**MINUTES of AAUP Executive Board meeting**

**Monday 17 August 2020, 3:30-5:00pm**

<https://washington.zoom.us/j/3285799782>

Three priorities in the current AAUP strategic plan:

1.     the escalating division of insecure academic labor

2.     reductions and restructuring of public funding and budgeting processes

3.     the increasingly hostile environment affecting students and faculty

#### On Zoom: Eva Cherniavsky, Amy Hagopian, Nora Kenworthy, Diane Morrison, Jim Gregory, Jay Johnson, Duane Storti, Abraham Flaxman

#### Absent: Charlie Collins, Rob Wood, Ann Mescher, Jim Bakken (AAUP regional)

#### Resigned, but acting in treasurer capacity in the interim: Bert Stover

#### Next meeting 9/14, 3:30 pm

#### https://washington.zoom.us/j/96077508408

#### Meeting ID: 960 7750 8408

#### One tap mobile +12063379723,,96077508408# US (Seattle)

**Minutes**

This was an “emergency” meeting of AAUP, to prepare for the child care town hall.

#### *UW financial analysis*

Diane and Eva shared their budget analysis from AAUP’s Summer Institute, results suggesting UW is not in the dire straits as being portrayed. Pension liability in the “determination of assets” is not a real liability (according to Moody’s), but helps make us look like we’re in (and claim) poverty. Also, there is vigorous fundraising (eg, athletics, racial equity fund) and CARES Act money, none of which is accounted for in a public place. Here’s a list of targeted fundraising campaigns related to COVID: <https://www.washington.edu/boundless/> We count 6 independent COVID-related campaigns.

**UW finished FY 2019 with a net increase in position of $481 million,** compared to previous year. The formula for calculating actual unreserved assets was provided by AAUP staff (Bunsis & Fichtenbaum). Unreserved assets *could* be spent differently than originally planned—no legal obligations.

Mark Richards, Provost, made a statement during his job talk that he wanted us all to become more budget literate; we haven’t seen his efforts towards this yet. See his job talk here (start at minute 26): <https://www.youtube.com/watch?time_continue=737&v=w1q2OtHmOgI&feature=emb_logo>

Jim noted the Regents reports “Operating and Reserve funds,” $2.2 b; retirement fund $330 m, consistent with Diane and Eva’s analysis.

The UW never wants to reveal to the legislature that our finances are in good shape.

Caregiving isn’t the only urgent COVID need. Ideally, we’d be creative in finding opportunities to solve multiple problems with single solutions (eg, hire students to do tutoring and childcare).

President Cauce formed a task force. Melissa Knox is the Academic Mamas voice on the caregiver task force.

Advocates in the Communication Dept seem to have gotten demands met. How?

#### *Questions for the UW Admin:*

How much are you planning to spend on COVID response? For what?

What costs is the COVID lockdown allowing us to save?

What “plans” would be disrupted if we liberated this money to deal with current emergencies?

What is the unrestricted fundraising producing, and for what?

How has the CARES Act money been spent?

#### *Concerns and ideas*

Sick leave will probably not protect all the caregiver needs in the fall. Exposure requires quarantining, which sends kids home from childcare. Test results take a while to come through. Exposure should be a cause for requesting leave.

How will we compensate faculty who back up their ill or quarantined (with children) colleagues by teaching their courses?

Flexible emergency stipends?

Faculty FTE coverage whose funding goes away if they get sick?

Reduce service loads for caregiving faculty?

-reduce committee sizes

-reduce service requirements

Asynchronous course taping at odd hours, with no requirement to meet at a non-scheduled time

Improve norm setting

Nondiscrimination clauses with a reporting mechanism

Research expectations for promotion

-or assistance for maintaining productivity

UW has liability concerns about providing direct care. Is there a university that does this well?

In the “more creativity department”-- Why isn’t UW working with Seattle public schools to provide space for childcare? Can we use people with antibodies to provide care? Hire students to do tutoring?

ASUW has good legislative lobbying capacity, could have a big effect.

