Legislative Review 2006

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INTRODUCTION

As we close the chapter on the 2006 legislative session, we need to ask ourselves: Are we more or less competitive? The answer is somewhere in between.

Overall, the 2006 session was not bad for the business community. This was one of the fastest-paced and most aggressive supplemental legislative sessions we have ever experienced.

There were more than 1,200 bills were introduced in the House and 900-plus in the Senate—more bills than were introduced in the longer 2005 session. Remember, when the Legislature went to annual sessions in 1980, the idea was that in even-numbered years—the non-budget years—all that needs to be done is to adjust the budget for case load and K-12 enrollment changes, not to add new programs requiring additional appropriations or spending.

When the Legislature convened in January, it had about $1.4 billion in new dollars sitting on the table thanks to an upswing in our economy, which was mostly due to an upswing in our state’s construction industry and real estate market. Gov. Christine Gregoire called upon returning legislators to exercise constraint and put the bulk of the money into a rainy day fund for 2007 when the next budget cycle begins.

The Legislature saved around $900 million in various savings accounts, but adding about $400 million in new spending. That increase has a bow wave and creates more spending in the 2007 session. Now, the latest projections

Bad Bills Stopped, Good Ones Passed in Whirlwind 2006 Legislative Session

by Gary Chandler
AWB Vice President, Governmental Affairs
show our state will be about $700 million in the red as we start the 2007-2009 budget cycle next January.

On the positive side, we were able to get an unemployment insurance bill passed, which may lower UI costs more than the reforms of 2003. The bill also re-codified the savings from the 2003 reforms, which we were in jeopardy of losing in the courts. Speaker Frank Chopp, D-Seattle; Rep. Cary Condon, R-East Wenatchee; and Sen. Linda Parlette, R-Wenatchee led the successful effort to take a costly bill which passed the Senate and turn it into reform legislation which we hope will lower unemployment costs.

Unfortunately, we were not able to pass health care legislation that would have given employers and people working for them the opportunity to pick a health care plan—with fewer mandates—which both could afford. Nevertheless, with AWB’s strong support, the Legislature took a significant step toward cost control by passing an evidence-based medicine bill. Once again, we were also able to stop the pay-or-play mandatory health care legislation that its unions couched as “fair share.” The good news is Speaker Chopp bowed his back and said “No” to the unions this year, although we know it will be back, in some form, next year.

Another victory for AWB was again stopping a bill that would have required every employer in the state to provide 40 hours of paid sick leave. This approach takes away flexible leave policies which are beneficial to employers and the families who work for them. This is another piece of legislation we know will also be back next year.

As you will read in our legislative review and see in our voting record, there were some other significant changes that AWB lobbied for our 5,600 members. But remember, many issues were pushed ahead to 2007, so our work is just beginning.

All in all, the session produced some positive results making us more competitive, but left some important work unfinished if we are going to create jobs in the future. Our staff did yeoman’s work again and we appreciate your steadfast support. With the elections looming ahead and considering control of both houses of the Legislature is up for grabs, please use this document and our voting record to ask the candidates the right questions and support those who support our competitiveness agenda.
In the environmental arena, the business community fared pretty well during the 2006 legislative session. AWB helped pass legislation relating to the prevention of pollution caused by failing septic systems, as well as a historic bill managing Columbia River water resources. While bills relating to air and water quality, toxics, energy, and land use were intensely debated, electronic (computers, televisions, etc.) waste recycling and biofuels legislation took center stage.

For the first time, the Legislature passed bills requiring electronics manufacturers to take back and recycle products when they reach the end of their useful life. This legislation sets a precedent for other manufacturer take-back bills in future sessions. AWB worked tirelessly to find common ground between various members, but in the end did not take a position on the bill due to a significant division within our membership around how costs of the program would be charged to consumers.

The Washington Legislature also took a leadership role in the development and use of alternative fuels, including biodiesel and ethanol. Although AWB strongly supports the use of alternative and renewable fuels, we were disappointed with the government mandate adopted by the Legislature and the governor in creating this new fuels market. AWB lobbied exhaustively for an incentives-based approach to help this new industry and opposed the mandate provisions of the bill.

AWB also helped defeat legislation that would have adversely impacted business and land owners. One bill took the wrong approach to address problems with “best available science” standards in land use regulations.

Finally, AWB worked to defeat legislation that would have banned certain flame-retardant chemicals.

Looking forward to next year, AWB anticipates numerous debates on a wide range of environmental policies that will directly impact the business community, particularly in light of funds appropriated during the 2006 legislative session and interim efforts to restore Puget Sound.
THE DETAILS

TOXICS

E2SHB 1488 ▶ Prohibiting Sales of Products Containing Polybrominated Diphenyl Ethers

This legislation—first introduced last session—sought to eliminate polybrominated diphenyl ether flame retardants from the market, despite their ability to prevent injuries and deaths caused by fires. In addition to their low cost and effectiveness, PBDE flame retardants currently in use are not toxic to humans or animals. Coupled with the fact that no alternatives exist for some products, the European Union and other countries have determined that banning PBDEs is unwarranted. Thankfully, a majority of senators agreed with AWB that Washington state should not be the first place worldwide to ban PBDEs, and chose not to bring E2SHB 1488 up for a vote on the floor.

2SHB 1731 ▶ Requiring the Removal of Mercury Components from Motor Vehicles

2SHB 1731 would have required automobile manufacturers to pay for the removal, transportation and recycling costs for switches containing mercury in scrapped vehicles. AWB opposed this legislation based on the minimal benefit to the environment compared to the costs to implement the bill and the precedent it would create of requiring manufacturers to take back products that are no longer manufactured. Even more importantly, just prior to the start of the session, an agreement was reached between the Department of Ecology, automobile dismantlers and manufacturers on a Washington state mercury switches program. Since the session adjourned, a national agreement was reached with EPA. Hopefully, that will curtail the need for Washington state mercury switch legislation in the future.

$200,000 Regional Haze Budget Proviso

Numerous sources in the state emit fine particles and other substances that may contribute to reduced visibility and air quality, or “regional haze.” Regional haze programs administered by the state government protect visibility in 156 scenic Class I areas nationwide. Washington has eight of these areas totaling 3.3 million acres. The Department of Ecology administered the regional haze program until 2003, but had to cut it due to budget constraints. Citing a change in future air quality forecasts and assumptions, along with better integration with other department programs, AWB supported a budget proviso that would have provided initial funding for the Department of Ecology to resume the management of the program. While unsuccessful in the effort this session, AWB will continue working with the governor’s office, the Department of Ecology and legislators during the interim on a plan to restore the program next session.

