

Issue: Dedicated Revenue for Higher Education  
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Endorsements:  
Strategy Chart.

#### 1) Describe the Issue

Trends show a clear state divestment in higher education where students suffer from greater financial burden and dramatic tuition increases. In fact, “Twenty years ago, the state government paid 80 percent of the cost of a student's education and a student paid 20 percent. Today, the state pays 30 percent of the cost, and the student pays 70 percent.”<sup>1</sup> As the cost of higher education increases, many students are unable to pursue postsecondary education or do so but graduate with increasing amounts of debt that stifle their development after graduation. In fact, 2013 graduates are leaving college with an average of \$35,200 of debt.<sup>2</sup> This debt disadvantages students and delays them from starting their lives post-graduation, which also negatively affects the economy as a whole. Supporting graphs can be accessed. <sup>3</sup>

Commented [1]: We'll want to update these numbers.

In order to improve the affordability and accessibility of higher education, the state must increase their financial contribution, which is unlikely absent of an increase in consistent revenue from reliable sources. With new and dedicated revenue, higher education institutions will no longer suffer from budget cuts, the quality of education has the potential to increase, tuition will not continue to skyrocket, more students will be able to attend higher education, and students will not graduate with as much debt.

This proposal will attempt to offer clear and realistic sources of new and dedicated revenue that can be specifically allocated towards higher education. The criteria for these suggestions have taken into account three basic guidelines: 1) do not increase existing taxes that disproportionately harm people of lower income, 2) aim for tax increases that discourage negative behaviors that are harmful to society, and 3) avoid negatively impacting the economy of Washington State.

#### Tax Cannabis

1-502 was approved by WA state voters in the 2012 statewide elections. It is estimated that over the next five years, as much as \$349.3 million could be generated and deposited into the state's general fund which may be used for any governmental purpose as it is appropriated by the legislature. We recommend establishing dedicated funding for higher education from this tax, specifically it could be used to support student services on campus that increase graduation rates. This would total \$3.3 million for statewide implementation, with \$1.2 million going specifically to WWU.

#### Tax Lottery Winnings

Although lottery winnings are already implicitly taxed, there should be an explicit tax on lottery winnings with the proceeds funding higher education. Washington state's current implicit lottery tax revenue results in a profit equivalent to \$19 per person, which is lower than the U. S. average at \$58 per person. A 3% tax on lottery winnings would bring in \$11.2 million annually.

#### Close the Extracted Fuel Exemption

As part of a multi-year effort on climate policy and with a looming need to find new revenue to support higher education, this proposal would build on a campaign initiated by the environmental community in 2013 to eliminate the "extracted fuel exemption" in state tax code. Oil companies benefit directly from taxpayers and students have borne the burden of financing this investment. Closing the loophole would generate between \$41-63 million per biennium.

#### Business & Occupation Tax for Research/Development firms

Remove a B&O tax exemption for R/D firms and divert those funds into a program designed to increase funding for education (STEM specifically might make it more palatable to people opposed). The tax exemption should be allowed to expire in 2015.

#### Increase the Estate Tax

We currently have a sliding scale estate tax between 10-20%, it is applied only to assets over \$2 million. Changing this would affect approximately 300 people a year and could raise as much as \$200 million per biennium.

#### First Time Mortgage Lenders Tax Loophole

Banks that lend to first time home buyers do not pay tax on profits. This was originally designed to benefit WaMu, a bank that no longer exists. This could generate \$100 million per biennium in non-consumer taxes.

#### Repeal the sales tax exemption on bottled water

This would generate \$44 million per biennium, most states do tax bottled water. This also helps to address the disproportionate negative effects the bottled water industry has on marginalized communities.

#### Limit Real Estate Excise Tax (REET) exemptions

Currently when you sell a house in WA you pay a REET, we propose limiting the exemptions currently offered so that lenders pay a REET when they sell foreclosed properties. This could raise up to \$81.9 million per biennium.

#### Capital Gains Tax

Total \$ from recommendations in proposal (w/out Marijuana and Lottery): \$466.9-488.9 million per biennium

Adequate and equitable property tax- for next year's Liaison

3. Briefly Explain the Following:

1. Win Real Victories That Improve People's Lives?

Historically, finding new and dedicated revenue has been an extremely difficult challenge even though it is a necessary condition to accomplishing most all of the WSA guiding principles. Given the outcome of the last legislative session and in years prior, it is difficult to know if this issue is truly winnable; however, our proposed revenue sources hopefully either do not place too much burden on people or contribute to a greater good. We think that there will be strong opposition to some of these proposals, but we also think that Western and the WSA can make a strong case for adequately funding higher education. It is worth noting that these revenue policy changes have the potential to garner broad bipartisan support in both chambers of the Legislature and from the general public.

2. Does it directly impact and improve students' lives?

If we can generate more new and dedicated revenue that can be allocated towards better funding higher education, then students are going to be positively and directly impacted and our lives are going to improve as a result of a decrease in financial burdens and barriers as well as an increase in the quality of higher education.

3. Does it have a clear target?

Our primary targets are as follows:

Rep. Hans Dunshee (D): Chair of the House Appropriations Committee.

Rep. Bruce Chandler (R): Ranking minority member, House Appropriations Committee

Rep. Frank Chopp (D): Speaker of the house

Sen. Mark Schoesler (MCC): Senate Majority Leader.

Sen. Andy Hill (MCC): Senate Ways and Means chair.

