

Democrats increase state spending by an unsustainable \$8 billion – 18%

Despite [historic tax collections](#) and a [budget surplus](#), Democrats chose to pass a \$52.4 billion [2019-21 operating budget](#) that relies on billions of dollars (see below) in new tax increases on individuals, families and employers. Revealed on the 104th day and passed on the last day of the 105-day legislative session, this budget represents an unsustainable \$8 billion – 18% – increase in state spending. Over Republican opposition, Democrats ignored the budget lessons of the Great Recession and put our state’s finances and critical services at risk in the next economic downturn.

Watch: [House Republicans on final passage of the 2019-21 operating budget | April 28, 2019](#)

Watch: [Rep. Drew Stokesbary discusses the state’s budget situation | March 22, 2019](#)

Read: [History of state spending chart | 1995-2023 \(chart also below\)](#)

Read: [The best budget situation of the 21st Century | Economic Sense/Sen. John Braun | March 2019](#)

Democrats pass other regressive bills that will add to Washingtonians’ cost of living

In addition to billions of dollars in new tax increases, Democrats passed: levy-lift legislation ([Senate Bill 5313](#)) that will increase property taxes; a new employee-paid payroll tax ([House Bill 1087](#)) that will fund a new state government long-term care benefit; and the governor’s clean energy measure ([Senate Bill 5116](#)) that will increase energy bills. All of these will increase the cost of living for Washingtonians in the future and are regressive in nature.

A lack of transparency, public involvement

Aside from releasing their 2019-21 operating budget with two days left in the legislative session and using [title-only bills](#), Democrats also slipped several failed bills into the back of the budget via provisos. While this is within the rules and some of the bills had bipartisan support, it lacks transparency given how late the budget was released to the public.

Read: [Bills that appear as provisos in the 2019-21 operating budget | Office of Program Research | April 28, 2019](#)

Some of the harmful policies passed by Democrats

- [House Bill 1087](#) will create a new state government long-term care benefit through a new payroll tax.
- [House Bill 1257](#) will require Department of Commerce to establish a State Energy Performance Standard, and will establish a Natural Gas Conservation Standard.
- [House Bill 1575](#) is another response to the U.S. Supreme Court Janus decision. The measure will make it more difficult for public employees to exercise their right to not join – or get out of – a union.
- [House Bill 1870](#) will codify Obamacare in state statute.
- [Senate Bill 5116](#) will require our state to phase out fossil fuel electricity generation and move to 100% clean energy resources by 2045, with associated costs falling on families and employers through higher energy bills.
- [Senate Bill 5526](#) will require the Washington Health Benefit Exchange to develop standardized health plans and expressly limit choice over time in favor of one-size-fits-all plans meeting specific government requirements.
- [Senate Bill 5600](#) will make changes to the residential landlord-tenant act that are harmful to landlords.
- [I-1000](#) will amend the law enacted by voter-approved I-200, which prohibited discrimination and affirmative action based on race, ethnicity, national origin, color and sex. If the Legislature had not passed it, the initiative would have appeared on the November 2020 ballot giving voters the final say.

Missed opportunities

- No tax relief, despite historic tax collections and budget surplus.
- No car-tab relief or Sound Transit reforms.
- [Senate Bill 5532](#) and House Republican special education [amendment](#) would have: reformed the system; provided more resources to students, teachers and parents; and resulted in better outcomes for students.

Democrats pass new tax increases, despite a budget surplus

(Note: The operating budget directly relies on all of the taxes not shaded in the chart below.)

	2019-21	Four-Year
B&O Tax on Services (HB 2158)	\$380M	\$946M
Graduated REET (SB 5998)	\$244M	\$598M
B&O Tax on Banks (HB 2167)	\$133M	\$339M
Int. Investment Management (SB 6016)	\$59M	\$125M
Non-Resident Tax Exemption (SB 5997)	\$54M	\$113M
Travel Agent Tax Increase (SB 6004)	\$5M	\$11M
Local Property Tax (SB 5313)	\$1.4B*	\$3B*
Hazardous Substance Tax (SB 5993)**	\$165M	\$361M
Total	\$2.4B	\$5.5B

* Assumes local levy collections at maximum levy authority

** The revenue from this tax is directed to three dedicated accounts for both operating and capital purposes; these accounts are not counted for purposes of the Budget Outlook but are reflected here since they have a relationship with operating budget expenditures.

