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BIAW

Coalition of Washington Business Organizations (COWBO)

February 11, 2010

Dear Washington State Lawmaker:

In her State of the State Address, Gov. Gregoire reiterated that, "jobs are the way out of this recession." The Coalition of Washington Business Organizations (COWBO) believes the single-best catalyst for reversing our unprecedented economic downturn in Washington state and nationwide is job growth that fosters economic activity.

There are three critical issues before the Legislature that could have a dramatic impact on employer's ability to retain and grow jobs in Washington state: unemployment insurance, workers' compensation and the debate over new revenue. As a coalition interested in creating and retaining jobs, fostering a more competitive economic climate and making our state more vibrant and full of opportunities for our children, we ask you to consider our position on these issues as the Legislature heads into its final weeks. We ask that you join with us to accomplish these goals and fulfill the initiative outlined by Gov. Gregoire.

Unemployment Insurance

First, it is important to remember that unemployment taxes are paid entirely by the employer whether it is a small business on Main Street, a major company such as Boeing, a metropolitan or rural hospital, a non-profit charity, a museum in Spokane, or a school district or university in Tacoma. Unemployment taxes impact everyone who employs people and issues a payroll check for a family in Washington.

Unemployment insurance taxes are increasing dramatically for many employers because of the persistent rate of high unemployment, changes in experience rating due to the recession and increases in the social tax factor. These tax hikes come at a particularly difficult time because no sector of the economy is experiencing any significant improvements. As difficult as these tax changes are at this time, COWBO understands that the UI system was designed to respond in this fashion to keep the UI trust fund solvent.

Against this backdrop, the Legislature is considering a number of proposals that add new costs to the unemployment insurance system. Bills have been heard in both the House and Senate that would add costs by increasing the eligibility for persons who voluntarily quit their jobs, increasing benefits by \$45 per week, and increasing eligibility for people seeking part-time work.

The Legislature is also considering proposals to temporarily reduce the social tax factor to aid employers during these difficult economic times. COWBO acknowledges that these proposals would be very helpful for employers at this time. Our concern, however, is that these proposals will only be considered in connection to adding new costs to the UI system.

Washington's UI system costs are 229 percent of the national average, and the tax on an average full-time employee is the second highest in the nation at \$563 per year. Washington businesses are at a distinct competitive disadvantage, and UI system costs create a significant disincentive to creating new jobs.

COWBO believes the Legislature should (1) refrain from adding any new costs to the UI system through increased eligibility or benefits and (2) refrain from making any changes that put the UI system at risk of triggering the solvency tax. We believe that a tax smoothing proposal could be developed with minimal risk to solvency. However, if new costs are added in connection with such a proposal, then the risk for triggering the solvency tax would increase.

While UI reform is desperately needed this year, COWBO objects to any kind of tax deferral in exchange for an increase in benefits. The benefits would be permanent increases while a deferral is just pushing off higher tax hikes. Under this scenario, COWBO believes it would better to do nothing this session.

Workers' Compensation

It is important to understand that we do not seek to deny or detract from an injured worker's benefit. In fact, our goal is to not only find better ways to improve safety and eliminate job-related injuries and accidents, but to help all employers in our state cope with mounting workers' compensation costs. And, while the bulk of the workers' compensation taxes are paid by the employer, it is important to remember that higher workers' compensation premiums also impact the people and families we employ.

Despite a significant decline in workers' compensation claims in recent years, the cost of claims continues to increase dramatically. The data shows that the cost of claims in Washington state have increased due to the lengthy time that claims remain open, and the increasing number of claims that are converted to pensions.

Employers, whether a business, hospital, school district, local government or non-profit, have suggested three ideas that would create tools for managing claim costs while, at the same time, protecting an injured worker's ability to access the care and benefits that they are eligible to receive.

The reforms include:

1. Providing the authority for voluntary settlement agreements between employers and injured workers;
2. Defining occupational disease to insure that the condition is truly related to the workers employment; and
3. Authorizing the formation of medical provider networks so that workers are treated by experts in occupational health-related issues.

COWBO is disappointed that neither the House nor the Senate has held public hearings on these proposals. However, we also recognize that there is ample time remaining in the session to hear the bills and move the proposals through the process. COWBO encourages the Legislature to take up these common sense reforms and pass them this session.

We also believe that simply kicking workers' compensation reforms ahead to an interim study only delays much needed reforms. Obviously, any reform takes time to work through and implement. But the Dept. of Labor and Industries must maintain its rate-setting schedule and the critical rate calculation period is this summer. Our fear is that unless the Legislature acts this session, the 2011 workers' compensation rates will be well into double-digits.

That being the case, it will be difficult for our state's employers in all sectors to be competitive, to make ends meet and maintain jobs.

Taxes

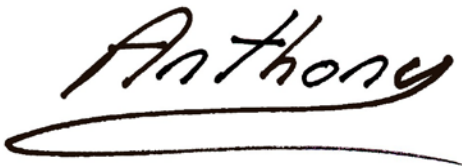
Finally, COWBO must reiterate the importance of not adding new taxes, fees or other cost burdens on business at this time. We recognize how difficult the budget situation is for all legislators. Adding new costs on businesses will dampen the ability of the private sector to retain and grow new jobs. And new jobs are ultimately the cure for the current severe economic conditions.

We firmly believe it is the private, tax-paying sector of our state that will lead us back to lasting economic recovery and create the jobs for the 1-in-10 people currently without work in our state. We also believe the private sector is the hub of innovation and creates the opportunities for young people entering our workforce who seek to stay in Washington to raise their families.

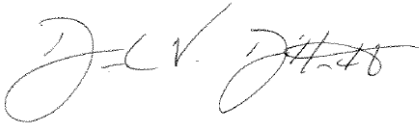
So, our request really is very simple: Help us create the jobs and economic opportunities that will create a vibrant economy for our state.

Thank you.

Sincerely,



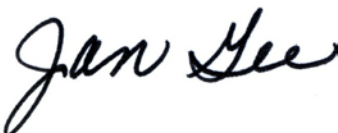
Anthony Anton
WA Restaurant Association



David D'Hondt
Associated General Contractors of WA



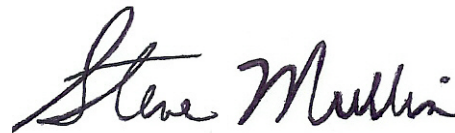
Don Brunell
Association of Washington Business



Jan Gee
WA Food Industry



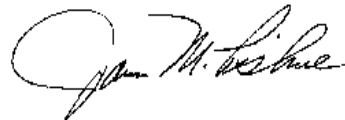
Frank Holmes
Western States Petroleum



Steve Mullin
WA Roundtable



Patrick Connor
National Federation Independent Business



James Pishue
WA Bankers Association



Jan Teague
Washington Retail Association



Steve Francks
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