In the “principles of approach” department –

Equity matters—UW and SPS should make collaboration at the institutional level, rather than having individually (privileged) faculty and students attempt their own private arrangements.

This is about keeping UW research and teaching at world class levels. But excellence doesn’t require doing everything we’ve always done the way we’ve always done it.

We could treat people well, as if we all belonged here and were valued. We hear part time lecturers are being treated particularly poorly.

University wide solutions, not pushing decisions to the school and department levels; set norms at the institution level, and lead by example.

NEXT STEPS: Nora will work with Melissa to shorten and punch up the letter.

Caregiver stories are being collected for an anonymous blog, to supplement the not-great survey that was circulated.

#### *Rules for accessing private email*

#### In response to an anonymous post on our faculty concerns list server, President Ana Mari Cauce promised us information on whether UW can discover people’s private, non-UW business, email. Still no response.

#### *Town Hall*

FCFA (via Jack Lee) has responded to our request for a town hall meeting with audience engagement. Everyone thought it was a good idea, but took it to Senate leadership. Robin Angotti is taking over from Joe Janes as Senate Chair, and she may be interested in convening. The discussion will include childcare and leave policy.

Eva got back to him about how to organize it; no response. Perhaps this won’t happen. Perhaps it’s just not urgent.

#### *Follow up on our cases*

#### Eva got no responses to her communications in support of the tenure and employment case we’re managing. Duane suggested perhaps this is the protocol to avoid looking like we’re influencing.

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| --- | --- | --- |
| **UW 2019 Financial Report** | *in thousands* |  |
| **Total Assets** | 12,823,000 | = total assets + deferred outflows (p. 6) |
| **Total Liabilities** | 7,245,000 | = total liabilities + deferred inflows (p. 6) |
| **Total Net Assets** | 5,578,000 | = Net position (p. 6) |
|  |  |  |
| **Net Assets are Reported** |  |  |
| **Invested in Capital Assets** | 2,489,000 | = net investment in capital assets (p. 9) |
| **Restricted Non-Expendable** | 1,878,000 | = restricted non-expendable (p. 9) |
| **Restricted Expendable** | 2,192,000 | = restricted expendable (p. 9) |
| **Unrestricted** | -981,000 | = unrestricted (p. 9) |
| **Total Net Assets** | 5,578,000 | = Total net position (p. 9), also sum |
|  |  |  |
| **Adjustments** |  |  |
| **Deferred inflows - Pensions** | 311,507 | = deferred inflow of resources pension (p. 36) |
| **Deferred inflows - Other Post-empl Benefits** | 535,079 | = deferred inflows of resources OPEB (p. 36) |
| **Deferred Outflows - Pensions** | 310,096 | = deferred outflow of resources pension (p. 36) |
| **Deferred Outflows - Other Post-empl Benefits** | 72,092 | = deferred outflow of resources OPEB (p. 36) |
| **Pension Liability** | 1,143,483 | = long term liabilities net of current portion (p. 16) |
| **Other Post-Employment Benefits Liability** | 1,354,177 | = other noncurrent OPEB (p. 16) |
| **Total Adjustment** | 2,962,058 | = sum - the 2 deferred outflows (lines 16, 17) |
|  |  |  |
| **Adjusted Balance Sheet** |  |  |
| **Total Assets** | 12,440,812 | = assets (line 2) - 2 deferred outflows (lines 16, 17) |
| **Total Liabilities** | 3,900,754 | = liabilities (line 3) - 2 deferred inflows (lines 14, 15), pension and OPEB liabilities (lines 18, 19) |
| **Total Net Assets** | 8,540,058 | = difference |
|  |  |  |
| **Adjusted Net Assets** |  |  |
| **Invested in Capital Assets** | 2,489,083 | = net investment in capital assets, (p. 16) ~line 7 |
| **Restricted Non-Expendable** | 1,877,816 | = nonexpendable (p. 16) ~line 8 |
| **Restricted Expendable** | 2,192,163 | = expendable (p 16) ~line 9 |
| **Unrestricted** | **1,981,058** | = line 10 + 20, unrestricted + total adjustment |
| **Total Net Assets** | 8,540,120 | = sum of this set |
|  |  |  |
| **True Unrestricted** | 1,981,058 | = line 31 |
| **Restricted Expendable** | 2,192,163 | = line 30 |
| **Total Reserves** | **4,173,221** | = sum (line 34 + 35) |
| **Total operating expenses** | 6,064,230 | = total operating expenses (p. 17) |
| **Primary reserve ratio** | 68.82% | = line 36/line 37 |
| **Number of months in reserve** | 8.3 | = reserve (line 38)\*12 |
|  |  |  |
| **True Unrestricted** | 1,981,058 | = line 31 also 34 |
| **Total operating expenses** | 6,064,230 | = line 37 |
| **Primary reserve ratio based only on unrestricted reserves** | 32.67% | = line 41/line 42 |
| **Number of months in reserve** | 3.9 | = line 43\*12 |
|  |  |  |
|  |  |  |
| **Total Reserves** | 4,173,221 | = line 43\*12 |
| **Total interest-bearing Debt** | 2,785,813 | = long term liabilities, current portion + net of current portion (p. 16) |
| **Viability Ratio** | 149.80% | line 47/line 48 |