ENERGY

ESHB 1010 ▶ Integrated Resource Plans

This bill, signed by Gov. Gregoire, requires all investor-owned utilities and consumer-owned utilities with more than 25,000 customers to develop detailed Integrated Resource Plans for five-and 10-year periods. AWB testified with concerns over this legislation due to inherent increased costs of IRPs and because utilities could pass those costs on to rate payers.

AIR QUALITY

SSB 6512 ▶ Enhancing Air Quality at Truck Stops

SSB 6512 provides incentives for businesses to purchase equipment designed to convey auxiliary power to idling heavy-duty vehicles known to contribute to unhealthy air quality and increase driver fatigue. The bill provides a business and occupation tax and sales and use tax deduction for the sale, lease, or rental of auxiliary power to heavy-duty diesel vehicles through on-board or stand-alone electrification systems. AWB supported this bill, which unanimously passed both the House and Senate.
**SHB 2402 ▶ Expeditiously Processing Alternative Energy Resource Applications**

This new law allows the Energy Facility Site Evaluation Council to process any siting application for alternative energy resource facilities expeditiously after a finding that the environmental impact of the facility is not significant or mitigated to a non-significant level under the State Environmental Policy Act. The bill also allows expeditious processing when EFSEC finds the project consistent, and in compliance, with municipal, regional, county or regional land use plans or zoning ordinances. AWB supported this legislation as it passed through the Legislature.

**ESSB 6508 ▶ Mandating Biofuels**

Under ESSB 6508, special fuel licensees must provide evidence to the Department of Licensing that 2 percent of total annual diesel fuel sales are biodiesel fuel sales. This bill takes effect either when the director of the Department of Agriculture determines that feedstock grown in Washington can satisfy the 2 percent requirement, or on Nov. 30, 2008, whichever is earlier.

The reporting level rises to 5 percent biodiesel sales when the director determines that both the in-state oil seed-crushing capacity and feedstock grown in Washington can satisfy 3 percent of total annual diesel fuel sales. Beginning Dec. 1, 2008, certain motor vehicle fuel licensees must provide evidence that at least 2 percent of all gasoline sold in Washington is denatured ethanol.

The governor may suspend all, or portions, of the minimum renewable fuel content requirements if they are temporarily technically or economically infeasible, or if the requirements pose a significant risk to public safety.

Although AWB supports alternative fuels and the many benefits gained from their use, AWB believe incentives, not mandates are the right approach in developing this emerging industry. Therefore, AWB opposed this bill because of the “volume metric” mandates created by this legislation. AWB was disappointed at the Legislature's failure to recognize the effectiveness of economic incentives.

**WATER RESOURCES**

**E2SHB 2860/E2SSB 6581 ▶ Columbia River Water Basin Water Resource Management**

AWB worked closely with the Columbia River Task Force and other stakeholders in the passage of this historic bill. This law requires the Department of Ecology to work with stakeholders in developing an initial Columbia River Water Supply Inventory and Water Demand Forecast by Nov. 15, 2006, which the department must update each year beginning in 2006.
This law also creates the Columbia River Basin Water Supply Development Account, which accepts direct appropriations payments made pursuant to voluntary regional agreements, and other sources. The Department of Ecology may use expenditures from the account to assess, plan and develop new water storage, improve existing storage, fund conservation projects, and implement actions designed to provide new access to water in the Columbia River Basin.

The bill amended the $10 million appropriation in the 2005 Capital Budget to specify that the Department of Ecology can use the money to begin implementing the goals of the account.

Water supplies that are developed and funded through this account must be used in a specific way: two-thirds of this water must be dedicated to out-of-stream uses, while one-third is to be used to enhance in-stream flows.

Finally, the Department of Ecology must establish and maintain a Columbia Mainstem Water Resources Information System to provide information necessary for effective resource planning and management on the mainstem of the Columbia River. In developing the system, the Department of Ecology must consult with and rely on information provided by other public entities operating in the basin. The system must address the total aggregate quantity of water rights on the Columbia River mainstream and the total volume metered and reported by water users. The bill does not take effect unless a separate bond authorization act provides the requisite $200 million. AWB strongly supported this legislation and was pleased to see its passage through the Legislature.

**ESHB 3316 ▶ Authorizing General Obligation Bonds for Water Development Program**

ESHB 3316 provides authority for $200 million of bonds over five biennia for the Columbia River Basin Water Supply Development Program created in Engrossed Second Substitute House Bill 2860. AWB strongly supported this funding package.

**ESSB 6151 ▶ Protecting Odessa Aquifer Levels**

ESSB 6151 protects the non-use of water in the Odessa sub-area for a period of 15 years from relinquishment laws due to the conditions of drought or low flow as set forth under existing law. If water right holders meet certain conditions, maintain withdrawal facilities in good operating condition, and the Columbia Basin Project has not issued a superseding standby or reserve water right permit, the Department of Ecology considers the unused water as a standby or a reserve water supply. Conditions that excuse non-use include conservation practice, change in types or rotations of crops, economic hardship, pumping or system infrastructure cost, unavailability or unsuitability of water; or participation in cooperative efforts to reduce aquifer depletion.

Water users choosing not to use water must notify the Department of Ecology within 180 days of stopping the use of water. In return, the department must submit a report to the Legislature describing the status of the aquifer, the participation in the non-use program, and the outcome of the United States Bureau of Reclamation’s study on feasible alternatives to Odessa groundwater use within six months of completion of its study. AWB strongly encouraged lawmakers to pass this bill into law.

**SSHB 1735 ▶ Exempting Limited Storage Facilities from Permit Requirements**

SSHB 1735 would have made users of rain barrels, cisterns or similar facilities that are used for capturing rainwater from impervious surfaces exempt from the requirement of reservoir and secondary permits, but only if users intend to put the
water to beneficial use. In order to receive the exemption, users must also keep the water on the property where they collected it, and only get the exemption if the total storage capacity of the container is less than 1,000 gallons. AWB supported this bill in its original form, which provided a storage threshold of 10,000 gallons instead of 1,000.

**HB 2168/SB 5978 ▶ Concerning the Relinquishment of Water Rights**

For purposes of Washington's relinquishment statutes, this legislation provided that a person does not voluntarily fail to beneficially use his or her water right if the person continues to use at least a portion of the right for the established purpose of use. AWB strongly supported this bill, but unfortunately, it died in committee.

**HB 2767 ▶ Concerning the Relinquishment of Water Rights**

HB 2767 provided that water right holders that use less irrigation water than their water right allows for more than five consecutive years will not relinquish any of their water rights if the reduction in use resulted from growing crops used to produce ethanol or biodiesel. The bill allows consideration for the production of these crops as a sufficient cause for not using one's entire water right. AWB strongly supported this bill, but it died in committee.

