

Gov. Jay Inslee wants to tap nearly \$1 billion in state reserves to solve school-funding crisis

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Washington Gov. Jay Inslee talks to reporters, Thursday, Dec. 14, 2017, after unveiling his supplemental budget proposal at the Capitol in Olympia, Wash. Inslee proposed tapping the state's reserves to meet a final timeline required for Washington state to comply with a state Supreme Court mandate on education funding, and said he wants a new tax on carbon emissions from fossil fuels to ultimately backfill that withdrawal. (AP Photo/Ted S. Warren) Ted S. Warren AP

Washington Gov. Jay Inslee says lawmakers should use \$950 million in the state's reserves to meet the final demands of a state Supreme Court order to fully fund public schools.

Inslee also said the Legislature should later replenish those reserves by implementing a tax or fee on carbon emissions.

The plan was unveiled as part of Inslee's supplemental budget proposal at the Capitol on Thursday. The supplemental budget tweaks the current \$43.7 billion two-year spending plan approved during the 2017 legislative session.

The governor traditionally makes his budget proposal first. House and Senate leaders will pitch their own plan when the Legislature is in session. Lawmakers are scheduled to reconvene in January.

At the top of their to-do list is full compliance with the Supreme Court's 2012 McCleary ruling, which said the school system was unconstitutionally funded.

Legislators have worked since 2012 to meet various aspects of the order and poured billions into public schools in the process.

Earlier this year, lawmakers approved \$7.3 billion in new state spending over four years to comply with the state's largest remaining McCleary task — taking on the full cost of teacher and school administrator salaries.

Those salaries have been paid for in part by local property-tax levies.

The Legislature approved a new statewide property tax to raise the necessary cash. Lawmakers also passed a plan to reduce how much local levy money can be raised for basic education.

The court said in November those reforms — along with others implemented since 2012 — were enough to comply with the ruling but that they don't come fast enough to meet a Sept. 1, 2018 deadline.

That's because the Legislature's most recent changes are phased in. Most of the money from the new state property tax is expected to kick in for the 2019-2020 school year.

Inslee proposed using the reserves as a one-time fix aimed at fully funding the salary reforms for the 2018-19 school year, which begins in September.

"We want to make sure we start on time," Inslee said Thursday.

Inslee's plan would later put about \$1.5 billion back into reserves with a carbon tax. Details of how that tax would be implemented are expected to be released by the governor's office sometime in January.

Inslee has long argued the Legislature should pass some form of tax or fee on carbon emissions, but he has been stymied, in part, due to Republican opposition.

The path should be easier for Inslee in 2018 as Democrats now own narrow majorities in both chambers of the Legislature after wresting control of the state Senate from the GOP in a recent special election.

Some remain skeptical a carbon tax can win the votes of centrist Democrats.

Republicans pushed back against Inslee's McCleary plan and budget proposal on Thursday.

Sen. John Braun, R-Centralia, said in a statement he was concerned a carbon tax would hurt businesses. Braun is the ranking Republican in the chamber's Ways and Means fiscal committee.

He also opposed how Inslee would use the so-called "rainy day" fund to help balance his budget proposal in later years of the plan. State law requires budgets to balance over four years, even though the state only approves two-year budgets.

Inslee's proposal draws on the rainy-day fund, which typically requires 60-percent approval from the Legislature, in the second half of the four year plan.

Braun also cautioned against drawing too much from general reserves, which have fewer restrictions.

"It's important that we show discipline by keeping a sizable balance in the 'Rainy Day Fund' and budget reserve so we can weather an unexpected economic downturn or state revenue drop," Braun said.

Braun said he was "encouraged" by some parts of Inslee's proposal, namely that the governor didn't make changes to the property-tax plan approved in 2017 to pay for McCleary.

After the taxes passed this year, Inslee almost immediately began campaigning to replace them with other taxes he favored, such as a capital gains tax.

Braun has advocated for reducing some of the property taxes by using recently projected increases in state revenue.

Top Democrats praised the plan in general terms but did not say whether they endorsed it as their preferred approach to the 2018 session.

Sen. Christine Rolfes, a Democrat from Bainbridge Island and the chief budget writer in the chamber, said Inslee's proposal was "a realistic approach that will guide the Legislature as we work to put people first with a balanced budget delivered on time."

The governor's budget plan also would spend more than \$100 million on the state's mental health system, among other boosts in spending.

Washington has been facing pressure from federal courts and federal regulators to improve safety and capacity problems at Western State Hospital, an 800-bed psychiatric facility.

The changes are also paid for by reserves, boosted by the projected increases in state revenue.

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