

Resolution to require wealthy corporations to pay their fair share of State taxes



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Resolution to cut corporate tax exemptions rather than cutting school funding

Whereas the State Revenue shortfall for the current biennium may rise to over \$500 million by June 2011 and

Whereas House Ways and Means Chairman Ross Hunter recently stated that a delay in payments to public schools of the June payment is a **“foregone conclusion – unless something more attractive comes up”** and

Whereas the June payment to schools represents 6% of annual school funding or about \$500 million and

Whereas \$500 million in reduced State funding equates to the firing of about 5,000 teachers and

Whereas firing 5,000 teachers would harm the future of one million school children and

Whereas the budget shortfall for the next biennium is now over \$5 billion and

Whereas delaying funding for schools would increase the budget shortfall for the next biennium by \$500 million and

Whereas our State is already 49th in the nation in school funding as a percent of income and

Whereas the “paramount duty” of the legislature according to our State Constitution is providing adequate funding for our public schools and

Whereas the paramount duty of the legislature is NOT providing hundreds of millions of dollars in tax exemptions for the richest corporations in the history of our planet and

Whereas school funding in our State has already been cut by more than \$2 billion in the past two years while not a single penny has been cut in tax breaks for wealthy corporations and

Whereas corporate tax exemptions for Microsoft are about \$200 million per year and tax exemptions for Boeing are about \$300 million per year and

Whereas continuing to give \$500 million in tax exemptions to these two corporations while failing to pay \$500 million in “Basic Education” funding to schools is unconstitutional ...

Therefore we ask the State legislature to suspend all tax exemptions for any corporation making more than one billion dollars per year in profit and use this revenue to fully fund our public schools.

Respectfully submitted by David Spring M. Ed., springforschools@aol.com
5th LD Representative to the King County Democratic Party Central Committee

Cut Corporate Tax Breaks instead of Cutting School Funding

David Spring M. Ed. springforschools@aol.com March 18, 2011

Robbing Basic Education by failing to pay schools the June payment.

In the past 2 years, the legislature has repeatedly robbed our public schools. First, they stripped \$2 billion in I-728 and I-732 funding. Then they gutted school construction funding. Then in December 2010, they robbed schools of \$200 million in federal edu-job funding.

But the greatest insult is being saved for June. By June, it will become obvious that the State is flat broke. The June payment to school districts is 6% of the annual apportionment

http://www.k12.wa.us/safs/PUB/ORG/09/2009OrgFin_Final%20Copy.pdf

<u>Month</u>	<u>Payment Percent</u>	<u>Month</u>	<u>Payment Percent</u>
September	9.0	March	9.0
October	9.0	April	9.0
November	5.5	May	5.5
December	9.0	June	6.0
January	9.0	July	10.0
February	9.0	<u>August</u>	<u>10.0</u>
		Total:	100.0%

After all the previous cuts, Public Schools are just under \$14 billion for the biennium or under \$7 billion per year. Dividing \$13.746 billion by 24 months is **\$573 million per month**. This is very close to what the State Revenue shortfall will be in June. So while the Governor's proposal in December 2010 was to rob just a portion of the June 2011 payment (\$253 million), it is more likely that the entire June payment will be "delayed" to the next biennium.

Here is what Ross said about this problem in February just two days after the January \$105 million revenue shortfall was announced – an announcement that made it obvious we are heading for a financial meltdown: "House Ways and Means Chairman Ross Hunter tells The Olympian newspaper that a one-day delay in payments to public schools from the last day of June to the first day of July may be inevitable." **"It's pretty much a foregone conclusion – unless something more attractive comes up," House Ways and Means Chairman Ross Hunter, D-Medina, said Friday, referring to the payment delay to cover whatever negotiators can't otherwise agree to in bridging a \$566 million shortfall.**

So let's be clear. Ross was not talking about delaying a single day's payment to schools. He was talking about delaying the entire month of June's payments to schools – because that is the only way to balance the coming \$550 million current year shortfall.