**WATER QUALITY**

**3SHB 1458 ▶ On-site Sewage Disposal Systems in Marine Areas**

3SHB 1458 addresses failing septic systems located near marine waters. AWB and member organizations worked with environmental advocates for the past two years in an attempt to remedy inconsistencies with existing Board of Health rules, and to ensure the legislation didn't impact owners of newer septic systems and real estate transactions. AWB supported this legislation because of negative economic impacts on member shellfish companies resulting from poor water quality and failing septic systems, and because it focused on problematic, and sometimes overlooked, “non-point” sources of pollution. The bill requires local governments and the Department of Ecology to provide financial and technical assistance to homeowners to repair septic systems that are degrading shellfish growing areas. The Legislature appropriated $6.5 million in the operating budget and $2.5 million in the capital budget to implement the bill.

**HB 2578 ▶ Evaluating Point Source Outfalls in Puget Sound**

HB 2578 would have required the Department of Ecology to conduct a systematic evaluation of point source outfalls in Puget Sound—primarily targeting bacterial contamination of shellfish beds and methods to improve water quality in shell-
fish areas. However, the bill was written too broadly, and would have applied to many already heavily regulated discharges. While AWB did not oppose the inherent objectives of the legislation, insuring the continuation of a healthy shellfish industry, it was duplicative with current “All Known Available and Reasonable methods of prevention, control and Treatment” (AKART), mixing zones and other regulations and did not adequately consider non-point sources of pollution. Legislators ultimately sided with AWB and agreed to work with the business community on an improved version of the bill for next year’s session.

**SHB 3039 ▶ Reducing Nitrogen Discharges Into an Aquatic Rehabilitation Zone**

SHB 3039 would have required the Department of Ecology to ensure that sewage systems within aquatic rehabilitation zones remove nitrogen to the “fullest extent practical” before issuing or renewing a permit. Local health officers within ARZ One, which mainly includes watersheds that drain into Hood Canal, must designate nitrogen as a contaminant of concern. AWB raised concerns regarding the implementation of this legislation and requested the Legislature to consider HB 3287 instead.

**2SHB 3287 ▶ Studying Nitrogen Contributions from On-site Sewage Systems in Hood Canal**

2SHB 3287 would have required the Puget Sound Action Team and the Hood Canal Coordinating Council to contract a study involving Hood Canal. The study would have improved data on nitrogen loading from on-site septic systems in Hood Canal. AWB supported this legislation, which complimented on-going data collection efforts in the canal, in lieu of SHB 3039. While the bill passed unanimously in the House, it did not survive in the Senate Ways & Means Committee.

**LAND USE**

**SHB 2917 ▶ Relating to Accessory Uses on Agricultural Lands**

SHB 2917, requested by the governor, provides that the Growth Management Act must allow accessory agricultural-related activities continue on “agriculture lands.” Accessory agricultural-related activities and nonagricultural-related activities are allowable, as long as they are compatible in size, scale and intensity with the existing agricultural use and they do not interfere with the agricultural use of the property and neighboring properties. In addition, nonagricultural-related activities, including building, parking or supportive services, may not locate outside the area already developed and shall not convert more than one acre of agricultural land to nonagricultural use. AWB worked hard to see this bill pass.

**ESSB 6427 ▶ Concerning Schedules for the Review of Comprehensive Plans and Development Regulations**

Under ESSB 6427, which also was requested by Gov. Gregoire, smaller, slower-growing counties and cities are given additional time to complete their GMA updates. Counties with updates due in 2005, 2006 or 2007 that have a population of no more than 50,000 and a population increase of no more than 17 percent in the previous 10 years have three additional years to complete the update, including requirements to protect critical areas. Any cities with updates due in 2005, 2006 or 2007 that have a population of no more than 5,000 and a population increase of the greater of either 100 persons or no more than 17 percent in the previous 10 years, likewise have 3 additional years.

Counties and cities can amend a comprehensive plan more often than once a year for a planned action as long as they observe all public participation and notice requirements. AWB strongly supported this bill.

**HB 2494 ▶ Establishing Fair Market Value Property Values by Considering the GMA**

HB 2494 requires county assessors to consider restrictions imposed by chapter 36.70A RCW in establishing the fair market value of property. County assessors must consider the restrictions imposed by the GMA in establishing the fair market value of property. AWB supported this bill.

**SHB 2815/SSB 6569 ▶ Relating to Best Available Science and Critical Areas**

SHB 2815 and its companion, SSB 6569, provided that, in fulfilling the Growth Management Act requirements to designate and protect critical areas, cities and counties would show—on the record—that they included best available science by indicating the specific policies and regulations along with the sources of scientific information. Additionally, cities and counties would have the option of using management recommendations adopted by CTED, together with other state agencies, using the best available science and demonstrating that use on the record. In the event a city or county used all or part of these management recommendations, the use will be subject to review by a Growth Management Hearings Board or local court, but only for consistency with the corresponding portion of the recommendations.

The bill created a lengthy, detailed procedure for public comment and final adoption of the management recommendations. CTED would update the management recommendations at least every 5 years to incorporate the best available science—or otherwise comply with the GMA. A panel comprising of at least two members of each of the three boards would review appeals of management recommendations or updates under the “clearly erroneous” standard only from those who have submitted comments.
Critical areas regulations may not prohibit pre-existing uses if they are legal. For these uses, regulations must use voluntary measures, incentives and educational programs, but they must demonstrate effectiveness with existing regulatory measures that are outside of the GMA. AWB successfully blocked these bills from passage for two reasons. First, the bill further complicated an already controversial subject, and second, it created a top-down approach to local land-use planning, which is contrary to the intent of the GMA.

**Several Bills Relating to Eminent Domain and Condemnation**

Lawmakers introduced a variety of bills relating to eminent domain this year. Many of these bills were in response to the U.S. Supreme Court's holding in *Kelo v. City of New London, Conn.*, where the court ruled that local governments could take private property for a private use as well as for a public use. Article 1, Sec. 16 of Washington's Constitution expressly prohibits this from happening in Washington state. Many of these bills attempted to codify—and re-confirm—our state constitution, as well as the supporting body of case law. Other issues addressed included a property owner's right to repurchase land previously condemned, but not subsequently used by government for a public purpose. Legal debate arose as to whether a case like *Kelo* could happen in Washington.

AWB opposed eminent domain legislation attempting to codify Article I Section 16 of the constitution and supporting case law as this is unnecessary and could have many unintended consequences that might complicate and weaken private property rights due to increased litigation.

**HB 3161 ► Using Adequacy of Water Supply in Determining Population Projections**

HB 3161 required growth management planning population projections prepared by the Office of Financial Management to be accompanied by a statement indicating that adequate water supplies exist or will be available to serve the projected population. AWB was successful at blocking this bill from becoming law.

