

WASHINGTON STATE GOVERNMENT: REVENUE, EXPENDITURES, & YOU

The following information is being provided to spark discussion about the financial issues facing Washington State.

I. History of Revenue to meet the expenses for public services.

II. Early Years

- In the late 1800's Washington was founded and these pioneers worked the land. These small farmers owned agricultural land that provided 100% state revenue from the land's property taxes.
- All white males had to pay both poll and estate taxes. The poll tax was a flat fee per individual.

III. 20th Century

- As the manufacturing industry grew, more people migrated to the cities, which resulted in an increasing need for public services to meet their needs.
- By the 1930's, farmers represented 40% of the population and paid nearly all of the tax revenue, which resulted in a shift to balance this burden between manufacturing & agricultural sectors.
 - The legislature passed a graduated income tax that was challenged by the business community.
 - In order to meet the gap in revenue to cover expenses the legislature enacted:
 - B & O tax for businesses on gross sales receipts.
 - Excise taxes on items like alcohol, cigarettes, gasoline, and sales taxes on consumer goods.
- Tax advisory committees around the state convened through the state's various economic trends.
 - In the 1960's Governor Dan Evans proposed a reduction in property, sales, and B&O taxes for a flat rate income tax, but the legislature defeated his proposal in 1969.
 - Throughout the 1970's counties and cities were able to impose sales taxes for local purposes and eliminate sales tax on food.
 - There was a Citizen's Initiative for a constitutional amendment to set limits on property taxes.
- Tax revenues fell again in the 1980's which resulted in a push for income taxes.
 - Governor John Spellman rejected this push and the legislature enacted large budget cuts and increases in both retail sales and B&O taxes.
- In the 1990's Governor Booth Gardner's Committee on Washington's Financial Future proposed an income tax and rainy day fund.

- The legislature rejected both proposals.
- When the stock market crashed in 2000, the diminished tax revenues led the legislature to create the Washington State Tax Structure Committee or Gates study, to examine and recommend changes to the tax structure.
 - The committee discussed a reduction in property, sales, and B & O taxes and introduction of an income tax.

IV. Why is revenue important to state and local communities?

- a. *“Why do we pay taxes?”* (Handout)
 - i. **Discussion Point:**
 - 1. What might be some examples of other government public services?

- b. *“Keep services in mind when cursing taxes”* (Article written by John Burbank from the Everett Herald)
- c. *“Funding state government”* (Handout)
 - i. **Discussion Points:**
 - 1. Where does the money come from and where does it go?
 - 2. According to the guide, what are human services?
 - 3. On page 3 answer the question, “Would you appropriate funds differently than the state?”

- d. *“The three major general fund taxes”* (Handout)
 - i. **Discussion Points:**
 - 1. Retail Sales Tax, Business & Occupation Tax (B & O), Property Tax, Real Estate Tax, and revenues from liquor, tobacco, lottery, and other sources.

V. How does the state spend its money is presented in three separate budgets.

- a. **Transportation Budget** covers the operations of transportation agencies and building highways and bridges.
 - i. 25% of this budget comes from the federal government
 - ii. Gas taxes also go into this budget.
 - iii. Money cannot be transferred to another budget for other purposes.
- b. **Capital Budget** is used to build and renovate new buildings and parks.
 - i. 100% of the funds come from the State.
- c. **Operating Budget** receives funds from three sources:
 - i. 34.3% of federal grant money for specific purposes is used for social

- services, education, and health care.
 - ii. 9% of state accounts for specific purposes.
 - iii. 50% of the State General Fund receives the state's major tax revenues and accounts for the largest part of state spending.
 - iv. The State General Fund receives the most attention because both the Governor and the legislature have the most control over how it is spent.
 - How does the budget process work?
 - *"The Budget Process"* (Handout)
 - **Discussion Points:**
 - Steps in the Process
 - Use these steps to fill in the next biennium's chart
 - Do you know what revenue the state will take in?
 - How would you plan for changes in the economy?
 - How would those changes affect the revenue and spending according to the state budget?
- How has the economy affected the 2009-2011 budget and you?
 - *"How the WA State Budget Impacts You"* (Handout)
 - **Discussion Points:**
 - Education, Health Care, Transportation, and Children's issues that are mentioned in the handout.
 - Are there other ways that the State Budget impacts you?
 - *"How Does Washington's Tax System Measure Up?"* (Power Point Presentation)
 - **Discussion Points**
 - General Fund Revenue under the current system
 - Washington's diversified taxes
 - High sales tax
 - How does Washington's tax system compare to other states?
 - Now what?? List any suggestions.

Check out these resources on the website

www.lwwwa.org

The Civic Education Project presents:

A Balancing Act

a brand new [video](#)

(Youtube)

Brought to you by the

League of Women Voters of Washington

Where Does the Money Come From? Where Does it Go?

Get Your Tax Facts Here

(A LWVWA Civic Engagement Project)

[Introduction to Taxes](#) (revised)

[Funding State Government](#) (revised)

[The Budget Process](#) (revised)

[The 3 Budgets of the Washington State Government](#)

[The 3 Major General Fund Taxes](#)

[Bonds 101: The Basics](#)

[How the Washington State Budget Impacts You](#)

Main Discussion Questions:

- 1. How, historically, has the State collected revenue?**
- 2. What attempts have been made in the past to deal with economic upturns and downturns in the economy?**
- 3. Why is revenue important to state and local communities?**
- 4. Where does the state currently receive funds?**
- 5. What are the three budgets used by the state to budget expenditures? Are there restrictions on how funds can be spent?**
- 6. Discuss the budget process?**
- 7. How has the budget crisis affected you and your community?**
- 8. How does Washington's tax system measure up to other states?**

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