



*Representing the Independent Grocery Industry from Grower to Grocer*

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March 6, 2009

## 2009 KEY LEGISLATIVE ISSUES

**GENERAL STATEMENT ON BUDGET AND TAXES:** WFI does not support any increases in taxes during the 2009 session as our businesses struggle to survive the economic crisis. In particular, the grocery industry needs to ensure that it is not forced to unnecessarily increase food costs for consumers in Washington State due to increases in taxes, fees or new environmental regulations. With the economy in peril, this is not the time to add more costs on our industry.

While many state programs (such as cleaning up Puget Sound, transportation or health care) may be worthy priorities for government spending -- and we certainly understand the challenges of budgeting in this current economic climate -- we urge state lawmakers to instead look toward reprioritizing existing funds to avoid tax or fee increases. Proposals that have been suggested, such as increases in utility fees, street utility taxes, property tax increases, etc... all will have a direct impact on costs for the grocery industry and our customers.

We also urge you not to support provisions in the budget that would reduce Medicaid costs by simply reducing the amount of reimbursement to pharmacies. If pharmacies are not able to recover their costs of servicing Medicaid clients they will be forced to discontinue this service and severely reduce access to convenient neighborhood pharmacies. Instead, we urge you to work with pharmacy groups to identify other means of achieving cost savings that will not hurt our struggling small businesses and reduce access.

### **OPPOSE SB 5877 – Liquor Control Board Government Competition and Store Expansion:**

WFI opposes SB 5877 which requires the Liquor Control Board to unfairly compete with the private sector in the sale of goods and services currently offered by grocery stores and other retailers across the state. Government is not required to operate under the same tax and regulatory laws as the private sector that provides a price and profit advantage. Further, the LCB has a monopoly on spirit sales drawing in segments of the public to their stores that are “off limits” to the grocery industry. The state should consider alternatives to removing the state from promoting liquor sales and consumption and focus LCB resources toward licensing and enforcement – the proper role of government.

## **SUPPORT SSB 5963 – Unemployment Insurance Reform for Conformity:**

Unemployment insurance is a very important issue for WFI as it is for all business in Washington State. Our state currently ranks as the 5<sup>th</sup> highest state in terms of unemployment insurance costs according to the WashACE report and is in the top ten for the cost of benefits paid to employees. In addition, Washington State needs to bring our UI laws back into conformity with the federal law – but this change will have a significant impact on tax rates for many employers in our state.

WFI SUPPORTS SB 5963, which adjusts the tax rates in our current 40-rate class system to mitigate the increases that will occur when we go back to charging employers, based on 2 high quarters of earnings. In addition, 5963 has further adjustments to eliminate overpayments into the fund from the middle rate classes that have helped result in an unnecessarily high trust fund balance – we need to return this money and let it go to work in our economy! SB 5963 also makes necessary changes to our state’s voluntary quit language to address concerns in the Spain/Batey court case and ensure that our UI funds truly go to workers who are laid off through no fault of their own. We are not enthusiastic about the expansion to allowing benefits for people who quit jobs to follow their spouse, but making this change will ensure our ability to get a share of federal Reed Act money for the state.

Opponents of 5963 will argue that the tax cuts will give too much money to business. The tax changes will result in \$400 million over a six-year period being brought back to our economy to help keep and possibly create jobs. Additionally, this surplus is an overpayment of taxes paid only by business over the past several years. Opponents may also argue that too much money will be taken out of the fund, but all scenarios we have seen show plenty of money in the fund to pay benefits even during the worst of recessions.

## **SUPPORT SSB 5225 AS AMENDED BY SENATE AND WITH ADDITIONAL AMENDMENTS IN HOUSE – Increasing the Felony Theft Threshold:**

WFI believes that reducing penalties for retail theft by increasing the felony thresholds hurts the victims – the retailer and the honest customer who will pay higher prices. However, the way SSB 5225 has been drafted gives retailers new tools to fight common thieves and tells government to take a harsher stance toward repeat offenders. As it passed the Senate, it increases the felony theft threshold from \$250 to \$750 so property crimes below \$750 will be treated as misdemeanors rather than just ignored, as is currently the case. It increases the civil penalties that retailers can assess shoplifters and allows aggregation of lesser property crimes into felony crimes so we can deal with repeat offenders. We still need some technical changes in the House to ensure a good balance between the increase in the threshold and the tools for ensuring something is done to stop the crimes.

