

2006 ANNUAL REPORT





Washington Policy Center (WPC) improves the lives of Washington citizens by providing accurate, high-quality research for policymakers, the media and the general public. WPC is an independent, non-partisan, research and education organization located in Seattle, Washington, that publishes studies, sponsors events and conferences and educates citizens on public policy issues facing our region.

Washington Policy Center focuses on eight core areas of public policy:

- Analyzing tax and budget policy.
- Enhancing Washington's business climate.
- Developing innovative ways to protect the environment.
- Improving government services through competition.
- Assessing the cost and effectiveness of government regulation.
- Analyzing labor policy and creating greater job opportunities.
- Providing innovative recommendations for improving education.
- Developing and maintaining a legislative website for researching and tracking legislative activity - WashingtonVotes.org.

We believe ideas, supported by sound research and promoted through publications, conferences and the media, over time, create an environment in which sound public policy decisions are made.

As a 501 (c)(3) non-profit organization, all contributions to WPC are voluntary and tax deductible. Our supporters include individuals, small businesses, corporations and foundations. We receive no government funding. Our tax identification number is 91-1752769.

For more information please call (888) WPC-9272 or visit www.washingtonpolicy.org.

TO PROMOTE
FREE-MARKET SOLUTIONS
THROUGH RESEARCH
AND EDUCATION.



A LETTER FROM OUR PRESIDENT & CHAIRMAN

For Washington Policy Center, 2006 marked 20 years of sound research and positive impact in Olympia and around the state, and 20 years of results.

2006 also marked some exciting changes at Washington Policy Center as we continued to grow the organization to meet the needs of our state. We opened our Center for Health Care Reform, and Center for Transportation Policy to join our Center for Environmental Policy and Center for Small Business & Entrepreneurship. The response from policymakers and citizens from around the state has been overwhelmingly positive and validates the need for the resources our Centers offer.

And that is what Washington Policy Center is about: making sure state and local policymakers have the resources they need to make informed decisions that benefit all of us and help us live out our dreams, whether we are citizens or businesses, employees or employers.

This year we were fortunate to have Pulitzer Prize winning columnist George Will keynote our Annual Dinner attended by 950 people. Mr. Will explained the current state of public policy as being “nothing but an unlovely maelstrom of scrambling interest.” But, as he continued, “Given ideas, it is an elevating and elevated discipline. And institutions like the Washington Policy Center and its research centers make politics not only more intelligent, but more noble.”

As you will see in the following pages, in the past year Washington Policy Center did a great deal to make public policy in our state both more intelligent and noble. And in supporting Washington Policy Center *you* are boldly joining with us as we work to make our state a better place to live, work and raise a family.



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President



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- “The Seattle Street Repair Tax, Phase 1; Funding basic government with special levies,”
BY PAUL GUPPY

- “A False Sense of Security: The Potential for Eminent Domain Abuse in Washington,”
BY WILLIAM R. MAURER

Policy Briefs reflect long term issues facing the state. Policy analysts spend an average of three months researching and gathering facts and figures to develop an in-depth study that will continue to be a resource for years to come. During election season, Policy Briefs on election initiatives are released in time to serve as user-friendly guides for lawmakers, media and voters. We distribute our Policy Briefs to supporters, policymakers and reporters around the state. All publications are available online at www.washingtonpolicy.org

- “The Failure of Government Central Planning: Washington’s Medical Certificate of Need Program,” BY JOHN BARNES
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- “Eminent Domain Abuse in Washington: ‘Can’t Happen Here’ is becoming, ‘Happening Right Now,’” BY WILLIAM MAURER



Policy Notes are concise summaries of our research for what may be more complicated issues. Most Policy Briefs have a corresponding Policy Note that summarizes the brief’s findings. Policy Notes allow for quick responses when issues require immediate attention.

POLICY NOTE
 Tax Freedom Day Highlights Government Encroachment 2006-04
 By Colin Gowan
Research Assistant

On Wednesday, April 26, 2006, the 116th day of this year, the average American was finally free from government taxes. All income gained prior to this date goes to pay for federal and state taxes.

Tax Freedom Day is when Americans can start working for themselves, using the money they earn to pay the bills and buy food and clothing. Tax Freedom Day is a way to illustrate taxing trends on both national and state levels.

How Tax Freedom Day is Calculated

The Tax Foundation created a formula to determine when Tax Freedom Day occurs, calculating the overall effective tax rate for the nation. Tax Foundation analysts divide the per capita federal, state and local taxes by per capita income. For 2006 that is \$12,172 in taxes divided by \$38,376 in per capita income. This results in 31.6% of total income taken in taxes. Multiply 31.6% by 365 days and that gives the number of days, starting on Jan. 1, it will take to pay off your taxes. The next day is Tax Freedom Day.

