

CHAPTER I

SPENDING POLICY

1. Structural Budget Reform

Recommendations

1. Adopt performance-based, Priorities of Government budgeting to slow the rate of spending growth and end the chronic sense of crisis in state finances.
2. Place performance outcomes directly into the budget.
3. Adopt a 72-hour budget timeout.
4. Require updated six-year budget forecasts be tied to quarterly revenue forecasts or adoption of new budgets.
5. Require completed fiscal notes before bills can be acted on.
6. Sell non-essential real estate holdings.
7. Begin a “base closing” process for state programs and agencies to determine which ones can be consolidated or eliminated.

Background

Washington’s two-year general fund budget spends more today than at any point in state history, about \$33 billion. Much of government spending growth is set on auto-pilot by entitlement policies. The total state budget every two years is over \$61 billion when entitlements and federal grant funds are included.¹

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Failure to set clear priorities has created a structural deficit by locking in past spending, regardless of importance, while leaving more urgent needs unmet. This results from the legislature's habit of practicing reverse budgeting, in which routine government activities are funded first while high priority needs are left in fiscal crisis.

This occurred recently when legislators and the governor, despite facing a projected deficit, permanently increased spending in 2008 by \$306 million. In 2005, the legislature and the governor enacted a permanent tax increase of \$450 million. The sharp increase in spending only exacerbates the budget deficit and created permanent taxpayer obligations in the future.

Illustrating the unsustainable nature of these spending increases, despite an increase in forecasted revenue, the nonpartisan Senate Ways and Means Committee in April 2008 forecast a \$2.5 billion deficit for 2009-11. Committee staff estimated the rapid rise in spending will cause the deficit to grow to \$5.3 billion by the 2011-13 biennium.

Setting the stage for unnecessary tax increases

Although the amount of money the state collects from citizens continues to increase, lawmakers regularly boost state spending by an even faster rate. The legislature's failure to set priorities and fund urgent needs first creates a false sense that the tax burden government places on citizens must be increased, when new taxes revenues are actually not needed. The result is a structural deficit created by the gap between the increased level of planned spending and the actual increase in tax revenues.

Spending rising faster than revenue causes structural deficit

To understand the structural deficit, it helps to look at the budget in a broader context. Citizens tend to forget that state government is constantly growing. The only fiscal issue the legislature debates every year is how fast spending should rise.

When lawmakers discuss "cuts," they are referring to reductions in the *rate* of spending increase. When tax revenues rise more slowly than *planned* spending, the difference is called a "deficit." When revenue rises faster than the rate of spending

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increase, the result is a surplus. Either way, except in very rare cases, overall public spending is constantly rising.

Between 1960 and 2005, the state's population grew 120 percent, while general fund revenue grew in inflation-adjusted terms by more than 400 percent. During the 1990s, a time of unprecedented economic prosperity, when there was less pressure on social services, state government spending still rose at a rapid pace.

Instead of controlling spending and preparing for the downturn that was certain to come, state policymakers sharply increased financial commitments and left the treasury with few reserves to maintain services during difficult economic times. Even in today's economy, lawmakers are continuing their habit of overspending.

State government is badly overextended

Lawmakers' instinctive attraction to new spending, while satisfying in the short run, makes it harder for them to meet their obligations in the long term. State government is badly overextended because it tries to do too much. The legislature and the governor make permanent promises but only provide temporary funding. When money inevitably runs short, elected officials seek more revenue from the public, leaving citizens with less of their own earnings to meet life's daily needs.

The result of this approach is an ongoing financial crisis in which recurring deficits are an endemic part of the budget process.

Policy Analysis

An effort to rationalize Washington's budget structure was initiated by former Governor Gary Locke in 2002 when he established his Priorities of Government process.² The process requires each agency to rank program activities in order of their importance to the public.

The Priorities of Government process is centered on three strategies.

1. View state government as a single enterprise;

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2. Achieve results, at less cost, through creative budget solutions;
3. Reprioritize spending, eliminating programs or consolidating similar activities in different agencies.³

Governor Locke described Priorities of Government as “focusing on results that people want and need, prioritizing those results, and funding those results with the money we have.”⁴

Measuring government performance

The natural next step in the Priorities of Government budgeting process is to identify measurable performance outcomes for those programs funded in the budget. By having detailed performance information, better prioritization can occur by funding strategies that deliver the best results.

