

# WashACE

## Washington Alliance for a Competitive Economy

*Association of Washington Business  
Washington Research Council  
Washington Roundtable*

# 2005

## Competitiveness AGENDA

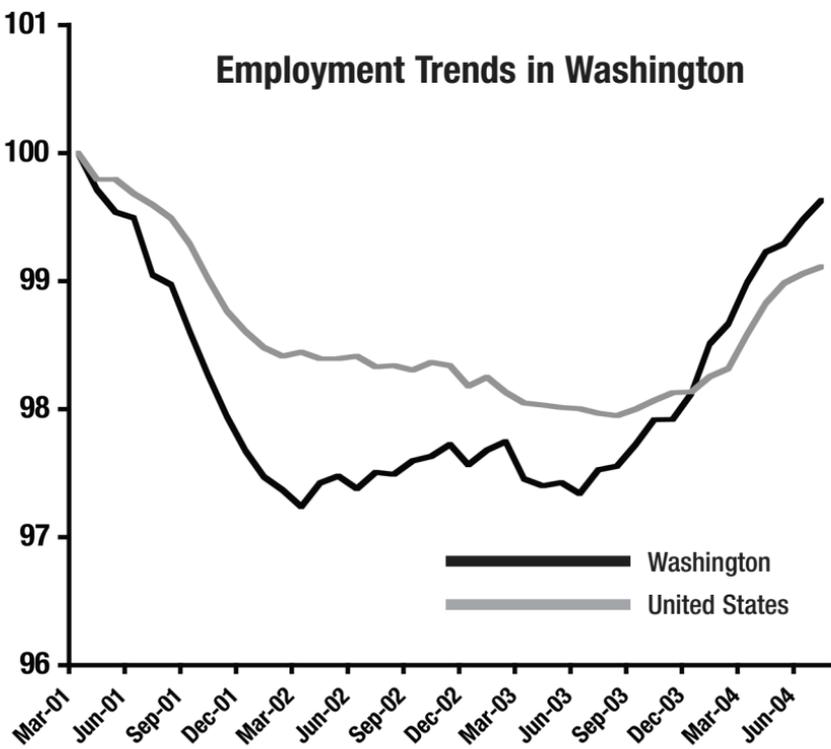
# Catching the Tide

Washington has begun to climb out of recession. Progress has not come quickly, for the nation or the state. Employment remains below pre-recession levels. But after the long plateau, the trend lines point toward steady job growth.

Unfortunately, the rising tide of recovery has not yet reached all corners of our state. Many employers continue to struggle and many Washingtonians remain unemployed or underemployed. Nonetheless, a stronger national economy has increased demand for goods and services produced here. And our trade-dependent state has benefited from a more robust global marketplace.

Employers believe that policy-makers place our recovery at risk unless they act swiftly to improve the state's economic competitiveness. To catch the tide—to take advantage of the opportunities presented by world trade and a healthier national economy—job-makers require public policies that encourages investment and expansion. Sound fiscal policy. Adequate physical infrastructure. Excellent schools and research institutions. Predictable and fair regulation. Affordable health care.

Government doesn't create private sector jobs. But decisions made by regulators and legislators influence the hiring plans of thousands of Washington employers. Here's what we must do to make Washington a competitive place to do business, to encourage employers to expand their hiring, and to attract new business investment.

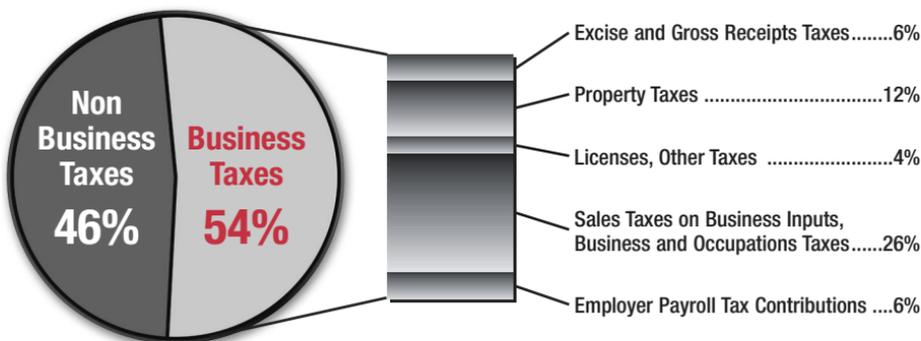


## Fiscal Policy

The next Legislature will confront budget problems stemming from the slower revenue growth during the recession and escalating state spending, driven in part by citizen initiatives and rising health care costs. State analysts estimate the shortfall could range from \$650 million to \$2 billion, depending on legislators’ policy assumptions. Lawmakers and the governor must exercise the fiscal discipline shown two years ago when they resolved a \$2.5 billion budget shortfall without a tax increase, using the Priorities/Price of Government budget process.