Academic Mamas letter to be revised.

Dear Colleagues:

We are writing with an urgent request to University leadership and the Faculty Senate of the

University of Washington, deans, and department heads. COVID-19 has uncovered many

aspects of our institutional practice that have historically rendered certain labor invisible and left

others more vulnerable. Now, more than ever, the structure and expectations of research

productivity and teaching quality overwhelmingly privilege those who do not have to consider

caring for family members.

A significant number of staff and faculty have caregiving responsibilities. At the Seattle campus

alone, according to the most recent climate survey , 39% of staff and 51% of academic

personnel have substantial parenting or caregiving responsibilities. About 30% of staff and

academic personnel were caring for children under six, and more than 50% were caring from

children ages 6-18. Around 20% of staff and academic personnel care for senior family

members.

Come Autumn, caregivers at the University of Washington are facing a crisis with the potential

to impact their career trajectories and increase gender and racial disparities in the academy.

Although schools and childcare centers are slowly considering opening up, there will inevitably

be a scarcity of care options, which will be exacerbated for families with multiple children,

children with special needs, single parents, and/or adult members with care needs related to

age or disability.

Concerning school-aged children, there is no expectation that children will be returning to a

normal school schedule in the school districts surrounding Seattle, Bothell, and Tacoma. Yet,

student and administrator expectations of work quality are rising. Thus, parents find themselves

with little guidance as to how to reconcile these demands. Recent announcements by Seattle

Public Schools and other surrounding districts suggest that, at best, higher needs children and

elementary-aged children will be on a hybrid schedule. Older children will possibly be 100%

remote. Moreover, some parents with more medically-vulnerable children may be unable to

send their children to school or childcare, or may have family members with pre-existing

conditions that makes sending children outside of the home dangerous. When school-aged

children are not in school, school districts will expect parents to supplement their children’s

learning at home, as they did in the Spring.

These challenges are also shared by parents of younger children. First, while some childcare

centers are open, they are open at limited capacity to adhere to social distancing guidelines,

and may be frequently and intermittently forced to lock down in the event a child or staff

member is ill. Second, King and Pierce County public health guidelines further require that

children showing any symptoms of COVID-19 (including cough, nausea, and sore throat -

common childhood ailments) be kept home for at least 10 days. Parents in this situation will still

be responsible for paying their child care center, while either paying out of pocket for additional

care or providing care themselves, but still will need to meet their teaching, service, and

research obligations.

Moreover, facilities that provide care for elders and adults with disabilities remain closed for the

foreseeable future, as participants are in medically vulnerable positions.

The demands of full-time childcare and full or part-time homeschooling, and other care work

typically performed by others, are not compatible with expectations of full-time research,

teaching, and service, as we learned in Spring quarter. And yet, neither President Cauce nor

Provost Richards have addressed these challenges in any of their re-opening plans, leaving

caregivers to wonder whether they will be forced to fall behind their peers without caregiving

responsibilities and suffer professional consequences related to merit or promotion.

