



OVERVIEW

Bold action now for a strong Washington future

Gov. Inslee's proposed budget would fully fund basic education and set new course to rebuild our mental health system

In many ways, Washington is the envy of other states. Though some regions of the state still struggle with high unemployment, overall we have one of the nation's most vibrant and diverse economies. Washington exports more products — from apples and wheat to airplanes and software — than nearly every other state. We have world-class research universities, a richly diverse population, a culture of creativity and innovation, and an abundance of natural beauty.

In the past four years, as Washington recovered from a historic recession, Gov. Inslee and the Legislature worked to bolster our state's reputation as a top-tier place to

live, learn and prosper. They invested in many of the things that Washingtonians value: high-quality early learning for thousands more children, affordable college and workforce training opportunities, much-needed K-12 investments, a stronger mental health system, transportation and other infrastructure improvements, beautiful parks and critical public safety programs.

Yet as we head into another two-year state budget cycle, state and local governments face a number of difficult challenges.

Decades of underfunding education and punting on tough choices mean the focus for legislators in 2017 must be to finish the

job of fully funding Washington's schools. In addition, the safety net for those with mental health and chemical dependency issues, and for at-risk children and families, allows too many to fall through.

Gov. Inslee's 2017–19 budget provides a bold vision for Washington's future. It would resolve our state's school-funding dilemma once and for all while making additional investments to ensure students and educators have the supports they need to succeed in the classroom. His budget also calls for rebuilding Washington's mental health system and provides vital resources to strengthen the state's safety net.

OVERVIEW

Funding for K-12 education composes the largest share of Washington's budget. But that funding has been inadequate for decades, and Washington is failing to meet its constitutional obligations for fully funding K-12 basic education. Now the Legislature is under court order to step up in 2017 to finish the job of fully funding K-12 education, which will require billions of dollars in new state support.

But there are needs beyond the minimums defined as basic education. Too many students aren't graduating from high school on time, if at all. Low-income and some minority students still face opportunity gaps. New teachers and principals too often do not get adequate resources and mentoring: Research shows that half of beginning teachers leave the profession in the first five years on the job, with 20 percent leaving after just one year.

Washington faces other big challenges as well.

Too many people with mental illnesses are not getting the care and treatment they urgently need. Our mental health system has inadequate community options in place, which further burdens already overcrowded state hospitals. We face rising crises of opioid addiction and homelessness. In many instances, these problems are intertwined. Our solutions need to be intertwined too.

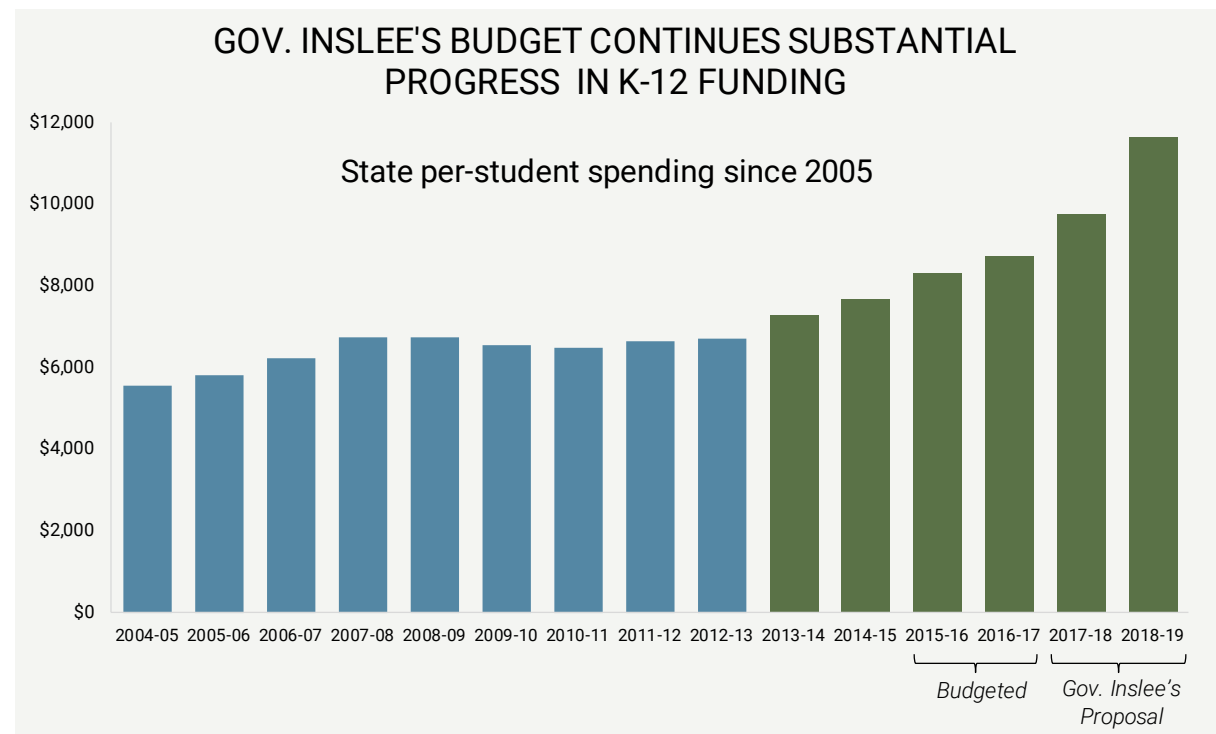
In recent years, Gov. Inslee and the Legislature have made historic strides toward addressing these issues.