Tax Freedom Day fluctuates based on several factors, the first being the number of taxes levied. The more taxes increase, the later Tax Freedom Day occurs, as Americans work longer to pay those taxes. In addition, as the economy continues to grow, the government collects a larger percentage of those gains. Since the federal tax system is more progressive than those of the states, the increase in personal income fills the federal coffers faster.

Washington State Tax Freedom Day

While the nation celebrates Tax Freedom Day on April 26, Washington residents must wait until May 4. The state's multi-tiered tax burden makes Washington the 4th highest taxed state in the Union.

Washington residents work 124 days to pay off taxes, as 33.7% of income goes to the government. Of those 124 days, 84 of them are spent working to pay federal taxes, which account for 22.8% of income, while 40 days are spent working to pay off the state and local tax burdens, which amounts to 10.9% of income.

Washington's federal tax percentage of 22.8% is 4th highest in the nation. All of this amount is levied against \$39,705 annual income.

National Tax Freedom Day

The U.S. Census Bureau reported that in 2005, the federal tax rate rose to 20%. Since 1965, the federal tax rate has risen from 16.5% to 20%.

The federal government's tax burden has increased from 16.5% in 1965 to 20% in 2005. After

Policy Note
 The Failure of Government Central Planning
 Washington's Medical Certificate of Need Program
 By John Barnes
Policy Analyst

Did you know it is illegal to open most kinds of medical facilities in Washington? It is illegal unless the state gives you what is called a Certificate of Need (CON). Washington is one of thirty-seven states (including the District of Columbia) that require government permission to open, expand, or modify most kinds of health care facilities. This Policy Note summarizes the findings of an in-depth study on Certificate of Need available from Washington Policy Center.

Origins of Certificate of Need

With roots going back to New York in 1964, CON laws grew out of the belief that surplus supply of medical facilities and services meant providers would raise the excess cost on to patients. Limited supply, some believed, would cap rising health care costs. Various federal laws developed, culminating in the National Health Planning and Resources Development Act of 1974. This act directed each state to examine proposed health care facilities and determine the need for such services.

Eventually, every state adopted CON laws. Washington adopted its laws, which are administered by the Department of Health, in 1972. In 1982, however, the federal government acknowledged the failure of CON laws to reduce health care costs and repealed national health planning requirements. Since then, 14 states have eliminated their CON requirements.

A Complicated Process That Leaves Few Smiles Unturned

In Washington, the state must decide if there is a need before anyone can build, expand, sell, purchase, or significantly modify 13 different kinds of medical facilities and services, including hospitals, nursing homes, outpatient surgery centers, retirement communities, and organ transplant services.

The CON application process can be lengthy and expensive, lasting as long as 2+ years and costing hundreds of thousands of dollars. And all of that is before the first shovel goes into the ground or any modifications can begin. The process itself is arcane. The flowchart inside shows the process the Department of Health uses to determine the need for surgery operating rooms. This entire process is but one step of many: permitting, licensing, building codes, zoning regulations, environmental impact issues, etc., must all be dealt with in addition to the CON process.

No Evidence That CON Reduces Cost

Three decades of experience has supplied ample evidence that Washington's CON laws have not worked as their creators intended. A 1999 study by the Washington State Joint Legislative Audit and Review Committee (JLARC) and a 2005 study by Seattle's Mercer Human Resource Consulting Group both concluded that Washington's CON laws have neither reduced the cost of nor increased access to health care. A 2004 report by

OPINION EDITORIALS

HIGHLIGHTS

OREGON PLAYS FAIR WITH LAND RESTRICTION LAWS BY TODD MYERS · JANUARY 2006

Published by the *Seattle Post Intelligencer*, the op-ed examines the issues surrounding Oregon's Measure 37 requiring counties and the state to pay for the value landowners lose when new zoning restrictions are put in place. The actual impact in Oregon, according to Myers, was smaller than expected, even though many claims were filed. Even with small impact, the benefits can be very large. The positive impact of the Measure was felt by families whose land had been significantly devalued by years of increased restrictions. Later in the year a similar initiative was presented to Washington voters.



