

# POLICY BRIEF

---

## **Improving the small business climate in Washington state**

*Recommendations from the Washington Policy Center 2019 Solutions Summit*

WPC Research Staff

December 2019

### **Key Findings**

1. In Washington state, small businesses employ 1.3 million people – or 51% of the state workforce, and make up 99% of Washington businesses
2. Washington has one of the highest small business startup rates, but also one of the highest small business failure rates
3. Washington's business and occupation tax on gross receipts is pointed to by small business owners and workers as a challenge
4. The state's increasing minimum wage is helping some, but hurting the unemployed, underemployed and young workers
5. State agencies are implementing an average of 6,200 pages of new rules every year, making it difficult for small business owners to keep up
6. A high number of mandates has made it illegal for small businesses to offer basic, low-cost health insurance to workers
7. Recommendations to improve the small business climate from WPC's Solutions Summit are practical and non-partisan



# POLICY BRIEF

---

## **Improving the small business climate in Washington state**

*Recommendations from the Washington Policy Center 2019 Solutions Summit*

WPC Research Staff

December 2019

- 3 *Introduction*
- 4 *Reduce or eliminate the B&O tax on gross receipts*
- 5 *Reform worker's compensation insurance monopoly to a mixed or privatized system*
- 6 *Allow a tiered minimum wage system*
- 8 *Allow a training minimum wage*
- 9 *One-stop shop to file, start and operate a small business*
- 9 *Eliminate the estate tax*
- 11 *Reduce state health insurance mandates*
- 12 *Open insurance to be purchased across state lines*
- 13 *Eliminate at least five outdated regulations for every one new regulation adopted*
- 14 *Eliminate title-only bills in state legislature*
- 15 *Conclusion*

# Improving the small business climate in Washington state

*Recommendations from the Washington Policy Center 2019 Solutions Summit*

WPC Research Staff

December 2019

## Introduction

When small business owners and workers talk, state policymakers should listen. The reason is crystal clear – small business is the backbone of the American economy. In Washington state, small businesses employ 51% of the state’s total workforce – or 1.3 million people.

In eight Washington counties (Grant, Pend Oreille, Lincoln, Okanogan, Garfield, Klickitat, Pacific, Wahkiakum), small businesses provide jobs for 80% to 100% of the workforce.

Typically, a small business is defined as a firm with fewer than 500 employees by the U.S. Small Business Administration. In the state’s largest city, Seattle, 94% of businesses have fewer than 50 employees, which is Washington state’s official definition of a small business.

Throughout the state, even businesses with fewer than 20 employees number in the hundreds of thousands.

The turnover rate among small businesses can be extremely high. Washington state enjoys one of the nation’s highest small business start-up rates but has also seen one of the higher small business failure rates among all states. In fact, from 2013-2016 in Washington state, more small businesses were shutting down than starting up.

Part of this can be blamed on state policies that make it more difficult for an entrepreneur to turn an ambitious idea into a thriving business, and for a business that is currently struggling to stay afloat and maintain profitability and employment.

Washington Policy Center routinely seeks comments directly from small business owners, small business workers and the community on ways to improve the small business climate in our state, so our researchers can be directly informed about some of the harsh political realities that job creators face. We then publish these findings and provide practical, constructive recommendations for policymakers.

The following study provides the top 10 policy recommendations reported by those who attended our recent statewide policy conference – the Solutions Summit – held this year in May in Spokane. Policymakers at the local, state and federal level should carefully consider these recommendations and seek additional information from small businesses owners and workers in their own communities.

The following recommendations are presented in no particular order.

*a. Reduce or eliminate the B&O tax on gross receipts*

Washington's Department of Revenue defines the Business and Occupation tax as a tax on "gross receipts of all business operating in Washington, for the privilege of engaging in business. The term gross receipts means gross income, gross sales, or the value of products, whichever is applicable."

As a levy on gross receipts, the state B&O tax does not allow business owners to deduct the cost of doing business, such as payments for materials, rents, equipment or wages, when calculating the amount of tax they must pay. Businesses must pay whether they make a profit or not.

There is wide consensus in Washington that the B&O tax is unfair, regressive and badly in need of thorough reform. There is equally wide disagreement, however, over exactly what should replace the current tax structure.

