



The Third Way Budget



Funding Our Shared Priorities Without Raising Taxes

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Economic Facts



State tax revenue is growing

- \$5 billion more for 2025-27
- 7.6% increase from this biennium

Caseloads have flatlined or decreased

- K-12 enrollment still below 2019 levels
- 150,000 fewer Medicaid clients compared to 2024
- Prison population 4,000 lower than pre-pandemic levels

Non-partisan estimate of shortfall has declined

- Now \$6.6 billion compared to \$6.7 billion calculation from December



The Budget is a Moral Document Reflecting the Values of Our State

***Let's Look at Three Ways
to Solve the Shortfall***



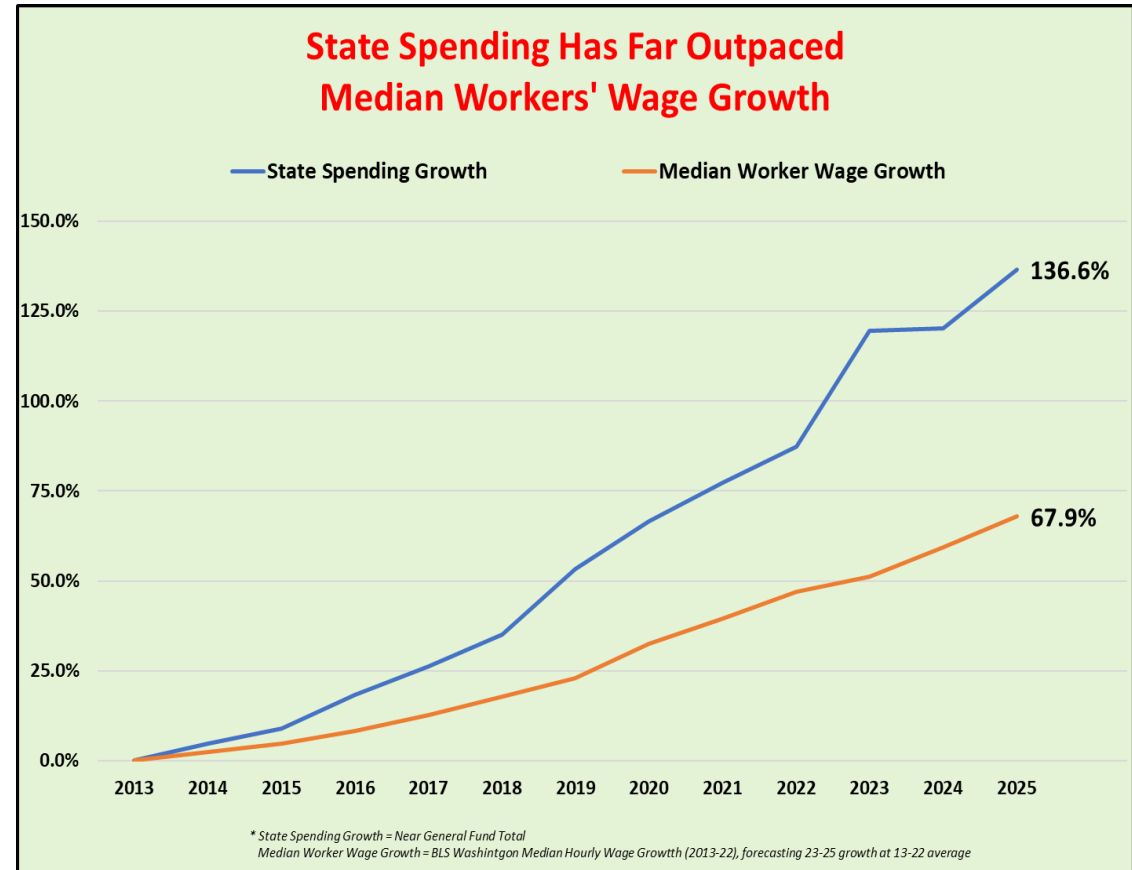
The First Way: New Taxes

Grow Spending Rapidly, Raise Taxes Substantially



Inslee *new-taxes* budget:

- \$79.5 billion (\$7.5 billion increase)
Would be ***fifth consecutive*** budget with double-digit percentage spending hike
- \$13 billion of ***new*** taxes over 4 years
- 500+ pieces of ***new*** policy spending
- 2,275 ***new*** state employees