THE STATE BUDGET TUG OF WAR BY PAUL GUPPY · JANUARY 2006

Shown on the left, this exclusive *The Seattle Times* article addressed the \$1.4 billion surplus the legislature faced at the beginning of 2006. Proposals for disposing of the surplus fell into two categories: spend it today or place it in reserve to spend in the future. The governor proposed spending about a third of the surplus on current and new programs, and placing the rest in reserve. This op-ed focuses on government's tendency for reverse budgeting, funding routine government activities first and considering high-priority needs later. Guppy argues that changing how the government sets spending priorities is the only way to solve our state's long-term structural deficit problem.

JUDGE WRONG TO INVALIDATE I-747'S PROPERTY-TAX LIMIT BY PAUL GUPPY · JUNE 2006

King County Superior Court Judge Mary E. Roberts struck down voter approved Initiative 747 property tax limits, paving the way for state and local officials to increase the tax burden by as much as 6 percent a year. Roberts said voters were "incorrectly led" about what they were voting on. She concluded that in approving Initiative 747, voters thought they were reducing the tax limit from 2 percent to 1 percent, instead of from 6 percent to 1 percent. Paul Guppy explained why Judge Roberts ruling is wrong since voters knew exactly what I-747 was about.



We send regular bi-weekly editorials to statewide newspaper editors, as well as to WPC supporters on timely policy issues as part of our "Commentary on the Issues" series. This year the op-ed series released 27 pieces covering topics ranging from health care, small business, education, transportation and the state budget. WPC also receives special invitations from editors to publish exclusive guest op-ed's in their newspapers.

POLICY GUIDE FOR WASHINGTON STATE

"Policy Guide for Washington State" received a featured advertisement in The Heartland Institute's monthly newspaper. It also received promotion from local radio stations and was credited as a legislative resource in numerous papers around the state.

"The Washington Policy Center's policy guide book provides thoughtful, insightful and careful analysis of the issues we confront here in the Legislature. The Policy Center has always provided straightforward and comprehensive information that as a legislator, I can use and take with me." - Sen. Linda Evans Parlette, Republican Caucus Chair (R-Wenatchee)

"Everyday in Olympia people will come to my office and talk about problems. The Washington Policy Center comes to Olympia and talks about solutions and a vision for moving Washington forward. WPC's Policy Guide for Washington offers real work solutions to the issues that we must address as leaders in our state." - Rep. Doug Ericksen, Deputy Minority Leader (R-Ferndale)



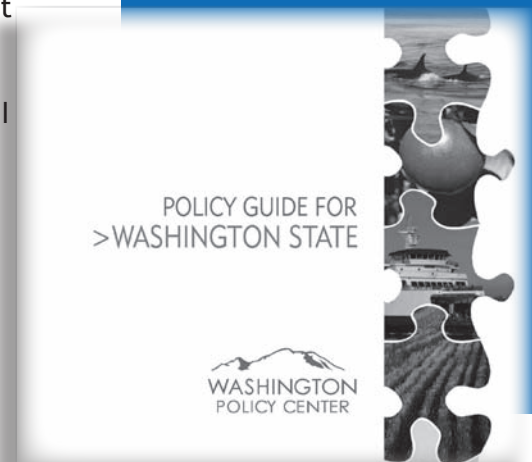
Released in August 2006, "Policy Guide for Washington State" is an updated edition of the well-received "Agenda 2005: The Guide to Public Policy Issues in Washington State." It was first made available to candidates and legislators in the summer at our Candidate Briefing.

Offering over 300 pages of current in-depth analysis of 58 public policy issues for Washington citizens, it also includes 152 policy recommendations covering:

- Spending Policy
- Taxing Policy
- Protecting the Environment
- Health care Reform
- Education Reform
- Business Climate
- Criminal Justice & Prison Services
- Labor Policy
- High-Tech Policy
- Transportation
- Energy Policy
- Five Principles for Responsible Governing

RECOMMENDATION HIGHLIGHTS

- Tax Policy: Lower the overall tax burden to promote prosperity and opportunity in the economy for the benefit of all citizens.
- Environmental Policy: Avoid using the so-called "precautionary principle" when addressing environmental and other values in setting policy.
- Health Care Reform: Authorize low cost, mandate free health insurance.
- Business Climate: Amend or repeal laws and regulations that impede business innovation and entrepreneurship.
- Transportation Policy: Use market-based labor pricing for transportation projects, rather than the artificially-inflated prevailing wage system.