Additionally, while the caregiving burden will be shared by all caregiving employees, empirically

we know that we should expect that it will fall disproportionately on women. Studies conducted

since the COVID-related school closures have repeatedly found that working women are more

likely than men to have primary responsibility for caregiving. Women are spending more time

per day than on childcare and homeschooling than men and spending fewer hours working than

men. The disparate impact of school and care center closures on working women in academia

have already been seen in reports of women submitting fewer publications. The impact of

balancing family and work are also likely to manifest in teaching evaluations (which already tend

to be lower for women), and will disproportionately impact women who are contingent and

teaching faculty, the majority of whom are women.

In short, caregiving employees at the University of Washington will find themselves bearing a

disproportionate amount of the COVID-19 crisis on their time and their ability to perform their job

duties satisfactorily, and this burden will further fall disproportionately on women. The challenge

of childcare, homeschooling, and/or elder care during the COVID-19 pandemic will increase the

already existing gender disparities in promotion and tenure in U.S. universities, potentially for an

entire cohort of women currently working in higher education and caregiving. In order for the

University to alleviate the burdens of caregivers during this crisis, and not further exacerbate

gender disparities in higher education, it must reorient and shift its expectations of research,

teaching, and service, until the pandemic is under control with a widely available vaccine. In

sum, we need different approaches and strategies for the foreseeable 12-24 months, if not

longer.

Fortunately, we still have time to make plans for the future. We suggest actionable steps that

can be taken in three domains: 1. Additional caregiver accommodations and investment; 2.

Revisions to merit / promotion / evaluation processes; 3. Equity considerations.

We also recognize caregiving impacts far more members of our community than just faculty,

and we encourage relevant organizations such as UAW to make further efforts to understand

and advocate for student and staff needs when it comes to caregiving. Some of our actionable

steps are specific to faculty and the terms of faculty employment, while others apply to faculty,

staff, and students. While these suggestions focus on faculty caregiver needs, we also strongly

urge similar efforts to support caregivers more broadly across UW.

**Additional Caregiver Accommodations and Investment**

1. Provide temporary support to caregivers and caregiver providers. Repurpose

departmental funds for faculty conference travel and visiting speaker travel to pay for additional

hired caregivers. (N.B. Childcare for two children costs $25/hour on average for two children in

Seattle. This is $4,500 per month for full-time care before taxes). The University has long had a

back up care service, but even before the pandemic, it was difficult to secure care with this

service, especially at the last minute, as noted in the climate survey. In an informal survey, it

appears that it is even more challenging now. Adding more resources to this service could help.

2. Use this moment to rethink and expand caring strategies across the University. The

Seattle area as well as Tacoma notably suffer from a deficit of care options, especially

affordable ones, and the University offers few oversubscribed childcare centers, as noted in the

Climate Survey. We could build upon strategies used by peer institutions in order to address

that ongoing crisis creatively and with long-term implications (for example: expanded regular

daycare on campus, sick-day childcare on campus, subsidizing the expansion of childcare

centers, as well as better access to care for adult family members with disabilities or medical

needs).

3. Instruct department heads and deans to evaluate teaching loads and student enrollments

for caregivers . Those with heavier caregiving needs should be granted teaching relief and/or

TA assistance. Considerations for reducing new preps could be helpful as well. Consider

adopting strategies similar to those adopted by many large Seattle-area employers (e.g. Google

and Microsoft) and allow faculty with caregiving needs to take flexible paid caregiving leave that

reduces their teaching loads during the pandemic.

4. Allow faculty with caregiving responsibilities to teach online for the duration of the

pandemic or until a vaccine is widely available, and to change their courses to those more

appropriate for online instruction, if necessary. Additionally, support faculty development for

learning online teaching methods, and do not penalize faculty who use asynchronous teaching

methods, which are most adaptable to the unpredictable schedules faculty and students with

caregiving responsibilities are experiencing.