More details on the Democrats' larger tax increases

Business and occupation (B&O) surcharge on certain services | House Bill 2158 | \$946 million tax increase

- Creates a new B&O surcharge on certain service industries (including health care, law, finance, media and engineering). The surcharge raises the B&O tax rate from 1.5% to 1.8%, representing a 20% increase.
- Advanced computing businesses (such as Amazon and Microsoft) with between \$25 billion and \$100 billion in annual global revenue will be taxed an extra 0.5% of service revenue (bringing the total to 2%), while those with revenue over \$100 million will be taxed an extra 1% (bringing the total to 2.5%).

Graduated real estate excise tax (REET) | Senate Bill 5998 | \$598 million tax increase

- The current REET for all properties is 1.28%. As of January 1, 2020, the REET rates will be:
 - For properties with a selling price under \$500,000: 1.1%.
 - For properties with a selling price between \$500,001 and \$1,500,000: 1.28%.
 - For properties with a selling price between \$1,500,001 and \$3,000,000: 2.75%.
 - For properties with a selling price over \$3,000,001: 3%.
 - Timberland and agricultural land of any selling price will be taxed at a rate of 1.28%.

Model toxics control program (MTCA) (petroleum) tax increase | Senate Bill 5993 | \$361 million tax increase

- Current hazardous substance tax is 0.7% of the wholesale price of petroleum products.
- New tax will be \$1.09 per barrel of petroleum products. Petroleum products that can't be measured in barrels, i.e. gases, will stay at 0.7% of the wholesale price.
- The \$1.09 represents an increase in the tax; a revenue-neutral per-barrel tax would be roughly \$0.70 per barrel.
- A barrel is 42 gallons; so based on the revenue-neutral price above, this is an increase in \$0.39 per barrel or roughly \$0.01 per gallon.

Increased tax on banks | House Bill 2167 | \$339 million tax increase

- Banks with a net income of \$1 billion or more in a calendar year are required to pay an extra 1.2% on their B&O tax liability. This is expected to impact more than 30 large banks, including JPMorgan Chase, Wells Fargo, Bank of America, Citibank, U.S. Bank, Capital One, PNC Bank and KeyBank.
- This new surcharge is in addition to the one created in House Bill 2158 (see above), which will bring banks to a total B&O tax rate of 3% for all financial services.

Bad Democrat bills stopped by Republicans

- **House Bill 1068** would prohibit high capacity firearm magazines over 15 rounds.
- **House Bill 1110** would create a new low carbon fuel standard program and add to the price of gas and goods.
- **House Bill 1491** would restrict scheduling options for employees and employers, which would hurt industries.
- **House Bill 1515** would force many individual contractors to work as an employee, as opposed to being their own boss.
- **House Bill 2156** would create a new capital gains income tax.
- **Senate Bill 5323** would restrict single-use plastic carryout bags by retail establishments.
- **Senate Bill 5395** would require every school to provide comprehensive sex education.
- **Senate Bill 5928** would eliminate the prohibition on local net income taxes.

Good House Republican bills that died

- **House Bill 1021** would create an account in which private contributions could be made to offset the extra security costs incurred when the governor's travel is not related to state business (like a presidential campaign).
- **House Bill 1035** would provide every public school with funding to employ a full-time school resource officer.
- **House Bill 1052** would give elected representatives more oversight in the rule-making process.
- **House Bill 1232** would declare hydroelectricity "renewable" for the purpose of the Energy Independence Act.
- **House Bill 1235** would make it a crime to show harmful materials to a minor.
- **House Bill 1420** would reduce B&O tax rates for manufacturers to the aerospace preferential B&O tax rates.
- **House Bill 1504** would make a variety of changes to our state DUI laws.
- **House Bill 1588** would prevent local governments from imposing an income tax on individual or household income.
- **House Bill 1606** would designate CERB to appropriate loans/grants to local governments for broadband.
- **House Bill 1635** would require libraries to adopt Internet policies to address minor access to harmful material.
- **House Bill 2021** would lower car tabs by reforming the motor vehicle excise tax formula.
- **House Bill 2149** would improve our state budgeting process through zero-based budget reviews.
- **House Bill 2150** would implement the periodic review of state spending programs.
- **House Bill 2151** would enable state lawmakers to request "dynamic" fiscal notes.
- **House Bill 2152** would extend the period that a state budget must be balanced from four years to six years.