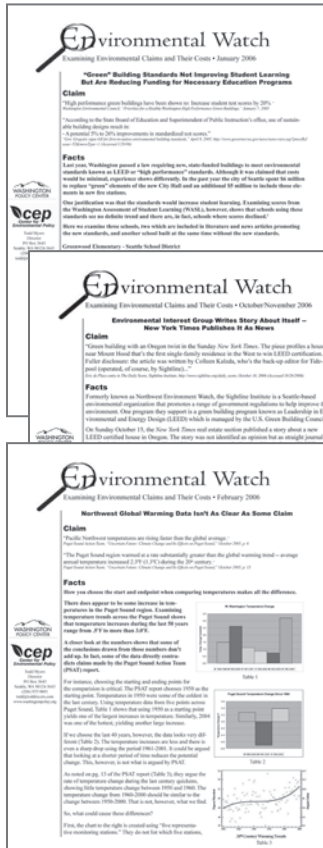
4TH ANNUAL CEP LUNCHEON

The 4th Annual Center for Environmental Policy Luncheon welcomed Greenpeace co-founder Dr. Patrick Moore. The lunch attracted a diverse crowd of over 200 people, including business leaders, environmental activists, policymakers, and interested citizens. Dr. Moore (right) chronicled his own disenchanting odyssey with Greenpeace as he decried the fanatical idealism and lack of scientific rationale, which he believes polluted the dialogue on many environmental issues. Dr. Moore also discussed free-market ideas that benefit the environment and outlined a plan for responsible economic policy.



The luncheon also featured the presentation of CEP's annual Environmental Innovator Award recognizing people or organizations that have worked to bring about market-based solutions to environmental issues. The State Board of Natural Resources, the American Forest Resource Council, the Washington State Environmental Council, and the Audubon Society were the recipients of this award for their participation in an agreement to support sustainable forestry on state lands.

ENVIRONMENTAL WATCH



Environmental Watch is CEP's monthly publication which examines claims made by environmental activists to justify new government restrictions and regulations. It is important that we make sure such regulations are based on facts and science, not political rhetoric.

Environmental Watch has been featured in distinguished newspapers such as *The Wall Street Journal*, *The National Center for Policy Analysis* daily newsletter, *The Heritage Insider*, and local newspapers such as *The Seattle Times*, *Vancouver Columbian*, and *The Tacoma News Tribune*.

Launched in 2003, The Center for Environmental Policy (CEP) focuses on free-market solutions for environmental issues. It brings balance to the environmental debate and promotes the concept that human progress and prosperity work in a free economy to protect the environment. It is a resource for Northwest residents concerned about the environment and is a clearinghouse for academic research from other think tanks and institutions. CEP offers a unique and innovative perspective on environmental policy.



DIRECTOR
TODD MYERS

Todd Myers is the Director for The Center for Environmental Policy. He formerly served as Director of Communications for the Washington State Department of Natural Resources, and was Director of Public Relations for the Seattle SuperSonics and Director of Public Affairs for the Seattle Mariners. He has a Masters Degree from the University of Washington and has been with the Policy Center since 2004.

The Center for Environmental Policy released two publications related to ballot initiatives.

- › A GUIDE TO INITIATIVE 933: PROPERTY FAIRNESS INITIATIVE - Building upon Oregon’s Measure 37, Initiative 933 sought to protect property rights in Washington. This Policy Brief described each section of the initiative and examined some of the most common critiques. The study found that the impact of I-933, if passed, would have been less than anticipated due to the number of exemptions and language that exempts restrictions that are applied evenly within a jurisdiction. Claims are further limited to impacts occurring in the last ten years.
- › A GUIDE TO INITIATIVE 937: WASHINGTON GREEN ENERGY QUOTAS - “Guide to Initiative 937: Washington Green Energy Quotas” examined the key elements of Initiative 937 and assessed the impact it would have if passed by voters. Some of the findings showed that I-937 would likely lead to a variety of results and unintended consequences. Some of these consequences: costs for energy are likely to increase, and the burden of higher cost wind and solar power, would actually shift from the wealthy onto those less able to afford higher costs. Also I-937 does not allow most existing hydropower to be counted as “green” disqualifying 70% of Washington’s energy source from helping to meet the Initiative quota requirement.

ISSUES TO WATCH

- › IMPACT OF GREEN BUILDING STANDARDS FOR WASHINGTON SCHOOLS
- › THE ECONOMICS OF REDUCING CARBON EMISSIONS
- › GREEN ENERGY
- › FOREST STEWARDSHIP
- › AN ENVIRONMENTAL CONSUMER GUIDE

CENTER FOR HEALTH CARE REFORM

4TH ANNUAL HEALTH CARE CONFERENCE



Our 2006 Health Care Conference, "Moving Health Care Forward: Tools and Techniques for a Healthier Washington," sold out with over 250 people attending, including business owners, legislators, agency and legislative staff, patients, doctors, and industry representatives. The Conference kicked off the introduction of our Center for Health Care Reform, and introduced the updated edition of the popular "The Pocket Guide to Health Savings Accounts."

