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2012 Washington State Budget: A Year of Political Earthquakes

Abstract: Washington State continues to battle a slowly recovering economy, and the budgeting decisions which the legislature is required to make remain very difficult. Some legislators see the budget solution to Washington State's current economic condition to rest not solely on budget reform and program cuts, but also on increasing revenue through new taxes. These legislators have felt unduly hampered by the 2/3 legislative supermajority vote requirement established by citizen initiative. The budget process, normally controlled by the majority caucus, became subject to intense political maneuvering and power plays so intense that the minority caucus — which historically has minimal clout during budget proceedings — ended up with significant influence. *The Seattle Times* called the situation “a political earthquake not seen in 25 years”.

Keywords: Washington State; Budget; Citizen Initiatives; Court Rulings; Changing Party Affiliation.

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1 Introduction

Washington State experienced continued budgetary challenges throughout the 2012 60-day regular legislative session and subsequently held a 30-day special session to deal with budgetary issues, followed by a 1-day special session to address remaining budget shortfalls. These challenges occasioned by ongoing revenue shortfalls put legislators in the uncomfortable position of needing to continue their budget-cutting efforts while looking for additional sources of revenue. The budget process, normally controlled by the majority caucus, became subject to intense political maneuvering and power plays so intense that the minority caucus, which historically has minimal clout during budget proceedings, ended up with significant influence. *The Seattle Times* called the situation “a political earthquake not seen in 25 years” (*Seattle Times* Editorial 2012b).

The Washington State legislature, a semi-professional, three-quarter-time legislature, meets each winter to accomplish its legislative directive of budget enactment and policy establishment. The State of Washington follows a biennial budget process, with the biennial budget commencing July 1 of each odd-numbered year and ending on June 30 the following odd-numbered year. The budget is approved during the odd-numbered year legislative session, and a supplemental budget is approved during the even-numbered year legislative sessions. The supplemental budget makes adjustments taking into account changes in revenues and spending. The 2011 legislative session passed the 2011–2013 biennial budget, and the 2012 legislature approved the 2011–2013 supplemental budget (Washington State Legislature 2012).

2 State of the Economy

According to the February, 2012 revenue forecast: “The single greatest risk to continued growth in Washington remains the European sovereign debt crisis followed by political gridlock in the other Washington. Mideast tensions are once again threatening to raise oil prices and growth in Asia is slowing dramatically. If we can avoid the fallout from these pitfalls, we can expect a modest recovery to continue with Washington narrowly outperforming the US in growth.” One of the factors in Washington outperforming the rest of the US is Washington State’s exports to the growing economies of the Pacific Rim. Over 50% of state exports are to Asia compared to about 25% of US exports going to Asia. This fact makes the economy of the state particularly vulnerable to slowdowns in Asian growth (Washington State Economic Revenue Forecast Council 2012).

While the state’s economic forecast is not the most rosy, Washington’s economic trends in general are better than those in the rest of the US, and Washington State has experienced some noteworthy signs of recovery. From 2010 to 2011, Washington added 19,600 jobs and ranked 11th of all states in non-agricultural employment growth. From 2001 to 2011, Washington generated 97,900 jobs, 5th of all states in non-agricultural employment growth. In 2010, Washington rose two spots from 12th to 10th place in per capita personal income and had the 14th highest gross domestic product (GDP). In 2011 Washington had the highest minimum wage in the nation. (Association of Washington Business 2011).

While Washington as a whole is faring better than most states, the state budget is not. The 2012 budget process started in December 2010 with Governor Christine Gregoire releasing a budget proposal that estimated a \$4.6 billion shortfall for the 2011–2013 biennium. By March, in the middle of the 2011 regular session, the

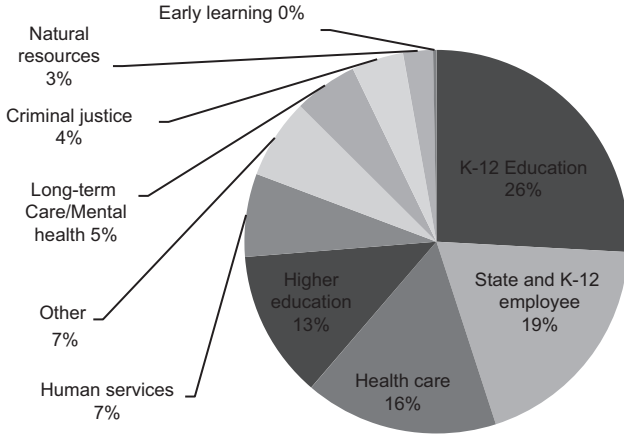


Figure 1: \$10.5 Billion in Budget Reductions Over the Past 3 Years. Source: Washington State Office of Financial Management 2012d.

projected shortfall grew to \$5.1 billion and added approximately \$1 billion more for the last half of the 2011–2013 biennium. Over 3 years the shortfalls totaled more than \$10 billion and resulted in \$10.5 billion in reductions (see Figure 1 and Table 1).