Other bills that made headlines

- **House Bill 1074** will prohibit the sale of cigarettes, tobacco and vapor products to anyone under the age of 21.
- **House Bill 1216** will establish regional school safety centers, require school districts to establish a threat assessment program, and require certain training and policies around school resource officers.
- **House Bill 1638** will remove the philosophical or personal objection exemption for the measles, mumps and rubella vaccine.
- **Senate Bill 5163** will make a number of changes to the statutes governing wrongful death and survival actions.
- **Senate Bill 5273** will move the presidential primary from late May to the second Tuesday in March, and continue to require presidential primary voters to check a box that says Republican or Democrat.
- **Senate Bill 5339** would repeal the death penalty. *Passed Senate, died in House.*
- **Senate Bill 5376** would establish data privacy rights for consumers. *Passed Senate, died in House.*
- **Senate Bill 5438** (H-2A Program) will create the Office of Agricultural and Seasonal Workforce within the Employment Securities Department (ESD) to administer the H-2A program in accordance with federal requirements, and requires ESD to create an advisory committee with equal representation of employers and representatives to review issues related to the H-2A program.
- **Senate Bill 5695** will increase penalties for HOV lane violations, including an additional \$200 for using a dummy.
- **Senate Bill 5825** will authorize tolling on I-405 South, SR 167 and SR 509. It will also accelerate the Gateway Project to the 2023-2025 biennium.

Bipartisan successes

- 2019-21 transportation budget | [House Bill 1160](#).
- 2019-21 capital budget | [House Bill 1102](#).
- [House Bill 1065](#) will prohibit the practice of “surprise” billing by out-of-network health care providers.
- [House Bill 1166](#) will set a December 2021 deadline for Washington State Patrol to eliminate the rape kit backlog.
- [House Bill 1394](#) will establish intensive behavioral health treatment facilities and mental health drop-in centers.
- [House Bill 1713](#) will advance the investigations and discovery of missing and murdered Native American women.
- [House Bill 1784](#) will require DNR to prioritize forest health treatments to specifically and strategically include long, narrow wildfire prevention corridors and provide information to firefighting personnel.
- [House Bill 2097](#) will address statewide wolf recovery and provide hope for communities impacted by wolves.
- [Senate Bill 5091](#) will increase excess cost multiplier for special education students and result in more funding.
- [Senate Bill 5380](#) will establish new rules regarding opioid prescribing, the dispensing of opioid overdose reversal medication, and require physicians to discuss alternatives to opioids with patients before prescribing.
 - A Republican [amendment](#) to prevent supervised heroin injection sites was stripped out of the bill.
- [Senate Bill 5511](#) will expand broadband to enable economic development, public safety and health care.
- [Senate Bill 5649](#) will eliminate the statute of limitations for most sex crimes committed against minors, and will extend the statute of limitations for most other sex offenses.
 - The bill mirrors Rep. Dan Griffey’s [House Bill 1231](#).

2019-21 transportation budget details

- \$9.3 billion (\$3.4 billion in fuel taxes, \$941 million in bonds, \$1.3 billion in federal funding, \$1.8 billion in license fees, and \$1.6 billion in debt service).
 - \$1 billion for ferries.
 - \$768 million for preservation, \$519 million for highway maintenance and nearly \$3 billion for improvements.
 - \$100 million for fish barriers.
- [Local projects](#).

