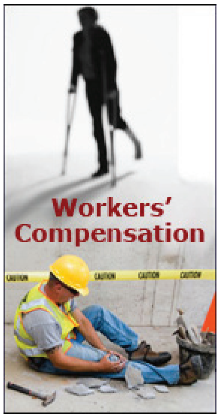
The Washington State Labor Council, AFL-CIO, urges all state legislators to ask themselves...

Why Workers' Comp?



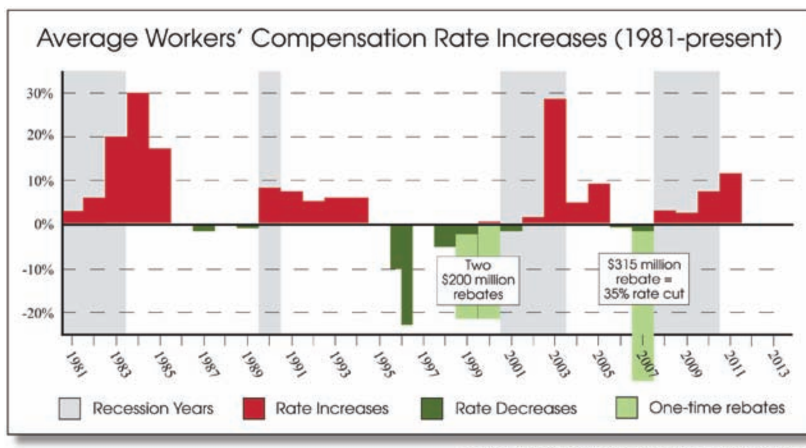
Why are Republicans in Washington's State Legislature so adamant about workers' compensation "reforms" that they are willing to risk $160 million in education funding and perhaps even shut down the state government?

Because they've got bad information.

If it was true that "without this bill, there would be a $2.2 billion tax increase on employers over the next 10 years," as Sen. Janéa Holmquist Newbry (R-Moses Lake) continues to say,[1] one might understand and perhaps even share their desperation. But it isn't true. That statement is based on a fantasy scenario from a year ago—which was based on numbers from a year before that—that assumed no economic recovery.

The truth is, as the economy has recovered, so has the workers' compensation system.

In December 2010, the State Auditor warned that our workers' comp system was in dire financial shape.[2] Recessions hit the system hard because it relies on investment earnings to subsidize costs, just like private insurers do. In order to mitigate rate increases after the Great Recession, reserves were drawn precariously low. That's why the Legislature approved workers' compensation changes in 2011.



Source: Washington State Department of Labor & Industries

That's also why the Workers' Comp Advisory Committee asked Labor & Industries (L&I) to present scenarios on how to rebuild reserves. The worst-case of L&I's scenarios presented in June 2012 envisioned 19% rate increases for 10 straight years to fill a $3.1 billion gap. Republicans immediately vowed more "reforms" to cut costs and avoid this "mother of all tax increases."[3] But just months later, the state announced there would be no rate increase in 2013,[4] just like there hadn't been in 2012. Why? Because that worst-case scenario, which assumed no economic recovery while still building reserves so high they couldn't possibly run out, was never realistic and L&I said all along it was not their goal.

Now, the system is running a surplus and reserves are up 64%—with no rate increases.

Since February 2013, when the State Senate first passed its "reform" legislation, L&I has reported[5] that in the second half of 2012, the system had a net operations surplus of $250 million and boosted its reserves by 64% to nearly $1 billion. At the end of 2012, reserves were already very close to L&I's actual bottom target range of 8.7% of system liabilities. No rate increases. No 10 years. Just an improving economy.

The only "emergency" here is the threat to our schools and our state government.

1. Columbia Basin Herald, 6-12-13 2. State Auditor Brian Sonntag, 12-30-10 3. Washington State Wire, 6-22-12 4. L&I, 9-17-12 5. WCAC meeting, 4-30-13