A budget shortfall does not mean the state budget will be less than the previous year (see Table 2) because the shortfall is not based on the previous year’s budget, but on projected budget growth from the previous budget. If the projected level of growth is not realized, even if the overall budget has increased it is considered a shortfall.

3 Washington State Demographics

The state unemployment rate in 2011 ranged from 9.27% to 8.78%. While the rate has fluctuated over time, the overall direction has been a decline. Even though the unemployment rate is declining, it is not expected to drop below 8% until the

Table 1: Budget Reductions Over the Past 3 Years \$-Millions.

K-12	2700	Other	705
State and K-12 Emp.	2000	L-Term care/Mental health	560
Health care	1700	Criminal justice	445
Higher education	1300	Natural resources	263
Human services	732	Early learning/Child care	29

Source: Washington State Office of Financial Management (2012d).

Table 2: Washington State Spending History (Combined Operating, Transportation, and Capital Budgets).

1999–2001	2001–2003	2003–2005	2005–2007	2007–2009	2009–2011	2011–2013
44.6B	49.5B	53.6B	60.6B	68.5B	70.4B	74.1B

Source: Washington State Office of Financial Management (2012a).

middle of 2014 and is expected to remain higher than historical norms through 2015 (Washington State Economic Revenue Forecast Council 2012). Washington is the 13th most populous state in the US, with 6.7 million people as of April 2010. The percentage by age ranges are: <18:23.5%, 18–24:9.7%, 25–44:27.4%, 45–64:27.1%, >65:12.3%. Washington ranks 6th among all states in the percentage of population in the prime working age range.

From 2008 to 2009, Washington ranked 3rd in net domestic migration, with 38,201 citizens arriving in the Evergreen state from other states and 12th in net international migration with 19,956 arrivals from other countries. In 2010 Washington had the 4th highest union membership as a share of employment and ranked 45th in home ownership. Individuals in Washington are more likely to rent than own a home (Association of Washington Business 2011).

4 Political Composition of State Government

The political privacy of voters is a key heritage of Washington. In 1922 voters repealed partisan registration, and the state does not register voters by party. Washington primaries do not automatically advance opposing party representatives to the general election as is the case in most states. Instead, the two candidates receiving the most votes regardless of party affiliation advance to the general election. This process, known as the Top Two Primary occasionally results in two candidates from the same party squaring off against each other in the general election (Clayton and Lovrich 2011, pp. 23–24; Washington State Office of Secretary of State 2012b).

While Washington considers individual privacy a key value, the state constitution and laws require a high degree of openness in government and personal disclosure for elected officials. Washington prides itself in having a transparent system of government providing broad access for citizen involvement. This openness results in its budget process being one of the more visible and public processes in the country. All legislative committee and chamber activities are broadcast live and digitally stored for unlimited future access (TVW 2012).

Political support for Democrats and Republicans is divided by the Cascade mountain range (LeLoup and Herzog 2004, pp. 189–206). The western portion of the state, which includes the Seattle area, is urban and more densely populated than the eastern side of the state, and usually supports the Democratic Party. The eastern portion of the state is more rural, less densely populated, and usually more supportive of the Republican Party. For the past decade, Democrats have controlled the political scene despite this statewide split in party support. Democrats have controlled the Senate for 9 years, the House of Representatives for 14 years, and the Governor’s office for 27 years (see Table 3). From 1999 to 2001, Democrats and Republicans were nearly evenly matched in the legislature (Benjamin and Lovrich 2011, pp. 209–212).

The partisan split has not always translated to a partisan budget process. While the 2011 House budget process was considered very partisan, the 2011 Senate budget was viewed as one of the most bipartisan in a long time. Even though the legislative makeup of 2012 was comparable to that of 2011, the highly partisan budget process in each chamber was a stark contrast.

The state population was 6.7 million people according to the 2010 census, an increase of nearly one million residents since 2000. As a result Washington gained an additional seat in congress, increasing its congressional delegation to ten members. (Washington State Redistricting Commission 2012).