This not only creates a problem for the writers of the next budget (who will see an extra half billion tacked on to the \$6.6 billion problem they will already be facing), but it also creates a problem for our schools – who have to pay their bills even when the State is not paying them. For example, the Snoqualmie Valley School District gets about \$30 million per year from the State. Eliminating 6% of \$30 million will be an additional \$2 million cut to current year funding. Given the multitude of financial problems coming in the next biennium, it is extremely unlikely that this funding will be restored. If anything, next year is going to be much worse. In addition, delaying \$500 million in funding for Basic Education to 295 school districts would lead to the firing of 5,000 teachers and is almost certainly unconstitutional:

Doran Two Decision

On April 29, 1983, Thurston County Superior Court Judge Doran delivered an oral decision in the case of Seattle School District No. 1, et al., vs. State of Washington, et al. that said in part:

"(3) Once the legislature has established what it deems to be 100% funding for basic education, that level may not be reduced (notwithstanding an economic crisis) unless the amount appropriated was in fact in excess of 100% funding.

Once a program is defined as "basic education," it becomes part of a state on-going entitlement program. The state may not reduce the funding level due to state revenue problems.

Cut Corporate Tax Breaks instead of Cutting School Funding, Page 2

Negative economic impact of billions of dollars in cuts to State programs – will force the firing of thousands of public sector workers

– soon to be followed by the firing of thousands of private sector workers whose jobs depend on the spending of public sector workers. There has been \$1.3 billion in State budget cuts in just the past 3 months. This does not include the ending of federal stimulus funding in June – and the failure of the State to pay schools in June – a double whammy which will lead to thousands of teachers being fired. Billions in cuts (Hoover Economics) will only make things worse.. Unemployed workers cannot shop at stores or pay taxes. Therefore State revenues will continue to decline setting off a downward economic spiral much like what happened in 1930 to 1932.

The Hidden Cost of Firing Thousands of Teachers & other Public Servants

Total Public Jobs Lost = 50,000

But this is just the Tip of the Iceberg!

Total Jobs Lost = 100,000

Total Economic Harm will exceed \$10 Billion!!!

\$4 Billion per Year in State Budget Cuts = 40,000 State Workers Fired (including 10,000 Teachers)

\$1 Billion per Year in County and Local Budget Cuts = 10,000 County and Local Workers Fired

Due to the Multiplier Effect, at least 50,000 Private Sector Downstream Jobs will also be lost!

Direct Economic Harm includes Billions in Lost Wages, Billions in Lost Business Sales, and Millions in Reduced State Revenue

Indirect Economic Harm includes thousands more foreclosures, lower home values, bankruptcies, business closings, divorces, school drop outs, increased drug abuse, crime and homelessness.

Leading to even lower State revenue... & Creating an Economic Death Spiral

Cut Corporate Tax Breaks instead of cutting school funding

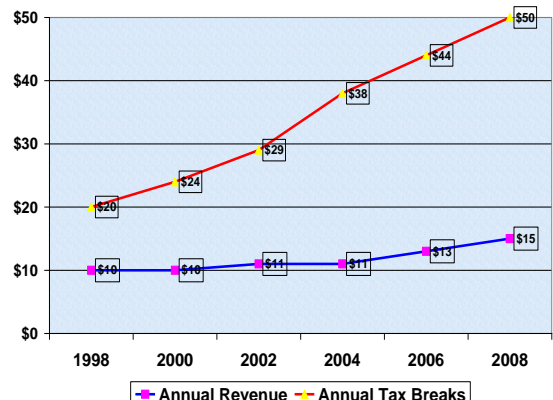
The US Commerce Department reported that corporate profits hit a record \$5 trillion in 2010. Corporations are now sitting on trillions of dollars in liquid assets – which they are investing mainly to buy up assets and create jobs overseas. The Fed recently reported that bank reserves had risen from \$2 billion in August 2008 to nearly one trillion dollars in August 2010. The four largest banks (Bank of America, JP Morgan Chase, Wells Fargo, and Citigroup) received hundreds of billions in subsidies from the US tax payers.



