



POST SESSION LEGISLATIVE WRAP-UP

April 27, 2007

OVERVIEW

The 105-day Legislative Session adjourned “Sine Die” on time and with a mix of wins and losses for the business community. Throughout session, the Coalition has been your voice championing business issues in Olympia. Following are details on legislative issues from the Coalition’s 2007 Legislative Agenda.

EDUCATION – COALITION PRIORITY ISSUE

Education was the preeminent issue of the Legislative 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.

Revamping the math/science WASL test was given particular emphasis this session and in the end, lawmakers decided to postpone the math/science WASL as a graduation requirement until 2013. In the meantime, students will be required to complete end of course examinations, which some believe are more challenging than the WASL. In addition, the State Board of Education has the ability to move the date up once the math/science WASL test is reconfigured. Throughout the WASL debate, the Coalition recognized that fine-tuning of the test was necessary, but continued to push to maintain high standards and to keep strong, well-rounded curricula intact.

In addition, **HB 1906**, also passed and takes an important step forward in increasing education standards. Among other provisions, it establishes a timeline for the Superintendent of Public Instruction (SPI) to recommend three basic math and science curricula for all K-12 levels, and creates new alternative routes for teacher certification for math and science instructors.

SB 5955 also passed and makes strides in developing plans for performance pay for teachers, educator preparation, professional development, and compensation. The measure establishes a public-private partnership to take the first steps in assessing and improving teacher compensation and training and also sets performance standards and develops a uniform, professional-level teacher certification assessment.

While not a Coalition position, the Legislature passed **HJR 4204**, amending the Constitution to provide for a simple majority of voters voting to authorize school district capital, maintenance and operation, and transportation levies. It will also remove the 40% election validation requirement for levy elections. This measure will now go before voters statewide on the November ballot for approval.

In higher education, **SB 5731** establishes a committee to focus on educating students in high demand fields. It will also develop a plan to increase the capacity of Washington colleges and universities by 10,000 students per year by 2020 and to produce degrees in high impact, high demand areas of study. In addition, a work plan and public involvement effort to get students interested in high demand fields will be initiated. While the measure, **HB 2317**, to establish a specific definition of “high demand” failed, developing the criteria for these fields will likely be accomplished by the committee established in SB 5731.

The Legislature also increased funding for higher education by over \$107 million, increasing enrollments by 9,700 students, 2,400 of which will be in high demand and technical fields.

SB 5104, the measure to expand the applied baccalaureate degree pilot program to technical colleges did not pass. However, the bill language did pass in the Operating Budget, essentially implementing the measure. This will now allow technical colleges to apply to offer baccalaureate degrees through the pilot program established by the 2006 Legislature.

The 2007-2009 Operating Budget, **HB 1128**, allocated more than \$1 billion toward education, with a specific focus on transportation and special education. There are mixed reviews from the business community on this level of funding – while it is helpful to school districts, it was spread amongst numerous programs statewide with little ability to fully fund those programs outright. Some have stated that these programs are not sustainable without significant funding over time and the Legislature will have to come back in future sessions with an even larger budget to cover these ongoing programs.

The following bills of importance to the business community did not pass 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.

HB 1385 – Establishing a strategic plan for state higher education including increased capacity, additional baccalaureate degrees, additional enrollments in high demand fields, and performance contracts with higher education institutions.

HB 2095 – Creating a performance-based compensation pilot project.

TRANSPORTATION – COALITION PRIORITY ISSUE

HB 1396, the measure to allow RTID and Sound Transit to host a single ballot proposition in the 2007 general election, passed the Legislature and was delivered to the Governor for her signature.

Much work went into transportation governance reform this session and neither of the two bills to implement recommendations from the Regional Transportation Commission, **HB 2101**, and **SB 5803**, advanced this session. The Legislature did, however, reauthorize **HB 1694**, the Agency Council for Coordinated Transportation (ACCT), which is directed to study ways to improve coordination at the regional level.