While the process of redrawing congressional and legislative boundaries in most states is highly partisan, in Washington it is bipartisan by design. Until 1983, the state Legislature redrew the district boundaries. Voters, however, viewed the process as unfair and approved a constitutional amendment transferring redistricting authority to an independent Redistricting Commission. In 1991, the first Redistricting Commission comprised of five members (two from each of the majority parties, and a non-partisan, non-voting chair) redistricted the state. A redistricting plan must be approved by three of the four Commission members, and the legislature must approve the plan by at least a two-thirds majority of each chamber. Modified district boundary lines can affect no more than 2% of a

Table 3: Historical Party Control of Governor and Legislature.

Position	Majority Split	Dem Split	Rep Control	Length of	When the Current Minority Party was Last in Power
Governor	Democrat			27 years	1985 John Spellman –R
House	Democrat	56	42	14 years*	1998 Republican majority
Senate	Democrat	27	22	9 years	2003 Republican majority

Source: Benjamin and Lovrich 2011, pp. 209–212.

*1999–2001 the House was evenly split 49 Democrats and 49 Republicans.

district's population, and the Governor, by statute, cannot veto the redistricting plan (Washington State Redistricting Commission 2012).

On 1 January, 2012, the Washington State Redistricting Commission unanimously approved the latest Washington State Redistricting Plan. The legislature made modest technical corrections to the plan, and on 7 February, 2012, the redistricting plan was signed into law. The final plan did not create a new minority district that had been proposed. Instead the new 10th congressional district encompasses Shelton, Olympia, and Puyallup. The final plan was challenged based on an alleged unfair power distribution to select counties. The Washington State Supreme Court unanimously ruled that due to time constraints the redistricting plan will stand for the 2012 elections (Shannon 2012).

5 Governor-Legislature Relationship

Democrats have controlled the Governor's office and both legislative chambers for almost a decade, but the executive and legislative branches have not always seen eye-to-eye. The final enacted budgets often contain only shades of the governor's originally proposed budget, and this year turned out to followed the pattern. Prior to the 2012 budget process, Governor Gregoire announced she was not seeking another term. Governor Gregoire's "lame duck" position put her at a clear disadvantage and reduced her clout and control over the budget process. While the governor worked hard to dispel the lame duck disadvantage, she was not as effective in influencing the budgetary process in her last legislative session as she had been in the previous seven sessions.

Governor Gregoire's final *state of the state* speech called on the legislature to solve the state's budget problems with a balanced approach to reductions and new revenue sources and to establish marriage equality. To solve the budget problem, she called on the legislature to "build a better future for our children and grandchildren" (Washington State Office of the Governor 2012).

6 The Relationships between the Budget and Major Current Issues

The budget process was shaped and influenced by a number of issues. The most significant issues affecting the budget process were rising costs, revenue shortfalls, and projected shortfalls in years to come. This contrasted sharply with the

primary topics of discussion during the prior decade, which tended to focus on what new programs to pilot test and what plans for the future to implement. Those types of discussions were not heard this year. Instead, the principal focus was on what could be cut and which special interest groups would be the least likely to prevent reductions to their favored programs. The challenge to the legislature was that, in light of prevailing economic conditions, citizens were turning in droves to the state for assistance. Caseloads rose dramatically, with many Washingtonians turning to the state for assistance with health care, temporary housing, social services and public education. The use of unemployment benefits, food stamps, public assistance and Medicaid increased greatly. Due to Washington State's relatively liberal eligibility rules and generous assistance benefits, there had also been a net migration of citizens from other states in search of public assistance. Additional budgetary issues include increased pension costs and exhaustion of the state's federal stimulus funds.

The governor and legislature initially considered possible budgetary savings by reducing financial support for critical access hospitals and higher education, and increasing revenue by raising college tuition rates, diverting liquor tax revenues from cities and giving the state control of the revenues, and delaying a K-12 June 30 school payment from the state until July 1 of the next biennium. A state debt limit also affects the capital budget. The State Constitution indirectly limits the amount of debt the state can incur. Annual debt service payments are not to exceed 9% of the average general state revenues in the preceding 3 years. Because the state is so close to this limit, its ability to commit to new capital projects is restricted. This proximity to the debt limit also functions as a *de facto* balanced budget requirement, which Washington does not otherwise have.

While the Democratic legislative majority signaled that they would prefer to balance the budget with a combination of cuts and new revenue, Initiative 601, passed in 1993, requires a two-thirds vote of both chambers to raise taxes. Since the Democrats do not have a two-thirds majority and the Republican minority made it clear they would not vote for new taxes, balancing the budget through tax increases was not an option. Initiative 601 insured that cutting spending was the only way to get to a balanced budget. The legislature is bound to the intent of successful initiatives unless it acts to modify the initiative after a 2-year period. The legislature, during the first 2 years after the initiative is enacted, can amend or repeal the initiative only with a two-thirds majority; after 2 years only a simple majority is required to suspend, nullify, or amend an initiative passed by the people.