Providing adequate time to review spending proposals

The state’s combined budget (operating, capital and transportation) is hundreds of pages long. Despite the length and complexity of these documents, however, hearings are usually held the same day the budget bill is introduced, and it is amended and enacted with inadequate time for meaningful public input.

The opportunity for a detailed review by the public before legislative hearings or votes on budget bills would increase public trust in government and enhance accountability for the spending decisions lawmakers make on the people’s behalf.

Know full impact of spending proposals before making decisions

One of the most recognizable measurements of the state’s fiscal health is the regular six-year budget outlook. These updates, however, are not done on a regular basis. To provide updated information throughout the year on the state’s fiscal outlook, the legislature should issue an updated six-year budget outlook each time the official revenue forecast is released, or when a new appropriation bill is adopted.

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Along with the budget outlook, another tool used to make spending decisions is the legislative fiscal note. These analyses provide information on the added cost a spending proposal will impose on taxpayers. Unfortunately, bills are sometime acted on before these estimates are completed, thus robbing the public and lawmakers of the information they need to make informed decisions.

Selling non-essential real estate

State government owns approximately eleven percent of the land in the state, or about five million of Washington's 42.5 million acres. Much of it consists of essential lands that serve the public interest: forest trusts, state parks, and hundreds of important public buildings.

Since 1889, however, the state has acquired properties that never did or no longer serve a public purpose, or which could be leased at much lower cost. In an example from the private sector, ZymoGenetics, a Seattle-based biotechnology company, sold its headquarters building in 2002, and then leased it back for a term of 15 years. The move allowed the company to get out of a business – real estate – that is not its core competency, and at the same time raise \$52 million in cash. Through a simple leaseback arrangement the company made money, saved itself the headache of owning and managing a large corporate campus, and retained use of the building for its own needs.⁵

Set up a land review commission

Lawmakers can help reduce the structural deficit by initiating a thorough review of the state's real estate holdings, perhaps through a special temporary body like the federal Base Closure and Realignment Commission (BRAC). Such a review body would recommend properties that could be sold to the public. This policy would show respect for taxpayers, would increase opportunities for private land ownership and would partly relieve the state of an activity that is not a core government function – managing real estate.

“Base closing” review process for state programs

Currently there are more than 550 agencies, boards and commissions in Washington state government, administering

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hundreds of programs and funds that serve a wide array of purposes.⁶ As the business of government grows over time, programs become unnecessary or redundant. Yet management will always insist that their programs remain in place and even grow regardless of whether they are needed.

Comparing private industry with government shows that private industries innovate and improve services ending old practices and developing new ones. In contrast, government stagnates as entrenched interests such as management and labor unions fight within the status quo. Lawmakers should, from time to time, evaluate the purpose and function of state programs and improve services by consolidating, eliminating, or privatizing operations. This “base closing” process should be as independent of the legislative branch as possible.

Ending the sense of crisis in state finances

Reducing the long-term structural costs of government will ease the burden on taxpayers and ensure that future economic slowdowns do not force the state into yet another financial emergency. Structural budget reforms would promote efficiency, improve the quality of services to the public, and resolve the constant sense of crisis that pervades the state’s public finances.

Recommendations

1) Adopt performance-based, Priorities of Government budgeting to slow the rate of spending growth and end the chronic sense of crisis in state finances. The Priorities of Government standard has proved successful in the past. The legislature and executive agencies should adopt it as a permanent part of the budget process by requiring all budgets be adopted based on this sensible review process, so essential public services are funded first.

Priorities of Government brings discipline to public spending, slows the growth of the tax burden government places on its citizens, and directs limited government funding to where it is most needed.

2) Place performance outcomes directly into the budget. To improve budget accountability, high level performance outcome measures should be placed directly into the budget so lawmakers and

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citizens can quickly see whether past goals have been met before each new increase in spending is considered.

3) Adopt a 72-hour budget timeout. To facilitate public involvement, the legislature should adopt a 72-hour timeout period in the legislative process once a budget, tax or spending bill is introduced or amended. This would allow lawmakers and the public a three-day period to calmly consider the two-year budget, new taxes or new spending before legislative hearings or final voting occurs.

4) Require updated six-year budget forecasts be tied to quarterly revenue forecasts or adoption of new budgets. To provide updated information throughout the year on the state's fiscal outlook, an updated six-year budget outlook should be issued each time the official revenue forecast is released, or a new appropriation bill is adopted.

5) Require completed fiscal notes before bills can be acted on. Lawmakers and the public should know the full impact of a spending bill before final legislative action is taken. Bills proposing increased spending should not receive hearings or votes until a thorough fiscal analysis is completed and released to the public.

