



Northwest Construction Consumer Council

Business Outlook & Legislative Session Update

Kris Johnson | March 30, 2023

AWB Mission & Vision

- **Mission**: AWB is the catalytic leader and unifying voice for economic prosperity throughout Washington state.
- **Vision**: Washington will excel as a globally competitive state built on a solid foundation of innovation, a world class workforce, and a quality of place second to none.

Strategies for Achieving Mission & Vision

Achieve: Provide a high-caliber education and workforce development system aligned with the demands of the 21st century.

Connect: Create an efficient, multi-modal transportation and infrastructure system that links Washington's employers and communities to each other and to the world.

Employ: Encourage and support innovation, entrepreneurship, job retention and creation.

Compete: Foster a business environment conducive to creating a resilient and growing, statewide economy.

Place: Cultivate actions that enable vibrant communities and environments.

Membership

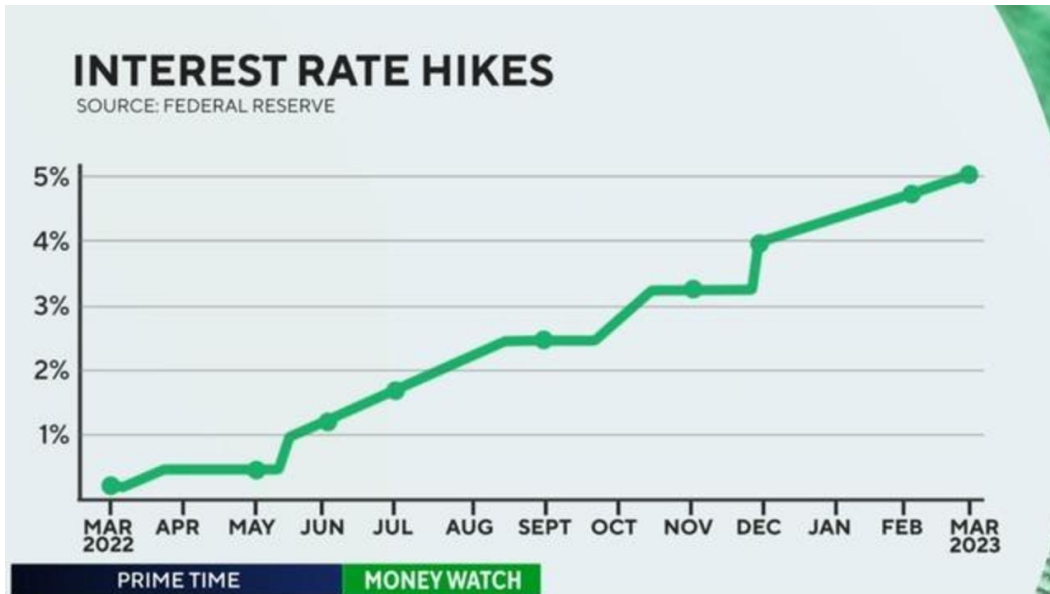


as of Sept. 30, 2022



Signs of Cooling

- Drop in retail sales in February
- Orders for manufactured goods eased
- Home sales fallen for 12 straight months
- Home prices fell in February - first time in 11 years
- Continued high inflation and rising interest rates test consumers