Nina Owcharenko (left), Policy Analyst for Health Care at The Heritage Foundation keynoted the breakfast and gave an outstanding speech outlining the new Massachusetts Plan, as well as covering

other state and federal reform proposals. The conference also featured health care experts discussing consumer driven health care, prescription drugs, evidence based medicine, the latest innovations in medicine and health information technology. The Conference concluded with a panel of legislative leaders and the Governor's health care advisor (below). *The Seattle Times* editorial page editor Jim Vesely moderated the panel.

Launched in 2006, The Center for Health Care Reform develops solutions to reduce costs and improve the availability and quality of health care for businesses and individuals, providing the only detailed, independent critique of health care issues available in the Northwest. We believe that it is critical for legislators, media, and citizens to be informed of health care issues impacting consumers. The Center hosts an Annual Conference in June as well as publishing studies and commentaries, and is a continuing resource for Washington citizens.



Some fundamental issues brought up by panelists and attendees included Medicaid, deregulating the health insurance market, examining parts of Massachusetts' Health Plan, promoting patient focused care, and consumer access to health care cost and quality information. Attendees were able to ask questions and speak with legislators about the need for health care reform in Washington State.

THE UPDATED POCKET GUIDE FOR HEALTH SAVINGS ACCOUNTS

“The Pocket Guide for Health Savings Accounts,” was first released in 2005. This second edition contains updated information, including a description on how health savings accounts work and who uses such accounts. In the first two years that HSAs were available, they were purchased by at least 3.2 million Americans. As people become more familiar with HSAs, more people are purchasing them. In the last nine months of 2005, the number of Americans with HSAs tripled. HSAs are being purchased by all categories of consumers, including those over age 40, families, and individuals who were previously uninsured.



HEALTH CARE NEWSLETTER

Beginning in September, WPC’s Center for Health Care Reform began publishing a newsletter issued to legislative, business and health care leaders around Washington State. The newsletter contains the latest information on The Center for Health Care Reform’s current publications, upcoming Washington Policy Center events, and activities that the Center is involved in. The quarterly publication will highlight the current health care issues facing Washington State, and offer up-to-date resources.

WASHINGTON’S BLUE RIBBON COMMISSION

In June 2006, Washington State Governor Christine Gregoire announced the new Blue Ribbon Health Care Commission, charged with finding ways to provide accessible, affordable and quality health care for Washingtonians. During the course of the Commission’s work to develop a five-year plan to improve access to affordable health care, WPC’s Center for Health Care Reform was invited by the Governor to participate in an advisory role. The Center submitted a proposal to the Commission suggesting that Washington needs to do three basic things to improve health care: 1) increase access to health care insurance; 2) determine a baseline of what insurance should cover and what an individual should be responsible for; and 3) restructure the health care delivery system to deliver value to the patient in terms of health outcomes per dollar spent. Two of the three recommendations were included in the Commission’s final report released in December.

ISSUES TO WATCH

- MEDICAL PRACTICE DESIGN
- UPDATE ON CONSUMER DRIVEN HEALTH CARE AND BARRIERS TO HSAs
- MEDICARE PART D
- HEALTH CARE FINANCING, MEDICAID
- CONSUMER RESOURCE

CENTER FOR SMALL BUSINESS & ENTREPRENEURSHIP

SMALL BUSINESS CENTER KICK-OFF LUNCHEON



WPC's Center for Small Business & Entrepreneurship celebrated its official launch at a June luncheon in Seattle. The lunch featured C.J. Buck (left), President and CEO of Buck Knives, a 100 year-old family-owned business. Mr. Buck's company moved to Post Falls, Idaho in 2004 after an exhaustive relocation effort. Previously located in Southern California, Mr. Buck looked at relocating to Oregon, Idaho and Washington. He chose Idaho because of its business-friendly regulatory and legislative environment.

Although initially considered, Washington was ruled out early due to an unfriendly business climate closely resembling that of California. "Idaho provided a better legislative climate," and a place comfortable enough to operate the business ten years down the road, said Mr. Buck at the lunch.

Since 2001, the Center for Small Business & Entrepreneurship (formerly the Small Business Project) has focused on improving Washington's small business climate by providing public policy recommendations from small businesses to policymakers. The Center provides accurate information and analysis on the state's regulatory climate, tax structure, health insurance systems, transportation infrastructure, and more. The Center holds conferences, issue forums, legislative briefings, and testifies before the state legislature by invitation. In order to provide the public with timely research the Center publishes studies, Policy Notes, opinion editorials, and Legislative Memos.