6) Sell non-essential real estate holdings. Policymakers should evaluate the real estate holdings of each state agency to determine whether taxpayers would be better served by selling a particular property. Properties that do not benefit the public should be sold to raise revenue and to reduce costs to the state. In other cases, the state may be better off leasing facilities, rather than owning them outright.

7) Begin a "base closing" process for state programs and agencies to determine which ones can be consolidated or eliminated. This review process would help optimize state spending by eliminating state programs that are unnecessary, wasteful or have fulfilled their purpose. The money saved could be devoted to higher-priority programs that provide valuable services to the public.

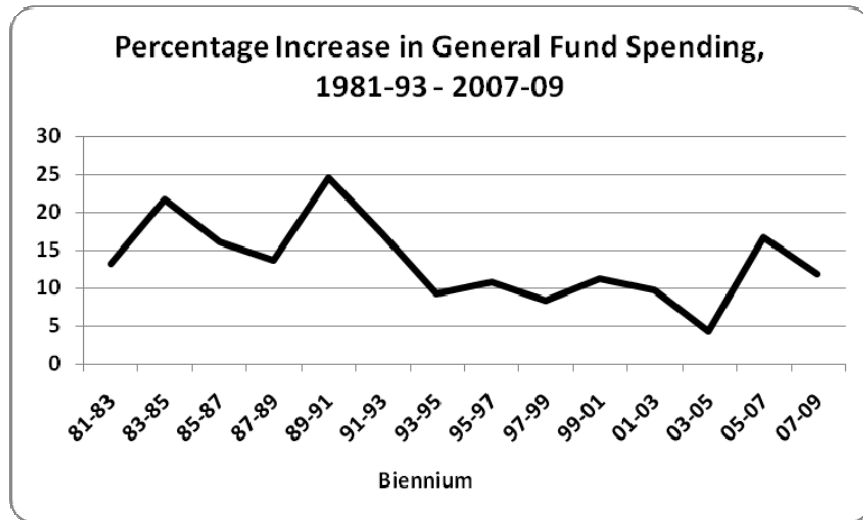
2. State Spending Limit

Recommendation

1. Adopt a constitutional amendment to limit the growth of spending to inflation and population growth.

Background

In 1993, Washington voters passed Initiative 601 to limit the annual growth of state spending to inflation plus population growth.⁷ The limit worked for a time. In the decade before Initiative 601, state spending increased on average by 17.3 percent per biennium. Since Initiative 601 became law, state spending increases have averaged 8.9 percent, almost half the previous rate of spending increases. But over the years legislators gradually suspended those restrictions and the rate of annual spending growth again is in the double digits.



The graph above shows a major drop in the percentage increase in state spending when Initiative 601 took effect during the 1993-95 biennium. Until the major changes to the law by the legislature in 2005, these percentage increases were relatively stable.

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What the people intended to be a firm but reasonable check on the growth of state spending has been reduced almost to zero by the legislature, as lawmakers seek to accommodate their desire for spending increases. Today it is a meaningless cap that is bypassed regularly by lawmakers intent on boosting spending.

Initiative 601 was not made part of the Washington constitution, and it was easily overturned by a simple majority vote in the legislature. Colorado's spending limit, in contrast, was enacted as part of the constitution and has proved much more effective at protecting citizens from aggressive state spending.

Passed by the people in 1992, Colorado's Taxpayers' Bill of Rights (TABOR) limits the amount of tax revenue the state can keep each year to the sum of inflation plus population growth. Any taxes collected above this amount must be returned to taxpayers in the form of rebates.⁸

The table below shows how TABOR succeeded in restraining the growth of government and allowed the people of Colorado to keep more of their own money. Over the ten years after the state implemented TABOR, non-government job growth in the state increased dramatically, as did per-capita personal income.⁹

Colorado: Comparison of economic growth and state spending before and after passage of Taxpayer Bill of Rights (TABOR)

	1983-1992 Growth Rates (pre-TABOR)	1993-2002 Growth Rates (post-TABOR)
Population	10.4%	25.3%
Inflation	29.7%	37.3%
TOTAL	40.1%	62.6%
State Revenues (Taxes)	104.7%	61.3%
State Spending	89.8%	63.8%
Per Capita Personal Income	59.2% (+\$7,810)	65.3% (+\$14,437)
All Job Growth	18.1% (248,000)	34.6% (586,000)
Govt. Employment	21.1% (50,000)	20.0% (59,600)
Non-Govt. Employment	17.5% (198,000)	37.3% (526,400)

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As a constitutional protection against government overspending, TABOR cannot be weakened through the ordinary budget process. Colorado lawmakers do not harbor unrealistic expectations about how much tax money they will be collecting in the years ahead. This in turn serves to keep unsustainable government spending in check.