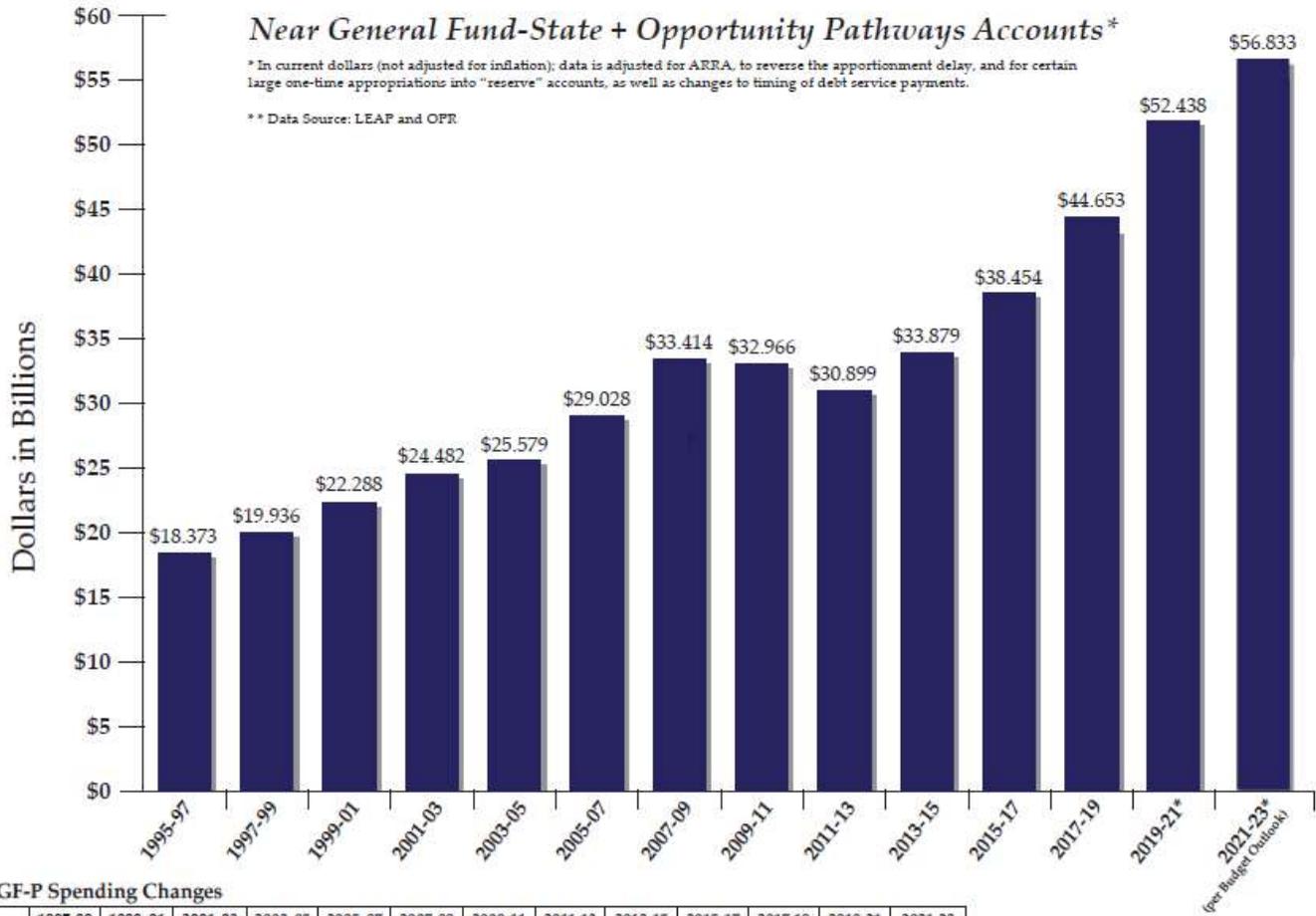
2019-21 capital budget detail

- \$4.9 billion (\$3.2 billion through general obligation bonds).
 - \$1.1 billion for K-12 school construction.
 - \$973.6 million for higher education facilities.
 - \$308 million for mental and behavioral health.
 - \$125 million for Public Works Assistance Account.
 - \$175 million for housing.
- [Local projects](#).

2019-21 operating budget

- [Operating budget bill](#).
- [Summary](#).
- [Agency detail](#).
- [Comparison detail](#) (House, Senate, Enacted).

History of state spending



NGF-P Spending Changes

	1997-99	1999-01	2001-03	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21	2021-23
Leg	8.51%	11.8%	9.84%	4.48%	13.48%	15.11%	-1.34%	-6.27%	9.64%	13.5%	16.2%	17.4%	8.4%

*Includes higher education appropriations contained in HB 2158 and reflected in the spending detail.