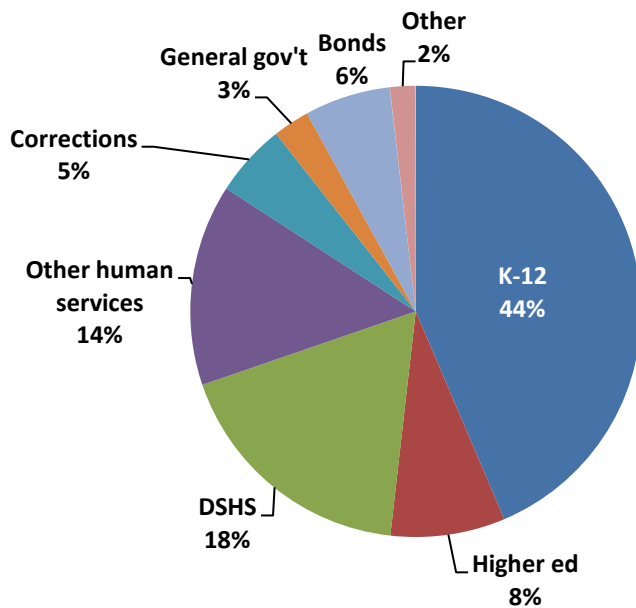


Washington State Budget 101

2011-13 General Fund Budget (\$31 billion)



What's the General Fund?

Every 2 years the legislature and Governor adopt a budget.

The General Fund Budget is based on state tax revenues.

In addition to the General Fund, the state receives money from the federal government for specific services, such as Food Stamps, Medicaid, and children's health.

The state also has separate budgets for transportation, funded by gas tax, and capital construction.

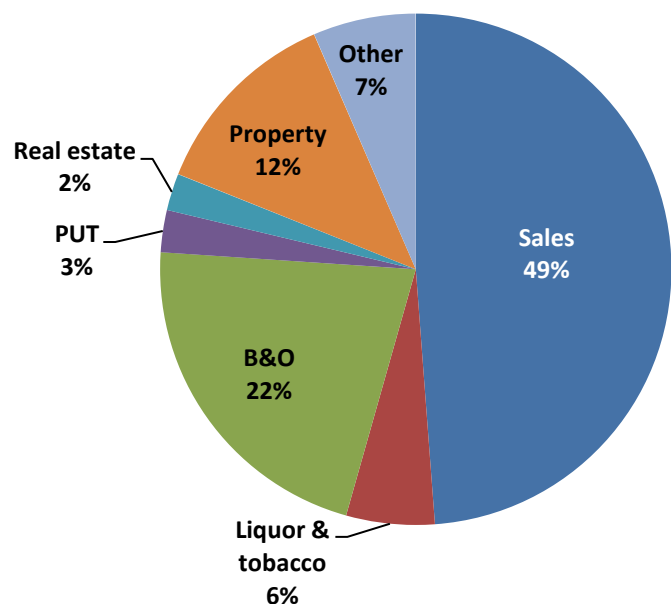
Budget Revenue by Source

Where does revenue come from?

Sales tax funds half the budget. The state collects 6.2% on sales of most goods, construction and repair services. Local governments collect additional sales tax.

Businesses taxes include the Business & Occupation (B&O) and Public Utilities Tax (PUT).

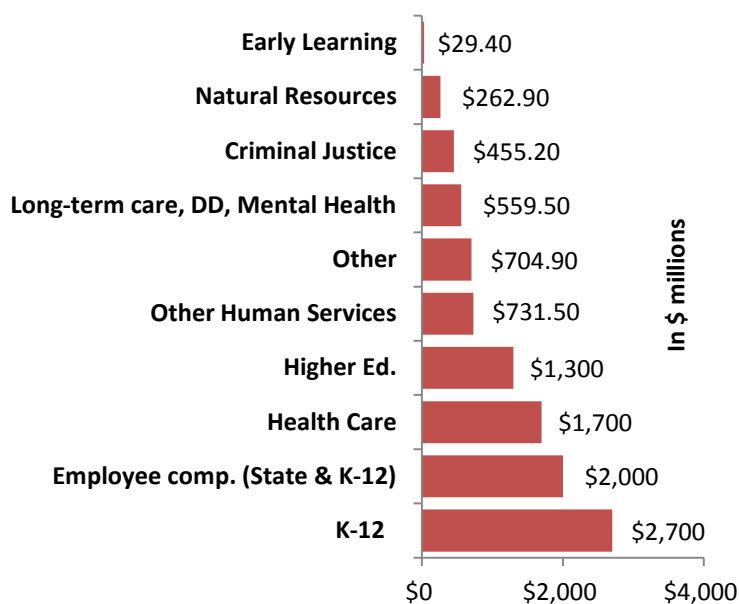
Property taxes mostly fund services in local communities, but about 20% goes to the state to support public schools.