The Second Way: Slash & Burn

Inslee "Book 1": An Unserious Proposal



- Inslee “No New Revenue” proposed eliminating:
 - Low-income maternity support & post-partum coverage
 - Hospice care
 - Pharmacy benefits
 - Children’s Health Care Coverage
 - Childcare programs for low-income families
 - Over \$1 billion in reductions to higher education
- ... while approving \$4 billion in ***pay raises and benefits***



Now... A Third Way



Create a balanced budget that funds our shared priorities without new taxes

Priorities all Washingtonians can support:

- 1. Fully fund our K-12 school system**, with a focus on achieving positive, objectively measurable outcomes.
- 2. Prioritize services and supports for our most vulnerable residents**, including children, seniors, and those in crisis.
- 3. Make government work better**: efficiencies and reforms to get better bang for taxpayer dollars.



The Proposal



- **Structure**

- Reasonable growth: \$75.6 B spending, **5% growth**
- Preserves “rainy-day” fund: Priority for Treasurer Pellicciotti
- Stays within forecasted revenues: Priority for Governor Ferguson

- **Results**

- After 6 years of decline, K-12 finally gets **larger** share of budget
 - Increases funding for paramount duty by \$2 billion
 - State per-pupil funding = \$15,811 per student
- Preserves and maintains services for WA’s most vulnerable residents



K-12 Education



Invest in Students, Honor Educators

*State Per Pupil Funding rises to \$15,811,
up roughly \$800 from current budget*

*\$2 billion
increase
from 2023-25*

Proposal	Inslee Tax Budget
44% share of budget	42% share of budget
No reduction to K-12 basic education	Eliminates National Board Bonus for Teachers
Increase to MSOC (Materials, Supplies, Operating Costs) and Special Education (\$200 million each over 4 years)	None

- Reform: Invest in addressing chronically absent students
- Efficiencies: Pare back OSPI grants and cap growth in Transition to Kindergarten program



Higher Education



Maintain Affordability, Increase Access

Proposal	Inslee Tax Budget
1,800 new slots for resident undergrads	No New Slots
'Right-sizes' financial aid for career students (<i>eligibility through 125% of credits needed to graduate, not the 150% passed in 2024</i>)	No Reform

- Affordability: Maintains statutory tuition limit, unlike recent proposal by Senate Democrats (SB 5785) that would raise tuition by \$700 annually for families
- Efficiencies: Evergreen State College funded at per pupil average of other regional colleges, rather than \$10,000 per pupil higher



Prioritizing our Most Vulnerable



- Overarching priority is to **preserve and maintain services**
- We accomplish this by forgoing proposed spending increases
 - Saves \$1.7 billion by holding off on “layaway” items (new policies yet to take effect)
 - Saves \$1.1 billion by not approving pay increases for social-service providers*

**Most providers have seen rate increases of 30-50% over past 4 years*



People with Developmental Disabilities



Preserve & Maintain Services

Proposal	Inslee Budget
No loss of hours/eligibility for families and loved ones receiving services	Same
Keeps Yakima Valley School open for respite and certified nursing care	Would have paid <i>more</i> to close Yakima Valley School

- Reform: Closes Rainier School, saving \$35 million over 4 years; its 60 clients (down from 330 a decade ago) to be served in community, with enhanced supports



Senior Citizens

Preserve & Maintain Services



Proposal	Inslee Budget
No reduction to hours or eligibility	Same
Backfills loss of federal funds for Meals on Wheels	Same

- Efficiency:
 - Dial back DSHS indirect charges (\$24 million in savings / 4 years)



Behavioral Health & Drug Addiction



Preserve & Maintain Services

Proposal	Inslee Budget
No reduction to hours or eligibility	Same
More funding for drug treatment, less for “harm reduction”	No

Efficiency:

- Aligns civil commitment beds with projected occupancy (saves \$77 million / 4 years)



Health Care

Preserve Services, Eliminate Unnecessary Expenses



Proposal	Inslee Tax Budget
No reduction to service or eligibility	Same
Stop paying Medicaid premiums for people who live outside Washington	No
Actuarially allowed 1.5% rate adjustment for funding of Managed Care Organizations (saves \$90 million)	No
Move to fee-for-service delivery model for undocumented adults, and those in Aged, Blind, Disabled program (save \$310 million)	Partly
No	Reduce hospital reimbursements



Childcare & ECEAP

Preserve & Maintain Services



Proposal	Inslee Tax Budget
Freezes childcare rates after 4 years of growth (state-funded increases have averaged 64%)	Funds 28% rate increase at a cost of \$909 million
Freezes income threshold for subsidized childcare at \$80,000 for family of 4, rather than raising it to \$100,000	Same
Forgoes ECEAP becoming entitlement	Delays entitlement by 4 years

- Efficiency: **Saves \$1.5 billion** by maintaining existing policies and rates
- Reform:
 - WA ranks 38th worst in US for regulatory burden on childcare providers, driving up costs and driving out providers. The \$ave Washington budget assumes passage of SB 5416, to reduce state regulatory barriers and lower providers' cost of doing business.



