

## 2017 Legislative Session Budget Recap

The 2017 Legislature finally adjourned on Thursday, July 20; it was the longest in state history! The legislature was able to agree to an Operating Budget and get it signed by the Governor in the wee hours of July 1, narrowly avoiding a State Government shutdown. However, they did not come to an agreement on the \$4.2B Capital Budget. This budget has critical investments for our state in terms of school construction (both in K-12 schools and in higher education), as well as the Housing Trust Fund for affordable housing, and local infrastructure for cities and non-profits. The Governor will call them back for this vote if and when leadership on both sides can come to an agreement on the bill dealing with water rights and the Hirst decision made last year by the State Supreme Court.

Here are some highlights from the \$43.7B 2017-2019 Operating Budget, which was approved by the House (70-23) and the Senate (39-10):

- Funding came from:
  - A property tax increase of 81 cents/\$1,000 of assessed value. This is an increase from \$1.89 to \$2.70/1,000 and is dedicated to fulfil the McCleary decision and fund K-12 education, but no offset or relief was made for lower and middle income homeowners.
  - \$1.5B was taken from the Rainy Day Fund, so this amount will have to be replenished beginning next session.
- Tax Reforms that were approved:
  - The tax exemption on bottled water was repealed, worth \$117M.
  - The tax exemption for 'big oil' regarding extracted fuels by oil refineries was repealed, worth \$49M.
  - An extension of the business and occupation tax to out-of-state retailers that sell to Washington State customers. This will bring in \$24M.
  - The Marketplace Fairness Act was included in the final budget, which levels the playing field by repealing the exemption on out-of-state retailers in terms of sales tax. This will bring in \$1B.

In addition to these revenue and tax reform issues, the legislature added or extended another 13 tax breaks. Gov. Inslee made a controversial but courageous veto of section 2 of SB 5977 that in essence would have reduced the business and occupation tax by \$39M to manufacturers in our state.

Here are some human service funding highlights in the Operating Budget:

- \$102M for mental health programming (far from what is needed)
- The Temporary Aid to Needy Families (TANF) monthly grant program was increased by 2.5%, restoring what was cut years ago. This in effect will add another \$15 to the monthly grant for a family of four.
- Funding for the Office of Civil Legal Aid was increased by \$4.8M.
- No cuts were made to the Housing & Essential Needs and Aged, Blind, & Disabled (HEN/ABD) programs.
- \$250K was provided for the Farm to School & Small Farm Direct Marketing programs at the state Department of Agriculture.
- A new department of state government has been created: the Department of Children, Youth, & Families. This is the result of years of bipartisan work.

Funding for K-12 public schools was increased this session by \$7.3B over a four-year period. Since this was meant to fulfill a State Supreme Court mandate (the McCleary decision), a legislative report on this budget allocation will be sent to the Court. Their response to this will be critical and should come sometime this fall.