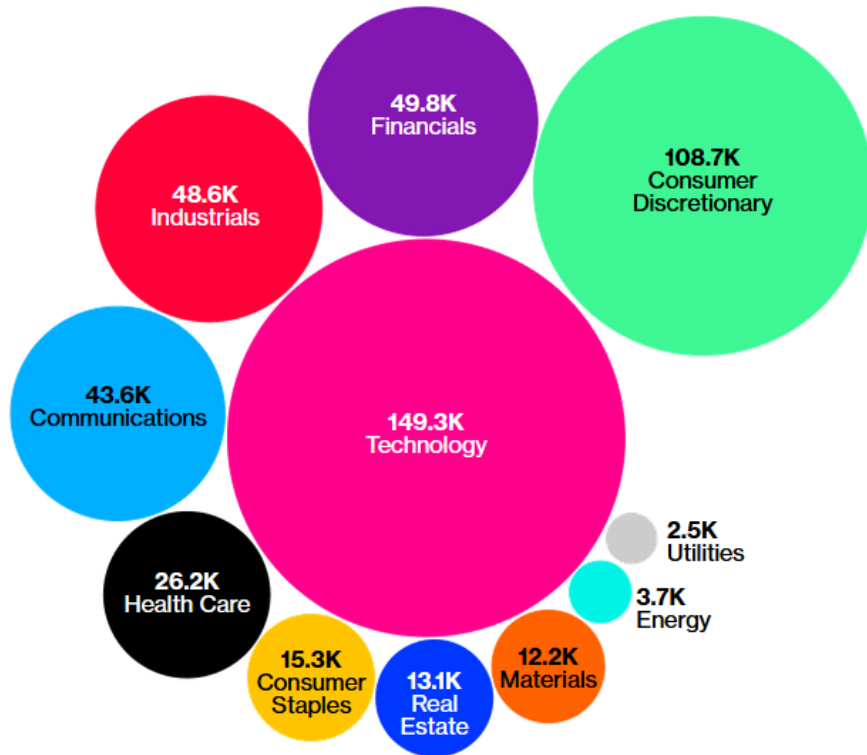


Recession Fears Grow

- Bank collapse increases odds of a recession this year
- Borrowing could become tougher, particularly for small businesses
- Wells Fargo: 65% chance
- Goldman Sachs: 35% (up 10% as a result of Silicon Valley Bank)
- Important role of regional banks

Almost 800 Companies Shed 473,000 Jobs

Total number of jobs cut since October, by sector



Note: Data comprises layoffs announced with number of jobs or share of workforce cut from Oct. 1, 2022 to March 20, 2023 at 12pm EDT

Source: Data compiled by Bloomberg



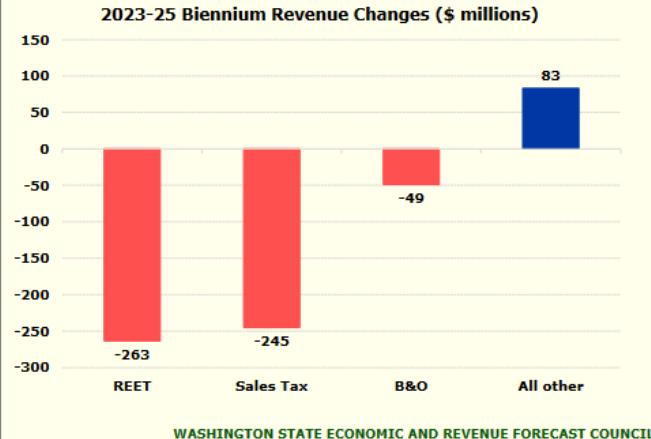
Global Layoffs

- Started in tech
- 300,000 workers since 2022
- Cloud customers cutting back
- Ad spending slowing
- Pain beginning to spread
- As many as 1 in 5 jobs connected to tech sector



Majority of 2023-25 revenue change due to lower REET, sales tax

Increases in public utility, liquor, insurance premiums taxes partially offset revenue declines



Revenue Review
March 20, 2023

Slide 22

Where are we now?

During 2022 in **Washington State**, the:

- Total civilian labor force was 4,012,870, growing by:
 - 2.5% from 3,913,513 during 2021.
 - 5.4% from 3,807,013 during 2018.
- Participation rate was 62.2%, a difference of:
 - -1.0 points from 63.7% during 2020.
 - -0.1 points from 64.0% during 2017.