**SB 6268 ► Transportation Concurrency Under the GMA**

SB 6268 would have prohibited the approval of new development if it caused the level of service on local facilities to fall below local standards, in addition to existing requirements. Jurisdictions that plan under the Growth Management Act must also prohibit approval if the level of service on state-owned transportation facilities falls below standards adopted by the state, or by a regional transportation planning organization. AWB was victorious in blocking this bill from passing through its initial committee.

**SHB 2584 ► Establishing a Blue Ribbon Growth Management Needs and Priorities Task Force**

SHB 2584 would have established a Blue Ribbon Growth Management Needs and Priorities Task Force to conduct a comprehensive analysis of growth management issues and practices. This bill would have required that eight legislators, as well as nine non-legislative members representing specified organizations, compose the task force. The bill also would have authorized the task force to establish one or more advisory committees and to consult with individuals from the public and private sectors, and would have required that the task force report final findings and recommendations to the governor and the Legislature by Dec. 1, 2007. AWB worked with several legislators to attempt the passage of the bill, but it ultimately died.

**HB 2619 ► Applying Best Available Science under the GMA**

This bill would have forced counties and cities to consider—rather than include—best available science in developing the policies and regulations to protect the functions and values of critical areas. “The process of developing a critical area ordinance must include consideration of science, which is theoretically sound and otherwise meets the test for BAS, but not upon a replicated scientific approach or methodology in a physical context similar to the location of the critical area in question. In the development of a critical area ordinance, the bill would not have required a local government to consider a scientific approach developed in an environmental context different from that of the local critical area, especially if the local government finds that this scientific approach is not applicable to the pertinent local environmental conditions. This guideline remains applicable even if the scientific approach rejected by the local government is the only science available.

The consideration of BAS in the development of a critical areas ordinance is a procedural rather than a substantive requirement. AWB strongly supported this bill, but it ultimately died in committee without a hearing.

**SHB 6367 ► Requiring Voluntary Measures be Included in Critical Area Development Regulations**

SHB 6367, a bill that would have protected critical areas located in rural environments through comprehensive GMA plans, should include provisions encouraging the employment of voluntary measures, incentives and educational programs, to the extent that such voluntary approaches can be effective. AWB supported this bill, but it died in the House after passing the Senate.
Although the Legislature adjourned one day early, legislators packed the short session with policy legislation. Unfortunately, given the short time frame, especially with other policy bills vying for attention, 2006 was not a big year for regulatory reform issues. The governor did sign Executive Order 06-02, which aims to simplify the services provided to businesses.

**Executive Order 06-02**

On Feb. 10, 2006, the governor signed Executive Order 06-02 directing all regulatory, taxing, licensing and permitting agencies and programs to improve and simplify service to Washington citizens and businesses.

The Governor’s Regulatory Improvement Program will work with agencies to accomplish six main objectives. First, the order develops a one-stop business portal, a single online portal that will make licensing, permitting, regulatory approvals and tax collection easier for businesses. Second, it provides multi-agency reviews for permits, which will ease the burden of dealing with multiple agencies for permits by streamlining the process with features such as multi-agency permit teams.

Next, the order directs agencies to listen to clients by using surveys, focus and advisory groups; interviews; complaint tracking; or other methods to improve service design and delivery.

The order also directs state agencies to talk clearly to the public, which means that agencies will make their letters, instructions and processes clear and understandable to citizens and businesses. They will standardize and simplify forms and applications, rules, online tools and public information in clear language that will improve accessibility, reduce processing times and increase user-friendliness. They will also make their processes available in writing.

Lastly, the directive mandates agencies that collect taxes or provide permits, licenses, approvals and other regulatory services to establish measurable service delivery standards; regularly measure progress; report quarterly by using Government Management, Accountability, and Performance review sessions; consider benchmarks from similar agencies or programs; and set targets for improvement.

This is a step in the right direction, and AWB will monitor the state’s agencies to ensure they follow every directive thoroughly and to the best of each agency’s ability. AWB pushed hard for this legislation and was pleased that Gov. Gregoire listened to its concerns.

**EHB 1276 ➤ Requiring the Governor’s Signature on Significant Legislative Rules**

EHB 1276, held over from the 2005 legislative session, requires the governor to sign any significant legislative rule if he or she appointed the adopting agency head or governing body. The bill also requires the entity receive at least 50 public comments that oppose the substance of the rule, not counting form, or form-letter-type letters, during the official comment period. The bill also added 60 more days to the end of the 180-day adoption period. Unfortunately, the Legislature was not able to come to a consensus with AWB and the bill died.
The 2006 legislative session was precedent-setting for employers in the human resources area. Agreement on contentious issues after multi-year negotiations resulted in the passage of bills supported by business, labor and the Department of Labor and Industries. These bills passed by wide margins—hopefully, laying a good foundation for future reform efforts.

More importantly, the employers dodged a number of high-caliber bullets. The final unemployment insurance legislation could have been dramatically worse, except for the AWB’s hard work and the efforts of Speaker of the House Frank Chopp, D-Seattle; Rep. Cary Condotta, R-Wenatchee; Sen. Linda Parlette, R-Chelan; and Gov. Gregoire. On health care, AWB worked feverishly to put down the “pay or play” health care proposals advanced by the unions nationally. After passing the Senate, the so-called Fair Share Bill failed in the House after the Speaker weighed in and killed what he called a bad idea that did little to improve health care quality or access.

AWB lobbied to kill several other proposals which—among other things—mandated a minimum 10 days of paid sick leave for all employees, created inconsistency with federal law in the treatment of on-call workers, created a new protected class for tobacco users, and muzzled the free speech rights of employers and employees in the workplace. Although many of these were “statement bills” introduced in the heat of an election year, most represent core union and personal injury lawyer priorities which we will see in 2007. Comparing what passed to what could have passed, however, makes clear that it was a successful session in human resources law.

**THE DETAILS**

**SHB 3185 ▶ Concerning Violations of Wage Payment Requirements**

SHB 3185 provides authority for the L&I to investigate claims of wage payment violations and gives the agency the ability to issue citations and notices to employers found in violation of wage payment requirements. L&I can impose a civil penalty on employers found to have willfully violated wage payment requirements, and, more importantly, provides a safe harbor for employers who make workers whole by paying them all wages and interest due, as well as a defense to penalties for employers who rely on advice or interpretations of the department. Workers must choose whether to pursue a claim against an employer under this administrative process or go to court. SHB 3185 is the product of successful multi-year negotiations between L&I, the labor community, and the business community, and AWB supported its passage.