In 2005, Colorado voters approved Referendum C, which provides for a temporary increase in TABOR spending limits. After five years, the original limits will be applied to future spending growth.¹⁰

Policy Analysis

Thirty states have some form of spending limit to protect their citizens from overtaxation.¹¹ More than half of these spending limits are part of the state's constitution.¹²

Research shows that the most effective spending limits are constitutional instead of statutory.¹³ Constitutional spending limits are insulated from attempts by narrow legislative majorities to open loopholes that allow higher spending increases. Research also shows that tying the growth of government spending to inflation plus population increases a limit's effectiveness, compared to other methods of measuring economic activity.¹⁴

Originally, Initiative 601 pegged government growth to a combination of inflation and population growth, but in 2005 the legislature and governor changed the fiscal growth factor to a ten-year average of state personal income growth.¹⁵ This allows spending to increase at a much faster rate.

Tying increases in public spending to the growth in the average of personal incomes artificially exaggerates the impact of wealthy people's incomes on state spending. Under this budget rule, state spending and taxation go up for everyone, even though not everyone's income has increased to keep pace.

Washington's economy and its citizens would benefit from a state spending limit that is both constitutional and tied to a growth in inflation and population.

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Recommendation

1. Adopt a constitutional amendment to limit the growth of spending to inflation and population growth. Reasonable budget limits similar to those of Initiative 601, but as part of the state constitution, would protect taxpayers and bring greater discipline to public finances.

3. Public Workforce Policy

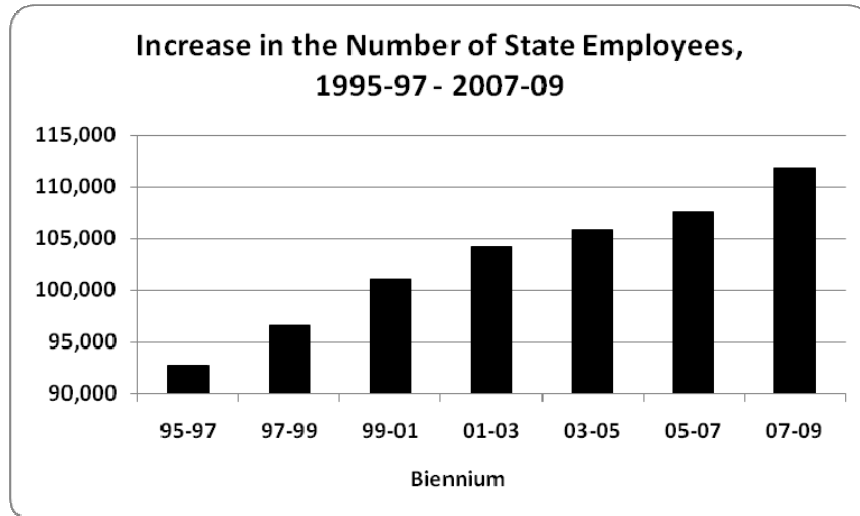
Recommendations

1. Restore the legislature's authority over state collective bargaining agreements.
2. Adopt collective bargaining transparency.
3. Eliminate positions vacant more than six months.
4. Bring state employee health care premium contributions more in line with the private sector.
5. End automatic deduction of compulsory monthly union dues from public employee paychecks.
6. Phase in a defined-contribution retirement plan that gives state workers benefits that can never be taken away.

Background

Since 1995, state public employment has grown by over 19,000 people, reaching nearly 112,000 FTEs (full-time equivalent positions) in 2008.¹⁶ The largest employer in Washington is state government. State public employment grew 20 percent in a little over ten years. In fact, government is the only sector of the economy that consistently grows year by year, even during recessions. The rapid rise in state public employment in recent years is shown below.

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Average annual compensation for full-time state employees tops \$66,000. This includes a salary of more than \$53,000, plus a generous \$13,000 benefit package including medical coverage, free dental care, a comfortable 401(k) retirement plan, a minimum of 12 days paid vacation, 10 paid holidays each year, and protective union rules that virtually guarantee lifelong employment.¹⁷

The average annual salary for a typical Washington state resident is about \$40,414.¹⁸ During an economic downturn many people in the private sector face a reduction in pay or the loss of their jobs, while government workers are generally assured employment with regular raises.

