



2012 Session Report

Dear Neighbors,

Thank you for allowing me to represent you in the Washington State Legislature. It's an honor and a privilege. This year was pretty "special." There's nothing like a little drama to spice up a legislator's life. This session had it all: defections on budget votes, protesters requiring hearings to be shut down, people being arrested, and a sleep-over to end the session.

Please read on for my take on the regular 2012 legislative session, as well as the special sessions that came before and after it. As chair of the Ways and Means Committee, I served as the chief budget-writer in the House, and my focus is concentrated on the big issues around the budget and the financial outlook for state government.

I'm now back in my district office in Bellevue, and I encourage you to call or visit.

Sincerely,

A handwritten signature in green ink that reads "Ross Hunter".



Keeping in touch

Committee:

Ways and Means (Chair)

Bellevue Office:

1611 116th Ave. NE, Suite 206
Bellevue, WA 98004
(425) 453-3064

Olympia Office:

315 John L. O'Brien Building
PO Box 40600
Olympia, WA 98504-0600
(360) 786-7936

E-Mail:

Ross.Hunter@leg.wa.gov

Toll-Free Hotline:

(800) 562-6000

TDD (for hearing impaired):

(800) 635-9993

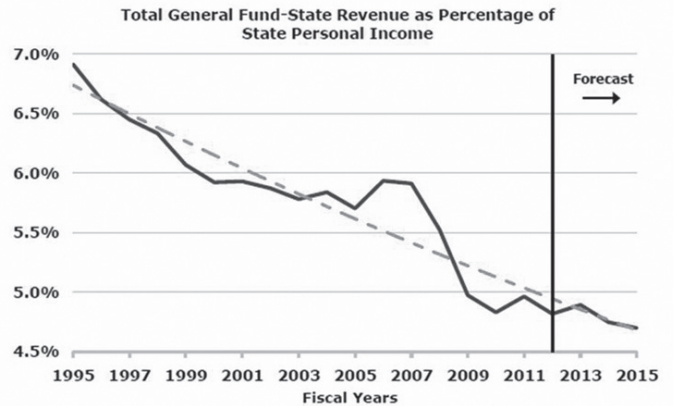
Website:

[www.housedemocrats.wa.gov/
roster/rep-ross-hunter/](http://www.housedemocrats.wa.gov/roster/rep-ross-hunter/)





As chair of the Ways and Means Committee, Rep. Hunter leads the House budget-writing team.



*Current definition of Revenue Act
Source: ERFC; data through FY 2011, February 2012 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Overview

We left the 2011 regular session with a budget that most neutral observers thought was a pretty reasonable product. It was balanced and had a healthy reserve of more than \$700 million. The final vote was a bipartisan one, with significant participation from Republican Senate members. Since then we've had pretty substantial declines in our revenue projections due to the economy, and we faced about a \$2 billion projected shortfall coming into the December 2011 special session.

In that session, we solved about \$500 million of the problem, leaving about \$1.5 billion to fix in January. We got good news in the updated forecasts, reducing the problem to about \$1 billion, which we addressed in this year's supplemental budget. Our negotiating process was bipartisan, as was the final voting pattern.

The budget has no cuts to education. This means early learning, K-12, and higher education were left whole. This is a miracle, and was not accidental. I felt strongly that in light of the Supreme Court decision on school funding, we could not in good conscience make reductions here – and as the budget committee chairman, my opinion was able to prevail.

We worked very hard to preserve a functioning safety net, including maintaining healthcare for 50,000 people that was eliminated in the governor's initial proposed budget and in the Senate Republican budget.

The final package included several **reforms** that will help stabilize the budget in the long run:

- A significant **reduction in early retirement pension provisions** for new state employees, saving \$1.3 billion over 25 years. This is on top of almost \$10 billion in (25-year) savings implemented in the past few years.

- A new **balanced budget requirement** for both the current and the subsequent biennium. The important reform here is the creation of a new process for producing long-term outlooks with assumptions that will be clear and adopted by the Legislature.
- Increased **transparency in school employee health-care purchasing**. We spend \$1.2 billion on this annually and it has been very opaque.

Like any budget chairman I worry all the time. Did we leave enough ending fund balance? Will the economy recover, or will Europe repeat the Great Depression, dragging us down with them? Did we not understand some big driver in our case-loads that all of a sudden turns around? **Despite my worrying, we made a good set of decisions, and the budget is much better than I would have expected in the fall.**



Rep. Hunter talks over ideas with Reps. Reuven Carlyle, D-Seattle, (left) and Glenn Anderson, R-Fall City, (right).

Long-Term Outlook

As part of our efforts to resolve the budget difficulties we made significant long-term changes in how the state operates.