Budget Cuts Since The Great Recession

The recession has taken a big toll on jobs and family incomes – and on public revenue. The state has mostly cut services, not raised revenue, resulting in \$10.5 billion in cuts. (Note: Federal aid in 2009-10, rainy day funds, and fee increases prevented deeper cuts.)

WA STATE BUDGET CUTS IN \$ MILLIONS, OVER 3 YEARS



Source: Governor's 2012 Supplemental Budget Proposal Highlights

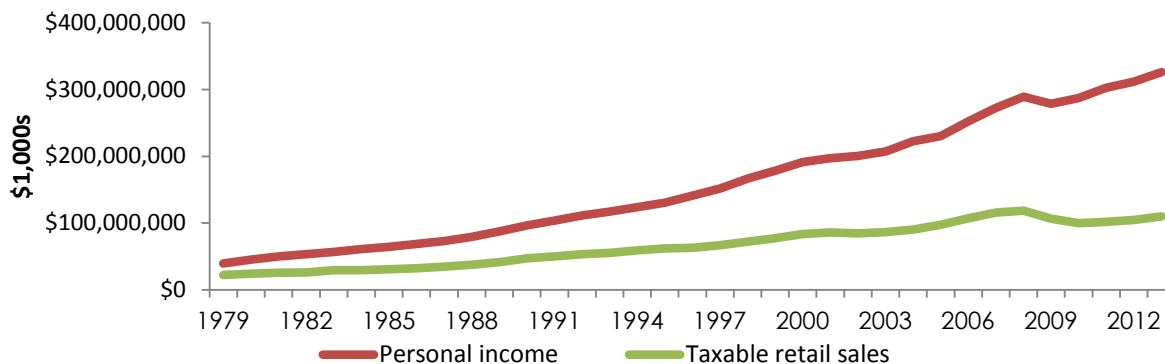
Cuts from 2009-11 include:

- **K-12 education:** Elimination of student achievement funds & teacher cost of living adjustments; 7,000 fewer K-12 employees.
- **Higher ed:** 4-yr college funding reduced 40%, 2-yr reduced 20%, with large tuition increases.
- **Health care:** 60,000 cut from Basic Health.
- **Children's services:** Fewer children receiving health, childcare, and other services.
- **Elder care:** Reduced home-care hours for vulnerable seniors and disabled.
- **Cuts to state agencies:** Consolidation of state agencies, elimination of jobs.
- **State employees:** Mandatory furloughs and higher contributions for health insurance.

Washington's tax code guarantees future revenue shortfalls

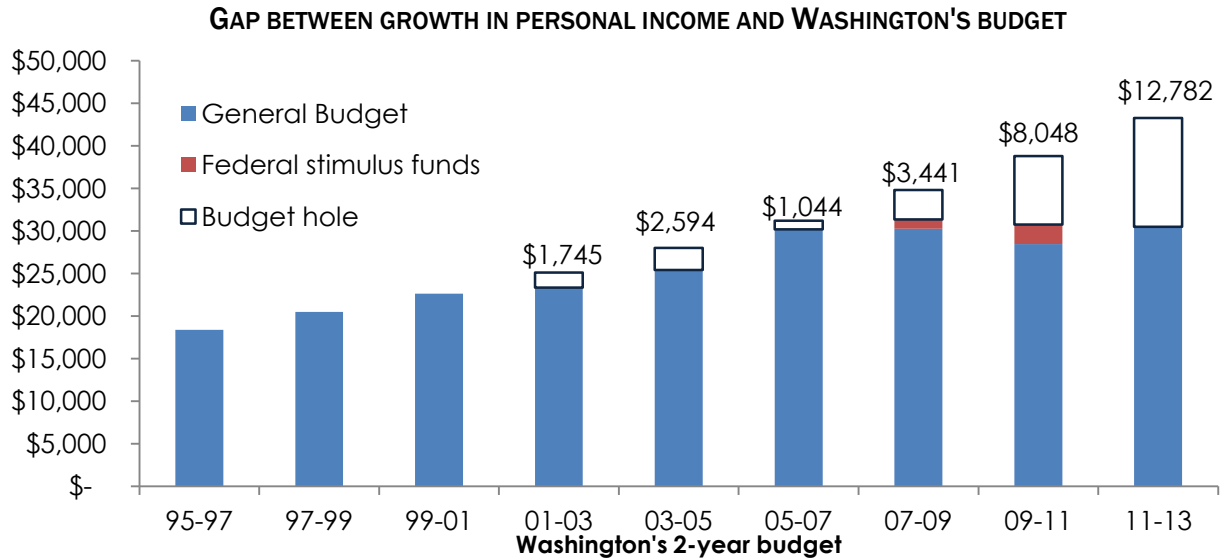
Because of Washington's heavy reliance on the sales tax, budget revenue doesn't match growing needs for education, health care and other public priorities. People are spending more on services, which are mostly not taxed, and buying more over the internet, mostly tax-free. Even as population and incomes go up, sales tax revenue does not keep up with the need for state services.