Welfare & Economic Services

Ripe for Reform



Proposal	Inslee Tax Budget
Restores accountability for people receiving public assistance, disqualified those who repeatedly fail to comply (saves \$76 million)	No
12-month freeze on enrollment in state-only immigrant welfare programs, following sizable growth (saves \$190 million)	No
Forgo new policies yet to take effect (saves \$210 million)	No



Public Safety

Small Investments, Big Payoff



Proposal	Inslee Budget
Grants to increase law-enforcement hiring (SB 5060: \$100 million per biennia, ongoing)	No, but Gov. Ferguson priority
Address state toxicology lab backlog (\$5 million)	No, but Gov. Ferguson priority
Loan repayment, public defenders & prosecutors (\$5 million)	No
Continue electronic notification technology for domestic-violence victims (Tiffany Hill Act, \$2 million)	No
Body scanners at Monroe & Walla Walla penitentiaries (\$12 million)	No



Corrections & JRA

A Better Approach



Proposal	Inslee Tax Budget
JRA: Policy bill (SB 5278) to set safe operational capacity; if exceeded, offenders with sentences past age 25 are sent to adult prison (<i>no</i> budget cost)	JRA: Spend \$60 million over 4 years to open 48-bed unit at Stafford Creek
<u>Corrections:</u> Close underutilized state facilities	
(a) Prison: close women's prison near Belfair, consolidate with Purdy women's prison (saves \$40 million)	Yes
(b) Work Release Centers: system at 46% occupancy due to effect of Blake ruling; close 6 centers (saves \$70 million)	Closed 3 centers