Proposed reform tax systems are often based, not on what is fair for citizens, but on the goal of securing a specific amount of money for the Legislature to spend. This policy is generally stated as, "In order to raise X amount of tax dollars the legislature needs to enact this particular proposal."

However, a just and efficient tax system should be based on fundamental principles that emphasize the protection of taxpayers and the efficiency of government services.

As Washington Policy Center noted in our study "Replacing the Business and Occupation Tax with a Single Business Tax," B&O reform should incorporate these principles:

- ***Simplicity*** – The tax code should be easy for the average citizen to understand, and it should minimize the cost of complying with the tax laws. Tax complexity adds cost to the taxpayer, but does not increase public revenue. For government officials, the tax system should be easy to enforce, and should help promote efficient, low-cost administration.
- ***Accountability*** – Public officials who manage tax systems should be accountable to citizens. Taxes and tax policy should be visible and not hidden from taxpayers. Changes in tax policy should be highly publicized and open to public debate.
- ***Economic Neutrality*** – The purpose of the tax system is to raise needed revenue for core functions of government, not to control the lives of citizens. The tax system should exert minimal influence on the spending and business decisions of individuals and businesses.
- ***Equity and Fairness*** – Fairness means all taxpayers should be treated the same. Legislators should not use the tax system to pick winners and losers in society, or unfairly shift the tax burden onto one class of citizens. The tax system should not be used to punish success or to "soak the rich."
- ***Complementary*** – The tax code should help maintain a healthy relationship between the state and local governments. The state should always be mindful of how its tax decisions affect local governments so they are not working against each other – with taxpayers caught in the middle.

- **Competitiveness** – A low tax burden can be a tool for a state’s economic development by retaining and attracting productive businesses. A high-quality revenue system is responsive to competition from other states. Such competition should not take the form of special credits or other narrow incentives, as these are simply patches on an otherwise uncompetitive tax climate. Rather, effective competitiveness is best achieved through broad-based and economically neutral tax policies.
- **Reliability** – A high quality tax system should be stable, providing certainty in taxation and in revenue flows. It should provide certainty of financial planning for individuals and businesses.

A solid set of tax principles must guide the adoption of any effective tax structure, otherwise our state would again end up with a system riddled with loopholes and special-interest carve-outs.

By embracing solid tax principles and meaningful reform, like a Single Business Tax, we can help encourage future economic growth.

***b. Reform worker’s compensation insurance monopoly to a mixed or privatized system***

Workers’ compensation insurance in Washington is mandatory and businesses must purchase coverage through the state-owned monopoly run by the Department of Labor and Industries (L&I). The state permits some select businesses to self-insure, however, this option is also regulated by L&I and is reserved for only a small number of large businesses. The state-run system covers 2.3 million workers and 163,000 employers.

**States with a monopoly workers’ comp system**

Washington  
Ohio  
North Dakota  
Wyoming

Washington is one of just four states that do not allow private insurers to sell the workers’ compensation coverage that employers must buy in order to do business legally.

The workers’ compensation coverage from the state provides medical and wage replacement payments to workers who experience a job-related injury or occupational illness. State officials manage all injured worker claims and pay medical, time-loss, pension, retraining and other benefits from an account called the Washington State Fund.

Because of this monopoly system – costs are high not only for businesses but also for taxpayers.

Other states have led the way in converting monopoly systems into hybrid or with private competition – with enormous success for taxpayers, for business owners and most importantly, for injured workers.

Nevada abandoned a failing government monopoly on workers' compensation in favor of a competitive system in 2000. Since then, rates have been "trending downward," with the cost falling 8% last year alone.

West Virginia ended its state-run monopoly workers' comp system in 2006 and now allows competition from private insurers. Insurance rates fell nearly 15% in 2017. It was the state's 12th reduction in workers' compensation rates in 12 years.

Oregon's workers' compensation rates did not increase at all between 1990 and 2011, and employers enjoyed a cumulative rate decrease of 62.8% during that time, with a 17.5% decrease from 2000 through 2011. An increase of 1.9% in 2012 was the first rate increase in that state in two decades. But since 2015, Oregonians have enjoyed average rate decreases of 8.7% every year.

Idaho's average workers' compensation rates increased just 4.1% between 2000 and 2012, less than the rate of inflation. More recently, Idaho announced rate decreases in 2018 of 3.4% and in 2019 of 4.2%.