State Revenue Slowdown

- Latest revenue forecast indicates a slowing economy
- \$483 million below earlier forecasts for 2023-25
- \$541 million below earlier forecasts for 2025-27
- Budget writers still have more money to spend than last budget – just not as much as previously expected



2023 Legislative Session

- Housing
- Public Safety
- Employment Law
- Workforce
- Energy
- Child Care
- Budget

SOUTH SOUND
BUSINESS

It's Time to Go Big
or Go Home on
Washington's
Housing Crisis

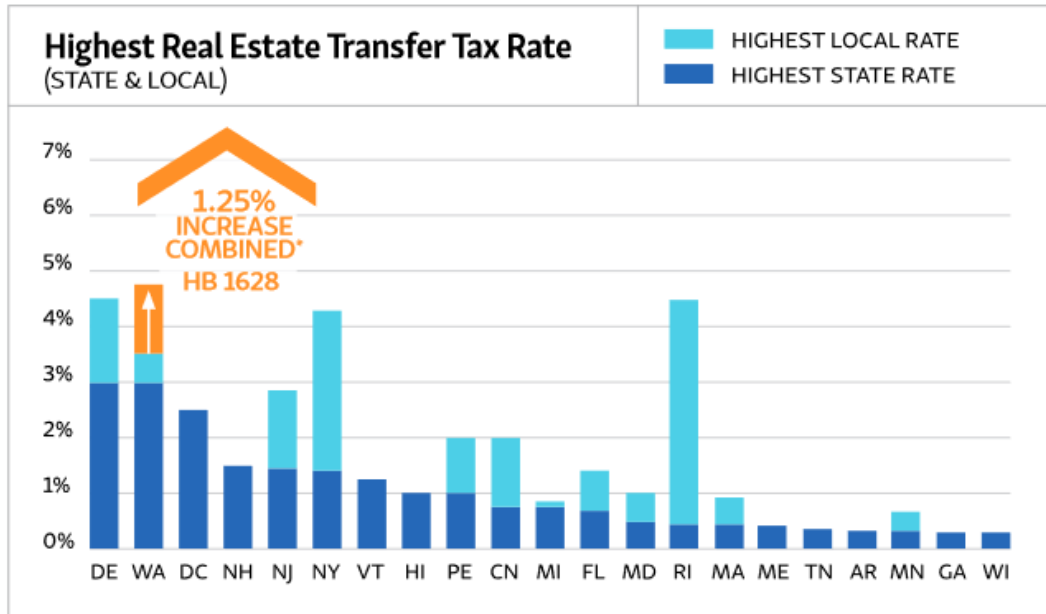


The Year of Housing

- Bipartisan recognition that something big must be done
- 1.1 million new homes in next 20 years, at minimum
- Need big, bold solutions