Sen. Hargrove (D): Ranking member Ways and Means

Secondary Targets

Gov. Jay Inslee (D): Has made education a top priority

Sen. Barbara Bailey (R): Invested in Higher Ed

4. Does it build a measurable amount of power?

Any issues that involve the affordability, accessibility, and quality of higher education are going to build a measurable amount of power. As mentioned earlier, new and dedicated revenue is absolutely necessary in order for students to accomplish the higher education goals as recognized in the WSA guiding principles. Students care a lot about these issues. Also, the more obvious and tangibly measured issues such as tuition and financial aid help tremendously in organizing

and rallying students together. All students can relate over high tuition and less access to financial aid, which has made pursuing higher education increasingly difficult.

5. Does it have a clear and realistic time frame?

Yes. It is our intent this year that these revenue policy changes could be introduced to the legislature.

Each of these different proposed taxes will take varying levels of time and effort to implement:

**Taxes on Lottery Winnings/Alcohol:** These revenue policy changes will be easier to implement because the tax structures already exist and opposition to increases in these taxes is minimal.

**Cannabis Tax:** This is realistic, there is a -\$216,000,000 portion of income from taxing marijuana sent to the general fund, some of which could be dedicated to increased funding for support services on college campus, particularly counseling and health center services. Increased funding for support services was in the House Budget in the last session and had broad bipartisan support.

**Close the Extracted Fuel Exemption:** Recent and forthcoming spotlighting events in environmental policy can act to focus attention on this issue. In addition, the environmental community's strong campaign to mobilize support for closing the loophole makes 2016 a good session to build a broader base of support for pushing oil companies to make investments in critical state obligations like higher education.

**Business and Operations Tax exemption for Research & Development Finns:** The R/D B&O STEM allocation has less of a chance of being passed this year, since the exemption is set to expire in 2015. However we should lobby for this issue as it will likely be our last chance to do so.

6. Does it have a local/state/federal organizing and lobbying angle?

The issue of new and dedicated revenue is an issue that affects all students on every campus, throughout the state and throughout the nation. In a broad sense, this issue absolutely has a local, state, and federal organizing and lobbying angle. However, our specific suggestions of tax revenue sources are state specific and will vary from state to state. For example, most states have not legalized marijuana or some states do not have a lottery.

7. Could students build a diverse campus coalition around this issue?

Issues, such as finding revenue sources to better fund higher education, are associated with the affordability, accessibility, and quality of higher education in general, which affects all students,

and therefore, it is both deeply and widely felt. For this reason, among others, it can build a diverse campus coalition because all students, regardless of economic situation struggle with these issues. It is important to acknowledge that we are all students and that we are all fighting the same fight with the same end goal. Pursuing initiatives to fund higher education through taxes on carbon and closing loopholes for oil companies offers the opportunity for campus environmental groups to work in support of student association priorities.

8. Is it likely to be debated and acted upon by the Legislature in the next year?

New and dedicated revenue is always a topic of conversation, but some years the conversation is longer than others and some years action is taken and other years it is not. Students will be heavily pushing for at least another year of a tuition freeze and more funding for higher education, which means that these issues will definitely be debated. Since this is not a budget year, there is a very high probability that these issues will be acted upon.

9. Will it strengthen and expand efforts within Western and the WSA?

Yes because funding higher education and keeping tuition low is a priority for all students. By dedicating time and energy into this issue, we will be able to continue expanding our mobilizing efforts on campus as well as at a statewide level.

10. Can you provide background information and the current context of the issue?

Two years ago, the WSA agenda called for students to “Support passage of measures which create new revenue and do not disproportionately affect low income individuals such as instituting a capital gains tax, ending state spending on tax exemptions that have outlived their usefulness, extending the state sales tax to online sales, and automatically sun-setting tax exemptions” as well as to “Dedicate a portion of the funds from marijuana taxation for higher education.”

As stated in the end of session report from the last budget year “There is a recognition among students that if we are going to see increased investment in higher education that we are going to have to work on finding new revenue sources and secure additional funding by making sure it is dedicated toward higher education. One of the first things that happened as a result of the shift in power in the Senate was that new revenue was effectively taken off of the table for budget negotiations. Furthermore, the McCleary Decision meant that dedicated revenue was hard to secure due to the amount of money that needs to be funneled into basic education. Early conversations surrounding securing new funds from marijuana legalization were promising, but there was too much uncertainty and too many logistical problems around implementation to make much progress. As a final point, our work with the Revenue Coalition continues to be

beneficial in that it creates a strong united front among a broad range of advocates in pushing for new forms of revenue.”

Currently, the recent McCleary decision which calls for greater revenue directed towards K-12 education will likely have a large impact on funding for higher education. Students within the WSA are working to draft up letter to ally with K-12 education so the two different education sectors don't get pitted against one another for already limited funding. Ideally, both K-12 and higher education will be able to share revenue and work with one another to see increases in state revenue which will go towards education as a whole.

11. What creative and/or innovative tactics could we employ to engage the media and excite new students around this issue?

One idea would be using fake money or checks to signify how much students are paying annually to attend their respective institutions of higher education or how much debt they will be graduating with. Running a “what if” campaign might also be an effective way for students to express how much debt they are going to graduate with and what they could have bought with that same amount of money. This could also be done as a social media campaign and throughout the year we can determine possible tactics.

#### OLD Sources:

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