Since 2013, we have increased K-12 education spending by more than \$4.6 billion, much of it to meet basic education obligations. For instance, we have reduced early elementary class sizes and, for the first time ever, fully funded all-day kindergarten and pupil transportation.

Meanwhile, we have invested more than \$250 million to expand and improve the state's early learning system. Washington gained national attention in 2015 when it eased the burden on students and their families by cutting tuition in our public colleges and universities.

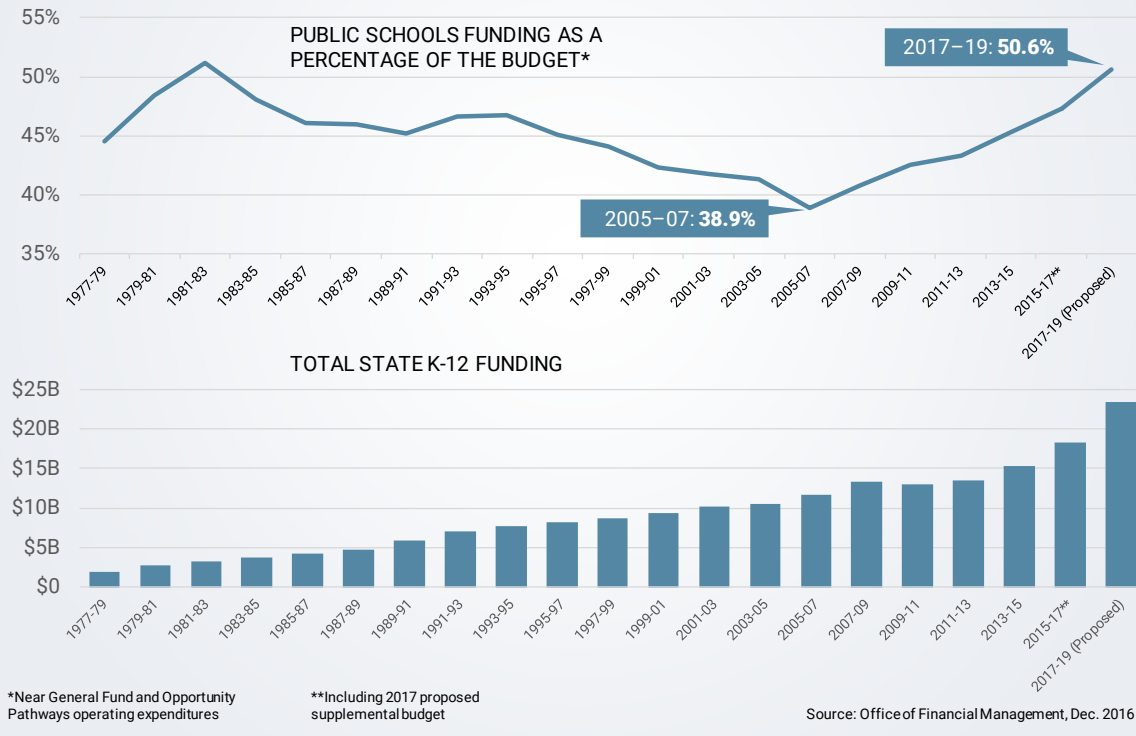
We've invested more than \$180 million in mental health services and are addressing a long list of safety and staffing reforms at Western State Hospital.