- ▶ Adhere to the principles that guide the Priorities/Price of Government budget process. Assure that state government sets priorities within current revenues, identifies measurable outcomes, and buys the best results for its citizens.
- ▶ Recognize that economic growth guarantees a healthy state budget. Maintain and strengthen the tax incentives that stimulate investment and job creation.
- ▶ Avoid budget-balancing tactics that would shift additional costs onto job-makers. Washington businesses already pay 54 percent of the cost of government, the 10th highest burden in the nation.

### Tax Share Paid by Washington Businesses



# Regulation

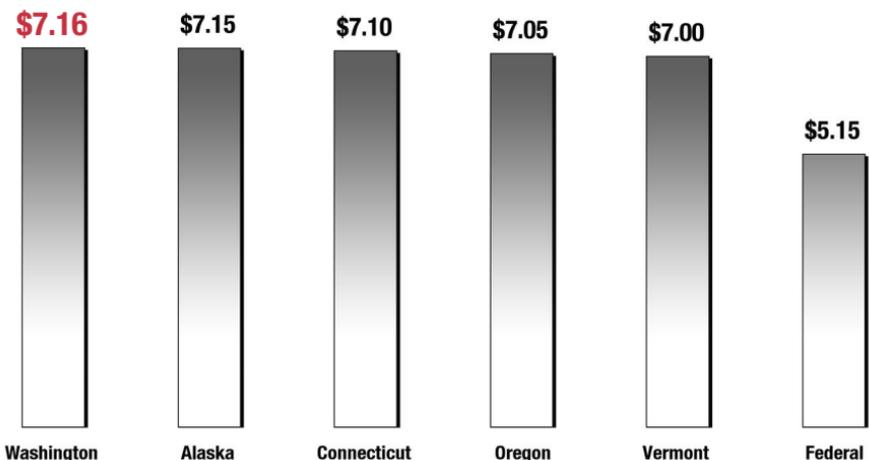
In 2001, the Washington Competitiveness Council reported, “The state does not have a ‘business friendly’ regulatory environment.” It still doesn’t. The issues identified then—lack of coordination, inconsistency in implementation and interpretation, regulators exceeding legislative authority, and micromanagement—continue to plague employers. Soaring workers’ compensation and unemployment insurance costs, the nation’s highest minimum wage, restrictive teen work rules, and numerous expensive health insurance mandates are among the manifestations of the state’s command-and-control regulatory culture.

- ▶ Reform the state’s workers’ compensation system to control rising benefit costs. Limit appeals to bring finality to the claims process. Deliver fair, equitable and timely resolution to cases. Emphasize rehabilitation and return to work over return to a specific job.
- ▶ Continue efforts to control cost shifting and benefit increases in the state’s unemployment insurance program.
- ▶ Create an executive office of regulatory reform, as operated in New York and as recommended by the Washington Competitiveness Council and WashACE several years ago. The office should be supported by legislation requiring cost-benefit analysis and scientific justification for proposed regulations. Avoid regulatory “one-upsmanship” by regulating to federal standards.
- ▶ Allow for adjustments in the application of the minimum wage law to reflect cost-of-living differences within the state, tip credits, and a training wage.
- ▶ Review and amend teen work rules to increase youth employment opportunities.
- ▶ Eliminate mandated insurance coverage of specific health care providers, services, or patient populations.

State	Average UI tax per employee*
Washington	\$695
Alaska	\$650
Oregon	\$594
Hawaii	\$496
Rhode Island	\$420
Connecticut	\$420
New Jersey	\$413
New York	\$357
Massachusetts	\$350
Idaho	\$331