In 2010, the legislature did temporarily suspend the two-thirds threshold required by Initiative 960 and raised sales taxes statewide to close the budget gap existing at the time. In response, Initiative 1053 was filed to reinstate the

two-thirds supermajority threshold for tax increases. That ballot measure passed by an overwhelming majority of nearly 2–1 (Washington State Secretary of State 2012a).

The state has a “rainy day fund” known as the *Budget Stabilization Account*. Based on the provisions of the constitutional amendment, 1% of general state revenues are automatically deposited to the account. Dispersion of Budget Stabilization Account funds requires a majority vote of the Legislature if: (1) annual employment growth in the state is forecasted to be <1%; or (2) the Governor declares an emergency resulting from a catastrophic event that requires government action to protect life or public safety. Other withdrawals from the Budget Stabilization Account require a three-fifths vote of the Legislature.

Another major external factor that greatly affects the state budgetary process relates to the “paramount duty” provisions of the state constitution. On 5 January, 2012 the Washington State Supreme Court released its decision regarding the McCleary case (Washington State Courts 2012) finding that the Washington State Legislature is not meeting its principal obligation, as outlined in the state constitution, to amply provide for basic (K-12) education. The court held that the legislature is making progress with recently enacted reforms, but that it only has until 2018 to ensure that public schools are funded at the level required for constitutional compliance. Due to this decision, no direct cuts to K-12 programs were made during the 2012 legislative session (Reading 2012).

7 Washington State Budget Process

Washington is 1 of 20 states that operate on a biennial budget cycle. Each biennium consists of 2 fiscal years running from July 1st of 1 year through June 30th of the following year. (Snell 2010) The state operates three different, fairly autonomous budgets – operating, transportation, and capital. The operating budget, the largest of the three, is used for the day-to-day functions of state government and usually receives the most attention because it funds education and most social programs. The transportation budget, the second largest, is used for transportation purposes throughout the state such as public transit (including ferries on Puget Sound) and designing and maintaining roads and bikeways. Its principal source of revenue is the gasoline tax and federal transfers, and it is overseen by House and Senate committees featuring broad membership and a legacy of bipartisan cooperation. The smallest of the three, the capital budget, is used to maintain the state’s built environment infrastructure, including acquiring and maintaining state buildings, public schools, higher

education buildings, public lands and parks, and related land and built environment assets. (Washington State Legislature 2011) The state’s bonding assets are mixed with federal transfers and other sources in this budget; party leadership on both sides of the legislative aisle maintains strong control over this budget.

The overall biennial budget cycle ran as follows:

August 2010	Agencies submit budget requests
Fall 2010	Office of Financial Management Review & Governor’s decisions
December 2010	Governor proposes supplemental and biennial budget to Legislature
January 2011	Legislature convenes (2nd Monday of January) (105 days)*
April/May 2011	Legislature passes budget*
May/June 2011	Governor Signs budget*
1 July, 2011	Biennial budget takes effect
December 2011	Governor proposes supplemental budget to Legislature
January 2012	Legislature convenes (2nd Monday of January)(60 days)*
March 2012	Legislature passes supplemental budget*
March/April 2012	Governor signs supplemental budget*
1 July, 2012	Supplemental budget takes effect

*If the Legislature does not Complete its Work During the Regular Session it can be Called Back to Finish its Work in One or More Month-Long Special Sessions.

In December of each year the Governor proposes a balanced budget to the Legislature, one shaped by the Governors’ policy priorities. In even years, two budgets are proposed; the first is a supplemental budget to complete the current biennium, and the second is the budget for the next biennium. In odd years, only the supplemental budget is proposed. The supplemental budget represents a mid-course correction to the 2-year spending plan and is based on changes in the economy of the state, expected biennial revenue and program spending direction or needs. During the legislative session, the governor works with legislators to craft a budget to his liking.

After receiving the governor’s budget proposal, the legislature takes it under consideration as it formulates its own budget during the legislative session beginning in January. While the Governor is required to propose a balanced budget, the legislature is not required to pass a balanced budget. The chairs of the Senate Ways and Means Committee and House Ways and Means Committee work with their respective legislative members and staffs to craft a budget that will secure enough votes to pass both houses. Separate committees in the House and Senate draft their transportation portions of the budget. By tradition, the first legislative budget draft alternates between chambers each biennium. After the Senate and

House pass their versions of the budget, the differences between the two chambers must be reconciled in the budget conference process. Normally, six representatives from both chambers and both political parties meet as a conference committee to prepare the final legislative budget submitted to the full Legislature for final passage and then sent to the Governor in the form of a bill requiring her signature.