GROWTH IN PERSONAL INCOME VS. GROWTH IN SALES SUBJECT TO SALES TAX, WASHINGTON, 1979-2012



Sources: U.S. Bureau of Economic Analysis and Washington Economic and Revenue Forecast Council

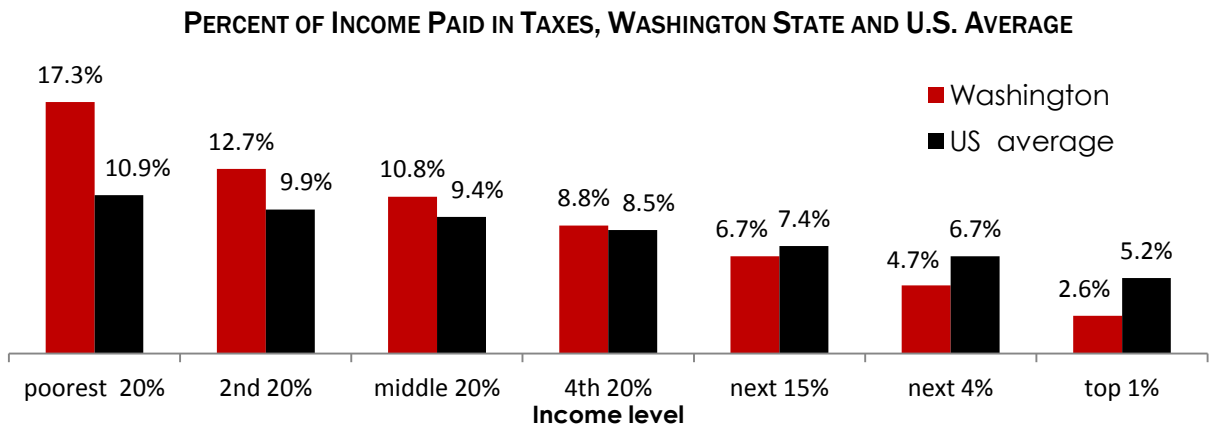
If Washington's budget had grown at the same rate as personal income in the state over the past decade, the 2011-13 budget would be \$13 billion higher – that would pay for a lot more teachers, lower college tuition, and better protection of the most vulnerable.



Sources: WA Economic and Revenue Forecast Council and state budget documents.

The Equity Gap: Lower tax rates for higher incomes

Most states have an income tax that makes their tax system more equitable across all incomes and better ensures public revenues keep up with population and economic growth. That means other states have been able to invest in their people and public structures, while Washington has fallen behind. **Washington's rank in K-12 spending fell from 34th to 45th** compared to state personal income from 1998 to 2009, according to the U.S. Census Bureau.



Source: Institute for Taxation and Economic Policy

What Can We Do Right Now?

More Scrutiny of Tax Breaks

While the legislature deals with budget gaps by cutting public schools, home health care for vulnerable seniors, preschool for low-income kids, and access to college, 100s of tax breaks for profitable corporations go unexamined. Not all tax breaks are bad, but when basic services are on the chopping block, tax breaks need to be prioritized.

Ending out of date and low priority tax breaks both addresses the current revenue shortfall caused by the recession and, once the economy recovers, can help fund educational and other improvements to keep our people and state healthy and competitive.

WHICH IS MORE IMPORTANT?

\$44.5 MILLION	Basic Health Plan for 35,000 people	<i>or</i>	Sales tax break for securities trading, financial planning & investment advising	\$47 MILLION
\$50 MILLION	Safe child care for kids of low-income working parents	<i>or</i>	Bank tax deduction for profits on home mortgages	\$51 MILLION
\$112 MILLION	Class-size reduction in grades K-4	<i>or</i>	Sales tax exemptions on high tech construction and custom software	\$111 MILLION
\$90 MILLION	Disability Lifeline medical program for disabled adults	<i>or</i>	Deduction for investment income of non-financial firms (over \$250,000)	\$88 MILLION
\$50 MILLION	Personal care hours for seniors and disabled people	<i>or</i>	Sales tax exemption for non-organic sprays and fertilizers	\$45 MILLION
\$160 MILLION	Access to higher education	<i>or</i>	Sales tax exemption on jet fuel for interstate trips	\$139 MILLION