\*1st quarter 2004

## Washington Has the Highest Minimum Wage in the Nation

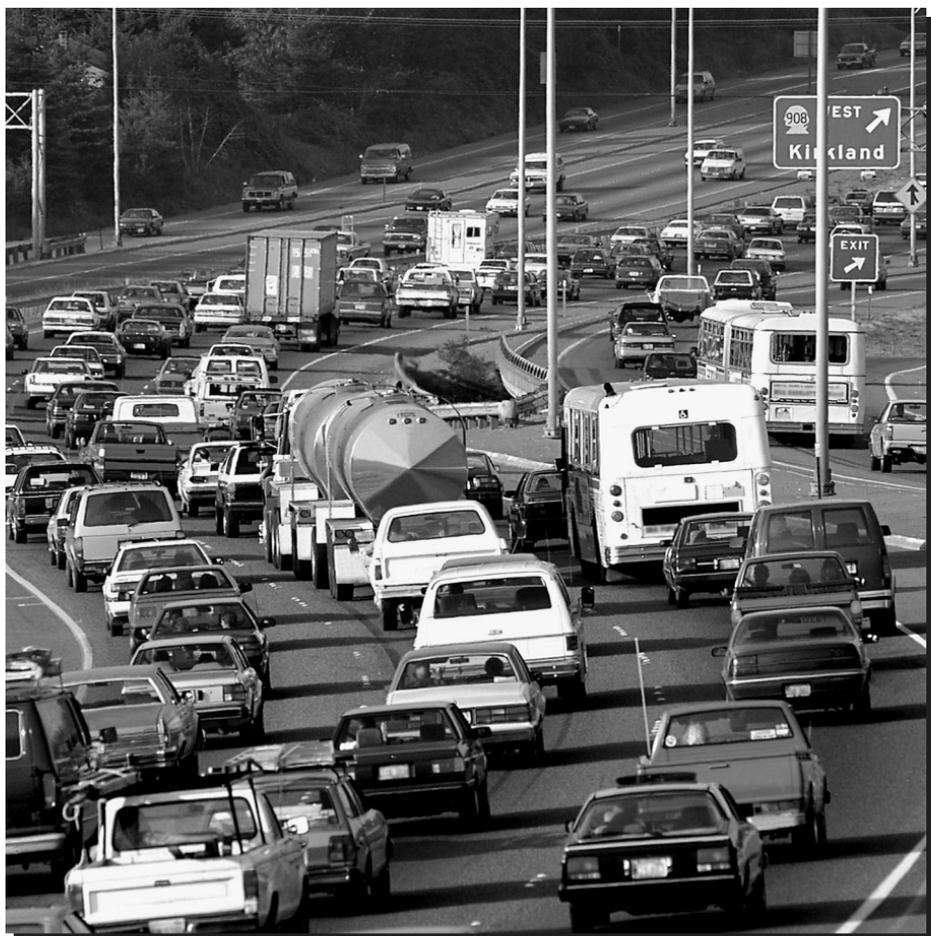




## Workforce Training and Education

Good schools—early learning, K-12, community and technical colleges, regional and research institutions—provide the intellectual infrastructure essential in a vibrant global economy. New industries emerge from the state's leading institutions. Displaced workers are retrained at our technical colleges. Our schools provide young people with the skills required to succeed in civic, artistic and career endeavors. The state has been a leader in educational accountability, a commitment that is transforming the classroom and assuring that every student meets a minimum standard of achievement. Our economic future is inextricably linked with the future of our education system.

- ▶ Recognize the economic contributions of the state's research institutions in the Priorities/Price of Government budget system. Increase access to programs in high-demand fields by allowing universities to move toward market pricing of various degrees. Target public investment toward research and technology education.
- ▶ Maintain the commitment to education accountability and standards. Uphold the Washington Assessment of Student Learning (WASL) and Certificate of Academic Achievement requirements. Maintain and defend charter schools.
- ▶ Increase administrative flexibility at all levels of education, particularly in colleges and universities. Allow institutions more flexibility in setting tuition, recognizing that academic programs differ in both cost and value. Expand access to higher education by allowing funds to follow students to private colleges and universities.
- ▶ Adopt a market-driven approach to workforce development. Structure these programs to assure that workers are trained in the job skills required by local employers.
- ▶ Provide economic incentives to encourage employer participation in training programs.



## Infrastructure

To sustain economic growth, the state must have the physical infrastructure required to meet increased demand. At a minimum, Washington employers must have access to affordable and reliable energy; sufficient water supply and secure water rights; and adequate and efficient transportation systems for people and goods. A few years ago, energy shortages shut down major industrial operations here, some of them never to return. Analysts foresee similar problems arising again in the next five years, unless policy-makers act swiftly to increase energy generation and transmission capacity.

Similarly, access to ample water supplies made possible Washington's vibrant and diverse agricultural economy and the abundant hydroelectric power that encouraged and sustained energy-intensive industries. These producers now worry about competing demands for water, "use it or lose it" policies that thwart responsible conservation, and environmental policies that threaten major dams. Finally, transportation improvements have failed to keep up with population growth and increased commercial activity. Congestion increases shipping costs, demoralizes commuters, and reduces productivity. For too long, infrastructure initiatives have been deferred. We must act today to assure tomorrow's economic opportunities.

- ▶ Act to prevent the next energy crisis by streamlining permitting and siting of new natural gas, electricity and coal generation and transmission facilities.
- ▶ Increase highway capacity for better industrial freight mobility. Find regional solutions to highway capacity constraints.
- ▶ Protect existing water rights and provide incentives for conservation and efficient water management.

# Health Care

Rising health care costs pose a direct threat to economic recovery. The price escalation is causing employers to reduce benefits, cut payroll, drop health care coverage altogether, postpone hiring, and outsource jobs. Although many of the problems involve national policy, state decision-makers can increase access to affordable health insurance by promoting more choice and flexibility in the marketplace and adequately compensating providers for services to patients covered by state programs. Consumer-driven health care programs, like the Health Savings Accounts approved by Congress last year, have two primary benefits. They provide all employers an opportunity to offer insurance to their workers at levels that are affordable to them. In doing so, they introduce market discipline preempted by the third-party payer system. For such systems to work well, however, consumers must have effective ways to get the information they need to make good decisions.

- ▶ Promote consumer-driven health care programs, HSAs, in all public health insurance programs.
- ▶ Eliminate or significantly reduce mandated health insurance coverage of particular providers, services or patient populations—Washington ranks 7th highest in the nation—and encourage insurance companies to return to Washington and offer an expanded array of health plans to Washingtonians.
- ▶ Adopt a cap on non-economic damage awards for medical malpractice and product liability, similar to that which has been in place in California since 1975.