Policy Analysis

Maintaining the present growth rate in the state workforce will eventually push the cost of government beyond what taxpayers can reasonably support. A change in workforce policy is needed to reduce the pressure a rising permanent payroll places on public budgets. A number of ideas for achieving this goal are presented here.

Improve collective bargaining transparency and oversight

State collective bargaining law prevents the legislature, and the public, from knowing the process that determines employment contract details. The current system undermines transparency and

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public accountability for the tax dollars being spent through the state payroll. Under the 2002 Civil Service Reform Act, the legislature can only vote “yes” or “no,” with no amendments or other changes, to a contract negotiated secretly by the governor and union officials.

The legislature should reassert its authority over state employment policy to ensure greater public accountability and transparency. This would help advance improvements that reduce costs while rewarding the excellent work of state employees.

Eliminate positions vacant for six months

A major cost in state government are the number of people on the public payroll. These are desirable, good-paying jobs with excellent benefits. But taxpayers expect government to be about more than providing good jobs to people fortunate enough to be in the state workforce. A starting point in reducing built-in personnel costs would be to eliminate all positions that have been vacant for six months or more.

State employee medical coverage

State employees receive generous health care benefits from an array of eleven plan choices (though not all choices are available in every county). Public employees receive well above the average wage in the state, and a generous benefits package makes up more than 20 percent of their total compensation.¹⁹

In 2008, state employees will pay, on average, just \$64 per month, or \$187 for a family plan, well below the typical employee cost of private sector plans.²⁰ Taxpayers will pick up the rest. In addition, taxpayers pay 100 percent of the cost for employee and family dental coverage. More than 330,000 public employees and families members are enrolled.²¹

In addition to current costs, the legislature is adding to the financial burden of the program by expanding its generous coverage to more groups. In 2007, lawmakers passed five bills allowing groups such as same-sex domestic partners, part-time university employees and employees of tribal government to buy coverage under the state program.²²

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As health care costs continue to climb, the current arrangement will place a growing strain on the state budget. In order to make their employees better stewards of health care dollars, private sector employers have increased the share of premiums contributed by employees. This has the effect of making the cost of health care as a portion of overall compensation more visible. Washington would do well to follow this example.

Lawmakers should also allow state employees to receive their benefits in the form of personal Health Savings Accounts. HSAs give workers tax-free cash to pay their medical expenses, and give them direct control over their health care dollars. The legislature has authorized HSAs for public employees, but the governor's office has yet to set up the program so workers can actually sign up.

Compulsory union deductions from employee paychecks

Currently, the Washington state workforce is mostly a closed shop. Most state employees must belong to an approved union as a condition of employment. Failure to join a union is cause for dismissal.

Union dues are automatically deducted from workers' paychecks. State law provides for mandatory union dues to be set through talks between union leaders and the governor.²³ Currently, monthly dues average around \$45 a month. Typically, government unions collect some \$2 million a month, or about \$24 million a year from workers. Part of this money is used to pay administrative costs and handle workplace issues, while some is devoted to lobbying, candidate campaigns and other political activities.

Washington's "union security" clause

In 2007, the Washington legislature approved a new contract negotiated by unions and the governor behind closed doors, in which union representatives insisted on a "union security" clause requiring mandatory paycheck deductions. Any employee who does not want to join the union or pay mandatory dues can be fired.

The text of a typical "union security" clause is shown below (emphasis added).²⁴

Article 36.3 Union Security

All employees covered by this Agreement will, as a condition of employment either become members of the Union and pay membership dues or, as nonmembers, pay a fee as described in A, B, and C below, no later than the 30th day following the effective date of this Agreement or the beginning of their employment. If an employee fails to meet the conditions outlined below, the Union will notify the Employer and inform the employee that his or her employment **may be terminated**.

Despite the mandatory requirement for most state workers to join and pay a union, the unions are not public entities but instead are private organizations. This scheme shields the unions from the accountability and transparency requirements mandated under state law for public entities.

As an employer, the state should not be forcing individuals to join selected private organizations. However, if such a requirement does exist, the unions should be treated as public entities and be subject to all applicable laws and disclosure requirements. State workers and the public should be fully informed about union activity.

