

Washington state's  
chamber of commerce

# Association of Washington Business

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*President*

April 26, 2007

Hon. Christine O. Gregoire  
Governor, State of Washington  
Post Office Box 40002  
Olympia, WA 98504-0002

RE: AWB Requests Partial Veto of E2SSB 5659, "Paid Family Leave"

Dear Governor Gregoire:

On behalf of the Association of Washington Business, the principal representative of the employer community in Washington, I write to request a partial veto of the paid family leave bill, Engrossed Second Substitute Senate Bill 5659, as described below.

Thomas L. Friedman, author of *The World is Flat*, commented in a 2005 New York Times essay, "A Race to the Top," on the disparity between the countries of Europe, with stagnant economies and crumbling welfare benefit structures, and our new competitors in eastern and southern Asia – India and China, and the dynamism of their economies. Wrote Thomas, "French voters are trying to preserve a 35-hour work week in a world where Indian engineers are ready to work a 35-hour day. Good luck."

I think of this quote whenever our Legislature considers – or passes – employment regulations that attempt to align us with "the rest of the civilized world," as proponents of paid family leave contend. What the Legislature has done with E2SSB 5659, by contrast, is enact a programmatic mandate that only one other state in our nation, California, has put into place, and one that is entirely foreign to our new global competitors to the east.

As you have noted many times, our state's businesses compete on this global scale. We must be mindful of the regulatory costs that our state imposes upon them that hamper their economic competitiveness. Paid family leave, as envisioned by the Legislature, will be one such cost.

*We keep Washington working*

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At the same time, the business community believes strongly in family values. We encourage our members to work flexibly with their workers whenever the crisis of illness or the joy of a new baby comes to a family. We believe there ought to be a way especially for low-income women and families to have time to bond with new life.

That is why the business community requests the opportunity to come back with something better. That is why we ask you to veto all portions of E2SSB 5659 *except* Section 2, which establishes a joint legislative task force to “study the implementation of a paid family leave insurance program” including the financing and administration of such a program.

Recognizing that important work on the structure, administration, and financing of paid family leave was not and could not be accomplished within the framework of the legislative session, the Legislature created this joint task force to determine these important questions. An amendment accepted in the House made the task force a balanced dialogue between legislative and stakeholder interests.

At the same time, much of the work of the task force is pre-determined. For example, the Legislature determined that a benefit program would only extend to maternity/adoption bonding time. The Legislature determined that the benefit would become payable October 1, 2009. The Legislature determined that the initial administration of the program would occur through the Department of Labor & Industries. The Legislature determined that the initial administration costs would be underwritten through an \$18 million loan from the workers’ compensation supplemental pension trust fund.

As stakeholders likely to be part of the task force, we object to these predeterminations. It is not self-evident that a maternity-only benefit is the best program. It is not self-evident that the benefit can come online in 2009. It is not self-evident that Labor & Industries is the most appropriate agency to administer such a program. Worse yet, it is very clear that initial administration should *not* be funded out of an unrelated trust fund tied to workers’ compensation pensions.

As just an example of the consequences of Legislature predetermination, the effect of borrowing from the supplemental pension fund is ill-considered. The tax on employers and workers related to the workers’ compensation supplemental pension trust fund went up 7% in 2007 at a time when the medical aid fund is experiencing a rate holiday. The awarding of pensions in the workers’ compensation system has doubled in the last five years, and a proviso in this year’s operating budget, section 218(12), requires the Department to study this alarming trend. A proprietary trust fund established to pay for pensions should not be a

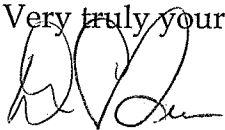
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source of administrative cash flow for this program. The task force should have a voice in that decision.

Section 2 is complete in itself. If by partial veto you leave section 2 the sole operative section of the Act it will nevertheless require the task force study the full range of options related to establishment of a paid leave program, including a report back to the Legislature with proposed legislation by January 1, 2008.

We in the business community believe that through the task force process we can work collaboratively with other stakeholders to develop a program that is targeted to those in society who need it the most; one that is voluntary when at all possible; one that does not impose new and unfamiliar costs and regulations on employers; and one that does not hamper our state's economic competitiveness on a national and global scale.

Very truly yours



Don C. Brunell  
President