5. Reduce service expectations for caregivers , as requested by affected faculty, without

penalty. Allocate funds for graduate students or other faculty members to perform these

services, when possible.

**Revisions to merit / promotion / evaluation processes**

6. Suspend “on track” standards for research productivity until a vaccine is widely

available. Re-evaluate timely progress standards for tenure, promotion, and other merit reviews.

7. Ensure job security. Identify protocols for temporarily replacing instructors who must take

leave from teaching due to their own or their family’s health or care needs during the pandemic.

Ensure that such faculty members will be able to return to their typical teaching assignments as

circumstances permit. In the mean time, provide funds to departments to compensate faculty or

graduate students who take on additional teaching responsibilities as a result.

8. Make course evaluations optional and/or replace them with peer evaluations for the

duration for the pandemic. Temporarily suspend the teaching evaluation requirement for merit

raises.

**Equity considerations**

9. Promote awareness and understanding among students, staff, and faculty of these

additional challenges faced by caregivers, which may cause interruptions to student services

and education.

10. Convene a committee to develop a race-, gender-, and disability-informed

accommodation policy for those affected by caregiving responsibilities due to the

pandemic. Survey faculty, staff, and graduate students at the university to gather information

about their current challenges and needs. Ensure that women with young children are on this

committee, that the majority of the committee be composed of individuals with caregiving

responsibilities, and that its meetings are open to UW community members for comment.

In conclusion, the costs of continuing our previous professional expectations on faculty,

especially junior faculty and non-tenure track faculty, and others who have ongoing child care,

elder care, and homeschooling responsibilities will be cumulative and have gendered impacts.

This will be evident not just during the period before there is a widely available vaccine, but

going forward in their academic careers. More funding for COVID-related research will not

alleviate the compounding disadvantage experienced by caregivers, and the University of

Washington will need to develop creative and proactive solutions in order to support its goals of

equity and inclusion in the academy.

We recognize there are multiple, inter-related crises facing the University for the coming year,

and caregiving is only one dimension of these crises. We encourage the administration to create

additional opportunities for dialogue with students, faculty, and staff to ensure safe and

sustainable working and learning conditions for all as we head into the 2020-21 academic year.

Many thanks for your creative vision and flexibility in these uncertain times,

**Composed by the organizing committee, including members:**

Nora Kenworthy, Associate Professor, School of Nursing and Health Studies (UW Bothell)

Julie Kientz, Professor and Chair, Department of Human Centered Design & Engineering

Melissa Knox, Senior Lecturer, Department of Economics

Melanie Martin, Assistant Professor, Department of Anthropology

Katy Pearce, Associate Professor, Department of Communication

Jennifer Romich, Associate Professor, School of Social Work

Note: We are grateful to Dr. Michelle McKinley (University of Oregon Law School, Center for the

Study of Women in Society) and Dr. Lynn Stephen (University of Oregon, Department of

Anthropology) whose earlier letter served as an inspiration and model for our own, as well as

the The Gender Studies Working Group on Gender and COVID-19 at the University of Notre

Dame for their extensions of the University of Oregon letter.

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**Estimate of losses due to COVID 19** (all figures in thousands)**:**

1. Tuition revenue (using Bunsis/Fichtenbaum best/worst/most likely scenarios from AAUP Summer Institute session on “Fighting Back Against Austerity”). NB: Their projections draw on Moody’s and Fitch’s; they consider both estimated ranges for enrollment decline *and* higher student financial need. Thus even constant or rising enrollments might nevertheless entail a drop in net tuition.)

2019 net tuition: 1,052,222

Best case scenario: - 5%: 52 million

Most likely: -9%: 95 million

Worst case: -13%: 136 million

1. Potential 15% cut to State Appropriations:

360,803 – 15% = 306, 682 (54 million)

1. Auxiliaries:
2. Housing and food services:

In 2019, housing and food generated 152,965 in revenues. I can’t seem to find UW OPB projections on this auxiliary, but assuming teaching stays remote for the entirety of 2020-21, I’m imagining a 70% loss (note that international and out of state students continue to UW housing ) – so, minus 97 million (?)