Pension reform

State and local government employees in Washington are required to participate in pension plans administered by the Washington State Department of Retirement Systems. The system pays benefits to more than 590,000 current and retired employees through 15 different plans, and pays out about \$2.5 billion in benefits each year.²⁵ The state's plans are mostly defined-benefit plans, meaning they pay a pre-calculated set of benefits based on number of years worked and salary earned.

Lawmakers often criticize private companies for raiding employee pensions, yet this is exactly what the legislature has done by skipping payments into the state pension fund. The state pension plans have assets of \$47 billion, but face liabilities of more than \$52 billion.²⁶ That means the legislature has under-funded the state pension plan by at least \$5 billion, creating a potentially crushing financial burden for future taxpayers.

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Defined contribution plans

Because they operate under the discipline of the marketplace, private companies have developed a smarter approach. They have moved away from old-style defined-benefit plans to defined-contribution plans and 401(k) accounts. Defined-contribution plans give employees their retirement money upfront, in the form of tax-free contributions to their personal retirement accounts. Employees can contribute to the account as well, also tax-free.

The great advantage of defined-contribution plans is that they give workers direct ownership of their own retirement money. As investment strategies and risk levels change with age, defined-contribution plans give workers the freedom and flexibility that one-size-fits-all government pensions do not. Employees in such plans are not forced to rely on promises that might be broken in the future.

As an additional benefit, defined-contribution plans protect future taxpayers from massive unfunded liability, such as the one state plans carry today.

Recommendations

- 1) Restore the legislature's authority over state collective bargaining agreements.** The legislature should reassert its authority over state employment policy to ensure greater accountability and transparency, and it should advance improvements that reduce costs while rewarding the excellent work of state employees.
- 2) Adopt collective bargaining transparency.** State employment contracts should not be negotiated in secret. Taxpayers are ultimately responsible for funding these agreements. They should be allowed to monitor the negotiation process and to hold state officials accountable for their actions.
- 3) Eliminate positions vacant more than six months.** If a position remains open for more than six months, it is reasonable to assume the agency can do its work without an employee in that position. By eliminating these vacant positions, the state can cut payroll in areas that are not critical to public safety or the basic functioning of state government. This policy would provide more accurate budget information for the legislature and would lower costs to taxpayers.

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4) Bring state employee health care premium contributions more in line with the private sector. In order to make their employees better stewards of health care dollars, the state should increase the share of health insurance premiums contributed by employees. Policymakers should also promote the option of Health Savings Accounts, so workers can have direct control over their health care benefits.

5) End compulsory monthly union dues from public employee paychecks. If government union leaders collected voluntary dues from their members, instead of resorting to mandatory automatic payroll deductions, they would be more responsive to their members' needs and views. It would also encourage union officials to be more transparent and accountable for how they spend their members' money.

6) Phase in a defined-contribution retirement plan that gives workers benefits that can never be taken away. Personal retirement accounts with tax-free defined-contributions would end the financial crisis in the state retirement system. Lawmakers can best keep their promises to retirees by creating a pension system that is personal, flexible and financially sustainable.

4. Competitive Bidding

Recommendations

1. Encourage state agencies to save money and improve service to the public by using competitive bidding authority.
2. Protect competitive bidding authority from being restricted or bargained away during mandatory collective bargaining negotiations.

Background

The state's tight financial situation lends fresh urgency to the use of competitive bidding as a long-term way to bring rising spending under control. Competitive bidding allows state agencies to open work normally performed by in-house employees to bids from a variety of sources. Public employees are allowed to bid for contracts along with contractors from the private sector. Competition allows government managers to provide improved services at lower cost to taxpayers.

Until recently, state law based on a court ruling in the 1978 Spokane Community College case that was later codified by the legislature, held that any work historically performed by state workers had to always be performed by state workers.²⁷ Private companies were not allowed to submit bids to see if the same amount and quality of work could be done at lower cost.

In 2002, the legislature, as part of a larger collective bargaining and civil service reform measure, enacted a law which gave state agencies the authority to open work contracts to competitive bidding.²⁸ The new rule went into effect in July 2005.

Unfortunately the state has done little to pursue savings from competitive bidding with the private sector. This is due in part to the current political climate in Olympia and the fact that the 2002 reforms created an overly-complicated process for pursuing bidding. Currently, opposition from government unions and a burdensome

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process prevent the state from realizing the full benefits of competitive bidding.

A performance audit conducted by the Joint Legislative Audit and Review Committee (JLARC) in January 2007 found:

“...few agencies have competitively contracted for services in the 16 months since receiving authorization to do so.

