

Washington State Budget Overview

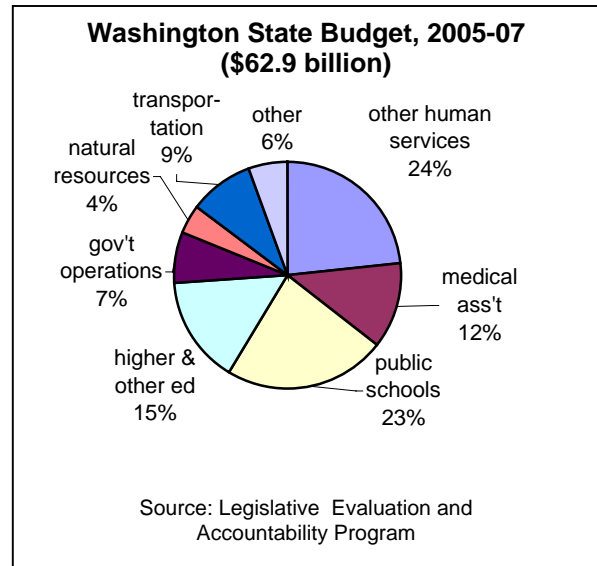
Total state spending:

Washington state will spend nearly \$63 billion during the 2005-2007 biennium

- Omnibus operating budget - \$51.3 billion
- Transportation budget - \$2.2 billion operating, \$3.8 billion capital
- Capital budget - \$5.6 billion

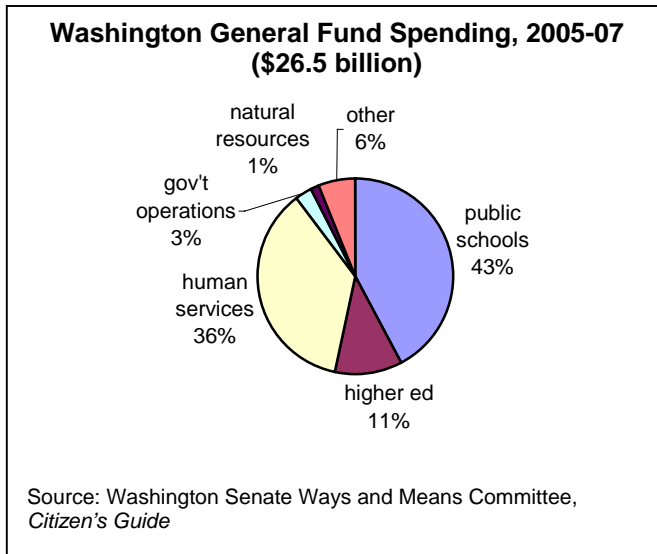
Sources of state revenue:

- State taxes - \$33 billion
- Federal funds - \$16 billion
- Licenses and fees - \$10 billion
- Borrowing, transfers, and other - \$4 billion



General Fund spending:

Washington's General Fund is the largest portion of the total operating budget. Most state taxes go into this fund. Public schools receive the largest share of the General Fund.



General Fund Spending, 2005-07 (in billions)

Public Schools	\$11.1
Higher Education	\$2.9
Human Services	\$9.6
Government Operations	\$0.8
Natural Resources	\$0.4
Other	\$1.6
 General Fund Reserves	 \$1.142

K-12 School Spending, 2003-2004 (state, local, and federal revenues):

- Washington spent \$8,588 per pupil, 32nd among all states. The U.S. average was \$9,650.
- Washington spent \$43.54 per \$1,000 of personal income, ranking 46th. The U.S. average was \$50.53.

Washington State Tax System Overview

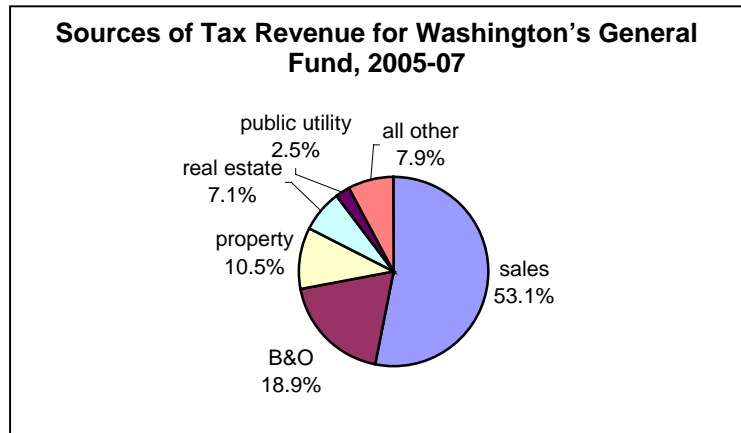
Washington's tax system was created in the 1930s and does not work well for the 21st century economy. State revenues are growing at only 85% the rate of the state's economy. Public revenues therefore will perpetually fall below the level needed to *maintain* services, let alone expand education services. Washington:

- is one of only 7 states with no form of personal income tax;
- relies too heavily on a sales tax on goods sold in stores, while purchases of services and over the internet sales are growing;
- is the only state that relies heavily on a business tax based on gross receipts rather than profits. Washington's business and occupation tax (B&O) is hard on new and expanding businesses, but raises far more public revenues than state corporate income taxes do.
- collects an average level of total state and local property tax compared to other states. But in most states, property taxes stay entirely in local communities. In Washington, one quarter of property tax goes to the state to support public schools. Because property taxes and assessments are so visible, they tend to be unpopular.
- **has the most regressive tax system in the United States.** The lowest income fifth of the state's population pays 18% of their income directly and indirectly in state and local taxes, the middle class pays 11%, while the richest 1% pay just 3%.

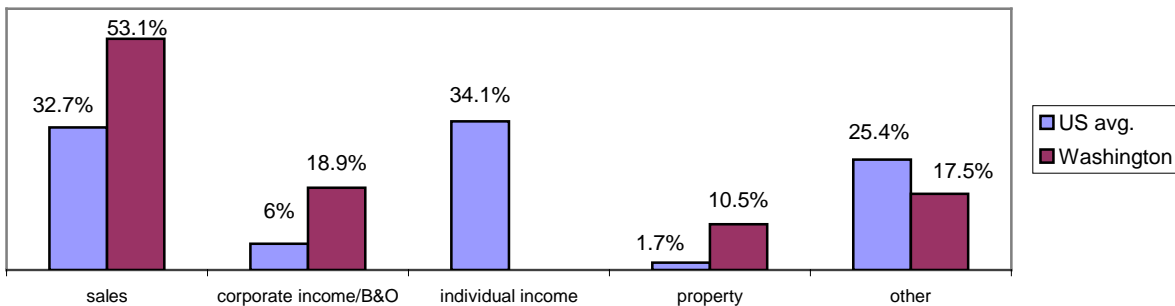
General Fund Taxes, 2005-2007*

- Retail sales \$14.1 billion
- B&O \$5 billion
- Property \$2.8 billion
- Real estate \$1.9 billion
- Public utility \$0.7 billion
- Other \$2.1 billion
- Total \$26.5 billion**

* November 2006 Forecast



Comparison of Washington State Revenue Sources with Average of Other States, 2005



Source: Federation of Tax Administrators and Washington Department of Revenue