



STRENGTHENING WASHINGTON'S ECONOMY AND CREATING JOBS

Governor Gregoire asked a group of business, nonprofit and government leaders to help her transform Washington government. She posed eight questions to guide the committee's deliberations. With its advice and input from citizens across the state, the Governor recommends the following actions to strengthen the economy and create jobs. Her proposals address the questions "Are there more cost-effective, efficient ways to do the activity?" and "Are there federal funds or other fund sources available to support this activity?"

Getting Washingtonians back to work is fundamental to economic recovery. Over the summer, Governor Gregoire met with small and large businesses to learn what additional steps the state could take to aid in recovery. Through those meetings, several innovative actions were identified to support economic growth, such as improving infrastructure, cutting red tape and encouraging innovation and investment. This year, however, economic development funding is as scarce as it is important, and the realities of this recession will force tough decisions and decisive action.



The Governor is working hard to strengthen and grow businesses of all sizes across the state. In the fall of 2010, she signed two important executive orders directly aimed at kick-starting business growth. State agencies stepped up efforts to address the so-called "underground economy," which undercuts businesses that play by the rules. State agencies also announced their intent to reduce state-imposed costs for small businesses by simplifying the tax code and offering a tax amnesty period to businesses with unpaid taxes. Through a new rules moratorium, she halted all non-essential new rule making for a year to allow both businesses and government to direct limited resources to front-line delivery, not back-office administration.

UNEMPLOYMENT INSURANCE TAX REDUCTION

Washington's Unemployment Insurance Trust Fund, which provides crucial support to workers when they are laid off or lose a job, is among the healthiest in the nation. However, unemployment insurance rates are set to rise 36 percent in 2011. With many businesses and unemployed workers struggling in today's economy, the Governor wants to support economic growth by reducing business taxes and providing unemployed workers with training for jobs.

The Governor will introduce legislation to reduce or cap the shared cost portion of unemployment insurance taxes by drawing down the healthy fund. This would allow businesses to reinvest more than \$300 million they would pay in taxes into their work force in 2011. This proposal must be adopted before February 8, 2011, to change the 2011 tax rates.

The length and depth of this recession mean some jobs will be lost forever. Unemployed workers need opportunities to prepare and train for the jobs of tomorrow. To meet the demands for the new work force, the Governor will propose legislation to improve the flexibility and accessibility of unemployment benefits for workers who train for a new job. These changes will qualify Washington to receive \$98 million in federal incentive funds for modernizing the unemployment insurance system.

WORKERS COMPENSATION IMPROVEMENTS

Washington's "State Fund" is the 7th largest workers compensation system in the nation and covers 2.3 million workers employed by 163,000 employers. The system is fundamentally sound but systemic trends, many made worse by the recession, drive up costs, and the state must act to protect employees and employers. In a system this size, opportunities exist to lower costs and reform unsustainable expenditures. For example, one of every 19 time-loss claims becomes a lifetime pension — a rate that has doubled in the past 10 years. And lifetime pension claims comprise half of all workers compensation costs. This must change to create stability and predictability.

As a result of her workers compensation work group's recommendations, the Governor will introduce legislation to create a statewide medical provider network for both State Fund and self-insured employers. This network will save the state \$160 million over four years, improve outcomes and better treat injured workers, and reduce business costs. She is also recommending changes to help workers return to their jobs sooner after a workplace injury, modernize the benefits structure and reduce pension costs. These changes should reduce future rate increases, maintain the quality of care for injured workers and save an additional \$560 million over the next four years.

In summary, the Governor's improvements to the workers compensation system will save a total of \$720 million over four years, improve outcomes for injured workers and redirect benefits to those who most need them.

JOB CREATION

Jobs are the way out of the recession. With business, labor and community leaders, the Governor has pursued multiple avenues to promote economic recovery. Especially vital to the state's recovery is new hiring in the construction sector — one of the industries hardest hit in the recession. Her proposed budget supports 37,200 construction jobs statewide. These investments will support education, natural resources and transportation projects, which put people to work and Washington on the road to economic prosperity. Through the Public Works Trust Fund, investments also support local communities and essential projects.

Washington is at the peak of the largest transportation construction program in its history. The 2003 Nickel and 2005 Transportation Partnership Act gas tax funding packages, both approved by the voters, funded \$15.5 billion of projects estimated to support an average of 10,000 direct, indirect and induced jobs per year over a 10-year period, the majority of which are in the private sector. Seventy-four percent of all highway program funds are contracted to private business.

These and other infrastructure investments are key for economic recovery by adding construction jobs in the near term and improving the transportation system for a stronger economy in the future.