



# Legislative Update

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Thank you for allowing me to serve as your representative in the Washington State House of Representatives. It's an honor and a privilege, and the most fun I've had in 20 years. As usual, this newsletter is prepared without the use of state resources.

We're done with the "short session" we hold in non-budget years. Thousands of bills were introduced, and these were winnowed down to a few hundred that passed out of committee, out of the House, and even fewer that made it to the Governor's desk.

Since we are in a short session the pace is frenetic trying to get everything done. I personally don't think it's a very good way to make policy - Washington is complex enough that we should consider going to a year-round legislature with more time to carefully consider legislation. That's a project for another day.

## Highway 520 Bridge Replacement

You've probably read a lot about this in the press. The basic problem has several components: funding, design, and expandability.

The funding decision was made much more complex by the failure of Proposition 1 on November's ballot. The bridge costs about \$4 billion, and we get about \$2 billion from state and federal sources, largely the gas tax. This leaves a gap of about \$2 billion. Absent a major change, this will be filled with tolls. We passed a tolling bill this year that sets up a process to decide on how the tolls are set. The big questions are when will the tolls start and should we toll I-90. If we start tolling as soon as we start construction we reduce the eventual size of the toll significantly. I don't support tolling until we have a firm design and start construction. If we don't toll I-90, it will turn into a parking lot.

The design is complicated by the desire of the Westside neighborhoods to not have a large concrete monstrosity run through their neighborhoods. I can understand this. The region needs at least a 6-lane bridge. The current design is six lanes running straight from I-405 to I-5. Four general purpose lanes and two HOV/transit lanes.

We need to make sure that we do not preclude future generations from additional transit options. There are compromises that can be made that don't preclude additional transit in the future and still protect the Montlake neighborhoods from bazillions of cars running through their intersections.

We were able to come to a reasonable compromise on this, not precluding future expansion and not building a huge project through Montlake. **We will be able to have the bridge complete in 2014. This is a major victory.**

Joni Balter wrote in a Seattle Times editorial "For now, practical people dug in and said there has to be a solution, there has to be a new bridge. That is an achievement in a region that thrives on political gridlock." **I was proud to be one of the "practical people."**

## Budget

My main job (other than my avocation of fixing education funding) is to be responsible for the revenue side of the budget, and to participate in building the appropriations side of the budget. As most of you know,

we were surprised with a relatively large drop in the predicted revenue stream for the rest of the biennium. The latest forecast was \$423 million lower than the last one. This is about 1.5% of the budget, so not a huge big deal. The adopted budget deals with the required increases to handle legal responsibilities like cost of living adjustments tied to inflation and increases in Medicaid populations, addresses the reduced revenue picture, and still leaves significantly more in reserves (\$839 million) than we left when we passed the original biennial budget last year. (\$725 million)

The picture for next biennium is not so simple, and will require serious work to balance. Revenue projections for future bienniums are notoriously fickle, with large variances from what eventually turns out. **The forecast is almost always lower than the actual revenue.** This is a result of conservative forecasting, which is a great thing.

There have been predictions of impending disaster for every budget I've worked on in Olympia, with none coming true. I expect we will get the same predictions this year from people who want to make political hay out of it.

## Education Funding

One of the elements of the budget that I care the most about is funding for education, from pre-school all the way through higher education. The original "chair's proposal" House budget introduced a 1% cost of living adjustment for teachers. This was a step in helping the teachers catch up to where they would have been had we not suspended Initiative 732 during the terrible budget year of 2003.

Unfortunately, our crazy funding system means that increases in teacher compensation directed from Olympia cause local districts to have to increase salaries for local teachers that are not funded by the state, and it causes increases in add-on compensation they've negotiated locally. This often causes districts to make cuts in other programs to compensate.

To address this, the House appropriations committee added a fair amount of funding that goes to local districts in the budget. This caused us to make compensating cuts in other places in the budget to stay at the target ending fund balance. **It was worth the tradeoff – this is basic education funding.** The things we cut I thought were largely of lower priority.

The eventual compromise with the Senate was a 0.5% increase, but a full step-up in our commitment to all-day kindergarten.

## Bills

I introduced a number of pieces of legislation this year and most made it through the process more or less intact, with some notable exceptions.

I have two bills dealing with the **Port of Seattle performance audit**. One (HB 3259) made it through the process in the House and moved to the Senate where it died. The other was replaced by a more focused bill offered by the Local Government committee chair because he thought the title of my bill was too broad. He was right, and the bill is now on the Governor's desk. Both bills together are a reasonable

response to the horrific performance audit of the Port's contracting practices.

**HB 3117 is the educational budget transparency bill** I discussed in an earlier newsletter. We have a very interesting document that provides a simpler look at the education budget. I can explain this in a 20 minute Rotary talk, and I expect it to be the foundation of how we approach redesigning the funding system this summer in the Basic Education Funding Task Force. The bill didn't pass, but I amended the policy into another bill which did. Sneaky is sometimes better.

**HB 3317 revises the process and timeline for approving new mathematics and science standards.** We have tried for a number of years to substantially improve mathematics and science standards in Washington, and are very close to fixing the math standards this year. Last year we created a deadline that the current process cannot meet without degrading the quality of the work too much to make it worthwhile. The Senate version of my bill passed, extending the timelines and changing the approval process to have the State Board be responsible instead of the Superintendent of Public Instruction.

