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WASHINGTON  
ROUNDTABLE



chair's  
report



It is often said crisis creates clarity and opportunity. The economic crisis that has gripped Washington state is no exception.

State government spending increased by a third between 2004 and 2008, leading to large deficits when the Great Recession took hold. Lawmakers balanced a \$2.8 billion deficit this year with \$800 million in new taxes, heavy reliance on one-time federal funds and some spending cuts. That solution has proven to be temporary. The state now projects a \$4.5 billion deficit for 2011-13 and a shortfall of more than \$8 billion for 2013-15.

Washington can no longer neglect its underlying structural budget problems. With unemployment still hovering around nine percent, we cannot afford to be shortsighted.

Proposals like Initiative 1098 are just that. I-1098 – a steeply progressive income tax measure on the ballot this November – will dry up capital and send local employers, good jobs and much-needed talent out of state. It will pave the way for income taxes on all Washingtonians rather than prioritizing state spending and reforming government. The Roundtable strongly opposes this measure.

It is time to strategically and systematically forge a better future. Washington must reduce the costs it imposes on employers while protecting and enhancing quality of life through investments in key services such as education and transportation.

#### **A fundamental reform of government and state spending is needed.**

The state must evaluate what constitutes key government services and how they are delivered. Washington must also reduce the burden imposed by taxes and other government-related employment costs that stifle job creation. Governor Gregoire's budget transformation process offers a promising opportunity. Leveraging principles from the Priorities of Government budget framework will better enable our state to evaluate services and fund them in priority order.

#### **Washington must examine and improve its highest priority service: public education.**

The Roundtable applauds lawmakers for enacting much-needed reforms this year to improve student achievement. However, Washington's Race to the Top application fell short, making it clear that bolder action is needed to tackle our state's growing achievement gap and ensure every student leaves high school prepared for college or work.

There are signs of promise in public education. With the launch of the Washington STEM Center, we are pushing beyond the status quo to position Washington as a leader in teacher effectiveness and student learning. This nonprofit will catalyze reform and innovation in public schools to produce better student outcomes, with emphasis on accelerating achievement of low-income and minority students.

#### **The state must invest in infrastructure that will spur and support economic growth.**

The Roundtable applauds state lawmakers for passing two pieces of legislation this year that enable continued progress on the SR 520 Bridge Replacement & HOV project. Progress is also being made on the Alaskan Way Viaduct replacement. State and local officials must continue to work together to ensure these projects come in on time and on budget. Additionally, a number of vital projects across the state remain underfunded or have no funding at all. Washington needs an earnest and thoughtful public debate about the state's infrastructure priorities and a plan for new investment.

The global recession exposed our state's weaknesses and made clear our greatest opportunities. It is time to challenge the status quo, to transform and align government with the realities of the globally competitive economy. Washington must pursue a course that will encourage job creation, ensure students' success and provide for a more prosperous future for its citizens.

Sincerely,

Brad L. Smith  
Chair

# 2010 chair's report

## **2010 PRIORITY: Demonstrate fiscal restraint and deliver a balanced, sustainable budget.**

Lawmakers balanced a \$2.8 billion supplemental budget shortfall with a mixture of cuts, federal aid and \$800 million in new taxes. The legislature faced difficult choices. Decisions to reject problematic budget proposals – such as taxing investments of non-financial firms and doubling or even tripling the hazardous substance tax – should be considered small wins. Nonetheless, additional spending reductions will be needed this biennium and fundamental reform is essential in order to create a sustainable budget. Washington must clarify its priorities and reset spending.

## **2010 PRIORITY: Reduce business costs.**

Lawmakers were presented with a variety of proposals this year that would have made it more difficult for employers to create jobs in Washington state. The legislature's decision not to enact broad expansions of unemployment insurance benefits was prudent. Such proposals would have reduced an already precariously low unemployment insurance trust fund balance and led to larger rate hikes, and fewer jobs, in 2011.

Lawmakers missed a major opportunity by not enacting workers' compensation reform. The business community's proposal included common-sense reforms that would have lowered costs without impacting benefits for injured workers. The bill did not get a hearing and a double-digit increase in workers' compensation costs is all but inevitable.

Workers' compensation reform is sorely needed. Allowing private companies to enter the workers' compensation insurance market – and thereby ending the government monopoly in Washington state – is a step in the right direction. For this reason, the Roundtable supports Initiative 1082.

## **2010 PRIORITY: Prove Washington is prepared to innovate and improve public education.**

Washington's application for federal Race to the Top funds did not make the grade in 2010. However, it did catalyze reforms. Those include provisional adoption of common core standards; creation of a multi-tiered teacher and principal evaluation model that allows the use of student growth data; consideration of a single, statewide evaluation model; state authority to intervene in the lowest performing schools; and expanded alternative preparation route programs for teachers. These are important steps toward ensuring the success of every student.

Nonetheless, Washington's student achievement gap is widening. The state must work to implement college and work-ready graduation requirements for all students; create a strong accountability system to turn around low-performing schools; strengthen state and district teacher effectiveness policies; reorganize state education agencies to deliver on reform; and develop a framework to allow for more innovative schools. These reforms are the direction in which federal education policy is headed. They are the right thing for our students and our state.



## 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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