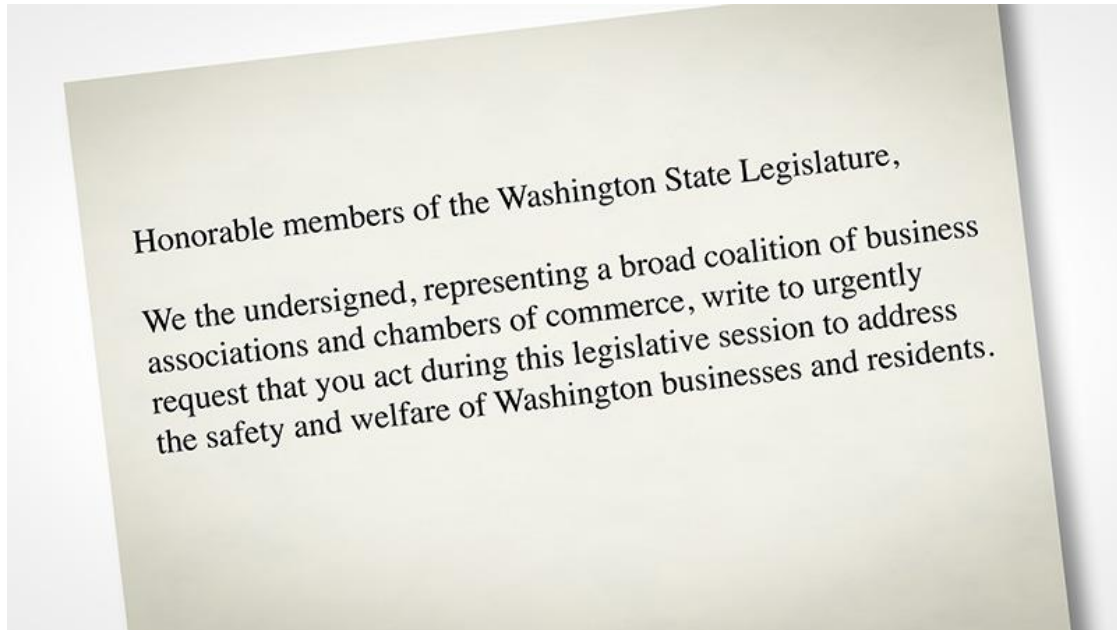
Supported Housing Bills

- Supported package of housing-related bills early in session
- 30 bills – Several still in play
- HB 1110 – Middle Housing
- SB 5290 – Permit Timeline/Streamlining
- SB 5058 – Condo/Townhouse Supply
- HB 1245 – Lot splitting
- SB 5466 – Transit-Oriented Development
- HB 1337 – Accessory Dwelling Units
- SB 5235 – Accessory Dwelling Unites
- HB 1293 – SEPA/Design Review/Parking
- SB 5412 – SEPA/Design Review/Parking
- HB 1167 – Conversions/Funding Eligibility
- HB 1042 – Conversions/Funding Eligibility
- HB 1046 – Conversions/Funding Eligibility