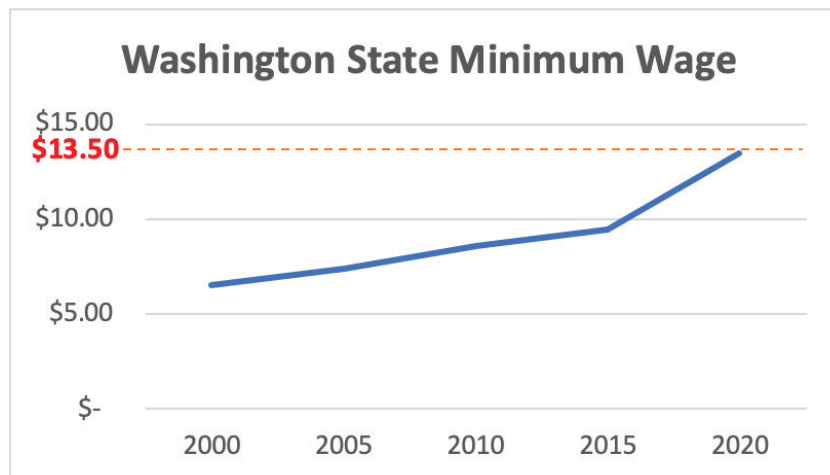
Private workers' compensation insurance is legal in both Oregon and Idaho.

Meantime, Washington state has raised rates an astounding 70% since the year 2000, but has threatened to raise rates as high as 186%. With zero competition, state officials have every reason to raise rates, while business owners and workers have no choice but to pay the higher rates via payroll taxes. In 2019 alone, state bureaucrats proposed another 5.5% hike.

Allowing private choice and competition, as 46 states do, would serve the public interest, improve coverage for injured workers, and reduce costs for small business owners.

*c. Allow a tiered minimum wage system*

In January 2020, Washington state's minimum wage will jump to \$13.50 per hour, representing a 43% increase since 2016. Washington state has one of the highest minimum wages in the country, discouraging the creation of entry-level jobs.





In Seattle, a study by the University of Washington concluded the city’s high minimum wage might help workers who already have jobs, but it is hurting others – especially the unemployed and young workers with less experience. In addition, after the city raised its minimum wage to \$15 per hour, entry-level job growth slowed.<sup>1</sup>

Throughout the state, the increase in the minimum wage is having a particularly severe impact on the hospitality and childcare industry. Childcare providers have not only cut back staff but have passed along major rate increases to families already struggling to pay monthly bills.<sup>2</sup>

Some restaurants and hoteliers, specifically in Eastern Washington, have laid off employees or trimmed services due to the increase.<sup>3</sup>

The regional economic differences in Washington state make the high minimum wage particularly burdensome in rural communities. For example, the median household income and cost of living in King County is vastly different than it is in Ferry County. King County currently has an unemployment rate of 2.9%, while Ferry County’s unemployment rate is 10.1%.<sup>4</sup>

Increases in the minimum wage that might provide a raise to a worker in Seattle, might put a small employer in Eastern Washington out of business. This is especially true in parts of Eastern Washington that border a state with a much better business climate, such as communities near Idaho.

- 1 Minimum Wage increases and individual employment trajectory, NBER Working Paper Series, National Bureau of Economic Research, October 2018, available at <https://evans.uw.edu/sites/default/files/w25182.pdf>
- 2 Wage hikes, access put squeeze on minimum wage, by Jim Allen, The Spokesman-Review, February 25, 2019, available at <http://www.spokesman.com/stories/2019/feb/25/wage-hikes-access-put-squeeze-on-child-care/>.
- 3 Minimum wage hike affects small businesses locally, KHQ-TV, January 5, 2017, available at [https://www.khq.com/news/minimum-wage-hike-affects-small-businesses-locally/article\\_8b506270-99a8-53f4-8922-e05269c34365.html](https://www.khq.com/news/minimum-wage-hike-affects-small-businesses-locally/article_8b506270-99a8-53f4-8922-e05269c34365.html).
- 4 Washington State Employment Security Department, May 2019 Report, available at <https://esd.wa.gov/labormarketinfo/monthly-employment-report>.

Lawmakers in Oregon understood these regional differences. When they increased the minimum wage, they protected workers in rural areas. Under Oregon’s plan, minimum wages go up to as high as \$14.75 in the Portland urban area, \$13.50 in some midsized counties, and \$12.50 in smaller areas – phased in over six years.