The Legislature did pass a \$7.5 billion Transportation Budget, **HB 1094**, with lawmakers keeping their pledge to fully fund all previously approved transportation projects. No new allocations or projects were funded in the budget. Some projects that are ready to go in the pipeline were accelerated and others were delayed. The budget also takes a new approach to funding and creates a “risk pool”, a type of contingency fund for all projects. The new risk pool will be used for cost overruns and project savings, and will ultimately help fund mega projects like SR 520.

The Legislature also passed a measure, **SB 6099**, which hires a mediator to help develop an expansion impact plan for SR 520. The project is defined as having six total lanes, with four general purpose lanes and two lanes for HOV travel that could also accommodate high capacity transit, including bus rapid transit. The mediator is tasked with working with interests on the west side of the bridge to develop a plan for addressing impacts of the project design on local neighborhoods, parks and the University of Washington. In addition, the measure directs that the project must be designed to accommodate light rail (not simply a form of high capacity transit) in the future, and directs state and local agencies to plan for a multi-modal transportation plan throughout the corridor. The Coalition remains concerned with the timeline established in the bill and the authority granted to the mediator to determine additional alternative concept designs. The Coalition supports moving forward as quickly as possible with SR 520 construction elements.

ECONOMIC DEVELOPMENT – COALITION PRIORITY ISSUE

The bill to expand local infrastructure financing tools (LIFT) projects, **HB 1277**, passed raising the state's funding limit from \$5 million to \$10 million. It also clarifies new criteria for the next round of projects, most of which render many Eastside projects ineligible for funding. The criteria includes encouraging transit-oriented development, the current economic health and estimated impact of the proposed development area. In addition, the one per county restriction was reinserted, but an exception was added for a local sponsoring government that is located in more than one county and an exception for counties with named demonstration projects.

Neither of the two measures to restore high tech research and development (R&D) tax incentives to the originally adopted 2003 provisions, **HB 1695** and **SB 5685**, received final action this session. These measures would have provided greater support for small and medium size R&D firms, many of which are located in Eastside cities.

BUSINESS TAXATION / BUDGET

In the final days of session, the Legislature passed a \$33.4 billion Operating Budget, **HB 1128**, spending nearly all of the \$2 billion surplus. The budget allocated \$4 billion more than the previous biennium and about twice as much as projected revenues. 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.

Lawmakers did set aside \$724 million for a Constitutionally mandated Rainy Day account to provide tax relief instead of implementing a number of costly new programs that can't be maintained in subsequent years. **SJR 8206** and supporting legislation, **SB 5311**, take an important step in addressing structural problems with the state's budget process. The measures amend the state Constitution to establish a budget stabilization account with a required annual deposit of 1 percent of general state revenues and authorizes the Legislature to appropriate from the account with a majority vote if forecasted employment growth is less than 1 percent (about 30,000 new jobs) or upon a declaration of an emergency due to a catastrophic event, and with a three-fifths vote otherwise. SB 5311 has been delivered to the Governor for her signature, and SJR 8206 will go before voters in the November general election.

In addition, the estate tax measure, **HB 1884**, did not see final action this session. The bill would have provided family-owned businesses with a deduction to the estate tax similar to the deduction already enjoyed by family farms.

The Legislature also passed the Capital Budget, **HB 1092**, which funds infrastructure improvements statewide. The Coalition advocated for a number of Eastside higher education

projects with funding allocated to the following:

- Completion of the pre-design study specifically for the Phase 3 Development Plan for the University of Washington Bothell – \$150,000 (partial funding)
- Arts, Technology and Communications Building at Cascadia Community College – \$31.3 million
- Design for the Allied Health Building at Lake Washington Technical College – \$1.732 million
- Pre-design of the Health Sciences Building at Bellevue Community College – \$144,000
- Science and Technology Building at Bellevue Community College – \$32 million

ENERGY

The Legislature passed the “Clean Fuels Initiative”, **HB 1303**, encouraging the use of cleaner energy, creating incentives for dealing with carbon emission reduction and mitigation from vehicles, and promoting ethanol and biodiesel production and use.

