



LEGISLATIVE UPDATE

March 16, 2007

OVERVIEW

The 105-day Legislative Session is in high gear and lawmakers, state agencies and special interests are all scrambling to tackle the unusually large number of bills – over 3,000 – that have been introduced this session. The first full cut-off passed on March 14, marking a major deadline for the success or failure of legislation. While a number of measures will continue through the process that have a significant impact on business, the Coalition continues to closely monitor and work against these issues. Now is the time for every chamber to take action and make their voices heard on behalf of Eastside businesses.

Measures that survived cut-off will now be referred to committees in the opposite house where swift action will take place to meet the following final cut-off deadlines:

- Friday, March 30 – Committee cutoff for bills in the opposite house, except fiscal/transportation.
- Monday, April 2 – Committee cutoff for fiscal/transportation bills in the opposite house.
- Friday, April 13 – Cutoff for bills to pass both chambers, except matters necessary to implement the budget.
- Sunday, April 22 – Sine Die, end of regular session.

Following are details on legislative issues from the Coalition's 2007 Legislative Agenda.

EDUCATION – COALITION PRIORITY ISSUE

Education reform is one of the biggest issues of the session with a number of efforts underway to change the way education is delivered and funded in Washington State. Luckily, many of the measures introduced this year are in line with the Coalition's objectives including ensuring high standards and accountability. While there are currently a number of individual education bills under consideration, we are likely to see them rolled into one or two omnibus education measures by the end of session.

Standards surrounding math and science instruction have been of great concern to lawmakers, with particular emphasis on revamping the math WASL. Some efforts were aimed at removing the WASL altogether. With so many students, statewide, failing the exam, it has become apparent that changes need to be made. While the Coalition recognizes that fine-tuning should take place, our position continues to be that high standards and strong, well-rounded curriculum must remain intact.

Following are other education measures the Coalition is tracking:

- SB 5813** – A bill to improve math, technology, ESL, special education, and science curriculum. It would also develop a math and science instructional coach project to support teachers.
- SB 5104** – Expanding the applied baccalaureate degree pilot program to technical colleges.

HB 2317 – Establishes a specific definition of “high demand” fields for higher education.
SB 5955 – Establishes a public-private partnership to take the first steps in assessing and improving teacher compensation and training, particularly in math, science, special education and engineering. Increases the National Board certification bonus and places it in statute.
SB 5731 – Sets the goal of funding 10,000 bachelor's degrees by 2020 and lays out a work plan and public involvement campaign to get students interested in high demand fields.

The following bills are not likely to see further action this session:

HB 2080 – Eliminating the grandfathering of educator salaries
HB 2064 – Integrating career technical and academic programs that combine vocational education with academic preparation for students.
HB 1969 – Providing tax incentives for employers of students in workforce training programs for high demand job skills.

TRANSPORTATION – COALITION PRIORITY ISSUE

The top issues this session related to transportation surround the RTID/ST2 ballot measure and regional governance. **HB 1396** passed the House and would allow RTID and Sound Transit to host a single ballot proposition in the 2007 general election. This bill is currently before the Senate Transportation Committee and is tentatively scheduled for a hearing on March 21.

Related to transportation governance reforms, two bills have been introduced to implement recommendations from the Regional Transportation Commission. **HB 2101** sponsored by Eastside Reps. Jarrett and Eddy, did not pass out of the House, but **SB 5803** has advanced out of the Senate and is now before the House Transportation Committee. Among several other provisions, the bill mandates that King, Pierce and Snohomish Counties form a non-partisan 11-member Regional Transportation Commission by 2009. Many of Sound Transit's functions, along with all of the Puget Sound Regional Council's authority and functions are transferred to this new entity. The RTID statute is also repealed effective January 2008 or 2009, depending on the outcome of the November, 2007 election. Further, it does not provide against transit dollars being used for road projects.

ECONOMIC DEVELOPMENT – COALITION PRIORITY ISSUE

Two bills to expand local infrastructure financing tools (LIFT) projects, have passed their respective chambers and are awaiting hearings in the opposite house. Both **HB 1277** and **SB 5115** would increase the limit of the annual state contribution on LIFT projects from \$5 million to \$7.5 million.

In addition, **SB 5685** would restore high tech research and development (R&D) tax incentives to the originally adopted 2003 provisions. This change would provide greater support for small and medium size R&D firms. This measure is now before the House Finance Committee. A similar bill, **HB 1695**, did not pass the House but is included in budget recommendations from the House Appropriations Subcommittee on General Government, as well as in the Governor's budget.

BUSINESS TAXATION / BUDGET

The most recent revenue forecast shows that state tax revenue is projected to rise an additional \$126.5 million by the end of the current biennium, due in part to lower demand for state services which will reduce costs by about \$240 million. Now the Governor and Legislature will have over \$360 million in unintended revenue to allocate in the biennial budget. The Coalition would prefer that the State set aside funds in a Rainy Day account or provide tax relief instead of implementing costly new programs that can't be maintained in subsequent years. While revenue

is expected to climb during the current two-year budget cycle, it is also anticipated to drop by \$18 million in the next biennium.