**SSB 6185 ▶ Modifying the Family and Medical Leave Act**

SSB 6185 codifies into state law provisions derived in substantial part from the federal Family and Medical Leave Act of 1993 (FMLA) and accompanying U.S. Department of Labor regulations, providing eligible employees of covered employers up to 12 weeks of unpaid leave in a 12-month period to care for a serious health condition of the employee or family member. Lawmakers introduced the bill out of concern that the federal government might curtail federal FMLA entitlements through pending federal rule making. However, the original state proposal would have expanded the program to cover workers of firms of 25 or more employees and would have included coverage for care of domestic partners, among other expansions. The bill as passed includes a standard of 50 or more employees. AWB opposed expansions beyond the federal FMLA standard, and the resulting bill was pared back to conform in all substantial parts with federal law. A floor colloquy was held upon passage to demonstrate the intent of the Legislature that L&I not enforce this new law unless the federal law is—or becomes less—protective than state law. With these clarifications, AWB was neutral on final passage.

**HB 3068 ▶ Prohibiting Employer Communications About Political, Religious or Labor Organization Matters**

HB 3068 would have made it an unfair labor practice for employers to communicate with their employees about political, religious, or labor organizing issues. AWB opposed this unlawful and unconstitutional restraint on the free speech of employers and was successful at stopping lawmakers from censoring protected communication.
EMPLOYMENT LAW

HB 2777/SB 6592
Minimum Paid Sick Leave

HB 2777/SB 6592 would have mandated every employer in the state to provide 40 hours of paid sick leave for every six months of a worker’s employment, up to 80 hours for a year. AWB opposed this inflexible mandate on a voluntary benefit and successfully blocked it from passing.

SHB 3160► Disclosure of State Contract Outsourcing

SHB 3160 would have required state agencies to include disclosure requirements to contractors informing the agency if they performed any part of the contract outside of the United States. This bill was in response to the concern of some legislators over the offshore outsourcing of work on public contracts. AWB had concerns with the bill, including the placement of onerous and unnecessary requirements on private companies trying to do business with the state. The bill did not get a floor vote in the House.

ESHB 1672► Reducing Injuries Among Patients and Health Care Workers

ESHB 1672 requires hospitals to establish safe patient-lifting committees and programs, requires L&I to make rules providing for a discount against workers’ compensation premiums for state fund hospitals that implement a safe patient-lifting program, and provides for a credit against the business and occupational tax for hospitals that purchase patient-lifting machines.

SHB 2538► Authorizing L&I to Request Warrants for Safety Inspections

The Department of Labor and Industries requested SHB 2538 to clarify their right to enter workplaces under the Washington Industrial Safety and Health Act (WISHA) for safety investigations. The bill gives L&I the ability to seek an administrative search warrant if consent to enter a workplace is denied. This bill, supported by a coalition of business and labor, including AWB, brings the WISHA program into conformity with the federal OSHA inspection program.

The 2006 Legislative Session was a busy one for health care. A number of bills were introduced that would have increased costs for the employer community, but AWB worked hard to insure that most of them did not pass this year. Unfortunately, AWB can best sum up this session as a term of missed opportunities.

With health care costs and the number of uninsured continuing to rise steadily, and no silver bullet solution in sight, many states are closely monitoring the Massachusetts experiment—the recently passed package that forced businesses to pay for health care. It is possible that other states will seek to pass such legislation, including Washington. Gov. Gregoire also renewed her interested in reining in the costs of health care and committed herself to working with the business community. AWB hopes that interim efforts will lead to workable solutions for the 2007 legislative session.
THE DETAILS

**ESSHB 2572  ► Establishing a Small Employer Health Insurance Partnership Program**

This bill creates a premium assistance subsidy for low-income employees. Employers must enroll in a private plan that is roughly equivalent to the Basic Health Plan and pay 40 percent of the premium. The Senate amended this bill to remove the BHP equivalency, add a B&O tax credit, add assistance for Health Savings Accounts, change the community rating structure for HSAs to better reflect their actual costs, and allow the sale of one mandate-free plan on the market. The House, in a party-line vote, stripped the bill of these valuable amendments, and was the version signed by the governor. AWB supported the bill in its original form, but objected after hearing about the amendments.

**ESSHB 3079  ► Reporting on the Employment Status of Recipients of Medicaid and the Basic Health Plan**

Lawmakers based this bill on previously vetoed legislation, which studied the number of gainfully employed Medicaid recipients. The Legislature conducted the study without legislative approval anyway, and someone leaked the results to the media. While lawmakers drafted the bill’s language in a way that should not have included privacy concerns, the information leaked to the media demonstrates how lawmakers take personal privacy very lightly.

**HB 2972  ► Determining Community Rates for Health Benefit Plans**

This bill allows multiple employers to pay into a savings account for employees to buy health insurance from the individual market, and then combine it into a pool. Due to concerns from the Opportunities Industrialization Center of Washington, lawmakers delayed implementation until federal legality issues are resolved.

**ESSHB 2292  ► Addressing Health Care Liability Reform**

This bill resulted from a negotiated compromise between the medical community, the trial lawyers, insurance companies and consumer groups after the failure of Initiatives 333 and 336. The bill contains provisions addressing patient safety, medical malpractice insurance rates and aspects of tort reform for health care providers.
SUMMARY

In 2006, the business community was able to avoid one of the most costly pieces of legislation—a direct attack on reforms achieved in 2003. Controlling Democrats, pressed hard by the unions, were unwilling to keep four-quarter averaging. AWB worked hard to craft a workable compromise that would reduce costs and abuse. AWB was successful at limiting the reversal to two-quarter averaging to the calculation of claimant’s benefits, but kept four-quarter averaging for employer’s tax purposes. In the end, AWB supported the negotiated solution. AWB will continue to make sure that legislators do not attempt to change this provision during the next legislative session. AWB also worked to pass several other unemployment insurance reform bills, but most died in committee.

THE DETAILS

ESSB 6885 ▶ Modifying Unemployment Insurance Provisions

ESSB 6885 began as a bill that reinstituted two-quarter averaging for benefits and taxes. The bill’s sponsors attempted to pass it by offsetting the additional costs of two-quarter averaging with some tax reductions, but did not aim the reductions at businesses directly impacted by the move. It passed the Senate in this form but lawmakers in the House amended it to make it more reasonable to the overall employer community. The bill, as it passed the Legislature and as signed by the governor, gave two-quarter benefits to labor and reinstituted “lib-

eral construction.” However, the final version retained four-quarter averaging for tax purposes, implemented tax reductions based on the level of the trust fund, capped certain seasonal industries’ tax rates, and studied a number of unresolved provisions. Importantly, it also re-codifies the remainder of the court challenged reforms of 2003, rendering that lawsuit largely moot. AWB supported the modified legislation framed by Speaker Frank Chopp, D-Seattle; Rep. Cary Condotta, R-Wenatchee; and Sen. Linda Evans Parlette, R-Chelan. Gov. Gregoire also signed the collaborative version of the bill.