State Revenue compared to Tax Exemptions (to nearest Billion)

Washington State Office of Financial Management, 10 Year Financial Trends, Schedule 5: Near General Fund. Annual Tax Breaks DOR Tax Exemption Reports. See also <http://leap.leg.wa.gov/leap/Oversight/histongf.pdf>

Tax breaks for major corporations in our State have skyrocketed 250% during the past 10 years (from \$20 billion per year in 1998 to \$50 billion by 2008): Over 90% of these tax exemptions benefit the richest one percent, with much of this wealth being shipped out of State and even out of the country, creating jobs overseas instead of here in Washington State. In causing the firing of thousands of public servants, these **massive tax exemptions for billionaires do not create jobs. Instead, they cost jobs.**



Questions and Answers Regarding the Resolution to cut tax exemptions for wealthy corporations instead of cutting funding for public schools:

Why do we need to consider this resolution now rather than waiting a month so it can go before the Resolutions Committee?

The extreme nature of the budget shortfall for the next biennium only became confirmed on Thursday March 17th. Also the legislature is scheduled to adjourn on April 26th. Therefore, in order for this resolution to be considered by the legislature, it must be passed now.

Isn't this just an accounting trick which delays the June payment of \$500 million to school districts by one day – from the last day in June to the first day in July?

It has been claimed that the payment is merely being delayed by one day. This is a false claim because the budget shortfall for the next biennium will be much worse than the budget shortfall for the current biennium. It will be much worse for three reasons. First, there will be \$2 to \$3 billion less in federal stimulus funding. Second, there will be much less ability to raid other State funds – as everything that can be stolen has been stolen. Third, and most important, thousands of public sector workers will lose their jobs this summer due to the All Cuts budget. This in turn will lead to the loss of thousands of private sector jobs which are dependent on the public sector jobs – which in turn will greatly reduce State revenue during the next biennium. Thus, **the delayed payment will NOT be made up in the next biennium**. Instead of paying back schools for the \$500 million which will be taken from them in June, what is more likely to happen is that there will be another billion per year in cuts to school funding in the 2011-2013 biennium – dropping funding from \$7 billion per year to \$6 billion per year. This will be about a 14% cut on top of the current school funding cuts – and cause another 5,000 to 10,000 teachers to lose their jobs in the next two years and cause a rise in class sizes from 25 to 30 students per class.

Don't most school districts have enough money in their reserve accounts to absorb this \$500 million cut without firing teachers?

Most school districts have less than 30 days in their Reserve Accounts. Even this money is intended to pay for bills and prevent checks from bouncing while waiting for the apportionment payment to come from the State at the end of each month. School districts have already absorbed more than \$2 billion in cuts in the past two years. There is literally nothing left to cut but teachers. Rather than using up their essential and meager reserves many school board members have told me they will simply fire teachers. So a \$500 million cut to the June payment will result in 5,000 fewer teachers having jobs next Fall.

Why should the entire \$500 million in savings from suspending these tax exemptions go to public schools when so many other State programs have endured major cuts?

First, because school funding is being targeted to cover the entire amount of the remaining budget shortfall. Second, because the money for these two tax exemptions was originally taken from school funding. For example, in 2003, the week before the legislature passed the Boeing \$300 million tax exemption, they passed a bill cutting \$300 million from school funding. Therefore what is needed now is simply restoring the funding taken away in 2003.

Isn't this Resolution contrary to the Eyman Initiative?

Some think it is and some think it is not. Also some think the Eyman Initiative is no even constitutional. In any event, it is up to the courts and not the legislature to answer this question.

How much profit do Microsoft and Boeing make each year?

Microsoft net profit is about \$20 billion and Boeing net profit is about \$2 billion each year.

We have tried to eliminate tax breaks for wealthy corporations before and legislators have said they will not vote against Boeing and Microsoft. If major corporations own Olympia, isn't this resolution merely beating a dead horse?

Never before has there been a clear choice between funding schools or granting corporate tax breaks. Always before legislators could claim they had enough revenue to do both. Passing this resolution at this precise time will make this choice more visible to the public and to legislators.