Washington state lawmakers should provide similar protections to workers in rural communities, by allowing regional adjustments in the state-mandate minimum wage, to account for different economic conditions in different parts of the state.

#### *d. Allow a training minimum wage*

At 20.5 percent, the teen unemployment rate in Washington is currently the 5th highest in the nation.<sup>5</sup> Since 2002, well before the Great Recession, in all but one year, Washington has ranked among the top ten states with the highest teen unemployment rate. The single exception was 2007, when Washington briefly broke out of the top ten to rank 12th.

The reason for these numbers can be traced to Washington’s high minimum wage. The state Department of Labor and Industries allows businesses to pay workers 14-15 years old 85 percent of the state minimum wage. Workers age 16 and older must be paid the same minimum wage as experienced adults, making it nearly impossible for younger workers to compete for starting job openings.

As a result, it often makes more sense for an employer to hire an older worker with more skills and experience, since the employer must pay a higher wage anyway, leaving the young job applicant unemployed. Several pieces of legislation have sought to address this work problem.<sup>6</sup>

SB 6495 in the 2014 legislative session would have allowed employers to pay 16 to 19-year-old workers 85 percent of the state minimum wage, or the federal minimum wage, whichever is greater.

SB 6471 that same year would have allowed employers to pay workers 14-19 years of age a training wage equal to the federal minimum wage. The training wage could only be paid to new employees hired on a temporary or seasonal basis, and for work performed during the summer months from June 1 to August 31. This policy would have helped students earn money and gain work experience after the school year ends.

High youth unemployment is not simply a matter of young workers unable to find work. Economists have shown there are significant long-term effects of youth unemployment, particularly a “wage scar” that leaves a lasting impact on a worker’s

---

5 Youth Unemployment Rate, Figures by State, Governing Magazine, available at <https://www.governing.com/gov-data/economy-finance/youth-employment-unemployment-rate-data-by-state.html>.

6 *Training Wage Bills Would Increase Job Opportunities for Teen Workers*, by Erin Shannon, Washington Policy Center, February 2014, available at [https://www.washingtonpolicy.org/library/docLib/Shannon\\_-\\_Training\\_Wage\\_Bills.pdf](https://www.washingtonpolicy.org/library/docLib/Shannon_-_Training_Wage_Bills.pdf).



employment prospects and future earnings trajectory. The longer a young person remains unemployed, the greater the long-term scarring effect.

Washington lawmakers should promote workplace learning and valuable job skills by letting young workers earn a training-level wage.

***e. One-stop shop to file, start and operate a small business***

Starting and operating a business can lead to an overwhelming and confusing labyrinth of rules and regulations, made more difficult by complex government forms and websites. Add to that the layers of government – federal, state and local – and it is easy to understand why some entrepreneurs simply give up before they can get started.

Some states have attempted to simplify the process. In Washington state, the Department of Revenue has placed limited state business licensing and tax services on one website, but there is much more that goes in to planning, starting, operating, expanding or moving a business to Washington.<sup>7</sup>

Roughly a dozen other states have taken the effort to assist small business owners more seriously. In Kentucky, for example, the state has set up a One Stop Business Portal.<sup>8</sup> It features a “dashboard” that displays all of the business owner’s tax information, licensing transactions, and an easy-to-find area for changing data including names, addresses, phone numbers, workers, etc.

Furthermore, businesses are assigned a unique identification number that connects the owner to the various state agencies required to operate the business.

Again, in the 2013 Washington legislative session, SB 5656 was proposed and would have required the state to set up a one-stop website for businesses. Legislators refused to pass it. Lawmakers should re-consider their rejection of a one-stop website for business owners, and authorize the governor to create such a site for use by Washington citizens.

***f. Eliminate the estate tax***

The estate tax (sometimes referred to as the “death tax”) has been a politically sensitive issue since its permanent adoption by both the state and federal governments in the early 1900s.