1. Athletics:

Per “Huskies all in” fundraising campaign, projected athletic losses around 70 million. See <https://www.thenewstribune.com/sports/college/university-of-washington/article244975555.html>

1. School of Medicine projects a deficit of 500 million by end of summer:

https://www.seattletimes.com/seattle-news/health/uw-medicine-faces-500-million-shortfall-because-of-coronavirus-pandemic-staff-cuts-and-furloughs-coming/

As the ST article notes, however, interruption in elective surgeries, cost of PPE, and “Lost opportunities to implement new programs designed to improve care in the most cost-effective manner” account for 327 million in losses – so it’s not entirely clear how we get from 327 to 500 million.

**A rough tally** (NB: I focused on the primary areas routinely identified in local and national conversations as generating the current crisis for colleges and universities. One not included here is potential losses to endowment income and decreased value of financial assets due to financial market declines. Since the market remains bizarrely robust (first quarter losses seem to have been recouped and then some in the second quarter), this does not appear to be an immediate concern. From what I can tell, market prognosticators are predicting volatility, but overall growth in value over the next year.)

**Estimated/likely total losses, excluding SOM: 316 million**

**Estimated likely/total losses including SOM: 643 to 816 million**

**UW finished FY 2019 with a net increase in position of 481 million**

**True Unrestricted reserves appear to be just shy of 2 billion**

**Conclusion:**

UW is not in a bad position! – a fact which also accounts for our Moody’s Aaa bond rating (we are one of only *eight* public colleges and universities nationwide with this sterling rating; the vast majority are 3-4 tiers below us). SOM’s deficit will need to be addressed via additional CARES funding, applications to FEMA, or borrowing– not fixed on the back of Arts and Sciences/UW Tacoma, UW Bothell, and the core educational mission of the university. (As Bunsis and Fichtenbaum observe, borrowing to cover short-term COVID-induced deficits is a completely reasonable/sustainable option for institutions with good reserves and a strong net position.)



**Progressive Revenue for Public Services, Not Austerity**

Washington’s state government will lose $8.9 billion in revenue over the next three years.[[1]](#footnote-1) Our current tax system, reliant on sales and gross receipts taxes, penalizes poor and middle class families along with small businesses, and rewards the affluent. This tax system is highly vulnerable to economic recessions, and, because wealthy households pay far less in taxes than in most other states, fails in both good times and bad times to sustain the public services that are vital to healthy communities and individual opportunity.

Washington’s upside down tax structure and underinvestment in public services – including child care, higher education, affordable health care, mental health, and housing – have created extreme economic inequality and left us far less resilient in facing the COVID-19 pandemic/recession. Over twelve thousand Washington families enjoy incomes in excess of one million dollars each year,[[2]](#footnote-2) and 10% of households enjoy incomes of over $200,000 annually, yet 33% of households have less than $50,000 and struggled to cover the basics even before the coronavirus recession.[[3]](#footnote-3)

A decade ago during the last recession, Washington’s legislature chose a mostly cuts approach to balancing the budget, kicking Washingtonians off of health coverage and basic income support; reducing home care for seniors and disabled people, public health, and mental health services; increasing K-12 class sizes and college tuition. These and other cuts caused significant, lasting suffering and prolonged the recession.

We should not repeat this austerity approach in this pandemic/recession. Given the political will, we could institute new taxes on the wealthy and privileged of our state, enabling our state to preserve public services to corral the COVID-19 pandemic and build stronger and healthier communities.

