



Improving Washington's Business Climate

It will require long-term commitment and hard choices

The Washington Legislature and its counterparts in many other states have struggled through the painful process of cutting billions of dollars in spending. This “reset,” as it has become known, may not be over. The economy is attempting to recover from the worst recession since the 1930s. One of the unanswered questions is whether one of the outcomes from this reset will be an actual improvement in our state’s business climate.

The legislative agendas for many statewide organizations call for improving the business climate. Among the most frequently appearing benchmarks are:

- A sustainable state budget
- Investments in transportation infrastructure
- Long-term commitments to improving both K–12 and higher education

Last year, the voters participated in the process by adopting Initiative 1053, which requires any tax increase to receive approval by a two-thirds vote of the Legislature. Voters also rejected a limited state income tax. The Legislature got the message. Cutting \$5 billion from the state budget—more than 12 percent of spending—on top of last year’s cuts means that many discretionary programs will be eliminated and many core functions of government will be significantly reduced. However, achieving a sustainable budget means dealing with major unfunded pension liabilities and the rate of growth in health care costs. Several public employees’ retirement system plans have significant unfunded liabilities due to underfunding by the Legislature and investment losses. Discipline and reform will be needed to make the pensions actuarially sound. It will take time, but there must be a willingness to discuss and begin implementing solutions.

Mobility is critical to the economic viability of a trade-dependent state like Washington. Prior to the run-up in oil prices, all projections indicated that the gas tax—the revenue source that funded the bulk of road and bridge improvements—would provide insufficient revenue to pay for the backlog of critical projects, which include completion of the Highway 520 bridge replacement across Lake Washington and another needed crossing over the Columbia River.

Higher gasoline prices and the growing popularity of high-mileage hybrid and electric vehicles will continue to reduce overall gas tax collections. Transportation, business and government leaders have started to recognize that tolling will need to play a role in funding future projects. How the state’s remaining credit capacity will be allocated for major infrastructure projects is a significant policy issue that must be addressed. Further consideration of public-private partnerships should be on the table for discussion.

Better transparency and accountability are part of the solution, but so is a long-term commitment to funding.

Quality K–12 and higher education opportunities are cited as an essential benchmark for a successful business climate. Technology, life sciences, aerospace and countless other industries must be able to draw upon a pool of skilled workers who are ready to innovate. In turn, those workers expect that quality schools will be available for their children to attend. Education expenditures are a major element of the state budget. Better transparency and accountability are part of the solution, but so is a long-term commitment to funding. Failures in education simply increase public sector costs in other places.

The litany of other actions that would help improve the business climate could fill this entire magazine. Tax incentives, regulatory reform and other targeted investments all have their place. Challenging times require setting priorities, making difficult decisions and then having the commitment to see them through.

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