We passed another Senate version of one of my bills – HB 3054. This bill rejiggers the complex funding streams that fund the two stadiums and provide the **major funding stream for arts programs in King County**. The arts funds stop abruptly in about 3 years and I proposed a fix to allow them to continue. Unfortunately the Senate versions sunsets in a year, so we will have to come back to this project next year. The Speaker is looking for a more comprehensive solution that unwinds the entire tax package all at once.

I introduced a bill (HB 2545) that corrected a problem with how **ballot titles for property tax lid lifts** are written, but another member introduced a more elegant solution to the same problem, so I chose to move her bill forward instead. The problem was an unintended side-effect of a bill last year that allowed all tax districts to offer 6-year lid lifts, not just a handful of them. This is more efficient for the districts, while still allowing taxpayer input. The AG's office and the Dept. of Revenue think the bill inadvertently stripped the requirement that districts state whether the increases are temporary or permanent. We disagree, but passed legislation to make sure that the law is clear to everyone.

## Earned Income Tax Credit (EITC)

The EITC is a federal program that refunds payroll taxes to low income working taxpayers. It's called a "Refundable Tax Credit," which means that you get it even if you didn't pay that much in taxes. There is a proposal to add a program in Washington State that would mirror the federal program, writing "refund" checks to low-income working taxpayers as a percentage (proposed 10%) of the federal program. This is one of the best (and only) policy bills to come out of the Ford administration. It was significantly expanded by President Clinton.

Unfortunately the program will cost somewhere between \$110 and \$130 million in the next biennium. Given the static revenue picture, that means that it will come out of some other spending program we currently have, either K12, early learning, healthcare, or higher education. My guess would be higher education, as that seems to be the spending category with the smallest constituency.

**We have to make priority choices about how we spend our revenue.** In general, my preference is to invest in programs that improve people's ability to make a living in the future, rather than programs that provide cash distributions today. The EITC would fall in the "distributions now" category.

A comparable investment in higher education availability for low-income workers would have a significantly greater impact on the future life of the worker than a cash distribution. If this program came with a revenue stream I would be much more excited about it, as it would improve the progressivity of our tax system, which is the most regressive in the nation. Without a revenue stream it is just a spending program that will crowd out other spending that is more leveraged, so I did not support it this year.

## Prescription Data Privacy

When you pick up a prescription at the drug store, the data about who prescribed it is collected and sold to the drug companies. They then use the data to target their marketing at doctors. For example, if your doctor has a pattern of prescribing one particular heartburn drug to patients, the manufacturer of a competing drug might aim a marketing campaign at her to get her to shift. My current understanding is that the data about the individual patient is removed from the datastream before it goes into the marketing machine as a result of federal law, but the data about your doctor is not. This gives me the creeps. My personal medical bills last year were about \$500,000, and I'm not really interested in having that data available to the drug companies.

If we are going to lower the cost of medical care we need to make sure that doctors are getting current information about the efficacy of particular drugs, relative to the cost. In the heartburn example above, Prilosec makes sense for many patients as the first try, since it is now available as a generic at vastly lower prices than the other drugs in the category. While this is true for many patients, of course it isn't true for all. That's why we have doctors. No drug companies have an interest in providing this info to doctors - they'd rather have them prescribe a more expensive non-generic drug. Depending on drug companies to provide fair and balanced info to doctors seems foolish to me.

Like most policy decisions this isn't a slam-dunk. The drug companies have some arguments about why they should be able to do this, and some of the arguments make sense. On balance, I believe we are best served by not allowing this information to be available to drug companies and I will vote to make sure that doctors have privacy in their prescribing patterns.

Unfortunately the bill did not pass in the House.

## Flexcar

Flexcar is a company that has a novel new way of providing rental cars to subscribers. They park them all over the place and give people keys. It's more like a subscriber model than a typical rental car. The availability of cars like this both near your house and your place of business makes it a lot easier to abstain from owning a car, or at least from owning more than one. In theory it makes taking transit easier, reducing congestion on the roads.

There are several existing taxes on rental cars. The Department of Revenue recently realized that Flexcar wasn't paying these taxes and pointed out to them that under current law they are required to do so. There is a lot of interest in providing a "fix" for car sharing services like Flexcar that would make them not liable for the tax. **I share this interest – it's important that we provide reasonable alternatives for people who want to go without a car.**

The trick of doing this is to find a way to describe the difference between Flexcar and other more typical car rental agencies in such a way that the rental agencies can't simply change their business model to get the tax exemption.

This is difficult to do. I had a hearing on the bill and eventually passed it out of the Finance committee. I added a two-year sunset to the bill to make sure there aren't strange changes in existing rental car company business models that would lose the revenue that pays for several of the stadium bonds and makes a major contribution to transit funding. In the House we finally proposed an alternative that would put money into the commute trip reduction program for people who use these services instead of owning a car. This isn't as clean, but it doesn't have the prospect of vast changes in our existing rental car tax setup.

The Senate did not move their version of this bill out of committee, and was unwilling to include the funding in their budget. We will have to revisit this issue next year.