The Governor has already released her \$30 billion budget plan, and House Democrats are expected to release their draft budget on March 20, with the Senate following about a week later.

The Coalition has long-supported establishing a constitutionally-protected “Rainy Day Fund”. This year, **SJR 8200** was introduced to set aside a minimum of 1 percent of general state revenues. Monies could be appropriated by a 60% majority vote of both houses of the Legislature. Unfortunately, this measure did not receive final action but both **SB 5311** and **SJR 8206** passed the Senate and are now before the House for consideration. SJR 8206 would also set aside 1%, but has additional provisions related to future appropriation of the fund.

Another measure, **HB 1884**, which will, unfortunately, not see further action this session would have provided family-owned businesses with a deduction to the estate tax similar to the deduction already enjoyed by family farms.

HEALTH INSURANCE & EMPLOYEE BENEFITS

Unlike 2006, the business community is now facing several sweeping reform measures in these areas that have potentially severe consequences on small businesses.

In the health insurance arena, the House passed **HB 1569**, a measure that would transform the way small businesses and their employees purchase health care coverage. While the bill is scaled back from its original form, it still requires that businesses with 50 or fewer employees purchase health insurance from a newly-created “Insurance Partnership”. This “connector” plan would combine the small group market into one large pool and would no longer allow employers to choose their plan. It would also add a surcharge to premiums to cover costs of the administration of a new agency to oversee the “connector” program.

Instead, the Coalition is supporting a more guarded approach backed by the Governor, **SB 5930**, which would study the structural and operational aspects of health care reform. It focuses on improving quality of care, cost transparency, inappropriate emergency room use, high risk pool reforms and administrative costs. This measure passed the Senate unanimously and is now awaiting action by the House Committee on Health Care & Wellness.

The Senate also considered a “fair share” or “pay or play” health care bill, **SB 6147**, which targeted retailers by adding a B&O surcharge for businesses with 500 or more employees. If the retailer spent 9% of their payroll on health care, the B&O surcharge would be removed. Fortunately, this measure is unlikely to see further action this session.

In the employee benefits arena, businesses are facing far-reaching “paid family leave” legislation. **SB 5659** would require businesses with 25 or more employees to hold jobs open for workers who take leave. The benefit is based on a 35-hour work week, and partial benefits are available for employees who regularly work less than 35 hours each week, as well as employees who take less than 35 hours of paid leave in any week. During the leave, the employee would receive \$250 per week for up to eight weeks – this amount would grow each year with inflation. Premiums are initially set at two cents per hour per worker, and may be raised whenever necessary to fund the program. Washington would be the only state to join California in offering such generous benefits, which come in addition to the 12 weeks of unpaid family and medical leave already available under federal law. (The federal version applies to business with 50 or more employees.) The measure is currently before the House Committee on Commerce & Labor and is scheduled for a public hearing on March 20.

TECHNOLOGY

The Senate Committee on Water, Energy & Telecommunications considered **SB 6003**, to provide cable companies with a statewide franchise and no longer require them to negotiate franchise agreements with individual cities. While it appears on the surface that this bill would create further competition in the cable market, it goes against the Coalition's principles and creates an uneven playing field and does not treat like services alike. This bill is unlikely to see further action this session.

TORT REFORM

The Senate passed **SB 5550**, otherwise known as the "Homeowner's Bill of Rights", imposing major reforms on the single family home market. The bill would mandate onerous new home warranty policies for new and remodeled homes and would require transferable warranties of up to 10 years on new homes, holding builders liable for defects and repairs. It would also allow a longer time period for homeowners to sue builders. This bill is similar to legislation enacted on the condo market, which made it nearly impossible for small builders to purchase liability insurance and rendered them unable to build condos in Washington state. SB 5550 would have similar consequences to small home builders and would devastate the residential liability insurance market for these business owners. Most importantly, it would dramatically increase the cost of new housing for consumers. The measure is currently before the House Committee on Judiciary and is scheduled for a hearing on March 23.

UNEMPLOYMENT INSURANCE (UI) & WORKERS' COMPENSATION

Fortunately, the Senate did not take action on **SB 6082**, which would have removed the "voluntary quits" portion of the UI reforms adopted in 2003. It also aimed to allow UI benefits for death, illness or disability of a member of the claimant's immediate family, an undue family hardship, or to follow the claimant's spouse, fiancé or domestic partner.

The House also considered **HB 1503** to raise Workers' Comp costs by making it harder to get independent examinations. The bill passed the House Committee on Commerce & Labor, but was not moved to the House floor for a final vote.

For additional information, please visit the Coalition online at www.eastkingchambers.org, or contact Shannon Boldizar, Government Affairs Director, sboldizar@bellevuechamber.org; or 425-213-1203.