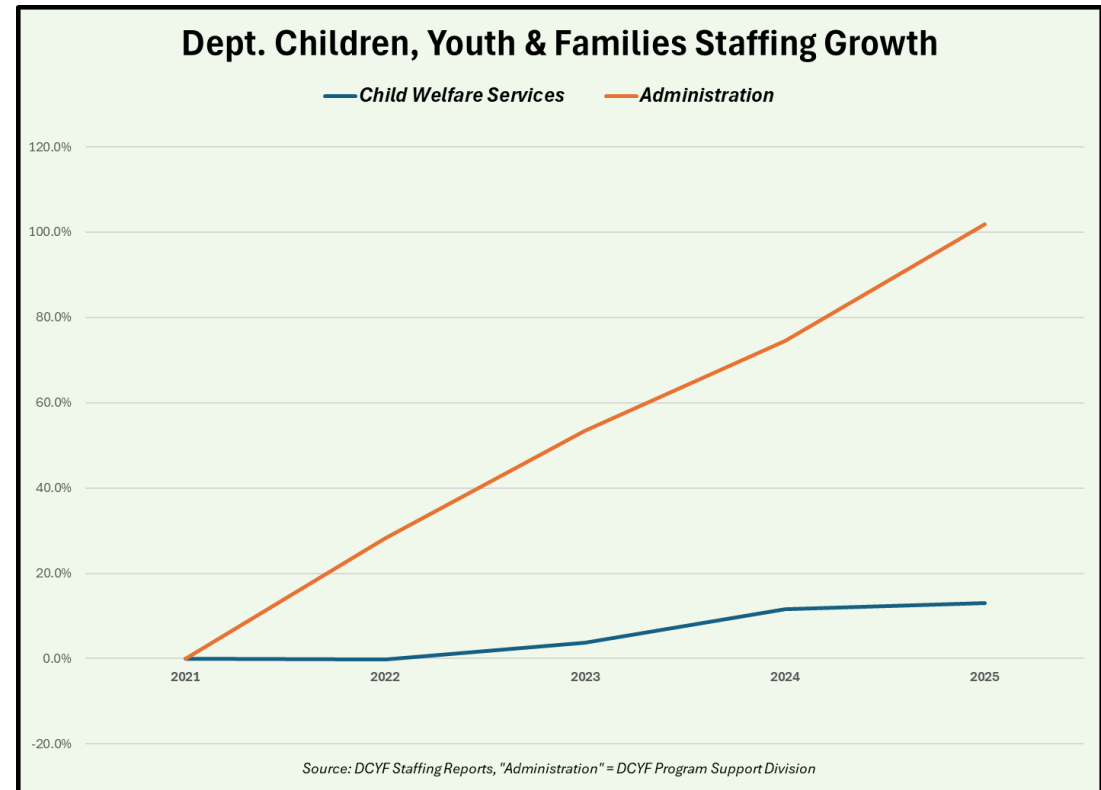


DCYF Child Protective Services

Increase safety for our most vulnerable children



- Proposes reducing DCYF ***administrative*** staff, which has doubled in 5 years
- Repurposes savings toward hiring 125 ***more front-line staff*** for Child Protective Services





Natural Resources

Maintain Public Access & Participation



Proposal	Inslee Tax Budget
Maintains existing state park fees	Yes, but SB 5390 proposes to raise fees by 50%. Fiscal note projects higher fees will cause 15% decline in public use of state parks.
Maintains existing hunting & fishing license fees	Yes, but SB 5583 proposes to raise fees by 38%. Fiscal note projects higher fees will cause 11% decline in fishing & hunting licenses sold.

- Prioritize Existing Resources:
 - Help families afford higher cost of living caused by Climate Commitment Act by using CCA to fund the Working Families Tax Credit rather than general fund (saving \$560 million over 4 years). RCW 70A.65.260 (CCA) explicitly provides for this use.



State Employees

A More Rational Proposal



Proposal	Inslee Tax Budget
<u>\$5,000 bonus for employees</u> (costs \$420 million)	Fund pay raises negotiated by former governor
Increases share of health-care insurance premium paid by PEBB & SEBB members -- Going to 20%, from 15%, but still below national average for public & private sector	No Maintaining 15% share would cost <u>over \$1 billion over 4 years</u>
No	12 furlough days per year, for 2 years (Gov. Ferguson)



Tightening the State's Belt

Following Gov. Ferguson's Lead



Proposal
<p>Legislative Branch: 6% reduction <i>Lead by Example</i></p> <p><i>Require 3% of executive branch agencies without direct client caseloads (ex./ Office of Governor, Lt. Governor, Sec. of State, Ecology)</i></p>
<p>Higher Education: 1.5% reduction</p> <p><i>Directed to prioritize savings in travel, personal service contracts, and goods & service purchases</i></p>
<p>K-12, Public Safety, and Social Service Agencies: Exempt</p>
<p>Reduces middle management by 10% (\$195 million savings over 4 years)</p>



Better Prioritize Existing Resources

Before turning to taxes, use existing assets



Proposal	Inslee Tax Budget
Repurposes part of surplus from pension fund closed to enrollment since 1977 (\$2.5 billion)	Yes, although it spends half of surplus <i>into another pension plan</i> Senate Democrats (SB 5085) would spend nearly all of surplus on <i>new benefit for retirees</i>
Look at surpluses in accounts outside of general fund (\$850 million)	Largely same
Pays for Working Families Tax Credit through Climate Commitment Act, as authorized by CCA (\$560 million savings to general fund)	No
Tobacco Settlement (\$360 million)	No, but in Gov. Ferguson proposal



The Third Way

It's Not Magic . . . It's Restraint



- **Forgoes Proposed Increases:** **\$5.8 billion**
 - Do not fund state employee pay raises: \$3 billion
 - Do not fund social service pay increases: \$1.1 billion
 - Forgo “layaway” policies yet to take effect: \$1.7 billion
- **Prioritizes Existing Resources:** **\$4.3 billion**
 - Pension plan (LEOFF) surplus, Climate Commitment Act, Tobacco Settlement, and surpluses outside General Fund
- **Efficiencies & Reforms:** **\$3.9 billion**
 - Smarter Way of Doing Government



Summary

Funding our shared priorities without new taxes



- **Affordable:**
 - *Reasonable 5% budget growth*
 - *Does not increase tax burden on Washingtonians*
- **Reflects Priorities of Washingtonians:**
 - *K-12: \$2 billion increase, larger share of budget*
 - *Preserves services and supports for most vulnerable*
 - *Replete with efficiencies & reforms people expect*



Questions

Contact Information

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