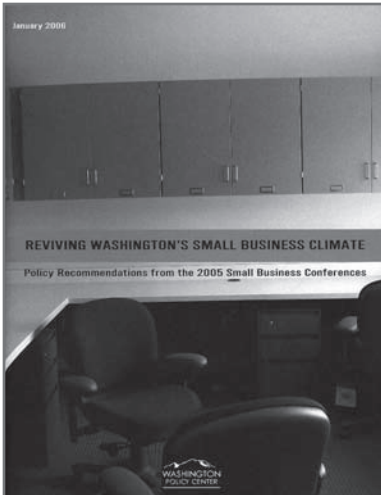
2006 SMALL BUSINESS REGIONAL FORUMS

The Center for Small Business & Entrepreneurship, in cooperation with several chambers of commerce around Washington, held small business issue forums in seven cities across the state. At each forum, the room was filled with small business owners eager to learn about the issues, ask questions and offer recommendations to improve Washington's small business climate. There was a sense of motivation and optimism among the over 500 small business owners who attended. Issues addressed at the forums included health insurance policy, tax policy, a summary of Washington's ballot initiatives and a 2007 Legislative Session Preview.



REVIVING WASHINGTON'S SMALL BUSINESS CLIMATE

JANUARY 2006



Released at the State Capitol, "Reviving Washington's Small Business Climate: Policy Recommendations from the 2005 Small Business Conferences" was a follow-up study to Washington Policy Center's 2005 Fall Small Business Conferences. At the Conferences, small business owners were asked to identify their policy recommendations in critical areas such as health insurance, transportation, workers' compensation, unemployment insurance, taxes, regulations, tort reform, and water and energy. This study is a compilation of those recommendations and an analysis of the top three by issue. In 2004, a similar report resulted in five bills directly reflecting Conference recommendations being signed into law.

The press conference releasing the study featured House Minority Leader Rep. Richard DeBolt, Rep. Maralyn Chase, and Republican Deputy Leader Sen. Linda Evans Parlette (below). House Majority Leader Rep. Lynn Kessler commented about the study saying, "As

a small business owner and manager I wholeheartedly support your efforts on behalf of the small businesses in our state... There are several items on your report that I would be happy to support."



DIRECTOR CARL GIPSON



ISSUES TO WATCH

- › TECHNOLOGICAL DEVELOPMENT
- › AFFORDABLE HEALTH CARE
- › REGULATION REFORM
- › WORKERS COMP/
UNEMPLOYMENT INSURANCE
- › TAX STRUCTURE
- › LIVING WAGE/MINIMUM WAGE

Carl Gipson is the Director for The Center for Small Business & Entrepreneurship. He was formerly Director of Communications and Operations for WPC and regularly writes opinion pieces, Legislative Memos, Policy Notes and is the author of "Reviving Washington's Small Business Climate." Carl holds a degree in Political Science from Western Washington University.

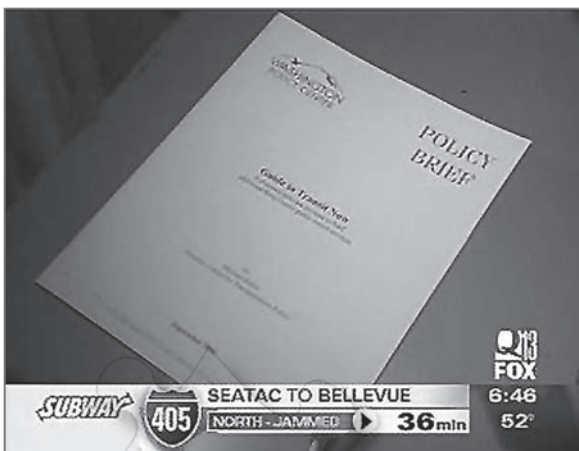


CENTER FOR TRANSPORTATION POLICY IN THE MEDIA



WPC's new Center for Transportation Policy released its first study "Guide to Transit Now" focusing on a ballot proposal presented to King County voters in November. The study shows how the proposal would increase the county sales tax by 0.1% to pay for more Metro buses, and would increase the size of the state's largest transit agency by about 20%.

The purpose of the study was to provide the public with an independent analysis of how "Transit Now" would affect traffic congestion, transit services and the tax burden county government places on citizens. The analysis includes a brief overview of the Transit Now package and goes on to analyze the effect of its funding source, the tax tolerance of voters, and Metro's history with passenger demand and service delivery.