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| **Options for Progressive Revenue, 2020-2023** | **Annual Revenue Estimate** |
| **Excise tax on employers for windfall compensation:**  SB 6017 establishes a scalable framework. With a threshold of $137,700, employers would pay the windfall compensation tax on less than 5% of total employees in the state. With a threshold of $250,000, 1% of employees would be covered. Revenue is dependent on marginal rates and thresholds | $500 million to $1.5 billion |
| **Estate tax reform.** SB 6581 can be amended to close estate accounting loopholes and increase estate taxes on 80 of the wealthiest estates, while eliminating the estate tax for 25% of estates currently taxed and decreasing taxes on half of estates currently taxed: | $50 million |
| **Funding college and workforce education:**  SB 6492 places a 1.22% B&O surcharge on certain businesses, but caps annual contributions on global businesses with revenues over $25 billion at $9 million. Closing this loophole would enable more equitable funding for higher education.[[4]](#footnote-4) | $50 million |

|  |  |
| --- | --- |
| **Wealth Tax on Billionaires**  A 1% tax on intangible property (stocks and bonds) in excess of $1 billion would apply to twelve Washingtonians, whose combined wealth is in excess of $428 billion.[[5]](#footnote-5) | Up to $4.1 billion |
| **Millionaire Income Tax**  A marginal tax for income in excess of $1 million would tax 12,500 people in Washington state (one third of one percent of all taxpayers). Revenue will depend on the rate and thresholds (Oregon’s top rate is 9.9%, Idaho’s 6.925%, Hawaii’s 11%, California’s 13.3%). | $3 billion to $4 billion |
| **Inheritance Tax**  The inheritance tax is a tax on the assets gained by Washington residents from decedents, regardless of decedents’ place of residence and death. This tax would cover fewer than 400 inheritors. | $500 million |
| **Capital Gains Tax**  HB 2156 provides the template for a 9.9% tax on capital gains, excluding the first $100,000 of such gains from taxation.[[6]](#footnote-6) This tax would cover the top 1% of households.[[7]](#footnote-7) | $900 million to $1 billion |

**We know that when the private sector falters, the public sector takes on far greater importance in laying the foundation for recovery. That includes our state government’s role in our economy. We are in a lucky position for a state, with affluence abounding even in the midst of this depression. What we need is the political will to access a very small percentage of this affluence to sustain public services and enable shared well-being for the residents of our state.**

Further details can be found in the “Memo to Legislators July 2020” and “Revenue Calculator”



**Details for Progressive Revenue for Public Services**

1. **Our Legislature can put in place equitable and progressive measures, resulting in immediate increases in revenue.**

**$50 million**: Funding college and workforce education: Close the Amazon loophole and fully fund the College Grant program

The Legislature shielded global corporations from paying into the College Grant fund. Their contributions are capped at $9 million a year. For Amazon, with revenue of $75 billion in three months, this tax is three one-thousandths of a percent of its revenue.

The legal surtax rate under the recently passed Senate Bill 6492 is 1.22% of gross income. For the 40 companies with more than $25 billion of revenues, the ceiling provides a tax windfall of at least $50 million a year.[[8]](#footnote-8) The clause providing this ceiling has been excerpted by EOI for legislative review. The tax instrumentation and implementation is in place, so increased revenues would be immediately forthcoming. Taxpayers for this: the 40 global corporations with gross revenues in excess of $25 billion headquartered in or with a nexus to Washington state. These businesses total two one-hundredths of a percent of all businesses in our state.[[9]](#footnote-9)

**$1.2 billion**: Excise tax on employers for windfall compensation to employees

The Legislature could establish a new floor for employer excise taxation of compensation above $137,700, amending Senate Bill 6017. (Employers receive a 6.35% tax holiday above this threshold, because they don’t pay Social Security FICA taxes, nor the family and medical leave payroll tax above this threshold.) Starting with a 1% marginal tax on employers for compensation above $137,700 could result in **$1.2 billion annually**. EOI has completed a re-draft of SB 6017 to enable the new design. The Employment Security Department has all records for compensation, so this tax could kick in immediately, with receipts in April 2021.[[10]](#footnote-10) With a threshold of $137,700, employers would pay the windfall compensation tax on less than 5% of total employees in the state. With a threshold of $250,000, 1% of employees would be covered.

**$50 million**: Estate Tax Reform:

Senate Bill 6581, amended to close estate accounting loopholes, would bring in $50 million.[[11]](#footnote-11) This measure would increase estate taxes on 80 of the wealthiest estates, with values in excess of $6.5 million, and eliminate the estate tax for 25% of estates currently taxed, while decreasing taxes on half of estates currently taxed. A re-drafted bill is ready for legislative review. Because the estate tax is already in place, the increases and decreases in taxation could be immediate for all deaths occurring after legislation is signed into law.