Last year, the state enacted the largest multimodal transportation funding package in state history — a \$16 billion investment to provide jobs, safety and much-needed traffic relief. And over the past four years, the state has spent more than \$1 billion on projects and activities in Puget Sound to restore fish and wildlife habitat, remove barriers from salmon streams and clean up toxic sites.



OVERVIEW

In Gov. Inslee's budget, K-12 tops 50% of state spending for the first time in more than 30 years



Gov. Inslee believes it is time to step up to these obligations.

Washington's economy is more than capable of sustaining the investments needed to fund these services. Our state's antiquated tax system is not. It is time for Washington to join the mainstream of states in generating sufficient revenue to provide the services our citizens expect.

Governor's budget fully funds K-12 education, reduces local property taxes

Gov. Inslee's 2017–19 operating, transportation and capital budgets tackle our biggest problems and keep Washington's economy moving forward. He is proposing a comprehensive solution to pay for those investments with a combination of tax and revenue changes, reserves and modest spending cuts.

First and foremost, the governor is proposing to fully and sustainably fund Washington's K-12 education system with one of the largest K-12 education funding packages in state history. His plan will send about \$2.7 billion to local school districts to pay the state's full share of educator compensation, including a salary increase for beginning teachers to help recruit and retain talented educators. The proposal will also alleviate decades-long basic education funding disparities between school districts.

The benefits of the governor's plan would be felt statewide:

- » Every school district would receive more money from the state.

These are big and important improvements, but much more work remains.

Some will argue the state should cut other state programs to meet our K-12 obligations. But finding the billions of dollars needed to fully fund basic education would require devastating cuts to the social services safety net that many of

our most at-risk students and vulnerable citizens rely on. It would almost certainly mean cuts in other areas as well, including higher education, health care or public safety. Such reductions do not reflect the values and priorities of most Washingtonians.

Others may argue the state should again stall on meeting its school funding commitments. But

OVERVIEW

- » The infusion of state funding would enable school districts to reduce local school taxes by at least \$250 million statewide per year.
- » Local school taxes would be reduced in 119 of the state's 295 school districts — and more than three-fourths of households and businesses would get a property tax cut.

The governor's budget, however, goes beyond simply meeting the state's constitutional school-funding obligations. It directs another \$1.1 billion to continue reducing early elementary class sizes and to bolster proven strategies for hiring and retaining well-trained educators, address opportunity gaps that leave many students of color and low-income students struggling, and give students enriching opportunities to prepare for either college or work. And the governor's capital budget includes nearly \$1 billion for new school construction.

A decade ago, spending on public schools made up less than 39 percent of the state's Near General Fund operating budget. Large education investments during the past four years have pushed that figure above 47 percent. And, under Gov. Inslee's proposed budget, K-12 education spending would top 50 percent of total state spending — the highest it's been since the early 1980s.

The governor's operating and capital budgets invest about \$70 million to continue expanding and improving the state's early learning programs, including funding for about 2,700 more preschool slots.

And recognizing that higher education costs remain a burden for middle-class students and families, the governor proposes freezing tuition for the next two years at our public colleges and universities. His budget directs about \$56 million to the institutions to offset what would have been 2.2 percent and 2.0 percent tuition increases each year of the biennium, and includes another \$146 million to boost student financial aid.

Inslee's budget transforms mental health and children's services, continues investments in homelessness and behavioral health integration

The state continues to make targeted investments in its current budget for staffing and safety issues in our psychiatric hospitals and throughout the public mental health system.