EHB 3278 ▶ Making Adjustments to the Unemployment Insurance System

In lawmakers’ haste to pass ESSB 6885 once they reached a compromise, the bill’s drafters inadvertently omitted any recodification of the voluntary quits section of the 2003 reforms. This was an integral part of the compromise and forced lawmakers to pass EHB 3278 along with ESSB 6885. Gov. Gregoire also signed this bill and went into effect immediately due to an emergency clause.

SSB 6359 ▶ Ensuring Employers Do Not Evade Their Contribution Rate

This bill was necessary to ensure Washington remains consistent with federal law. It regulates the State Unemployment Tax Act, which kick in when a previous business and its successor makes a transaction with the primary purpose of lowering the business’ unemployment insurance tax rate. AWB supported this legislation as it passed with bipartisan approval.

SSB 6710 ▶ Providing for Personal Liability for Failure to Pay Unemployment Insurance Taxes

Using the term loosely, this bill would have “pierced the corporate veil,” which would have made employers and other unemployment insurance decision makers personally liable for unpaid taxes. It died in Rules after the Senate Labor Committee passed it out of the committee.

Senate Bill 6608 ▶ Mandating Incarcerated People Be Prevented from Receiving Benefits

This bill would have prevented people unable to work due to jail or prison from receiving unemployment insurance benefits. Current case law says that an incarcerated person does not have the ability to work through no fault of his own. It further explains that he or she would work if not in jail. It does not account for the actions that put the person at risk of going to jail in the first place. Labor opposed the bill and the Employment Security Department raised concerns about “mistaken identity,” but AWB supported this bill because of its common-sense approach to solving this problem. Unfortunately, common sense did not win out, and the bill died in committee.
SUMMARY

Washington’s workers’ compensation system is in need of fundamental reforms, but 2006 was a year when many large-scale proposals were put aside for further discussion in 2007, and some incremental improvements were made. AWB was successful in working with member employers and organizations, labor, and the Department of Labor & Industries in passing an employer reporting pilot program and a budget proviso to study the use of workers’ comp funds on non-workers’ comp programs. A number of controversial bills that would have damaged the system were blocked, and AWB looks forward to working on system reforms in the 2007 legislative session.

THE DETAILS

SHB 2537 ► Establishing a Pilot Program Allowing Employers to Assist Employees in Completing Applications for Industrial Insurance Benefits

SHB 2537, requested by the Department of Labor & Industries, establishes a pilot program to allow participating companies and workers to report on-the-job injury claims and apply for benefits through their employers. The pilot will initially include 500 small, medium, and large employers and will last for two years. This is in contrast to the current method of reporting injuries and initiating claims, which for state fund employers occurs only through the physician. AWB supported the bill because reporting claims through the employer is a more efficient way to handle claims and will result in faster claims decisions for workers and more employer involvement in returning injured workers to their jobs.

Budget Proviso (ESSB 6386, § 217[14]) ► Studying Use of Workers’ Compensation Funds

This AWB-backed provision, inserted into the supplemental operating budget for the Department of Labor and Industries, requires L&I to report to the Legislature on the use of workers’ comp funds for purposes other than workers’ comp. It includes recommendations for the funding of non-workers’ comp programs, a growing problem in recent years. Workers’ comp trust funds have increasingly been diverted to numerous programs that have nothing evidently to do with workers’ comp, which is an improper use of trust moneys paid by employers and workers for workers’ comp coverage.

SB 5789 ► Expanding the Authority of Self-Insurers in Workers’ Compensation

SB 5789 would have expanded the role of self-insured employers in the state’s workers’ compensation system to expand authority over several aspects of the processing and administration of injured workers’ claims. Negotiations between the self-insured community, labor, and workers’ comp plaintiffs’ attorneys stalled mid-session, but it is anticipated that self-insured employer authority will be a major action item in the 2007 legislative session.

HB 2853 ► Tolling the Statute of Limitations for Filing Workers’ Compensation Claims

This bill would have changed the current one-year statute of limitations for filing a workers’ comp claim to state that claimants could file when they discover the disabling effects of an injury. AWB opposed this change because it could stretch out the statute of limitations on filing claims almost indefinitely—significantly affecting the reserving and rate making assumptions underlying the state’s funds for the workers’ compensation system.

HB 3042/HB 3206 ► Providing Industrial Insurance Compensation for Medical Treatment Received at Personal Expense

Both HB 3042 and 3206 would have required the Department of Labor and Industries to reimburse a claimant if he or she sought a particular medical treatment and received a denial of coverage but then obtained the treatment at personal expense and the treatment was successful. The bills also would have required L&I to cover any treatment approved by the federal Food and Drug Administration. AWB opposed these bills, which would have put significant uncertainty and cost into the workers’ compensation system—ultimately interfering with L&I’s technology-based coverage assessments.
SUMMARY

With this being the first year that high school sophomores must pass the Washington Assessment of Student Learning test in order to graduate, there was a strong focus on undermining the WASL process and altering or eliminating standards-based education and testing. Consequently, AWB’s Education Committee focused primarily on supporting the maintenance of the current Certificate of Academic Achievement and Washington Assessment of Student Learning process and schedule. Washington’s competitiveness rests on the cornerstone of a well-educated and technically competent workforce. It is imperative that Washington ensure its children a quality education that prepares them for both higher learning and entrance into the workplace. However, the WASL/COAA standards only represent the minimum skills students will need to be successful, regardless of their vocational or educational plans after high school.

Washington’s schools must strive to give our students the knowledge and skills they need for whichever path they choose—either the job market or postsecondary education. However, alternatives to the WASL are necessary for special needs students who may not be able to pass it. The Legislature agreed and passed legislation to create secondary options once a student fails to pass the WASL, but maintain the high WASL standards for primary academic testing.

Students were completing their WASL testing at the time of this writing. OSPI will release sophomore WASL scores by early June, while it will release all other grades in late August. If scores are low, there may be a renewed focus on the test next year. The 2005 Legislature created Washington Learns, a comprehensive study to create a “strong education system that will provide an educated citizenry and a thriving economy” in the state. Their report is due in November, and we anticipate that much of next years legislative session will focus on their recommendations.

THE DETAILS

HB 2565/HB 3173/SB 6293
Workforce Training B&O Incentives

AWB worked with lawmakers to introduce HB 3173 and SB 6293 to authorize employer tax incentives for the employment of students in workforce training programs in high demand job skills such as math, science and health science. The bills did not design the workforce-training centers like the workplace, which lacked adequate programs that provide on-the-job training.

