Threat of shutdown looms as Legislature heads into triple overtime over budget

By Melissa Santos
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Frost covers the sundial in front of the Legislative Building at the Capitol in Olympia, Wash., Thursday, Jan. 5, 2017. Gov. Jay Inslee announced a third special session to begin June 21, 2017, after the Legislature couldn't come up with a budget over five months in session. Ted S. Warren AP

Facing the threat of a partial government shutdown, Washington Gov. Jay Inslee called a third special session of the Legislature on Wednesday to try to get lawmakers to reach a budget deal.

If lawmakers don't agree on a budget and get Inslee to sign it by June 30, most state government agencies will either fully or partially shut down starting July 1.

On Thursday, about 32,000 state employees will start getting notices warning them they could be temporarily laid off next month.
“The clock is running out,” Inslee said. “There are nine days remaining in the current fiscal year. Nine days that we need the legislators to buckle down and produce a two-year biennial budget for the state of Washington.”

The July 1 deadline is one lawmakers have stared down before but never crossed.

In 2015, lawmakers passed a new two-year budget on June 30, leaving Inslee to sign it less than half an hour before midnight. Though lawmakers stayed until July 10 that year passing other bills tied to the main budget, state government didn’t shut down.

Two years earlier, the Legislature approved a budget on June 28. Inslee signed the bill into law June 30.

This year, though, the work lawmakers have to finish in the next nine days is more complicated than anything they’ve faced in recent years.

Lawmakers are working to comply with a 2012 court order to fix the way the state pays for schools. In the McCleary case, the state Supreme Court has said the state needs to stop relying on local school district property tax levies to pay for basic education costs, such as teacher salaries.

The fix is considered especially complex because it most likely involves overhauling school-employee pay scales and reforming local school district levies. Then there’s the challenge of finding the money to pay for the teacher-salary costs the state should have been covering all along.

The state Supreme Court has ordered lawmakers to come up with a McCleary solution by the time they adjourn this year.

Senate Majority Leader Mark Schoesler, R-Ritzville, said he thinks lawmakers “are relatively close” to a deal.

“I think they’ve made tremendous progress on what is a generational problem,” Schoesler said of the school-funding issue. He said he doesn’t want to see state government shut down any more than the governor.

State Rep. Kris Lytton, D-Anacortes and the chairwoman of the House Finance Committee, said she agrees “a government shutdown is not an option.” She said she still thinks lawmakers can come up with a compromise in time.

“I mean, we’re kissing up to the deadline, but I still think we have a strong likelihood to get done,” she said. “We have to get done.”
State Sen. Reuven Carlyle, D-Seattle, is less certain.

“Every hour and every day is at hyper-warp speed,” Carlyle said of this stage of budget negotiations. “Things could happen quickly, or they could crash into a black hole.”

Besides the school-funding issue, lawmakers also need to agree on a two-year budget that pays for other parts of state government, including mental health services, child care, prisons and state worker contracts.

Earlier this year, Republicans proposed a $43 billion spending plan that relies mainly on an increase in the state property tax. In turn, the plan, which is favored by Republican leaders in the state Senate, would reduce local school district property-tax levies substantially.

That plan has come under fire from Democrats who control the state House. They object to how the GOP’s property-tax shift would raise property taxes in certain parts of the state.

Under the Republican plan, property taxes would go up in Seattle, Bellevue, Mercer Island and other areas with high costs of living, as well as for some homeowners living in small, rural districts. Others would see their property taxes go down under the GOP proposal.

Democrats, meanwhile, have floated a $44.7 billion budget that would rely on about $3 billion in new taxes, including a new tax on capital gains and tax hikes on some businesses.

Key lawmakers have been negotiating for weeks to reach a compromise on both the overall budget and education policy.

As negotiations have progressed, Inslee has said the Democrats’ capital-gains tax is off the table. That tax, which Republicans fiercely opposed, would have affected income from the sales of stocks and bonds.

Inslee and other leaders wouldn’t discuss specifics about what is now holding up negotiations.

Earlier this week, the lead budget writers in the House and Senate said they were focused on ensuring the state government would not shut down July 1. They alluded to having a backup plan in mind in case they can’t reach a deal before the June 30 deadline, but they wouldn’t share details.
“Of course we have a backup plan — we always have a backup plan,” said Sen. John Braun, R-Centralia and the lead Senate budget writer. “But that’s not what we should be focused on. We should be focused on getting the job done on June 30."

On Wednesday, Inslee said he would veto a temporary budget aimed solely at keeping the government running for a few extra days until lawmakers reach a deal. He called the idea of a 30-day temporary budget “unacceptable.”

“They do not need more time to get this job done,” said Inslee, adding he’s been “very clear” on that. “They’ve had months to do this.”

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