Among other findings, the study points out that between 1996 and 2004 Metro added 353 buses, yet average vehicle delay and commuter times increased.

The study received state-wide media attention including a featured story on FOX Q13 News (left). The study's author and Center Director Michael Ennis was featured in several newspaper articles and on television shows covering the "Transit Now" topic, introducing many of the study's findings.

Launched in August, The Center for Transportation Policy researches and analyzes the best practices for relieving traffic congestion by recapturing a vision of a system based on freedom of movement. Key aspects of this vision include reducing structural barriers that drive up costs, linking congestion relief with spending, improving accountability and transparency with the Department of Transportation and other local, state and federal transportation agencies. The Center will host its first Center for Transportation luncheon in 2007.

CENTER ACTIVITIES

DIRECTOR MICHAEL ENNIS



Michael Ennis is the Director of the Center for Transportation Policy. Before joining Washington Policy Center, he worked for the Washington State Senate and House of Representatives and was formerly a staff assistant for U.S. Senator Slade Gorton. Michael served in the U.S. Army with the 2nd Ranger Battalion and has been active in local government affairs. He earned his bachelor's degree from the University of Washington and earned his Master's of Public Administration degree from the Daniel J. Evans School of Public Affairs also at the University of Washington.

Although a new addition to Washington Policy Center's research centers, The Center for Transportation Policy has jumped head first into a fast paced policy agenda. Throughout the last part of 2006, Director Michael Ennis remained very active, meeting with transportation policy leaders, attending transportation events and speaking to local transportation groups.

In September, Ennis attended the American Dream conference in Atlanta, GA. There he met with national transportation leaders and learned how Atlanta is working to solve its congestion problems. The conference focused on current transportation trends in America.

Ennis spoke several times in front of local governments and organizations where he presented CTP's "Guide to Transit Now" study. Ennis also put together an advisory board of transportation leaders and drafted an ambitious research plan for 2007.

ISSUES TO WATCH

- THE IMPACT ON WASHINGTON STATE FROM THE POTENTIAL CHANGES TO THE FEDERAL HIGHWAYS TRUST FUND
- PUBLIC/PRIVATE PARTNERSHIPS AS A FINANCIAL TOOL
- PROBLEMS WITH TRANSPORTATION GOVERNANCE
- POLICY COST DRIVERS ON TRANSPORTATION PROJECTS
- TRANSPORTATION GOVERNANCE AND THE REGIONAL TRANSPORTATION COMMISSION'S RECOMMENDATIONS ON CONSOLIDATION
- NATURAL AND UN-NATURAL COST DRIVERS ON PROJECTS AND ITS IMPACT ON MAINTAINING & BUILDING NEW TRANSPORTATION INFRASTRUCTURE

ROLL CALL

Eighteen newspapers, up from fourteen in 2005, subscribed to WashingtonVotes.org Legislative Roll Call service in 2006. Once

a week, subscribers receive a report on the week's top five bills, and a regionally-tailored report on how each newspaper's area legislators voted on those bills. This service includes some of the state's largest newspapers including *The Seattle Post-Intelligencer*, *The News Tribune* (Tacoma), *The Spokesman-Review*, and *The Herald* (Everett).

"I use WashingtonVotes.org more than the state government website to track bills during the Session. It's the easiest way to follow legislation." - State Auditor Brian Sonntag (D)



STATISTICS

Since 2001, this independent, free website has provided concise, plain-English, objective descriptions of every bill, amendment and vote in the Washington legislature. WashingtonVotes.org allows users to search its free database reporting every action of the legislature within 24 hours. Users can easily find out who their legislator is and follow the progress of all bills in Washington, with over 100 different bill categories. Archives since the 2001 Legislative Session are also available on the website. As of 2006, the website also began reporting election results. As a one-stop shop for Washington citizens, WashingtonVotes.org has increased in traffic by over 170% from previous years.

| | 2005 | 2006 |
|--------------------------------|-----------|-----------|
| Total Website Visits: | 472,984 | 1,218,159 |
| Total Page Hits: | 3,232,193 | 5,049,375 |
| Average Daily Hits: | 8,887 | 13,909 |
| Bills & Amendments Summarized: | 4,669 | 3,610 |