The governor may sign the bill, not sign the bill and have it automatically take effect, or use line item veto authority to nullify individual spending provisions, commonly referred to as “provisos.” The governor may use a veto to eliminate funding for certain activities, but, the governor cannot add money for an activity for which the legislature provided no funding. Once a budget is enacted, the Governor’s administrative duties include supervising agency expenditures and insuring that legislative policy directives are achieved through supervision of the Office of Financial Management.

7.1 Budget Funds

Recent budgets have differed widely. From 1999 until 2009, the total budget grew on average 11.3% each biennium (see Figure 2 and Table 4). From 2009 to 2013 the average growth has only been 4%. The three sub budgets, however, did not follow the same trend. The Operating Budget for these two groups of biennia grew 10.7% and 3.3%, respectively. The Capital Budget showed an even greater decline, going from +13.8% to –16.3% for the two groups of biennia. The Transportation Budget, due to federal stimulus funds, had an average growth rate of 16.8%–21.6% for the two groups of biennia.

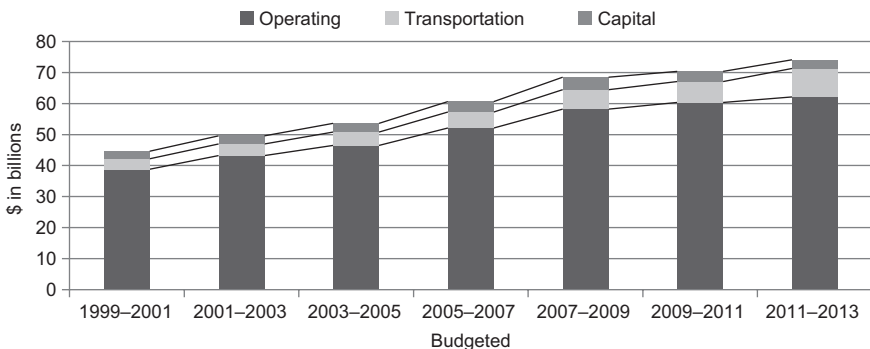


Figure 2: Washington State Spending History Budgeted State, Local, and Federal Funds.

Source: Washington State Office of Financial Management (2012b).

Table 4: Biennial Budget Totals, Washington State (\$ in Billions).

Budget	1999– 2001	2001– 2003	2003– 2005	2005– 2007	2007– 2009	2009– 2011	2011– 2013
Operating	38.8	43.2	46.5	52.1	58.2	60.3	62.1
Transportation	3.4	3.8	4.3	5.2	6.3	6.8	9.2
Capital	2.4	2.6	2.8	3.3	4.0	3.3	2.8
Total	44.6	49.5	53.6	60.6	68.5	70.4	74.1

Source: Washington State Office of Financial Management (2012b).

7.2 Agency Budgets

State operating expenditures are grouped into seven broad categories of services:

Human Services:	Mental health and other institutions, public assistance, health care, and correctional facilities
K-12 Schools:	State support for Kindergarten-Grade 12 (K-12) education
Higher Education:	Public universities, community colleges, and technical schools
Natural Resources:	Environmental protection and recreation
Transportation:	Highway maintenance, state ferry operations, and the Washington State Patrol
General Government:	Administrative, judicial, and legislative agencies
Other:	(Miscellaneous) expenses, such as the payment of debt service and pension contributions for local law enforcement, firefighters, and judges

Agency budgets have followed the same biennial trends as the overall budgets. (see Tables 5 and 6) From 1999 to 2009 agency budgets grew on average by 11.4%, and then from 2009 to 2013 on average by only 4%. If the transportation agency budgets are removed from consideration, given the influx of one-time federal stimulus funds, the resulting calculation is an average agency budget growth for the 2009–2013 period of 2.3% each biennium. From 1999 to 2009, agencies averaged a biennial budget growth ranging from 10.3% to 16.6%. The Other category grew the least at 10.3%, and Transportation grew the most at 16.6%. From 2009 to 2013 Transportation grew the most at 26.3%, the other category the second most at 8.7%, and Higher Education the least at 0.2%.

Most of the funds the state uses to pay for services come from state taxes. Washington’s major tax sources include sales tax, property tax, and the Business and Occupation (B&O) tax, which is a tax on business gross receipts rather than on profit or income. Washington is one of only seven states that does not levy a personal income tax.

Table 5: 2011–2013 Biennium Budgeted Expenditure – All Funds.