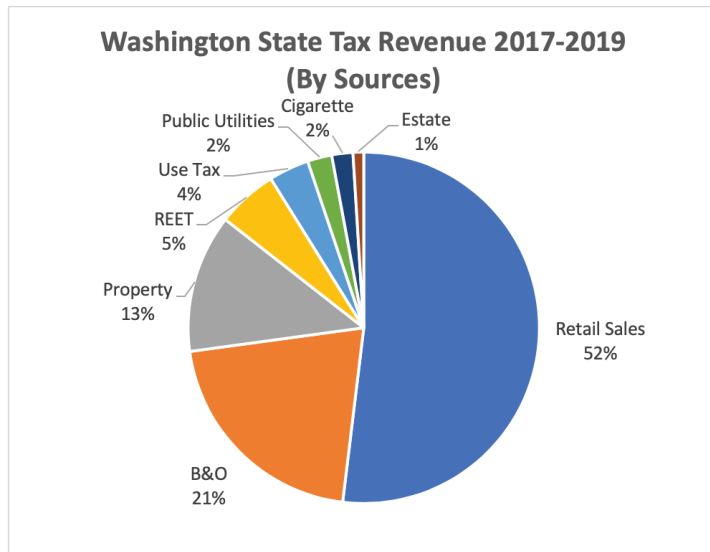
An estate tax is a tax paid on the total value of a deceased person’s estate. This differs from the inheritance tax, which taxes the assets a living person receives through inheritance. It also differs from the transfer tax, which is a tax on gifts of wealth between living people and generation-skipping transfer taxes—a tax between grandchildren or more distant relatives.

---

7 Washington State Department of Revenue Business Licensing, available at [https://secure.dor.wa.gov/home/?fbclid=IwAR2IygVDUhgqv0feoUJK1C7bHD0YOMVwiVsrLNymxcJs-bNPGPh9Y\\_oPDis](https://secure.dor.wa.gov/home/?fbclid=IwAR2IygVDUhgqv0feoUJK1C7bHD0YOMVwiVsrLNymxcJs-bNPGPh9Y_oPDis).

8 Kentucky One Stop Business Portal, available at <https://onestop.ky.gov/Pages/default.aspx>.

Washington state's first estate tax was implemented in 1901 and in the decades that followed, the various transfer taxes were added as well.



A large body of research suggests that the estate tax harms entrepreneurial activity in the same way that a heavy income tax does. Family-owned businesses and individuals take steps to avoid paying the estate tax and the costs of avoiding the tax. These strategies, along with the loss of capital to re-invest in a business, show how the estate tax has a negative impact on the economy.

Yet as revenue for the state, the estate tax is nearly meaningless. Department of Revenue's figures show that the estate tax makes up less than one percent of total state revenues – roughly \$371 million in the 2017-2019 biennium.<sup>9</sup> The state's cigarette tax brought in twice as much during that same time period. In a budget that grows by several percentage points each year, ending the estate tax would have no meaningful effect on funding for public programs.

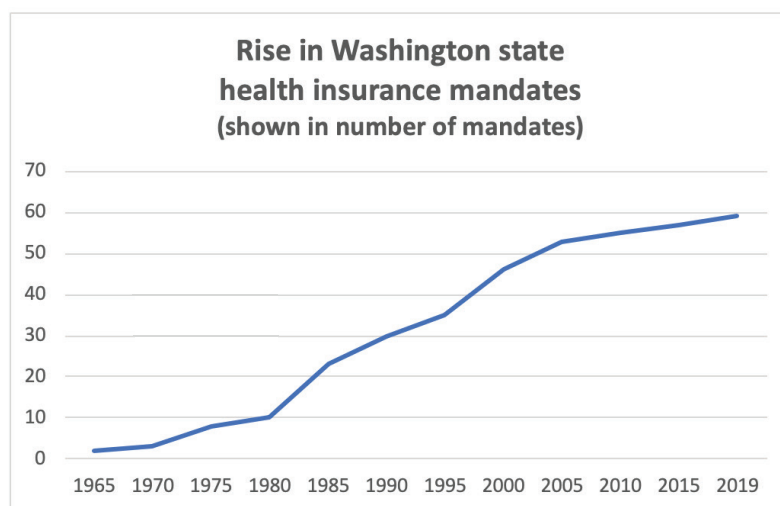
This small percentage is also reflected on a national scale. The federal estate tax makes up less than one percent of all federal revenues per year.

Many small business owners expressed concern that the cost of taxing a death in the family harms job creation and weakens the broader economy. The tax is also seen as unfair, since the estate tax imposes another levy on business earnings that the state already taxed during the family member's lifetime.