With his 2017–19 budget, the governor is putting forward a plan to overhaul the state's mental health system, informed by recommendations from outside experts. While short-term investments to address challenges at Western State Hospital are necessary, the governor is proposing a significant expansion of resources to serve people in community settings where the chances of successful treatment are much greater. His operating and capital budgets include about \$300 million to significantly expand and improve services in communities and at the state's psychiatric hospitals. For example, the budgets would add about 180 new psychiatric staff positions at the hospitals and begin funding for nine new 16-bed regional hospitals throughout the state by 2023 to provide sorely needed capacity

for civil commitments and for addressing acute psychiatric care needs. All told, the governor's budget would add more than 1,000 new beds and more than 700 staff positions to the state's mental health system.

To tackle the opioid crisis, the governor this fall issued an executive order to marshal the combined resources of state agencies, local public health organizations, law enforcement, tribal governments and other partners to help achieve better outcomes and safer communities. And the governor's budget will continue the state's health care integration initiative so patients seeking mental health, substance use and medical care receive a full range of services through a better-coordinated and more efficient delivery system.

The governor's budgets also include nearly \$120 million to combat homelessness. The operating budget increases support services — such as health care and housing assistance — for chronically homeless individuals and families and for youth at risk of becoming homeless. The capital budget provides funding for more than 1,700 new affordable housing units and to preserve housing.

There is abundant evidence that early childhood development is vital to success later in life. While the state provides a broad array of services to give children a strong foundation, those services are spread among multiple agencies. This splintered approach makes it more difficult to coordinate efforts and assure the best possible outcomes for children and families.

OVERVIEW

Early this year, the governor issued an executive order calling for the formation of a new children’s agency to “promote greater accountability, heighten the visibility of children’s issues, and reduce barriers to improving service and outcomes for children and families.”

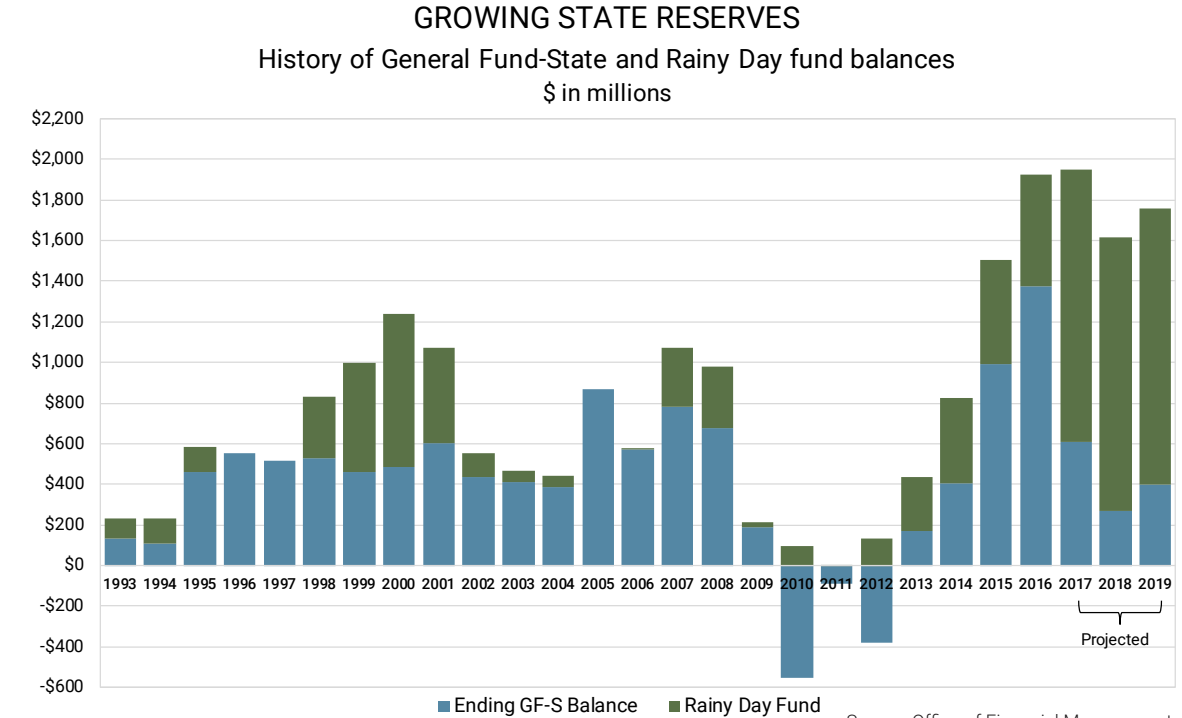
Last month, the governor’s Blue Ribbon Commission on the Delivery of Services to Children and Families recommended consolidating all the state’s early childhood services in a single agency “exclusively dedicated to the social, emotional and physical well-being of children, youth and families — an agency that prioritizes early learning, prevention and early intervention at critical points along the age continuum from birth through adolescence.”