Agency managers reported two main reasons for not competitively contracting. First, managers perceive the process itself to be complicated and confusing, providing a disincentive to pursue competitive contracting. Second, competitive contracting is a subject of collective bargaining, which creates additional challenges by requiring labor negotiations. Managers must bargain, at a minimum, the impacts of competitive contracting.

Additionally, some agency collective bargaining agreements include provisions which prohibit agencies from competitively contracting.”

Policy Analysis

There are four key benefits of competitive bidding that show how competition successfully improves quality and eases the budget strain of core government programs. These are presented below.

Four benefits of competitive bidding

- 1) **Lower cost.** Private companies are disciplined to seek efficiencies through the need to operate at a profit while providing superior service at a competitive price. By employing the techniques of competition, public managers find efficiencies within their operations and lower the cost of performing a service.
- 2) **Higher service levels.** Monopolies, whether public or private, frequently lack the stimulus to innovate and improve service delivery. By opening services to competition governments can upgrade services and achieve cost savings.

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- 3) **Better management.** Government can streamline its operations by using the same accounting procedures and productivity measures that the private sector uses, which are more accurate and comprehensive than traditional government methods.
- 4) **Changed government culture.** When a government seeks dynamic competition over a monopoly status quo its culture changes. Instead of performing many functions with limited expertise, governments that are open to competition liberate themselves to perform a smaller set of core functions better than ever before, while leaving much of the routine work to contractors.

Across the country, state, county and city governments are opening services to competitive bidding that were once performed exclusively by government agencies. These competitions are often won by government workers themselves, showing that efficiencies can be found even when public employees continue to do the work. For public leaders, tapping the benefits of competition is a better alternative than pushing for ever-rising levels of taxation.²⁹

Recommendations

- 1) **Encourage state agencies to save money and improve service to the public by using competitive bidding authority.** Many opportunities for competitive contracting exist throughout state government. Experience from other states shows typical cost savings of 10 to 25 percent when agency managers introduce open competition for government work.
- 2) **Protect competitive bidding authority from being restricted or bargained away during mandatory collective bargaining negotiations.** Washington policymakers should simplify the bidding process to make it easier for agencies to use competition to improve services. Lawmakers should shield contracting out from union and political influence by removing it from the collective bargaining process. Improving service to the public is too important to be a bargaining chip in government labor negotiations.

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Additional Resources from Washington Policy Center

“Look Beyond the Numbers of State Budgeting,” by John Barnes, March 2008.

“The Washington State Piglet Book: Connecting the Dots on How Government Wastes Your Money,” by Paul Guppy, January 2008.

“Citizens Guide to SJR 8206, Budget Stabilization Account,” by Jason Mercier, August 2007.

“Washington Votes for Fiscal Discipline, Against Tax Increases,” by Jason Mercier, November 2007.

“State Lawmakers Should Return the Extra Money They are Taking from Taxpayers,” by Paul Guppy, December 2006.

“New Audit Law to See Whether Government Agencies are Keeping Their Promises,” by John Barnes, May 2006.

“The State Budget Tug-of-War,” by Paul Guppy, January 2006.

“Guide to Initiative 900: Reviewing Government through Performance Audits,” by John Barnes, October 2005.

“Overextended Government, Not Lack of Revenue, is the Reason for State’s Structural Deficits,” by Paul Guppy, March 2005.

“A Policy Guide for Budget Reform: Strategies for Improving State Government Services and Reducing the Deficit,” by Eric Montague, January 2003.

“Ideas for Balancing the State Budget Without Raising Taxes,” by Eric Montague, January 2002.

¹ “2007-09 Enacted Budgets,” Office of Financial Management, at www.ofm.wa.gov/budget/legbudgets/0709biennial.asp. General fund figure includes Near General Fund accounts.

² “Gov. Gary Locke Announces ‘Priorities of Government’ Strategy for Lean, Results-Oriented State Budget,” news release, Office of the Governor, Olympia, November 14, 2002, <http://www.governor.wa.gov/press/press-view.asp?pressRelease=1222&newsType=1>.

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³ Ibid.

⁴ “Priorities of Government,” Governor Gary Locke, news conference, November 14, 2002, at www.digitalarchives.wa.gov/governorlocke.

⁵ “Biotech Cashes in on Real Estate: ZymoGenetics Sells, Leases Back HQ,” by Luke Timmerman, *The Seattle Times*, October 8, 2002, p. C-1.