Employers continued to report so much difficulty in finding job applicants with the required education, skill level and training, that the Senate International Trade Committee held a public hearing on SB 6293 and passed it unanimously to the Senate Ways and Means Committee where it died later in session.
Instead of SB 6293, HB 2565 became the primary vehicle for addressing workforce training in the House. HB 2565 would have expanded the current business and occupation tax credit to every business in all areas of the state instead of only to businesses located within distressed counties, but the bill died.

HB 3173 and SB 6293 are an example of how AWB is a member-driven organization. AWB board member Rosemary Brester, CEO of Hobart Machined Products, went after a workforce-training program that works for small business. AWB believes these incentives for on-the-job training are a critical component to any workforce-training system. Members remain committed to pursuing legislation like HB 3173 and SB 6293 in the 2007 session.

HB 2498 ▶ Cluster-based Economic Development

AWB has long supported using industry clusters to focus economic development opportunities in Washington. An industry cluster is a geographic grouping of interdependent, competitive companies, their suppliers and supporting institutions. HB 2498 requires the Department of Community, Trade and Economic Development to work with cluster associations and other organizations in the development of industry cluster-based strategies for economic development.

CTED is to assist local communities in identifying regional industry clusters and develop industry cluster-based needs. The bill created a competitive grant program to fund community activities designed to further regional cluster growth. Grant applicants must include organizations from at least two counties and CTED will give priority to projects that use the funds to develop common research development projects or facilities. The agency may award a grant up to $100,000 per applicant with a maximum of $100,000 going to King, Pierce, Snohomish and Kitsap counties. CTED cannot use more than 10 percent of the funds for administrative costs.

HB 2817 ▶ State Priorities for Higher Education

Gov. Gregoire signed HB 2817 into law, which places a state emphasis on enrollments and degrees in the fields of engineering, technology, biotechnology, science, computer science and mathematics. The bill instructs institutions of higher education to determine student demand and submit findings—along with any possible alternatives—to meet demand by Nov. 1, 2008.

The bill also requires the Higher Education Coordinating Board to track and report progress to the Legislature. Lawmakers intend to promote and place a priority on increased access, delivery models, enrollment slots and degree opportunity in these fields. Given the relationship between technology institutes and institutions of higher education, the colleges and universities are encouraged to consider program growth in areas of the state with an aerospace, biotechnology and technology industrial presence. AWB supports these priorities and believe legislators can improve the 2007 session by providing on-the-job training tax incentives to employ students enrolled in these programs.

SB 6326 ▶ Customized Workforce Training Funding

AWB members have repeatedly expressed their frustration about not having skilled workers available with the necessary training. Employers support the acceleration of worker training in high-demand fields for new workers, incumbent workers and displaced workers. AWB lobbied the Legislature to pass SB 6326 to increase the capacity in providing customized training for business recruitment or expansion. The state’s Job Skills Program, a customized training program that matches employer investments in on the job training, is among the smallest customized training programs in the nation. Lawmakers created the Washington Customized Employment Workforce Training Program for employers locating or expanding in the state, a program administered by the State Board for Community and Technical Colleges. The board will award training allowances to employers who have entered into training agreements and give preference in granting training allowances to employers with fewer than 50 employees.

After the completion of training, employers are required to pay 25 percent of training costs into the account—businesses will pay the additional 75 percent during the following 18 months. The bill offers a business and occupation tax credit to employers for half of the amount that they pay into the account for employee training in order to help offset some of the costs. After enrolling into the program, employers must increase their employment in the state by an amount equal to no less than 75 percent of the trainees in their training program. A participating employer who takes the tax credit must file a survey with the Department of Revenue regarding employment information. The Department of Revenue will report to the Legislature in December 2011 regarding job creation and related information. The program expires on July 1, 2012.

SB 6330 ▶ Establishing the Washington Trade Corps Fellowship Program

SB 6330 would have established the Washington Trade Corps Fellowship Program after it passed the Legislature, but Gov. Gregoire vetoed the bill. In her veto message, the governor stated that the program would not be a priority given the limited resources and high demands of the international trade office.
SUMMARY

The 2006 session began with a $1.4 billion surplus—which increased by $107 million in February. This contrasts to previous years when significant budget shortfalls existed. AWB lobbied lawmakers to provide for the future by establishing a constitutional rainy day fund in SJR 8222 and to use the priorities of government process found in HB 3005. However, the Legislature declined to do so. Instead, the Legislature passed ESSB 6896 to raise the spending limits. ESSB 6896 reinstates language struck by the 2005 Legislature adopted to suspend until June 30, 2007 the two-thirds requirement for Legislature vote approval for tax increases.

Unfortunately, lawmakers repeatedly legislated around the requirements of I-601 and negated the effectiveness of spending limits. The adopted supplemental budget “saves” about $941 million for the next budget cycle, the majority of which is for existing financial obligations such as the state pension system. AWB expects the 2007 session to begin with at least a $500 million shortfall, if not more. The inability to sustain increased spending levels will cause a certain return to the “boom-and-bust” budgeting methods of the past. The Washington Research Council has an analysis of the compromise House and Senate budget at its Web site www.research-council.org. The governor’s office has yet to schedule a supplemental operating budget for action.

THE DETAILS

HB 2841/SB 6309 State Estate Tax

AWB began the session with a position to eliminate the state stand-alone estate tax resurrected in the 2005 legislative session. By the time the owner of a family business dies, he or she has already paid federal, state and local taxes on their income several times, business and occupational taxes, excise taxes, license fees, social security taxes, federal income taxes, sales
TAX & FISCAL

SSB 6594 Streamlined Sales Tax

Gov. Gregoire requested SSB 6594, which would have brought Washington's sales tax rules in line with the federal agreement, but it died in the House. The Streamlined Sales Tax Project is a national effort to simplify sales and use tax administration, to ease the burden on businesses operating in multiple states, and to create incentives for remote sellers to voluntarily collect sales and use tax. The Legislature adopted many SST provisions in 2003 with the exception of the "sourcing" rule. The bill would have sourced the streamlined sales tax based on the destination—where the consumer takes possession—of the product or service. Washington uses origin-based sourcing inconsistent with SST. AWB expected a mitigation account funded through new revenues gained from voluntary collection of remote sales with no supplemental reporting requirements to compensate cities for lost revenue. The bill unanimously passed the Senate earlier this session, and on March 4, Republican Leader of the House, Richard DeBolt, R-Centralia, sent a letter to Speaker Chopp, D-Seattle, that requested a vote for SB 6594, which stated that the legislation "will make Washington a more business-friendly state," and that he "personally supports the bill." Going into session there was agreement between cities, counties, retailers and general business. AWB lobbied hard to seek passage of this bill and considers this a missed opportunity of the 2006 session.