A 2009 study found that repeal of the federal estate tax alone could result in 1.5 million new jobs nationwide, including 33,600 jobs in Washington state, while making the tax code more fair and honest.<sup>10</sup>

9 Washington state Tax Statistics, Washington Department of Revenue, 2017-2019 biennium, available at [https://dor.wa.gov/sites/default/files/legacy/docs/reports/2018/Tax-Statistics\\_2018/Table5.pdf](https://dor.wa.gov/sites/default/files/legacy/docs/reports/2018/Tax-Statistics_2018/Table5.pdf)

10 *Ditching Federal Estate Tax could result in 33,000 jobs in Washington state*, Washington Policy Center, June 9, 2009, available at <https://www.washingtonpolicy.org/publications/detail/ditching-federal-estate-tax-could-result-in-33000-jobs-in-washington-state>.



***g. Reduce state health insurance mandates***

Paying for health care coverage is one of the fastest-rising costs facing businesses and families in Washington state. At the same time, health insurance is one of the most heavily regulated sectors of our state economy. These two trends are linked. Rising state regulation plays a major role in driving up the cost and reducing the accessibility of health coverage.

Today our state has one of the highest levels of mandates and regulations placed on health insurance. Basic low-cost insurance is outlawed.

Washington state has a total of 59 mandates that must be covered in every insurance plan sold in the state. Obamacare, with some overlap of Washington state's, imposes ten benefit mandates that insurance plans must cover.

Mandates add to the cost of health insurance. On average, each mandate adds 0.5 to 2.5 percent of the overall plan cost.<sup>11</sup> Not everyone wants or needs each mandate. Why should a 27-year-old unmarried man pay for obstetrical coverage in his health insurance plan? Why should a non-drinker pay for alcohol rehabilitation?

Harsh state mandates should be repealed, allowing citizens and businesses to buy affordable health coverage that is best for them.

Effective reform would feature fewer mandates, and greater consumer choice. Vigorous price competition among insurers is the most effective way to promote affordable, high-quality health care for all Washington citizens.

<sup>11</sup> The cost of health insurance mandates in Washington, by Victoria Craig Bunce & J.P. Wieske, Washington Policy Center, February 8, 2005, available at <https://www.washingtonpolicy.org/publications/detail/the-cost-of-health-insurance-mandates-in-washington>

#### *h. Open insurance to be purchased across state lines*

Officials in Washington state currently ban citizens from buying health insurance in other states, forcing consumers to choose among a small handful of approved in-state insurers.

To reduce costs and increase choice and quality of health services, patients, as consumers of health care, should have multiple insurance options available. These options should include an array of plans, from first-dollar full coverage to high-deductible catastrophic coverage only.

Since Washington's 59 state mandates do not allow this range of plans to be offered, Washington residents should be allowed to shop for health coverage in other states where prices are lower.

Two bills introduced in a recent legislative session would have ended Washington's ban on buying health insurance in other states. Lifting the ban would permit Washington residents to shop for family and individual health coverage across state lines based on price, quality and choice.

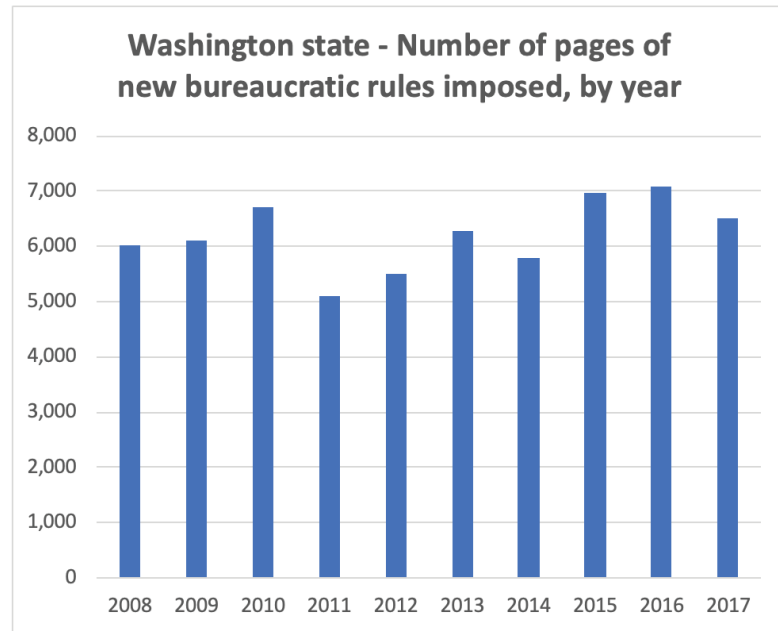
These proposals would:

- Apply only to the individual and small group market;
- Reduce costs by providing more health insurance options for consumers in Washington state;
- Reduce the number of uninsured by increasing the number of insurance carriers and the number of policies available in Washington state;
- Include markets in at least five other states;
- Require that carriers in those states have an 85% compliance with existing insurance laws;
- Require that each state have no more than two insurance companies in common with Washington state;
- Ensure that all plans offered comply with federal employee health benefit plans;
- Not include plans offered in the Washington state Obamacare insurance exchange;
- Allow plans to include fewer mandates than plans now offered in Washington state.

Such an approach shows respect for Washington small business owners and residents by expanding the ability of families and individuals to make their own choices about where to buy health coverage.

*i. Eliminate at least five outdated regulations for every one new regulation adopted*

Today, regulations in our state fill at least 32 phone-book-size volumes, which together form a stack of paper over five feet high. These agency rules have the force of law, and every individual and small business owner must know, understand and follow them. The regulatory structure strangles small businesses, drives up the cost of entering the market, impedes job creation and increases the cost of living for consumers.



There are a total of 26 regulatory agencies in the state of Washington. Each year state agencies add thousands of more pages of new rules and penalties with which citizens are forced to comply. In 2017 alone, there were another 6,517 pages of new rules adopted.<sup>12</sup>

The impact of a rule can be greater than just one more rule to follow. One rule filing can impose dozens of changes to different sections of the Washington Administrative Code (WAC). One rule filing might contain one change to a WAC Section, while another could contain 800 WAC changes (this is an arbitrary example, but there is no limit on how many WAC sections a rule may change).

It is impossible for a small business owner to keep track of all the new rules imposed each year. It is for this reason that small business owners suggest that a host of old regulations and rules be removed before new regulations are adopted.

Washington state can look next door, to the state of Idaho and even to Washington, D.C. as an example of what to do with rules and regulations.

In the Gem State, the Idaho state legislature decided this year to repeal its entire state regulatory code and give Governor Brad Little's administration the opportunity to repeal unnecessary and restrictive regulations. The governor's

<sup>12</sup> Washington State Agency Rulemaking Activity, 1978-2017, available at <http://leg.wa.gov/CodeReviser/Documents/rulactiv.pdf>.

administration will present the regulations it wants to keep to the legislature, and lawmakers will vote on those rules in its upcoming session in January.<sup>13</sup> “Governor Little’s administration will use the unique opportunity to allow some chapters of Idaho Administrative Code that are clearly outdated and irrelevant to expire,” his office says.

Limited regulations haven’t held Idaho back. In fact, the Wall Street Journal says the “regulation do-over” now means “one of America’s most vibrant state economies now has the chance to exceed all others.”<sup>14</sup>

Federally, in a little over two years, the Trump Administration has cut regulations in 70% of federal government agencies – and for good reason. The Competitive Enterprise Institute estimates federal regulations and intervention cost Americans \$1.9 trillion in 2017.<sup>15</sup>

The reductions in federal regulations have brought benefits to working families and small business owners across the country. Our state’s lawmakers can bring similar benefits to their own citizens by aligning state regulation to match the reductions at the federal level.

#### *j. Eliminate title-only bills in state legislature*

The Washington state legislature’s rules require that, “At least five-days notice shall be given of all public hearings held by any committee other than the rules committee. Such notice shall contain the date, time and place of such hearing together with the title and number of each bill, or identification of the subject matter, to be considered at such hearing.”

The rules also supposedly prohibit so-called “title-only bills,” a blank bill with a title and a number, but with the text to be filled in later. In practice, however, legislators submit title only bills anyway.

Title-only bills are not a transparent way to introduce changes to state law and they are essentially used by lawmakers to circumvent the state constitution. New bills are not supposed to be introduced in the last ten days of the session, unless two-thirds of lawmakers agree.

To get around this constitutional restriction, some lawmakers use title-only bills as a placeholder so they can put in the real text at a later time without having to secure the two-thirds vote required if the bill were dropped after the cutoff period.