⁶ “Washington State Government 2005-2006 Organizational Chart,” Office of Financial Management, available at www.ofm.wa.gov/databook/pdf/orgchart.pdf.

⁷ Under Initiative 601, state expenditures were limited to a growth rate at or below the average of the sum of inflation and population change during the previous three years.

⁸ “The TABOR Legislative Handbook,” The Independence Institute, Golden, Colorado, January 2000, <http://i2i.org/articles/1-2000.PDF>.

⁹ “A Decade of TABOR, Ten Years After: Analysis of the Taxpayer’s Bill of Rights,” by Fred Holden, Independence Institute, Golden, Colorado, June 2003, p. 7, at www.i2i.org.

¹⁰ Ibid., p. 7.

¹¹ “Overview of state tax and expenditure limits, 2007,” National Conference of State Legislatures (NCSL), at www.ncsl.org/programs/fiscal/telsabout.htm, accessed May 14, 2008.

¹² Ibid.

¹³ “Tax and Spending Limits: Theory, Analysis, and Policy,” by Barry W. Poulson, Independence Institute, Golden, Colorado, February 2004, page 1, at www.i2i.org.

¹⁴ Ibid.

¹⁵ Senate Bill 6078, 2005 session, see www.WashingtonVotes.org for more information.

¹⁶ This figure includes staff and faculty at state-funded universities and colleges. It does not include K-12 teachers and staff, who are considered employees of local school districts. See “FTE Staff for 1995-97 through 2007-09 Enacted Budget,” Legislative Evaluation and Accountability Program (LEAP) Committee, at <http://leap.leg.wa.gov/>.

¹⁷ “Salaries, Benefits and FTEs, FY 1998 to FY 2008, General Fund – State Only,” e-mail communication from Pam Davidson, Washington State Office of Financial Management, available on request, May 21, 2008.

¹⁸ “State Personal Income, 2007,” Bureau of Economic Analysis, United States Department of Commerce, at www.bea.doc.gov. Per capita annual personal income for Washington residents was \$40,414 in 2007.

¹⁹ Office of Financial Management, Olympia, Washington, cited in “State government’s hiring outpaces population growth,” by Chris McGann, *Seattle Post-Intelligencer*, August 1, 2005, and Jason Mercier, “State government employment up 1,676: Ninth straight year employment has increased,” Evergreen Freedom Foundation, available at www.effwa.org.

²⁰ “2008 Monthly Employee Premiums, PEBB Medical Plans,” Public Employees Benefits Board, Washington State Health Care Authority, at www.pebb.hca.wa.gov/documents/rates/employee.pdf.

²¹ “PEBB Enrollment Report, Report 1: Total Member Summary,” Public Employees Health Benefits Board, Washington State Health Care Authority, March 2008, at www.pebb.hca.wa.gov/documents/mar2008.pdf.

²² SHB 1417, HB 1644, SSB 5336, SB 5640 and E2SSB 5930, “Legislature expands access to PEEB coverage,” PEBB Perspective, Public Employees Health Benefits

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Board, Washington State Health Care Authority, July 2007, at www.pebb.hca.wa.gov/documents/empjuly2007.pdf.

²³ Revised Code of Washington 41.80.100.

²⁴ “Collective Bargaining Agreement By and Between The State of Washington and Washington Public Employees (WPEA),” July 1, 2005 through July 1, 2007, Article 36.3, at www.ofm.wa.gov/labor/agreements/05-07/wpea/wpea.pdf.

²⁵ “2007 Comprehensive Annual Financial Report,” Message from the Director, Funds of the State of Washington, Department of Retirement Systems, June 30, 2007, at www.drs.wa.gov/Administration/AnnualReport/CAFR/cafrIntro.pdf.

²⁶ *Ibid.*, page 12.

²⁷ *Washington Federation of State Employees v. Spokane Community College*, 90 Wash. 2d 698, 585 P. 2d 474 (1978) and codified by the legislature in RCW 41.06.380.

²⁸ Substitute House Bill 1268, The “Personnel System Reform Act of 2002.”

²⁹ For examples from other states of the effectiveness of contracting out, see “Competing for Highway Maintenance: Lessons for Washington State,” by Dennis Lisk, Washington Policy Center Policy Brief, September 1998, and “Research Shows Private Prisons Enable States to Improve Quality and Control Costs,” Washington Policy Center Legislative Memo, February 28, 2005, both at www.washingtonpolicy.org.