HB 2671/SB 6385 5 Percent Penalty and Tax Filing Deadline

The business community was pleasantly surprised when Gov. Gregoire introduced HB 2671 and SB 6385 as requested. These bills rolled back the changes made in the 2003 legislative session that created a new 5 percent penalty and shortened the period for paying taxes. AWB strongly supported the removal of the 5 percent assessment penalty and the rollback of the reporting date and lobbied in favor of the bills. The original fiscal note for implementing this bill was $18 million, which caused the Senate Ways and Means Committee to amend the bill to require appealing the penalty. This created a bureaucratic process that even the Department of Revenue opposed. The House had a slightly different approach. It
required the relinquishment of the penalty unless it was “substantially underpaid,” which the bill defined as “less than 80 percent of the amount of tax determined by the department to be due for all of the types of taxes included in, and for the entire period of time covered by, the department’s examination, and the amount of underpayment is at least $1,000.” SHB 2671 ultimately passed the House and Senate and lawmakers provided $11 million in the final budget. Gov. Gregoire signed the bill into law.

SSB 6781 ► Tax Classification for Environmental Remediation

The House of Representatives passed SSB 6781 by a vote of 96-1 to reenact the law establishing the tax classification for environmental remediation activities that expired in 2003. The bill provides a sales and use tax exemption, and a preferential business and occupation tax rate of 0.471 percent for environmental remedial action until July 1, 2010. AWB made SSB 6781 a priority for 2006 and actively lobbied legislators for their support. The bill passed the Senate earlier this year by a vote of 48-0 and received budgetary funding. The next stop was the governor’s office, where she quickly vetoed the bill. AWB believes the governor should have supported SSB 6781 because it would have helped environmental cleanup occur at a quicker rate while spurring job creation and higher property values. AWB was discouraged when learning of Gov. Gregoire’s unwillingness to sign a bill that helps the environment.

HB 2869/SB 6774 ► Research and Development Tax Incentives

Lawmakers introduced HB 2869 and SB 6774 to restore the research and development tax incentive calculation to the amount and form originally approved by the Legislature. In 2005, the Legislature passed legislation that returned the research and development business and occupational tax incentive rate to 1.5 percent over a period of four years. This change was a good start, but the state still calculates the incentives on the amount of R&D expenditures after subtracting 0.92 percent from the calculation of the taxable amount. The 0.92 percent deduction significantly reduces the incentive available. The 0.92 percent deduction disproportionately impacts smaller companies with lower R&D investments and manufacturing activities. SB 6774 received a public hearing where Mike Bernard, a former AWB board chair, testified that without the full incentives in place, many companies could not invest in R&D activities in Washington. Unfortunately, both bills died.

HB 2868/SB 6773 ► Extended Warranties

Legislators introduced HB 2868 and SB 6773 to correct a problem created in the 2005 session that allowed the state to collect sales tax on the sale of extended warranties. Unfortunately, the law also applied the tax to products that are normally exempt from sales tax. This was particularly problematic to the manufacturing sales and use tax exemption. A fiscal note of $6.1 million annually was the biggest issue facing passage. Former AWB board chair Mike Bernard testified on this issue in both the House and Senate arguing that the revenue stream identified from the sale of extended warranties in the 2005 legislation will not be realized on products that are currently exempt from sales tax unless through an audit resulting in a “gotcha” to manufacturers. Both houses held public hearings, yet neither bill passed out of its original committee.

HB 2673 ► Tax Increment Financing

AWB and business groups around the state have pushed tax increment financing legislation for the last several years only for the Speaker of the House to kill all previous efforts. This year, HB 2673 was the vehicle to provide a local infrastructure-financing tool—otherwise known as “LIFT.” HB 2673, modeled from previous year’s efforts on tax increment financing, is a tool for local governments to fund economic development plans. The bill created a pilot program that the state can extend if shown to work. Each project is limited to $1.5 million per year, with an aggregate statewide limit for credit against the state sales and use tax of $5 million per year. Every other state in the nation has a similar tool. HB 2673 passed the House and Senate and received a portion of the final budget.
HJR 4205/HB 1484 ▶ Property Taxes

HJR 4205 and HB 1484 both attempted to change the structure of property tax levies for school funding, but lawmakers decided to vote against them. HJR 4205 would have amended the constitution to provide for a simple majority of voters voting to authorize a school levy. HB 1484 would have authorized schools to use voter approved school levies for cost of living adjustments for teachers. Legislators introduced HJR 4214 as a constitutional amendment to limit real property assessed value increases to 1 percent over the prior year’s value. AWB wants to thank members Ron Bueing and Mike Bernard for successfully testifying in opposition to HJR 4214, but unfortunately, these bills are likely to return in the 2007 session. The Legislature submitted HJR 4223, another bill that passed both houses, to the Secretary of State for inclusion in the next general election. This measure, if approved by voters this fall, would amend the constitution to increase the maximum personal property tax exemption for a head of family to $15,000.

HB 1069 ▶ Audit of Tax Preferences

HB 1069 requires the state auditor to submit an audit of tax preferences to the governor for action every 10 years. The bill excludes constitutionally required tax preferences, exemptions for machinery and equipment for manufacturing, research and development, business and occupation tax credit for small business, and sales and use tax exemptions for food and prescription drugs. The bill also gives retired persons property tax relief, current use property tax valuations, state credit unions, and any other tax preference found by the newly established commission to be a critical part of the state’s tax structure.

SHB 2640 ▶ Biotech Products and Medical Devices

While not part of AWB’s specific legislative agenda, we supported the Washington Biotech and Biomedical Association’s promotion of SHB 2640. The bill provides biotechnology product and medical device manufacturing tax incentives. This bill authorizes the deferral of state and local sales and use taxes for investments in construction or renovation of a structure, machinery or equipment used for biotechnology products or medical device manufacturing. Businesses need not repay the deferred taxes unless the company uses the property for ineligible purposes. Persons claiming tax incentives under the bill must file an annual report with the Department of Revenue.

SB 6874 ▶ Timber Tax Incentives

This legislation will support the entire timber industry that lost thousands of jobs due to the reduction in state and federal timber harvests. Using the same tax rate used to entice Boeing to stay in Washington will go a long way to sustaining employment and relieving world market competitive pressures. These good paying jobs will benefit from this incentive.

HB 2348 ▶ Aluminum Smelters

This legislation will protect another struggling industry in Washington—the aluminum sector. Extending this incentive will provide relief to the industry in order to reach a power deal with the federal government. Employment in this industry has already suffered and this bill allows the industry to retain its current workforce.

HB 2457 ▶ Farm Machinery and Equipment

The entire agriculture industry will benefit from the passage of this legislation. Resources are limited for new purchases, so it will help farmers to repair their old equipment. Washington is one of only nine states that charge sales tax on farming related equipment.
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