The governor’s budgets and accompanying legislation lay the groundwork for making the new children’s agency a reality in the next biennium.

The governor is proposing a modest general wage increase for most state employees, with targeted increases for certain jobs, such as for State Patrol officers and staff at the state psychiatric hospitals. Prior to the 2015 increase, state employees had not received a general wage increase since 2008, the longest stretch since the early 1960s that state employees have gone without one.

Governor’s budget avoids increase in property or sales taxes, relies on sustainable new funding, reserves and modest cuts

Gov. Inslee has said repeatedly that Washington cannot solve its biggest budget challenges by



Even in the face of perennial shortfalls, the state in recent years has amassed record reserves. That’s because each year, the state is required by law to deposit 1 percent of General Fund revenues into its constitutionally protected Budget Stabilization Account. That “rainy day” fund is projected to reach nearly \$1.2 billion by the start of the next biennium and total state reserves are projected to top \$2.1 billion.

cutting services in ways that would jeopardize the safety net for our most vulnerable citizens or further hamper efforts to protect Washington’s environment. He also believes general increases in areas such as the state property or sales tax would only make our state’s already highly regressive tax system even more unfair.

While his budget calls for cuts in some areas, his plan relies primarily on a balanced mix of new

revenue and on dipping into the state’s robust budget reserves.

Fortunately, the state’s budget reserves have grown to record levels over the past few years and are projected to reach nearly \$2 billion at the end of the current biennium. The governor’s budget would use a portion of those reserves to close the shortfall in the next two-year budget, leaving nearly \$1.8 billion in total reserves at the end of the 2017–19 biennium.

OVERVIEW

The governor is proposing several revenue changes that will enable the state to finally meet its constitutional basic education obligations and address some of our most pressing needs. It would also put Washington's revenue system closer to the mainstream of other states. The governor's plan calls for:

- » Closing five outdated tax exemptions that are no longer fulfilling their original purpose.
- » Imposing a new capital gains tax on the sale of stocks, bonds and other assets to increase the share of state taxes paid by a tiny fraction of our wealthiest taxpayers.
- » Increasing the business and occupation tax rate that is applied to a broad range of personal and professional services, such as those provided by accountants, architects, attorneys, consultants and real estate agents. The B&O tax exemption for small businesses would be increased to avoid a tax increase on our smallest business owners.
- » Enacting a new tax on carbon pollution associated with the production and consumption of fossil fuels. About half the revenue generated by the new carbon tax would be directed toward K-12 education.

Making government more effective, efficient and customer-focused

Launched in 2013, Gov. Inslee's [Results Washington](#) initiative is helping drive improvements on goals in education, the economy, energy, environment, health, safety and effective government. Results Washington's data-driven, collaborative approach, which has drawn national interest, is proving itself in real-world results: More than half the nearly 200 measures are on track to meet or beat targets. Many of these measures represent complex challenges, such as homelessness, struggling students, offender recidivism, traffic deaths and public health problems.

In addition, hundreds of agency-level process improvements are resulting in faster services, better outcomes, streamlined processes, easier-to-use forms and millions of dollars in cost avoidance.

Underlying much of this work is Lean management, a set of principles and tools widely used in the private sector. Lean relies on employee-led, customer-focused cycles of continuous improvement.

Examples of results are:

- » Increasing graduation rates
- » Protecting workers
- » Reducing the need for remedial college classes
- » Helping Washingtonians find jobs
- » Reducing teen smoking and drinking
- » Expanding online college course options
- » Cleaning up toxic sites
- » Preserving working farmland

For specifics and more examples of results, please see www.results.wa.gov.