



Washington state's  
chamber of commerce  
January 20, 2009

# Association of Washington Business

Don C. Brunell  
*President*

The Honorable Chris Gregoire  
Governor, State of Washington  
PO Box 40002  
Olympia, WA 98504-0002

Dear Gov. Gregoire:

We are writing with our concerns about Washington's unemployment trust funds. The economic downturn has prompted proposals to withdraw trust funds for purposes other than paying benefits for people who are unemployed through no fault of their own. We see three key reasons the UI trust fund must be protected, not diverted for other purposes:

1. The reserves are necessary to meet the unprecedented demand for benefits.
2. As our previous experience demonstrates, creative thinking will produce a better long-term result.
3. Washington employers currently pay the second highest U.I. taxes in the nation.

This downturn will likely be deeper and longer than any of us have experienced. We must ensure the \$4 billion currently in the trust is used to pay unemployment benefits for those eligible workers. Our state cannot afford to use this vital trust fund to supplement programs currently funded by the state's general fund. Tapping the UI trust fund now risks severe long-term consequences. That is a risk not worth taking.

We need only look at our own recent history to see the folly of such a move. During the 1980s, a time of high unemployment, a sluggish economy and high interest rates, our unemployment trust fund was depleted, forcing us to borrow from the federal government to provide benefits to laid-off workers. That put employers, who are assessed the entire premium for our unemployment system, in a particularly bad situation as they struggled to recover and provide new jobs. Their unemployment insurance taxes increased significantly to repay the federal loans with interest and replenish the trust fund.

We do not want to end up like California, where state officials project the UI trust fund will be depleted later this year, forcing the state to borrow from the federal government to pay benefits. The interest alone on that loan is estimated at \$20 million, which only adds to the state's crushing debt. Given the fact that California has lost more than 450,000 jobs in the manufacturing sector alone, their employers are facing large tax and fee increases just to keep the state afloat and pay unemployment benefits.

Other states are in similarly dire circumstances. We do not want to join them.

Second, we are hearing that UI money may be diverted for training programs, as they were in 1993. But today's situation is very different.

*We keep Washington working*

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In 1993, the UI taxes were scheduled to drop. The legislation allowed the taxes to drop, but took the difference between the higher schedule and the new schedule and diverted that money to worker training program. The legislature also added a sunset provision to that legislation. It expired in 1996 and was not reinstated.

AWB opposed that legislation to ensure the UI trust was used for its intended purpose — to pay unemployment benefits to workers who lose their jobs through no fault of their own. Between 1993 and 1996, we worked with the State Board for Community and Technical Colleges to find alternative funding for targeted worker training programs. When the legislation expired, AWB and the State Board identified needed training programs and worked with the legislature to ensure funding for those programs. It took some creative thinking and planning by both organizations, but we found ways to restore the integrity of the UI system.

That same creative thinking needs to occur today, and we should resist the temptation to tap the fund for other purposes.

Finally, our high unemployment insurance taxes already put Washington employers at a competitive disadvantage. According to the Washington Alliance for a Competitive Economy (WashACE) 2009 Redbook, Washington employers pay the nation's second highest average full-time employee assessment at \$637 compared with the national average of \$281. We hope you and the Legislature will continue to work with us to find ways to reduce costs.

While we disagree strongly with plans to divert UI funds to other purposes, we support collaborative efforts to resolve two other significant challenges facing our unemployment system: compliance with federal policy and reinstating the state's previously agreed to policy respecting "voluntary quits."

With our system out of compliance with U.S. policy, we should focus our efforts on finding solutions we can all support. We hope to resolve problems with the system so our state can conform with the U.S. Department of Labor guidelines. As you know, AWB will continue to work with you, the Legislature and labor to work on this difficult issue. Given the scope of the other issues we are facing as a state, we should not allow the use of trust fund dollars to divide us.

In 2003, collaboration produced a remarkable agreement to clarify the conditions under which a person who voluntarily leaves employment may be entitled to UI benefits. When the state Supreme Court invalidated the "good cause" statute, they left a costly vacuum to be filled. Currently, people who voluntarily quit their jobs are drawing unemployment benefits. During these challenging economic times, we should reserve those benefits for people who lose their jobs through no fault of their own. I hope we can count on your support as we work to reinstate the statutory compromise swept aside by the Court.

We look forward to working with you and the Legislature on unemployment issues. Thank you and please contact me if you have questions, concerns, or wish to discuss these issues in more detail.

Sincerely,



Don C. Brunell  
President