more after previous rounds of cuts.

Revenue

Despite the wide gap between Washington state’s needs and the resources available to meet them, policymakers failed to take any steps toward reforming our flawed, 1930s-era revenue system.



Adequate resources to meet our needs: Policymakers failed to raise additional short-term revenues we need to support core investments in education, safe communities, and health care. Instead of closing wasteful tax breaks to fund these and other important priorities, lawmakers actually created 17 new tax breaks, which will drain about \$15 million in resources in the 2013-15 budget cycle. While lawmakers made a few common-sense decisions to close a loophole in the estate tax and extend the sales tax to landline phone services (a reform that will foster more parity between previously untaxed landline and taxed cell phone services), these actions will simply prevent future revenue losses, not generate new revenue needed to bolster public investments.

Modernizing our tax system: Reforms that would address the chronic flaws in Washington state’s revenue system also failed to pass this year. Even though the state’s economy has changed dramatically over the past 80 years, the tax system has changed little since the 1930s. As a result, we have been steadily losing the ability to generate the resources needed to maintain investments in education, health care, and other priorities.

Making taxes more equitable: Our taxes take a much larger share of lower-and moderate-income

families' budgets compared to those at the very top of the income scale. The Working Families Tax Rebate (WFTR), enacted in 2008, would give back to 400,000 families working at low-wage jobs a portion of what they pay in sales taxes each year. The WFTR has never been funded. This year, lawmakers rejected a proposal, [House Bill 1890](#), to fund it by closing a loophole that lets out-of-state shoppers avoid Washington state sales tax.

Conclusion

A strong economy with a robust middle class is good for everyone. And it doesn't happen by accident - it happens when we invest in the opportunities all Washingtonians need to prosper. Throughout this legislative session, lawmakers made the choice not to bolster resources for those investments. Instead of ending wasteful tax breaks, they extended them -- and created even more. As a result, not enough was done to put Washington state on a path to shared prosperity. Lawmakers must make revenue choices that will provide adequate resources for the schools, roads and other investments that grow our economy. [The Framework for Prosperity](#) provides a roadmap that can help get us on track and guide decisions going forward.