1. **Progressive taxes which could raise revenue for the 21-23 biennium:**

**$4.1 billion: Billionaire Tax**

A 1% tax on intangible property (stocks and bonds) in excess of $1 billion would generate over $4.1 billion a year. Jeff Bezos, Steve Ballmer, Craig McCaw and nine other Washington residents would be subject to this tax. Their combined wealth is in excess of $428 billion. A draft for this concept is in process.

**$3.9 billion: Millionaire Tax**

A 12.5% marginal tax rate for income in excess of $1 million would tax 12,500 people in Washington state (one third of one percent of all taxpayers), and generate over $3.9 billion. This rate is lower than California’s and slightly higher than Oregon’s top rate (9.9%). A marginal tax at Oregon’s top rate would generate almost $3 billion. Because of state supreme court decisions overturning a popular initiative and state law in 1933 and 1935, the millionaire tax would trigger an automatic legal challenge. The Legislature should request expedited review. Revenue from this tax could be forthcoming in 2022. A draft for legislative review has been completed.

**$517 million: Inheritance Tax**

The inheritance tax is a tax on the assets received from an estate. When it was in law[[12]](#footnote-12) in our state, it generated three times the revenue which the estate tax later generated. This is a tax on inheritances gained from decedents, regardless of decedents’ place of residence and death. It draws from multi-state sources for the privileged intergenerational transfers of wealth. A draft for this concept is in process. This tax would cover fewer than 400 inheritors.

1. **A Pathway for Hope and Progress:** We need education, higher education, health coverage, mental health, business security and public health, **right now**. With this progressive revenue package, the Legislature can fund

* Comprehensive testing and tracing throughout the state.
* Affordable health coverage for people on the Health Benefit Exchange
* Health coverage for all undocumented workers
* Apple Health for all essential workers, including all child care workers
* Reductions in tuition at universities and community colleges, as people out of jobs turn to community colleges to learn new skills, and as higher education has become unaffordable for families haunted by unemployment.
* Decent wages for child care workers.
* College grants for all low-income and middle class students.

The Legislature should also help small businesses, thousands of which are closing down or on the brink of bankruptcy. If we are to enable a recovery for these businesses, the state cannot adopt an austerity budget, which would decrease consumer spending, further imperiling small businesses. These businesses also need a reduction in the gross receipts tax.

We have developed an interactive calculator for the determination of new progressive taxes, decreases in regressive taxes, and new investments in public services. We are sharing this with legislators.

1. Washington State Economic and Revenue Forecast Council, Revenue Review, June 17, 2020 <https://erfc.wa.gov/sites/default/files/public/documents/forecasts/rev20200617.pdf> PDF P. 29-20 of 44 [↑](#footnote-ref-1)
2. SOI Tax Stats - Historic Table 2 <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2> [↑](#footnote-ref-2)
3. U.S. Census Bureau, American Community Survey 2018, Table S1901. [↑](#footnote-ref-3)
4. <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58055>; <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58142> [↑](#footnote-ref-4)
5. https://americansfortaxfairness.org/billionaires/ [↑](#footnote-ref-5)
6. https://app.leg.wa.gov/billsummary?BillNumber=2156&Year=2019 [↑](#footnote-ref-6)
7. https://budgetandpolicy.org/schmudget/capital-gains-tax-would-almost-exclusively-be-paid-by-millionaires-billionaires/ [↑](#footnote-ref-7)
8. <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58055>; <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=58142> [↑](#footnote-ref-8)
9. <https://www.census.gov/quickfacts/WA> [↑](#footnote-ref-9)
10. <https://app.leg.wa.gov/billsummary?BillNumber=6017&Year=2019> [↑](#footnote-ref-10)
11. <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=60052> The current version would bring in approximately $16 million a year. [↑](#footnote-ref-11)
12. See former RCW 83.01-83.98 [↑](#footnote-ref-12)