Category	Dollars in billions	% of Budget
Human services	25.7	34.4
K-12 Schools	16.4	22.0
Higher Education	11.7	15.7
Natural Resources	2.6	3.5
Transportation	9.1	12.2
General Government	5.1	6.8
Other	3.9	5.2

Source: Washington State Office of Financial Management (2012c).

Washington has also seen dramatic shifts in revenue (see Table 7) during recent biennia. Over the period 2003–2007 revenues grew by 13.9% each biennium (see Table 8). Since 2007, the biennial revenue growth has only averaged 5.3%, and the current biennium is predicted to grow by only 2.2%. Tax revenue actually dropped 3.7% from 2007–2009 to 2009–2011. Tax revenue is predicted to rebound to close to the 2007–2009 biennial levels during this biennium. During the current biennium, federal grant revenue is predicted to drop 6.4%, and License, Permit, and Fees revenue is predicted to drop 3.8%.

8 2011–2013 Biennial Budget Process

In December 2010 Governor Gregoire released her proposed 2011–2013 biennial budgets for the State of Washington (see Table 9). Her budget proposal estimated a \$4.6 billion shortfall for the 2011–2013 biennium. The governor emphasized

Table 6: Expenditure History of Total Budgeted: Operating & Capital Budgets (\$ in Billions).

Agency	1999– 2001	2001– 2003	2003– 2005	2005– 2007	2007– 2009	2009– 2011	2011– 2013
Human services	16.1	18.5	19.9	21.4	24.7	25.6	25.7
K-12 Schools	10.7	11.8	12.4	13.7	15.9	16.1	16.4
Higher Education	7.3	8.2	9.2	10.3	11.7	12.4	11.7
Natural Resources	1.4	1.6	1.7	2.0	2.3	2.1	2.6
Transportation	3.2	3.6	4.1	5.0	5.9	6.1	9.1
General Government	3.2	3.4	3.6	4.1	4.8	4.7	5.1
Other	2.5	2.3	2.6	4.0	3.3	3.6	3.9
Total	44.5	49.5	53.5	60.5	68.5	70.6	74.6

Source: Washington State Office of Financial Management (2012c).

Table 7: 2011–2013 Biennium – Projected Sources of State Revenue.

Category	Dollars in Millions	% of Revenues
Taxes	32,302	44.1
Federal Grants	19,139	26.2
Licenses, Permits, Fees	2537	3.5
Charges and Miscellaneous	19,168	26.2

Source: Washington State Office of Financial Management (2011).

Priorities of Government (or POGs) in her biennial budget proposals by protecting what she considered to be the most important programs in the operating budget and reducing or completely eliminating programs that, based on tough economic conditions, are not considered essential. Programs slated for protection include K-12 education, state health care, safety and protection of property, economic development, and efficiency in state government services.

8.1 General Legislative Session

During the 2011 legislative session, party composition in Olympia was little different from that of 2012 with the Democratic majorities in both the House (56 to 42) and Senate (27 to 22). The session started with the legislature needing to close a projected \$4.6 billion deficit. In addition to closing the growing budget gap for the upcoming biennium, the legislature had to close a \$201 million budget shortfall for the remainder of the 2009–2011 biennium. By March 2011, the midpoint of the regular session, the projected \$4.6 billion shortfall had grown to \$5.1 billion. During the 2011 regular session, legislators were unable to close the \$5.1 billion budget deficit for the 2009–2011 biennium in the 103-day session, which ran from mid-January to mid-April. Only the transportation budget was passed by the end of regular session, forcing a 30-day extended session.

Table 8: All Revenue and Other Sources (Uses) By Major Fund (\$ in Billions).

Category	1999– 2001	2001– 2003	2003– 2005	2005– 2007	2007– 2009	2009– 2011	2011–
Taxes	24.0	24.3	27.3	32.4	32.5	31.3	32.3
Federal Grants	10.7	12.5	13.9	14.3	16.8	20.4	19.1
Licenses, fees	1.6	1.5	1.8	2.1	2.3	2.6	2.5
Miscellaneous	11.0	11.4	12.9	15.7	15.7	17.2	19.2
Total	47.3	49.7	55.9	64.5	67.3	71.5	73.1

Source: Washington State Office of Financial Management (2011).

Table 9: Governor’s 2011–2013 Proposed Biennium Budget – All Funds.

Budget Category	Dollars in Billions
Human Services	23.640
K-12 Schools	16.126
Higher Education	11.262
Natural Resources	1.530
Transportation	8.117
General Government	4.057
Other	6.192
Total	70.924

Source: Washington State Office of Governor (2010).