- In the past decade, the state’s population has increased by more than 1 million people. We’ve gained a congressional seat, so we are growing faster than other states. But the number of **general government state employees per state resident has declined 13.4% over the past decade**, and that’s before more than 1,000 FTEs were eliminated in this budget.
- Last year we required the governor to regularly consider **outsourcing of various functions**, mostly administrative. The state printer comes up all the time; we’ll be taking a serious look at it this year.
- In the past several years, we’ve adopted **more than \$11 billion in 25-year savings in the pension system**. As a result of these changes and responsible actuarial work we have one of the best-funded pension systems in the country (#3).
- **Initiative 728 was repealed**. Our rewrite of the basic education funding model makes better use of the money than the original initiative did, which mandated K-12 class-size reductions, and leaving it in place resulted in double-counting in future biennia. This decision was painful to me personally, but we will make better use of the money in “basic education,” and the school community agrees with us on this.

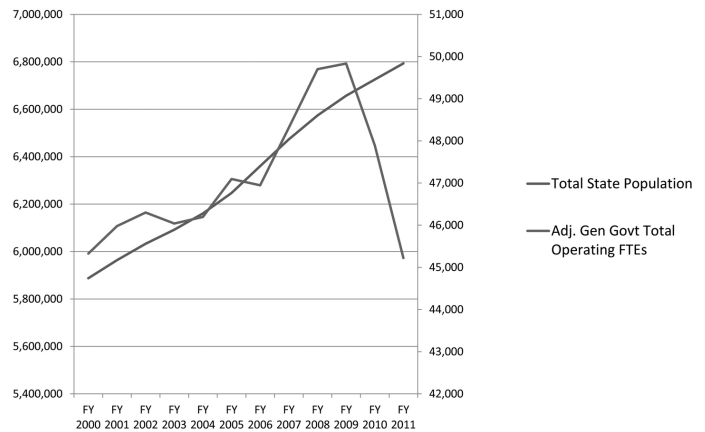
The budget we adopted meets the “balanced” test that’s part of the new balanced budget requirement, both in this biennium and in the next. But there remain some deep structural concerns about our revenue system.

- Revenue as a percent of the economy has declined significantly over the last few years.
- We are paying the **lowest state tax rate since at least 1962** (when we started keeping comparable records).
- We are back to the **same per-capita general fund spending** adjusted for inflation as we had in **1986**. Most of our medical costs have increased much faster than inflation in the years since then.

Our long-term expenditure model makes for some serious concerns as well – concerns that will have to be addressed in the next few years.

- In the **McCleary decision**, a unanimous state Supreme Court held that we were not meeting our constitutional requirement to adequately fund our education system.

State Employee Totals 2000-2011



Between now and 2018, we will need to come up with \$1.5 - \$2 billion per year in new money to meet this requirement. This would be equivalent to 1.5 to 2 additional points on the sales tax, or we would need to seek some other solution.

- Our **population is aging rapidly**, and the number of people eligible for Medicaid-funded long-term care is exploding. We need to come up with a funding model that works; what we have today does not.
- Many people in my district are deeply concerned about our flagging investment in higher education.

Our children must have the ability to compete in the economy of the 21st century – an economy with a huge premium on higher education.

Our economy needs talented, educated workers to make it go. We are no longer a timber and agricultural state: Only 2 percent of the state’s economy is driven by the entire agriculture sector, but 8 percent comes from Microsoft alone, and another 4 percent from Boeing.

- We’re under federal court supervision for our **lack of support for the foster care system**. The outcomes here are terrible: Only 3 percent of our foster kids complete college. We can (and should) do better.

There is some good news, though: The effect of the federal Affordable Care Act will, we think, wind up about neutral on the state’s cost structure, but it will result in insurance for more than 700,000 additional people. We don’t know how to model the impact this will have on the private healthcare system, but it’s hard to imagine that there won’t be less uncompensated care in emergency rooms and hospitals – and this will result in significant savings to both the state and private hospitals and insurers, and consequently to all of you.



Rep. Hunter speaks for the 48th District to his colleagues on the House floor.

What's Next?

This summer and fall I will be working with a bipartisan group of legislators to draft a response to the Supreme Court's decision (McCleary) on school funding. Our first task is to see what the budget would look like between now and 2018 within current revenue if we shift \$3 billion from other parts of the budget to K-12, and if we can live with that. My guess is that this will be difficult and we will then look at a package that might include some new revenue.



Keeping Washington competitive as a place to live and do business isn't an equation you can solve by always cutting taxes, or by always raising them; it requires thoughtful, balanced policies that can get the support of a broad majority of voters. In our current tumultuous political environment this will be difficult to do, but I look forward to the project.