HB 1037 passed and was delivered to the Governor for her signature. The bill allows certain electrical transmission facilities to use the Washington Energy Facility Site Evaluation Council siting processes and expedites the process for siting electrical transmission lines, taking power from generation points in rural parts of the state and delivering it to urban centers where power is needed.

Another measure, **SB 5669**, will require state agencies to expedite application processing and decision timelines for implementing renewable fuel standards. The bill is now before the Governor for her signature.

HEALTH INSURANCE & EMPLOYEE BENEFITS

This session, the business community faced several sweeping health care reform measures. Had any of them passed in their original form, they would have had severe consequences for small businesses.

In its original form, **HB 1569**, would have transformed the way small businesses and their employees purchase health care coverage, requiring businesses with 50 or fewer employees to purchase health insurance from a newly-created “Insurance Partnership”. This “connector” plan would have combined the small group market into one large pool and would no longer allow employers to choose their plan. It would also have added a surcharge to premiums to cover costs of the administration of a new agency to oversee the “connector” program. In the bill’s final form, it mandates a study and design of a public-private partnership that would pool purchasing of small group health benefit plans, including all small group products. Recommendations will be packaged and a private entity will be sought to operate the partnership. The study and summary of partnership findings will report to the Legislature before the 2008 session begins. If the 2008 Legislature takes no action, the RFP will be issued April 1, 2008, and will be designed as the single door to all small group products approved by the Office of the Insurance Commission. Association products, however, will remain outside the partnership, but will be studied for potential future inclusion in the partnership.

As an alternative to HB 1569, the Coalition supported a more guarded approach backed by the Governor, **SB 5930**, which in its original form would have included vital reforms to the small group market, allowing lower costs and more flexible health plans for small businesses. Unfortunately, these provisions were eliminated in the final version of the bill. Now the measure solely studies the structural and operational aspects of health care reform. It focuses more on improving quality of care, cost transparency, inappropriate emergency room use, high risk pool reforms and administrative costs.

The following health care measures did not receive final action during session:

HB 1539 – Increased access to health insurance for small employers and their employees.

HB 1638 – Providing a tax incentive for employer-provided health care.

HB 2094 – Requiring large employers to reimburse the state for the costs of employees enrolled in state-sponsored health care. The bill did not pass, but a study was included as a proviso in the budget.

SB 6147 – Imposing an additional B&O tax on retailers with 500 or more employees and refunding it based on the amount spent by the retailer on health care.

In the employee benefits arena, the far-reaching “paid family leave” legislation, **SB 5659**, passed in a scaled back form from the original bill. As adopted, the measure will require businesses with 25 or more employees to hold jobs open for parents of newborns or newly adopted children to take leave for up to five weeks starting in October, 2009. During the leave, the employee will receive \$250 per week for up to five weeks. Fortunately, lawmakers did not have enough votes to support charging employees two cents per hour to fund the proposal, so the issue will be studied further during the interim. One option being discussed is using the interest earnings from the Unemployment Trust fund and expanding the program to include elder care and other types of leave as well.

According to the bill’s fiscal note, the Dept. of Labor & Industries will add 83 new employees (a conservative estimate) to implement the program. Office furnishings and expenses total nearly \$590,000, along with \$27.7 million for information technology. Of the \$67 million the program is estimated to cost over a two-year period, about 43% will be used on the new state bureaucracy with just over half going to paid family leave recipients.

LAND USE

Unfortunately, both **HB 1463** and **SB 5507**, measures to change vesting laws, did not receive final action this session. The bills would have allowed a property owner with development rights to divide the land into a subdivision or short subdivision vest at the time the local government issued its preliminary approval of the proposed land division.

REGULATORY REFORM

While regulatory reform was not a major issue this session, several positive pieces of legislation passed that are consistent with the Coalition’s long-standing positions.

SB 5122 – Preserving the Office of Regulatory Assistance until June 30, 2012.

