



Inslee's school money quest runs toward Republican wall

He wants to raise \$200 million for teachers and classrooms by repealing tax breaks, something the state Senate largely rejected last year.

By John Stang

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Gov. Jay Inslee proposes closing seven tax exemptions to raise \$200 million this session to nudge Washington toward meeting its court-mandated education goals.

In seeking to close tax exemptions, he is returning to a strategy that largely failed last year. These seven exemptions are among the proposed tax breaks that the Republican-oriented Senate rejected last session. And Senate budget leader Sen. Andy Hill, R-Redmond, is doubtful that those same seven proposed closures will gain traction this session.

On Tuesday, Inslee revisited his State of the State speech's proposal to provide another \$200 million to education to make education improvements ordered by the Washington Supreme Court and to provide 1.3 percent cost-of-living raises for the state's teachers. Washington's voters passed an initiative several years ago to require that cost-of-living increases be given to teachers annually based on a formula using inflation. However, recent legislatures have routinely suspended that cost-of-living raise as a budget-balancing measure.

The rough split of the \$200 million is estimated at \$70 million for the cost-of-living increases and the rest for the court-mandated improvements. The Supreme Court recently said the state is financially behind on meeting the obligations of the court's 2012 ruling, known as the McCleary decision, and has given the Legislature until April 30 to present a catch-up plan. Inslee wants much of the new money to go to textbooks, supplies and curriculum development that the court required in preparation for later improvements in student-teacher ratios in Grades K-3.

State calculations are that an extra \$5 billion will be needed by mid-2019 to meet the Supreme Court's orders, keep up with cost-of-living raises and handle normal increases in students. The Legislature will have to find new money for 2015-2017 and for 2017-2019 to meet those mostly legally required goals, said state budget director David Schumacher.

Inslee said the cost-of-living raises also help meet the Supreme Court's student-teacher-ratio mandate because experienced teachers are dropping out because of pay issues — increasing the student-teacher ratio instead of shrinking it as ordered. "We have teachers leaving the profession today instead of us hiring more teachers," he said.

On Tuesday, Inslee spelled out how he hopes to raise the extra \$200 million. He proposed ending the seven tax breaks, which were all part of a larger set of tax-exemption closures that the Senate's majority coalition stopped in 2013. Inslee is targeting tax exemptions on sales taxes for non-residents, on extracted fuel at oil refineries, on bottled water, on janitorial services and on vehicle trade-ins valued at more than \$10,000. He also proposes

repealing a public utility tax deduction for the in-state portion of interstate transportation. And Inslee wants to repeal a preferential business-and-occupation tax rate for resellers of prescription drugs.

These measures are estimated to be able to raise an extra \$200 million for 2014 and an extra \$414 million for the 2015-2017 state budget biennium.

However, Hill, budget chief for the 24-Republican-two-Democrat Senate Majority Coalition Caucus, expressed doubt that his caucus would go along with the proposed closures of tax breaks, especially in a session that is supposed to end in mid-March. "Loopholes are hard to close. ... That's something hard to do in a short session," Hill said

Last year in a five-and-a-half-month session, Democrats succeeded in closing two of some 15 tax exemptions they wanted to end. Many legislative Republicans see closing a tax exemption as a tax increase. Hill said closing tax exemptions threaten the affected businesses' jobs.

Inslee said, "At the moment, (the Republicans) do not intend to find additional money for education. I hope that is a temporary condition."

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John Stang is a longtime Inland Northwest newspaper reporter who recently earned a Masters of Communications in Digital Media degree at the University of Washington. He can be reached by writing editor@crosscut.com.

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