In the 2019 legislative session, lawmakers used a title-only bill to pass a constitutionally suspect and stealth tax increase on certain banks with just hours

---

13 Idaho repeals its regulatory code, The Mercatus Center, George Mason University, May 9, 2019, available at [https://www.mercatus.org/bridge/commentary/idaho-repeals-its-regulatory-code?mod=article\\_inline](https://www.mercatus.org/bridge/commentary/idaho-repeals-its-regulatory-code?mod=article_inline)

14 The Great Idaho Do-Over, by James Freeman, *The Wall Street Journal*, May 16, 2019, available at <https://www.wsj.com/amp/articles/the-great-idaho-do-over-11558027019>

15 “The Ten Thousand Commandments of 2018”, by Clyde Wayne Crews, Competitive Enterprise Institute, April 19, 2018, available at <https://cei.org/10kc2018>.

to go in the session.<sup>16</sup> Small business owners are concerned this kind of shady lawmaking could have a devastating impact on their workers, communities and bottom line.

To prevent the possibility of harmful legislation being introduced at the last minute, without public input and without an appropriate time for legislative review, the Legislature should:

- Provide mandatory public notice and waiting periods before legislative action;
- Ban title-only bills;
- Subject the legislature to the same transparency requirements that are placed on local governments.

The all-to-common practice of introducing blank bills violates the norms of our democracy, undermines people’s trust in their elected representatives and does not reflect the values of small business owners in Washington state. Adopting commonsense transparency protections and ending the practice of title-only bills would help lawmakers fulfill their goal of increasing public participation, understanding, and transparency of the legislative process.

## Conclusion

The policies of lower taxes and reduced regulations set by Congress and the Administration at the national level have brought benefits to people across the country. Unemployment rates are at record lows, the nation is energy independent, and the U.S. economy is growing at annual rates thought impossible just a few years ago.

At WPC’s recent statewide Solutions Summit, small business owners expressed frustration that they were being deprived of the full benefits of national economic policy due to high taxes and heavy regulations imposed by Washington state governors and state lawmakers over the years. Attendees were not in agreement on all issues, but most did agree on one thing – some lawmakers do not really understand small business.

The same sentiments have been found in surveys from national business organizations. “When asked which party best represents them as an individual, more small-business owners responded with ‘neither party,’ than with Republican or Democratic,” the National Small Business Association found.<sup>17</sup>

The commonsense state-level recommendations proposed at the 2019 Solutions Summit, which are summarized in this report, would allow Washington’s working

---

16 “Governor asked to veto stealth tax increase due to transparency concerns,” by Jason Mercier, Washington Policy Center, May 16, 2019, available at <https://www.washingtonpolicy.org/publications/detail/governor-asked-to-veto-stealth-tax-increase-due-to-transparency-concerns>

17 National Small Business Association Politics of Small Business Survey 2016, available at <https://www.nsba.biz/wp-content/uploads/2016/06/Politics-Survey-2016.pdf>

families and small business owners to benefit from increased investments and expanded opportunities.

None of the policy ideas proposed at the Solutions Summit are radical or impractical. They are simple, clear-headed policy changes that have been proven to work in other states and at the national level. If adopted and sincerely implemented, these reforms would bring real and measurable benefits to all Washingtonians.

*This study was written and edited by WPC's Eastern Washington director Chris Cargill, who led the 2019 Solutions Summit session with small businesses owners. Research assistance was provided by WPC staffers Rosemary Harris, as well as Government Reform director Jason Mercier, Health Care policy analyst Dr. Roger Stark, and Worker Rights director Erin Shannon.*

---

### **Published by Washington Policy Center**

*Washington Policy Center is an independent research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.*

Chairman	<b>John Otter</b>
President	<b>Daniel Mead Smith</b>
Vice President for Research	<b>Paul Guppy</b>
Communications Director	<b>David Boze</b>

If you have any comments or questions about this study, please contact us at:

Washington Policy Center  
PO Box 3643  
Seattle, WA 98124-3643

Online: [www.washingtonpolicy.org](http://www.washingtonpolicy.org)  
E-mail: [wpc@washingtonpolicy.org](mailto:wpc@washingtonpolicy.org)  
Phone: (206) 937-9691

© Washington Policy Center, 2019