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## **OPPOSE SB 6035 -- Retrospective Rating Programs:**

WFI opposes this bill for several reasons. First, we have a very successful retrospective rating program that is controlled by WFI members through both an advisory committee and our Board of Directors. SB 6035 threatens our program and the ability to effectively use it as a tool for increasing worker safety and improving management of workers' compensation claims to bring injured workers successfully back to work. The bill interferes with the work of a \$600,000 retro proviso study that is underway and is the reason we found the coding error in the overall program. No structural changes should be addressed until that group has had a chance to complete its work. SB 6035 is merely a continuation of the political attacks on Retro programs in recent years and does not merit further consideration. Participation by employers in Retro is voluntary, there is competition, therefore choice for employers and WFI contracts clearly spell out how refunds are disbursed. We currently disburse 100% of refunds and interest but our members may someday choose a different formula. It is their premium dollars and their workers safety and decisions should remain in the hands of the owners of the program – our participating members. SB 6035 will add unnecessary costs and create unnecessary government interference. An alternative to Retro is Group Private Insurance that has long been a desire of the many in the business community. This option would address any questions regarding how Retro influences premiums of non-Retro state fund employers and would allow employers to more effectively manage claims outside of the slow and inefficient claims management process of L&I.

## **OPPOSE HB 1402 – Restricting Ex Parte Contact During Workers' Compensation Appeals:**

This bill restricts the ability for an employer to communicate with an injured workers' medical providers during appeals of workers' compensation decisions. WFI opposes this bill because the free flow of information is important to get the right information for decisions regarding returning employees to work and ensuring successful decisions. Since workers' compensation is a non-litigious mechanism for resolving conflicts, it is important that the information flow not be obstructed. HB 1402 would increase costs in the system and tip the balance in favor of litigating workers' compensation claims.

## **OPPOSE HB 1528 – Worker Privacy – Employer Gag Law:**

WFI opposes this bill because it provides a very vague restriction on what information employers can convey to employees of a "political or religious nature". This could significantly restrict an employer's ability to talk with employees about important information during times where labor negotiations may be occurring if that was construed to be "political". It also could restrict discussions surrounding religion and affect fundraising in the business for groups like United Way. It could also restrict an employer's ability to let employees know how legislation would affect the business directly.

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**SUPPORT HB 1821/SB 5794 – Revisions to Medicaid Audit Process for Pharmacies:**

WFI supports these bills because they will bring realism back to Medicaid audits of our pharmacies, stop the practice of going back six years on audits, and phases these in to a three-year limit. This is important because when Medicaid does an audit and finds a mistake that they (Medicaid) made in paying the pharmacist for the drug, it can be devastating to the pharmacy to come up with the money and results in a loss over a Medicaid mistake. By limiting the period that the agency can “look back” on these audits, it will be more realistic for the pharmacy to be able to comply.

**SUPPORT SB 5834 and HB 2040 – Reforming Beer and Wine Regulations:**

These bills together implement the various provisions in reforming beer and wine regulation supported by WFI. This includes eliminating minimum mark up and post/hold requirements, modifications to financial interest and ownership, allowing some items of nominal value for moneys’ worth, allowing electronic funds transfers to be done over a period of up to five days, and allowing limited transfer of product between stores under common ownership. These changes will streamline the regulatory process and help retailers better administrate the sale of beer and wine.

**GENERAL STATEMENT ON ENVIRONMENTAL BILLS:**

There are many bills going through the Legislature this session dealing with reducing greenhouse gas emissions, including bills to implement cap and trade bills. These bills potentially have significant impact on the cost of energy in Washington State that will adversely affect grocery retailers, wholesalers and manufacturers. Energy costs are one of the most significant costs of a grocery industry and an increase in cost will translate to increases in food costs. In addition, if the impact of these bills on our manufacturing sector is not completely analyzed and known, we run the risk of losing more of our manufacturing base in the state thus putting our economy and state revenues in greater peril. We urge state lawmakers to spend more time on analysis of what will work to reduce greenhouse gas emissions without significant cost to our business climate before enacting any proposal. Do not make Washington State an island of excessive environmental regulation or we may find ourselves a deserted island.

We appreciate your consideration of these positions so important to the independent, community based grocery industry in this state. For more information, please contact:

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