

State lawmakers avert government shutdown, but disagreement remains over \$2 billion in class-size funding

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The News Tribune
June 30, 2015



Gov. Jay Inslee signs the two-year state operating budget late Tuesday at the Capitol in Olympia. Included in the budget are cuts in tuition for college students and an increase in funding of the state's K-12 education system. The signing came less than a half-hour before some state agencies were to begin partial shutdowns. TED S. WARREN — The Associated Press

State agencies stayed open Wednesday and government officials took steps to make amends with the state Supreme Court – those were two of the main accomplishments of the new two-year operating budget that Gov. Jay Inslee signed into law late Tuesday evening.

The \$38.2 billion budget ensured that about 26,000 state workers weren't temporarily laid off Wednesday, the first day of the state's new two-year budget cycle. Inslee, a Democrat, signed the budget with less than 30 minutes to spare to avert a partial shut down of state government.

"I am delighted to be here, because quite frankly, this is a darn good budget for the people of the state of Washington," Inslee said upon signing the bill at about 11:35 p.m. Tuesday. "It's forward-thinking, it's responsible, and it's fair."

But roughly six hours later in the Senate, the spending plan hit its first obstacle when senators failed to pass legislation that provides \$2 billion needed to balance the budget. Lawmakers there couldn't summon up enough votes to delay Initiative 1351, the smaller-class size initiative voters approved last fall.

A deal on I-1351 wasn't in sight Wednesday, as the Senate adjourned until noon Friday.

The early morning snag raised questions about what happens now to a budget that was intended to alleviate legal trouble stemming from the Supreme Court's 2012 McCleary ruling, which found lawmakers were shirking their constitutional duty to fully fund the state's school system. In the continuing saga of that case, justices held the state in contempt of court last year over the Legislature's failure to produce a plan to fund basic education by 2018.

The new budget puts about \$1.3 billion toward reducing class size in kindergarten through third grade, expanding full-day kindergarten, and paying for school supplies and operating costs – all parts of the McCleary ruling.

However, it doesn't address another part of the McCleary decision asking the state to assume school employee salary costs being borne unconstitutionally by local districts. Sen. Steve Litzow, the chairman of the Senate education committee, said the Legislature still must fix the state's overreliance on local levies to pay for basic education.

"There are a number of proposals this session that built a framework for that, and I think we'll get it done next session," said Litzow, R-Mercer Island.

CUTS TUITION, FUNDS STATE WORKER RAISES

In addition to funding K-12 schools, the budget will cut tuition at state universities and community colleges, something Senate Republicans had fought for throughout the prolonged legislative session.

"Nobody else in America is doing anything about student loan debt and college affordability, except us," said Senate Majority Leader Mark Schoesler, R-Ritzville. "It's the right thing to do."

Lawmakers adjourned their regular 105-day session two days early in April after failing to reach agreement on a budget. To finalize the spending plan, they required three overtime sessions, the latest of which began Sunday.

On top of the tuition cuts, the budget signed Tuesday fully funds labor contracts Inslee's office already negotiated with 23 employee unions. Those state workers will receive raises of 3 percent this year and 1.8 percent next year, something Inslee and House Democrats had insisted on.

The budget will also help pay for new investments in preschool programs, as well as comply with court orders to improve mental health services.

Both the state House and Senate approved the budget Monday.

COMPROMISES ON REVENUE

Leaders of the Democratic-controlled House had originally sought \$1.5 billion in taxes – including from a new tax on capital gains and raising taxes on some business – to balance the budget. But fierce Republican opposition to those proposals, plus about \$700 million in unexpected revenue from a rebounding economy, pushed Democrats to take those tax proposals off the table.

Instead, the budget relies on about \$300 million in projected revenues from recreational marijuana sales over the next two years, as well as more than \$100 million in transfers from other accounts and \$25 million in unnamed government efficiencies.

Rep. Reuven Carlyle, D-Seattle and the chairman of the House Finance Committee, called the transfers and efficiencies “a series of one-time yoga moves, that force our budget to bend in unnatural ways and positions.”

Carlyle, who had supported a new capital gains tax in the House, said the state is also banking on more revenue from marijuana sales than it will probably collect in the future.

“It’s simply unsustainable,” Carlyle said. “While it is balanced in the short-term, the one time-gimmicks will come due, and we will face a substantial crisis.”

Yet the budget isn’t without some new revenue. It will raise about \$185 million over the next two years from closing some tax exemptions and increasing penalties for those who file late business tax returns, concessions made by Senate Republicans.

Teachers will also receive cost-of-living raises under the two-year budget above what the law requires under Initiative 732, a 2000 ballot measure the Legislature suspended the past six years. But the extra money beyond the I-732 increases won’t carry over in employees’ salaries after August 2017.

UNCERTAINTY ON CLASS SIZE INITIATIVE

What the budget does not attempt to pay for is Initiative 1351, the measure voters approved in November to lower class sizes in all grades. Neither Republicans nor Democrats this year said they could find a way to pay for the law, which is projected to cost the state \$2 billion in the next two years and even more after that.

The state House voted Monday to delay implementation of I-1351 for four years, but the Senate had yet to approve that plan as of Wednesday. Senate Republicans were still

working to get enough votes from Senate Democrats to amend the initiative, which requires a two-thirds majority vote in the chamber.

The measure failed on the Senate floor about about 6 a.m. Wednesday on a 27-17 vote, following a long night of negotiations.

Democrats said they could muster the required votes if Senate Republicans would approve a school testing reform bill that already cleared the House. Among other things, that legislation would remove a requirement that students pass a biology test or an approved alternative to graduate from high school, which supporters said would help 2,000 of this year's seniors earn a diploma.

Sen. Andy Billig, D-Spokane, said Tuesday that some Senate Democrats didn't want to scale back the I-1351 class-size reductions unless they made other changes they though would help students.

"There are some members who are saying, if I'm doing something that hurts kids, I want to be able to help kids somehow," Billig said.

Republican Sen. Andy Hill, the chief budget writer in the Senate, said that if lawmakers don't vote to delay I-1351, it will create "a \$2 billion hole" in the budget.

"Without this, we are out of balance," Hill said Wednesday morning.

Schoesler, the Senate majority leader, used harsher words to describe the Democratic demands for the testing bill.

"It's extortion," Schoesler said after Wednesday's failed vote in the Senate.

Lawmakers' third special session could continue through July 28, if lawmakers don't decide to adjourn before that.

Rep. Ross Hunter, the chief budget writer in the House, said if lawmakers don't address I-1351 now, it will be harder to amend later. He said that's partly because the law adjusted the state's definition of basic education, something the Supreme Court has said the Legislature can't change for merely financial reasons.

In other words, lawmakers would have to have a solid educational justification to change the class-size law, especially if it is allowed to stay on the books, Hunter said.

"Right now it's standing in the check-in line at Hotel California," said Hunter, D-Medina.

But a few years down the road?

"At that point, it can check out, but it can never leave," he said.

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