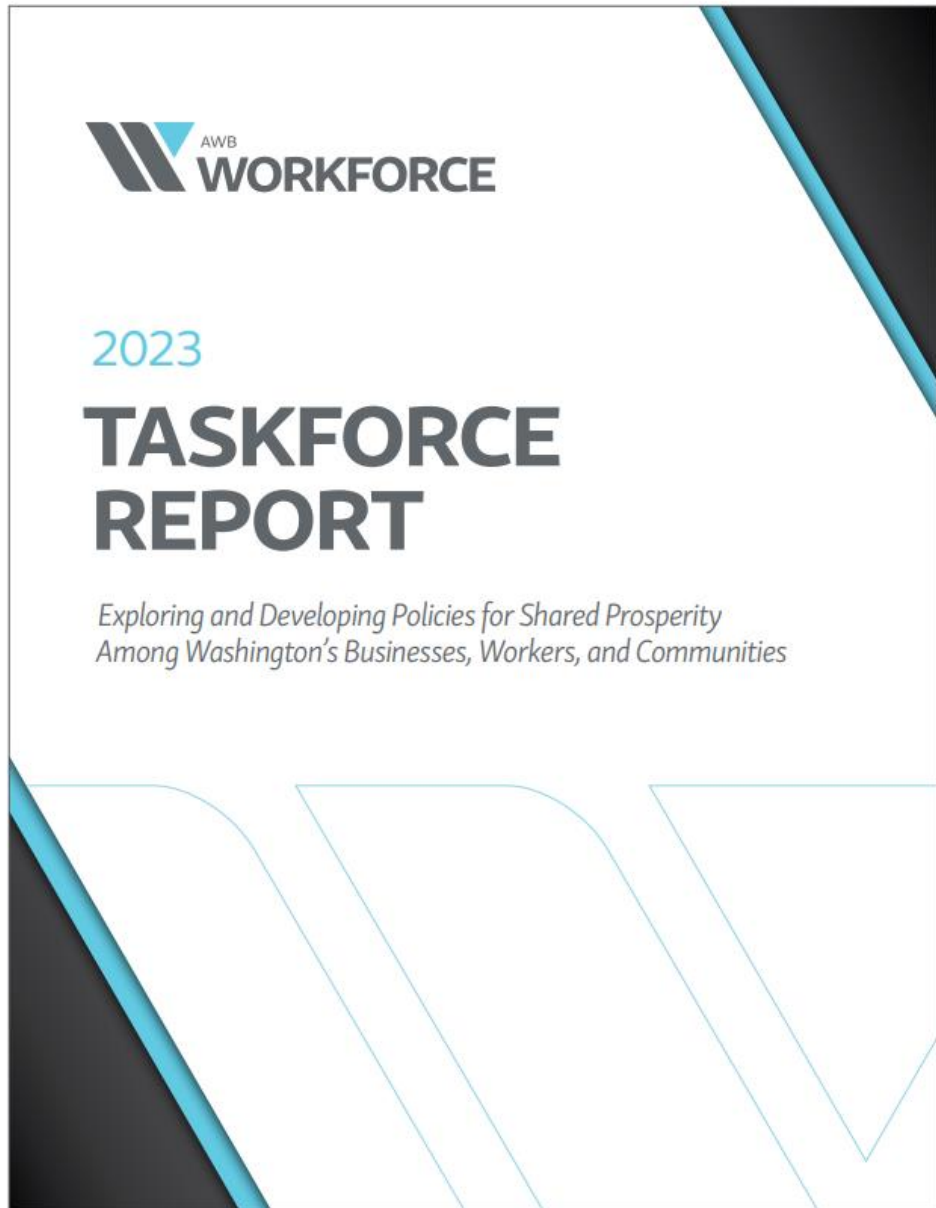
Real Estate Excise Tax

- HB 1628 would raise the REET
- Washington would have the highest state and local REET in the country
- Would add \$2.7 billion in higher housing costs over 5 years
- AWB Action Alert – several hundred emails to legislators urging NO vote
- Raising the cost of housing is the wrong way to address the housing crisis



Public Safety

- Convened business groups
- Engaged Grassroots Alliance
- Letter to legislators urging action this session
- Generated earned media in Seattle and Yakima markets



Workforce

- Workforce shortage continues three years after start of pandemic
- AWB established Workforce Task Force
- Examine best practices
- Compile research

LEAP

LEGISLATOR EDUCATION & ACTION PROJECT



A Partnership of Association of Washington Business Institute and Children's Campaign Fund Action



Child Care

- Launched education campaign to help lawmakers understand child care crisis
- Washington's child care shortage is a business issue
- Child care and workforce shortages are interwoven

Tax Policy

2023 Legislative Session Priorities/Issues



- 22 taxes passed in last four years – Generates \$40 billion over 10 years
- Tax Increase Bills
 - Wealth tax
 - Margin tax
 - Estate tax
 - REET tax
- Tax Incentives
 - Sustainable Aviation Fuel
 - Aerospace Training B&O tax credit
 - Childcare B&O tax credit

Employment Law

*2023 Legislative Session
Priorities/Issues*



- Paid Family & Medical Leave
- Ergonomics
- Data Privacy
- Warehouse staffing
- Unemployment Insurance
- Nurse staffing

Energy

2023 Legislative Session Priorities/Issues



- Expedited siting of energy production facilities and transmission infrastructure
- Exempt fuel under Cap & Trade
- Cap & Trade Auction: \$26/ton becomes \$48.5/ton
 - Raises just under \$300 million

Others

2023 Legislative Session Priorities/Issues



- Long-Term Care program: Repeal & Reform/Pause
- Multi-state Nurse Licensure Compact
- Core Plus and Dual Credit options
- Career Connected Learning and the Job Skills Program

Budget



	<u>2021-23 Budget</u>	<u>2023-25 Gov. Proposal</u>	<u>2023-25 Senate Proposal</u>
• Revenue:	\$66.4b	\$71.3b	\$69.8b
• Expenditures:	\$62.5b	\$70.4b	\$69.2b
• Ending Fund Balance:	\$3.9b	\$1.3b	\$1b
• Total Reserve:	\$6.6b	\$2.6b	\$3.8b

Capital Gains Tax

Makes Washington less competitive



- Washington Supreme Court rules 7-2 that capital gains tax is an excise tax
- Does not overturn precedent that income tax is regarded as property
- 7% tax on capital gains above \$250,000
- \$500,000 in current biennium
- \$1.1 billion in 2023-25
- \$1.5 billion 2025-27
- Raises concern that more taxes will result, including possible income tax



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