SB 5513 – Establishing a state government efficiency hotline for recommendations to improve efficiency in state and local government and to report waste, inefficiency, abuse, efficiency or outstanding achievement by state and local agencies, public employees, or persons under contract with state and local agencies.

SB 5508 – Requiring state and local agencies provide permit applicants with information about the cost and duration of the permit process.

HB 1525 – Reducing the impact of regulatory provisions on small businesses by ensuring that if state agencies cannot reduce the costs imposed by a rule on small businesses, the agency must provide a clear explanation of why it has made that determination.

The following regulatory reform measures did not receive action this session:

HB 1330 – Modifying requirements of small business economic impact statements by state agencies.

HB 1807 – Requiring the Department of Ecology to prepare an economic impact analysis on all draft general permits that are intended to directly cover small businesses.

HB 1807 – Codifying existing details and procedures for an economic impact analysis on draft general permits issued by the Department of Ecology and requiring the Department of Ecology to obtain information for small business economic impact analyses by surveying a representative sample of businesses or trade associations affected by the draft general permit.

TECHNOLOGY

The Legislature considered **SB 6003**, a measure to provide cable companies with a statewide franchise and no longer require them to negotiate franchise agreements with individual cities. While it appeared 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. The bill did not see final action during session.

TORT REFORM

Fortunately, the "Homeowner's Bill of Rights", **SB 5550**, did not pass this session. The measure would have imposed major reforms on the single family home market. The bill would have mandated onerous new home warranty policies for new and remodeled homes and would have required transferable warranties of up to 10 years on new homes, holding builders liable for all defects and repairs. It would also have allowed a longer time period for homeowners to sue builders. The bill was 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 had similar consequences to small home builders and would have devastated the residential liability insurance market for these business owners. Most importantly, it would have dramatically increased the cost of new housing for consumers. The measure will be studied during the interim with a variety of stakeholders.

Lawmakers did, however, pass **SB 5726**, a measure that will give Washington the nation's lowest threshold for filing lawsuits alleging bad faith on the denial of questionable insurance claims. This bill will spur more lawsuits, clog the court system and increase costs. Consumers will likely see higher costs reflected in insurance premiums and will see legitimate grievances languish in the court system. Of particular concern is the provision allowing assessment of treble damages by the courts, thereby further escalating unwarranted settlements.

UNEMPLOYMENT INSURANCE (UI) & WORKERS' COMPENSATION

Lawmakers passed **SB 5373** placing more onerous reporting requirements on employers. The bill allows benefit claims to be charged to the account of an employer if it is determined that the employer inaccurately reported a claim and subsequent data. Further, the bill sets up a schedule of fines for employers who fail to file timely tax and wage reports.

Fortunately, the Senate did not take final 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.

Related to Workers' Comp, lawmakers unfortunately passed **SB 5676**, which will now allow the prior closure of a claim to not affect the entitlement to loss of earning power benefits. The bill also requires that holiday pay, vacation pay, sick leave, or other similar benefits not count as payments by the employer. The House also considered **HB 1503** to raise Workers' Comp costs by making it harder to get independent examinations. Unfortunately, the bill did not receive final action this session.

WATER

Unfortunately, several potentially beneficial water measures did not receive final action this session.

SB 5617 and **HB 1561** – Granting authority to a watershed management partnership, in this case, the Cascade Water Alliance, to exercise the authority of its forming governments. The bill was intended as a technical fix to give Cascade the same eminent domain authority as its eight member jurisdictions to begin building out the new water system for the Eastside and South King County.

HB 1453 and **SB 5519** – Providing that the Department of Ecology approve changes in point of diversion of a water right where the diversion is from one point within a pool, or hydrologically connected groundwater, to any other point within the same pool or hydrologically connected groundwater.

HB 1938 and **SB 5849** – Providing that an owner of a water right does not relinquish their claim on the water if they continue to use at least a portion of the water for the established purpose of use.

HB 2245 and **SB 5877** – Clarifying no relinquishment of any water right if the full or partial nonuse of the water occurred 15 or more years before a relinquishment or adjudication proceeding is filed.

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.