

Issue: Dedicateci Revenue for Higher Education
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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.”¹ 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, 2014 WWU graduates have on average \$21,520 in student debt. This debt disadvantages students and delays them from starting their lives post-graduation, which also negatively affects the economy as a whole.

In order to improve the affordability and accessibility of higher education, the state must increase their financial contribution, which is unlikely without an increase in consistent revenue from reliable sources. With new and dedicated revenue Washington state has the potential to radically redefine what public higher education looks like in 2015 - by fully funding higher education we can truly serve the diverse needs of the students on our campus.

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.

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

Capital Gains are the profits from sales of corporate stocks, bonds, investment property (Not on primary residences) & other high end financial assets. This would only be on gains of over \$25,000 a year, and would mostly affect people with an average annual income of over \$490,000. It could generate as much as \$800 million a year/ \$1.6 billion a biennia.

| | Governor’s | House Dems | Senator Ranker (SB 6102) |
|------------------|------------|------------|--------------------------|
| Number of people | 31,500 | 31,500 | 7,500 |

| | | | |
|---------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| taxed | | | |
| Taxes annual investment profits above | \$50,000 couple/\$25,000 individual | \$50,000 couple/\$25,000 individual | \$500,000 couple/\$250,000 individual |
| Percent taxed | 7% | 5% | 7% |
| Revenue generated (2017) | \$800 million | \$550 million | \$531 million |

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

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 of the ASWWU legislative requests. While these proposals push Washington towards economic justice, the potential revenue is what can actually improve people's lives, with more steady sources of revenue Washington would be able to fund not only higher education, but many other services that could make higher education truly accessible in Washington.

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

A decrease in financial burdens and barriers as well as an increase in the quality of higher education has an incredible impact on students, being able to navigate our institution of higher ed is difficult enough without the additional stress of finances or lack of support.

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 for us to pass the rest of our agenda. 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. Most of these recommendations if passed could take effect as soon as the next fiscal year. That being said each of these different proposed taxes could take varying levels of time and effort to implement:

Taxes on Lottery Winnings: 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 significant 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: 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.

Increasing the Estate Tax:

This issue has made slight traction on previous years but despite the fact that it strongly benefits the overwhelming majority of Washington residents it remains locked in a partisan divide.

First Time Mortgage Lenders Tax Loophole:

This should be relatively easy, when the reason for a piece of legislation becomes obsolete, like WaMu has, there is a strong argument to be made for the removal of those protections.

Limit Real Estate Excise Tax (REET) exemptions:

This also has fallen more along partisan lines, but the moral argument for it is pretty strong.

Capital Gains Tax

This issue is incredibly partisan but one that could raise an incredible amount of money without affecting most of Washington state, and in a very progressive way.

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

Absolutely, most of these loopholes and taxes are recommended at the state level and allow for more progressive instead of regressive state funding. In addition these proposals are movements towards the economic justice that Washington needs in order for its institutions to be able to fully serve students, and potential students, of Washington.

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, this issue is both deeply and widely felt for all students. It is incredibly important to note too that the issue of inadequate funding disproportionately affects students of color, and in order for the solutions to be real and meaningful students of color need to be involved in this work. In addition some of the proposals listed create a natural alliance with environmental groups on campus.

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 more serious and realistic than others. Students will be heavily pushing for fully funding the state need grant, the work study program, and other need based forms of aid. In addition Education has become an election issue and heading into campaign season many candidates will want to add champion of higher education to their campaign materials, we need to make them work for that title. This is a policy year so the likelihood of a supplemental budget that concerns issues beyond K-12 is wary, but even if no budget is created, the discussions had this year will become issues in the campaign season and the next biennium of the legislature.

9. Will it strengthen and expand efforts within Western?

Yes, 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. Increased funding for financial aid is an incredibly unifying movement for students.

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

Western has lobbied for different parts of this issue and other sources of dedicated revenue for the past few years, having this proposal on our agenda serves as a way to validate the student opinion in Olympia, showing that we have the ability to find funding for the changes we are recommending. Many of these issues have been a part of the proposal for a few years as they work towards higher winnability.

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 WWU 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. We can come up with other tactics throughout the year as we react to the way the session is forming around a supplemental budget.