



## 2009 Chair's Report

The past year has been difficult for Washington state. Rising unemployment, deteriorating home values and dramatic declines in construction and consumer spending led to substantial reductions in state tax revenues and the largest projected budget deficit in state history. State lawmakers responded with appropriate caution during the 2009 legislative session.

Policymakers delivered a biennial budget that avoids increasing taxes on already stressed families and businesses. However, the 2009-11 budget relies on approximately \$5 billion in one-time monies, making it unsustainable and setting the state up for another multi-billion dollar shortfall during the next budget cycle. In developing the 2010 supplemental and 2011-13 biennial budgets, lawmakers must resize state government to current economic realities and focus investment on services most essential to recovery and growth, namely education and infrastructure.

Lawmakers made gains in 2009 in K-12 education and infrastructure policy. They rightly rejected proposals to weaken our state's competitiveness; including discarding provisions to the unemployment insurance conformity package that would have resulted in higher business taxes. They were also right to kill a bill limiting the ability of employers to communicate with employees. Now, when we need new jobs more than ever and other states are aggressively recruiting Washington employers, this state would be ill-advised to enact policies that encourage companies to leave.

The last year has been challenging for Washington state, but there is reason for optimism. The nation is showing signs of recovery and I believe many employers in our state are turning the corner. However, the road to recovery will be long. It will likely be years before we return to pre-recession employment levels or revenue growth. If our state loses future lines of Boeing airplane production, it may take decades to recover.

Two major opportunities lie ahead for Washington.

The first is to optimize potential for keeping major employers – like Boeing – operating and growing here. If Washington loses those future manufacturing jobs, and the hundreds of thousands of associated jobs, our economy will stagnate. Keeping Boeing and other major employers will require a commitment to a more competitive business cost structure, ongoing infrastructure improvements, and high-quality K-12 and higher education systems.

The second is to learn from this crisis. Clearly the global recession influenced Washington's downturn. However, decisions in previous biennia to dramatically increase state spending – far beyond a reasonable anticipated rate of revenue growth – contributed significantly to the recent budget crisis. Washington cannot afford – at any time – to live beyond its means or assume the continuation of unprecedented growth.

Moving forward, our state's top priority must be fiscal responsibility, focusing investments on high priority services that spur economic growth. There also must be a tenacious effort to make Washington a competitive place where employers can and want to create jobs. State leaders made progress on both fronts this year and the Roundtable applauds those efforts.

Sincerely,

A handwritten signature in dark ink, appearing to read "John W. Stanton".

John W. Stanton

## **09 Policy Objective: Enact a sustainable biennial budget that lives within the confines of projected revenues.**

Lawmakers exhibited leadership in their decision not to raise taxes, a move that would have dealt a painful blow to already struggling families and businesses. However, the adopted 2009-11 biennial budget is far from sustainable. Lawmakers must make course corrections in the 2010 supplemental and 2011-13 biennial budgets that ensure the state lives within its means and focuses investments on services most likely to encourage recovery and growth.

## **09 Policy Objective: Prioritize services – namely education and infrastructure – that will drive economic growth and encourage job creation.**

- **Transportation:** Lawmakers prioritized high impact highway projects in the transportation budget and made progress on two projects critical to the state's long-term economic stability and vitality: the Alaskan Way Viaduct and SR 520 Bridge replacements. However, they failed to enact transportation governance reform in the Central Puget Sound Region. Reform is essential for the region to more effectively plan, prioritize and fund projects.
- **K-12 Education:** The Roundtable urged lawmakers to prioritize K-12 funding and take the steps necessary to ensure every student is ready for postsecondary education and training. Lawmakers should be applauded for achieving both goals. Budget cuts to K-12 were significant but limited as compared to cuts in other state services. In addition, lawmakers made a foundational change in K-12 policy, redefining basic education to ensure all students graduate from high school ready for college and work. This shift is fundamental to our state's effort to prepare all students for success in the increasingly competitive global economy.
- **Higher education:** Lawmakers made large cuts in higher education, much more so than the level of cuts proposed in other states. There is little doubt these cuts will impact the quality of education and reduce enrollment slots and the level of research and innovation at the universities. Lawmakers were right to offset the negative impact of cuts by temporarily increasing the level to which the institutions can raise tuition.

## **09 Policy Objective: Reduce the cost burden for employers so they can maintain and create jobs in Washington state**

State-by-state comparison data consistently indicates Washington is an expensive place to do business. Employers here face one of the highest tax burdens in the nation, including paying the second highest unemployment insurance taxes. High costs make it very difficult to create and keep jobs here. That is why it was critical that lawmakers reject efforts to modify unemployment insurance policy that would have raised employer tax rates. The message lawmakers sent to employers about labor organizing practices was crucial as well. By tabling a bill that would have gagged employers with regard to union organizing campaigns, and very likely would have been thrown out in a court challenge, lawmakers acknowledged that a reasonable balance must exist between employer and union interests in order to keep and protect jobs. These decisions indicate that state lawmakers are moving toward a more even-handed approach to labor and management issues, which will go a long way toward boosting state competitiveness and encouraging job creation.

### **Making Washington a better place to live and do business**

The Washington Roundtable is a nonprofit public policy organization comprised of chief executives of major private sector employers across Washington state. Since 1983, the Roundtable has worked to create positive change on critical policy issues that foster economic growth, generate jobs and improve quality of life for Washingtonians. Areas of focus include economic climate, state fiscal policy and education.

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