8.2 1st Special Session Spring 2011

During difficult economic times, governments often look to “unique solutions” and even accounting “gimmicks” to balance budgets and stay in the citizens’ good graces. The 2011 special legislative session was no exception to this common practice. The session started with a debate concerning whether the legislature had to pass a balanced budget. Since the governor is required to propose a balanced budget, it was broadly assumed the legislature must pass a balanced budget. The state constitution imposes no such requirement on the legislature. This was important because balancing the budget required cutting popular programs favored by supporters of the majority party. The Democrats could get the votes to pass a substantially balanced budget, but not enough for a completely balanced budget. Moreover, they could not count on any cross-over Republican votes.

In the end, the 2011 Washington State Legislature closed a \$5.1 billion biennium budget shortfall through cuts in state services that totaled \$4.8 billion over the 2011–2013 biennium. The cuts affected primarily education, health, and social services (Chew 2011). Cuts included state salary allocations for teachers and administrative staff in K-12 Education. In Higher Education, the legislature granted universities the power to set their own tuition rates, resulting in 16–20% increases. In Public Health, the legislature continued the enrollment freeze in Washington Basic Health, the state’s subsidized health care insurance (Associated Press 2011; Schrader 2011).

8.3 2nd Special Session Fall 2011

During 2011 the budget shortfall continued to grow until it reached approximately \$1 billion more for the last half of the 2011–2013 biennium. While the shortfall

was foreseen, it did not trigger another special session until late Fall. Governor Gregoire referred to the special session in June, but she waited until September 22 to call the legislature into a November 28 special session. She described the delay as necessary to allow time for the economic forecast to provide clarity, and so she would only need to bring the legislature back in session once. The September revenue forecast lowered revenues for the 2011–2013 biennium by \$1.4B, and by the time the special session arrived the deficit was \$2B.

The November 2011 special session began with considerable excitement. Legislators were outnumbered 10:1 as “Occupy the Capitol” protesters descended on Olympia in protest of the all-but-certain budget cuts needed to balance the \$2 billion shortfall. The protests were so boisterous committee meetings had to be canceled until the state police could restore order (Smith 2011b). Once back on track, the legislature looked to make further cuts. Since they did not have the two-thirds vote necessary to raise taxes, the majority proposed to send a tax package to the vote of the people. The Senate members of the Roadkill Caucus blocked the tax package until “budget reforms” (more reductions in state programs) were in place.

The term Roadkill Democrats was given to moderate Democrats who broke from their caucus and aligned with the opposing party on fiscal policy. The term “Roadkill Caucus” originated with middle-of-the-road senators who felt they were being “run over” by members of both parties. In 2011 the caucus included eight House Democrats and three Senate Democrats. During the earlier 2011 sessions, Roadkill Caucus influence produced workers’ compensation reform and caused the senate to work in a bipartisan fashion to produce a budget. Because of the influence of the Roadkill Caucus, veteran observers considered the 2011 Senate budget one of the most bipartisan budgets in a long time (Smith 2011a). The special session started with loud clashes leading to 15 protester arrests and ended with a whimper 17 days later with the legislature closing only \$480 million of the state’s \$2 billion budget gap, mostly with bookkeeping moves and few new cuts. The lack of a complete budget solution resulted in the lion’s share of the \$2B shortfall being pushed ahead to the January 2012 regular session (Shannon 2011).

8.4 Governor’s Budget Proposal: 2011–2013 Biennium Supplemental

Governor Gregoire’s proposed supplemental budget included more than \$2 billion in spending cuts, reductions to local revenue sharing, fund transfers, and a referendum to the voters for a temporary one-half cent increase in state sales tax. Proposed spending cuts would come in the form of reduced coverage of

individuals with developmental disabilities, in long-term care, adult day health services, and respite services. Proposed cuts included reduced funding of community supervision of offenders, reduced state support of colleges and universities, and reduced public school levy equalization (Washington State Office of Financial Management 2012d).

8.5 General Legislative Session

Between the November 2011 special session and the January 2012 regular session Governor Gregoire and the Democratic legislative majority shifted their principal focus from closing the fiscal budget shortfall to addressing social policy issues. Marriage equality took center stage, and this issue was the main legislative focus for the first month of the 60-day regular session. Once the “marriage equality” bill passed, the legislature got back to the difficult and thankless work of the budget. The \$2 billion shortfall was still before the legislators, with each party envisioning deeply contrasting solutions. Since the Democrats had majority control of both chambers and the governor’s mansion, the expectation was that the majority party would determine the budget. The only power the minority party held was to prevent a two-thirds vote to raise taxes.

