

Lawmakers, governor announce budget deal to avert government shutdown

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Gov. Jay Inslee is joined by House and Senate leaders as he discusses an outline of an agreement they say has been reached on a new two-year state budget, Saturday, June 27, 2015, in Olympia, Wash. Inslee said that negotiations continue over various issues within the plan, but promised a budget would pass and a government shutdown would be averted. RACHEL LA CORTE — AP

Lawmakers and Gov. Jay Inslee announced Saturday that they have reached a deal on a new two-year state spending plan, which they said will prevent a partial shutdown of state services this week.

The budget deal, which negotiators would share few details about Saturday, includes a cut in tuition costs at state universities and community colleges, as well as cost-of-living raises for teachers and school employees.

It also will fully fund labor contracts negotiated between Inslee's office and 23 state employee unions, giving those workers a 3 percent raise this year and a 1.8 percent raise next year.

Inslee said the agreement involves closing some tax exemptions while extending other tax breaks, which he said will create "a net gain in revenue."

Negotiators would provide few other specifics Saturday about what the budget contains, except that the overall spending level is about \$38 billion.

They said the budget will put about \$1.3 billion toward meeting some requirements of the state Supreme Court's McCleary decision, which found that lawmakers were failing to meet their constitutional duty to fully fund basic education. That money will go toward lowering class sizes in kindergarten through third grade, expanding full-day kindergarten, and boosting funding for school supplies and maintenance.

"This consensus delivers to Washingtonians a good, solid, bipartisan budget," Inslee told reporters while flanked by legislative leaders from both parties.

"The state of Washington is going to continue in its upward trend, and we'll be in business Wednesday morning," Inslee added.

Inslee said that there are "hundreds" of "important but minor" details that remain to be decided in the budget. Still, House budget writer Ross Hunter, D-Medina, said he hopes both chambers of the Legislature will pass the proposal by Monday evening.

Lawmakers must approve a new budget and have Inslee sign it by Tuesday, or many state agencies would close or reduce services Wednesday.

About 26,000 state workers received notice in recent days that they would be temporarily laid off if that occurs.

The Legislature was poised to enter a third special session at noon Sunday to finish its work for the year. In April, lawmakers adjourned their regular 105-day session two days early without a budget deal and have required two 30-day overtime sessions to continue negotiations.

The two sides have moved closer in recent weeks, with House Democrats abandoning their hopes of a new tax on capital gains and Republicans conceding to raise some new revenue by ending tax exemptions.

Democrats also stopped asking for an increase in some business and occupation taxes, which was part of their initial spending plan that called for \$1.5 billion in new revenue.

While addressing reporters Saturday, House Speaker Frank Chopp, D-Seattle, said he's not disappointed that Democrats' earlier tax proposals won't be included in the final spending plan.

"We feel very strongly that this is a great budget, fulfilling the needs of the people of the state of Washington in terms of basic education, early learning, mental health care, (and) health care for all through the Apple Health program," Chopp said. "The list of accomplishments in this budget is very, very encouraging for the future of the state of Washington."

Senate budget writer Andy Hill, R-Redmond, said Republicans similarly were content to close some tax breaks as part of the final budget solution.

“We think it was part of the compromise, and it’s something to get the job done,” Hill said. “And we think they don’t hurt the economy, and that we also extend some existing incentives that we think will create jobs and help the economy.”

Disagreements between the House and Senate previously included whether to cut tuition at the state’s colleges and universities. While Republicans in the state Senate had advocated a 25 percent tuition cut, Democrats said that would hurt higher education institutions, and had pushed for freezing tuition prices instead.

The budget deal lawmakers announced Saturday will reduce tuition costs, but leaders wouldn’t say by how much.

Another challenge the Legislature faces with its new-two year budget is how to handle Initiative 1351, the costly measure voters approved last fall to lower K-12 class sizes. Neither Republicans nor Democrats believe they can pay for the initiative, but they have disagreed on whether to ask voters to amend it or take a tougher vote in the Legislature to scale back the law. Neither Inslee nor legislators would share their plan for I-1351 Saturday.

One area where specifics were more clear was how lawmakers plan to spend more than \$300 million in revenue expected to be collected over the next two years from state-licensed marijuana businesses. They approved a proposal Saturday devoting about half of that money to low-income health care, about \$50 million to children’s behavioral-health programs such as drug-abuse prevention, and \$12 million to local governments that allow marijuana businesses. Most of the rest would help balance the state budget.

The marijuana bill headed for Inslee’s desk would also ease the tax treatment of sellers by consolidating taxes on the drug into a single 37 percent retail tax, plus sales taxes that would be waived for patients who join a new medical registry.

Separate from the two-year operating budget, many members of both the Democrat-controlled House and the Republican-led Senate want to pass a 16-year, \$15 billion package of transportation improvements before they adjourn for the year.

They agree it should be funded mainly by increasing the state gas tax by more than 11 cents per gallon, but Senate Republicans have conditioned their support on the Democratic governor dropping a plan he’s floated to set a standard for greenhouse-gas emissions from fuel.

Transportation budget writer Judy Clibborn, D-Mercer Island, voiced optimism Saturday that a deal would come through. Major disagreements besides the fuel standard have been worked out, she said.

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