The majority, however, was not enamored with the idea of closing the budget shortfall without some type of increased revenue. It worked for a compromise that involved some new tax adjustments or a referendum to the citizens for new taxes dedicated to particular uses. This power play had unforeseen repercussions. The week prior to the end of the regular session, the three senate Roadkill Democrats who blocked the tax package during the November 2011 special session once again crossed the aisle and joined the Republican minority to pass a “Coalition” budget by a vote 25–24. *The Seattle Times* characterized the event as “a political earthquake not seen in 25 years” (*Seattle Times* Editorial 2012b).

The action by three defecting Democrats changed the entire landscape of the budget process and pitted the Senate “Coalition” budget against the Democratic House budget. The war of words became quite strong once it was clear that the coup in the Senate had taken place. State Treasurer Jim McIntire publicly declared that both of the proposed budgets contained a “felony gimmick” because the House Democrats’ budget would postpone \$405 million in payments to public schools and the Coalition budget would skip a \$130 million payment to pension funds (*Seattle Times* Editorial 2012a). The regular session ended in a deadlock.

8.6 1st Special Session Spring 2012

Governor Gregoire immediately called the Legislature back for a 30-day special session, but negotiations between the two chambers did not progress smoothly. For the first time in 9 years the Democrats did not control the entire process. Senate coalition leaders claimed that the House leadership refused to negotiate. The House leadership made no public response to these accusations, so the Senate Coalition leadership announced their budget proposals to the news media. Governor Gregoire then became even more involved *“with steam almost visible from her ears, Gregoire told reporters that the Senate coalition is going to have to play it her way. That means they’ll have to do their talking in her office – and no negotiating in the press. To prove her power, Gregoire canceled bill-signing ceremonies for 26 of the 32 bills that were on her Thursday afternoon agenda. Another 23 bill-signing ceremonies scheduled for Friday have been canceled. And the governor threatened to get tougher ... if lawmakers don’t start talking in her office, on her terms, she promises to whip out her veto pen. ‘Maybe that will get their attention’”* (Smith 2012b). The Governor oversaw the budget negotiations, and while coming close to an agreement, the 1st special session of 2012 ended on April 10 without a final budget.

8.7 2nd Special session spring 2012

The two chambers were close enough to a budget agreement that the Governor immediately called the legislature into a 2nd special session. Working through the night, the legislature was able to pass a budget the next day, and the 2nd Special Session of 2012 adjourned on April 11.

8.8 Final Budget

The final budget plan received bipartisan support and included \$320 million allocated to the rainy day fund in case the projected revenues were not achieved, a healthcare plan for K-12 employees, and a cut to pensions for future state employees who retire early. The budget was partially funded by shifting liquor revenue funds that used to go to fund cities to now fund the state. The final budget funded areas the Democrats most wanted protected, while at the same time providing reforms the Republicans had advocated. Reforms included pensions, K-12 health insurance, and new statutory provisions designed to rein in spending in areas where evidence of favorable outcomes cannot be demonstrated. The budget did not allow pushing expenses to next year, and there were no further cuts to K-12 programs or to higher education.

9 Conclusion

Some legislators see the budget solution to Washington State's current economic condition to rest not solely on budget reform and program cuts, but also on increasing revenue through new taxes. These legislators feel unduly hampered by the two-thirds legislative supermajority vote requirement established by citizen initiative and going to court to challenge whether an initiative can put such limits on the legislative process. On 31 May, 2012 King County Superior Court Judge Bruce Heller ruled in favor of those bringing suit and declared unconstitutional the law that requires a two-thirds vote of the Legislature to raise taxes. Even though Washington voters have approved the supermajority rule four times since 1993, at issue is whether the initiative process can be used to impose additional requirements on the Legislature without amending the state constitution. Judge Heller ruled that no law can supersede the constitution, and that the passage of an initiative holds the same status as a law enacted by the legislature. The state Attorney General's office is expected to appeal the ruling, and the issue is widely expected to reach the state's Supreme Court (Smith 2012a).

Washington State continues to battle a slowly recovering economy, and the budgeting decisions the legislature is required to make remain very difficult. The legislatures of 2011 and 2012 have delayed making hard decisions, and their failure to act has resulted in numerous special sessions and a budget deficit "time bomb" set to explode in the next legislative session in 2013. The economic conditions for the rest of this biennium and the next biennium are likely to remain troubled, which means more difficult decisions for the legislature in 2013 whose composition will differ considerably as a consequence of redistricting changes and turnover in legislators.

The major disappointment for the 2012 Legislature is that, while their final budget closed the budget shortfalls for the 2011–2013 biennium, the Legislature is projected to start the 2013 legislative session with a projected budget shortfall for the 2013–2015 biennium of 1.7 billion. This means that tough decisions will continue face a new state Legislature and a new Governor.

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