2006 LEGISLATIVE SESSION

- Paul Guppy testified on HB 3310, reviewing existing health care coverage statutory requirements, before the Senate Health and Long Term Care Committee.
- Paul Guppy testified on three bills before the House Health Care Committee; HB 2904, sunsetting certain health insurance provisions, HB 2556, directing DSHS to request a waiver to create a consumer-directed Medicaid coverage plan, and HB 2555, concerning the offering of health insurance.
- Carl Gipson testified on minimum paid sick leave from employment for all businesses, SB 6592/ HB 2777, before the Senate Labor, Commerce, Research and Development Committee and House Commerce and Labor Committee.
- Dann Mead Smith testified, at the request of Gov. Gregoire, on changing the role of the Performance Audits Citizens Advisory Board, HB 3109, before the House State Government Operations and Accountability Committee.
- Paul Guppy testified on determining community rates for health benefit plans, HB 2972, before the House Health Care Committee.
- Carl Gipson submitted written testimony to the House Economic Development, Agriculture and Trade Committee on water rights discussed at our Small Business Conferences.
- Bill Maurer, WPC Advisory Board member, testified before the House Judiciary Committee, on two bills that limit the government's power of eminent domain, HB 2854 and HJR 4217.
- Paul Guppy testified on the "Fair Share Health Care Act" before the Commerce and Labor Committee.

LEGISLATIVE TESTIMONIES



LEGISLATIVE BRIEFING



At the start of every new legislative session, Washington Policy Center staff make their way to Olympia either to participate in event, or testify by invitation on legislative issues. WPC believes that credibility comes from forming relationships with your audience.



Washington Policy Center hosts an Annual Legislative Briefing (above) for legislators, legislative staff, WPC supporters, media, and other policy leaders. Held down on the Capitol campus, the legislative briefing features WPC President Dann Mead Smith, Vice President of Research Paul Guppy, and the WPC policy analysts.

Each Legislative Session, WPC serves as an independent resource for policymakers and media by contributing timely research on free-market solutions to the issues they face. During the 2006 short 60 day session WPC held three events at the State Capitol in Olympia, testified by invitation twelve times, and released over sixteen legislative related publications. Along with events and testimonies, Washington Policy Center staff met with legislators throughout the session, and with reporters who want to gain more insight on the top issues in Olympia.

2006 ANNUAL DINNER

LARGEST ANNUAL DINNER YET!

Washington Policy welcomed 950 attendees at our Annual Dinner in September. Two exceptional speakers captivated the crowd leaving everyone on the edge of their seats!



Governor Mike Huckabee (left) was an inspiration. Introduced by Washington Lieutenant Governor Brad Owen, Huckabee motivated the audience with his personal struggle with health and his desire for a cultural change in healthy living. While not wanting to be a “sugar sheriff” or “greasy police,” Huckabee sees a need for encouraging people toward healthier lifestyles through incentives rather than coercion. Huckabee’s latest book “Quit Digging Your Grave with a Knife and Fork,” was available at the Dinner with the opportunity to have it signed.

“I’m envious of a state having an effective and bold organization that helps put great ideas forward...it is something that every public official would welcome that would want good ideas to be brought into the marketplace.” Arkansas Governor Mike Huckabee at 2006 Annual Dinner



The Annual Dinner, held in the fall, is WPC’s largest event of the year. 2006’s Dinner attracted over 950 of Washington’s top policymakers, business & community leaders, and media making it the largest and most successful dinner ever! Charles “Chuck” Pigott, retired CEO of PACCAR was this year’s Stanley O. McNaughton Champion of Freedom Award recipient, which is given to a local leader who has established a permanent mark on public policymaking. Pulitzer Prize winner George Will was this year’s Columbia Award recipient, recognizing a figure who promotes the virtues of leadership and freedom. Arkansas Governor Mike Huckabee was a featured speaker along with George Will.

COLUMBIA AWARD RECIPIENT GEORGE WILL



Introduced by Washington State Attorney General Rob McKenna, **George Will** (left) delivered his speech with amazing clarity and eloquence. His humorous baseball metaphors and stories, and his commonsense style of speech highlighted his outlook on today's political environment. He spoke about the need for true unbiased, substantive political discussion. He noted that we live in a country that votes for Republicans and lower taxes, but likes the costly entitlements that come with a bigger government, so we end up with both - a situation that's clearly not sustainable.

"Absent the leveling of ideas, politics is nothing but an unlovely maelstrom of scrambling interests. Given ideas, it is an elevating and elevated discipline. And institutions like the Washington Policy Center and its research centers make politics not only more intelligent, but more noble." George Will at 2006 Annual Dinner



STANLEY O. MCNAUGHTON AWARD RECIPIENT CHARLES PIGOTT

Charles Pigott, introduced by Scott Oki, CEO of Oki Golf, was this year's McNaughton award recipient. As leader of PACCAR for three decades, Mr. Pigott (left) improved employment and civic life throughout the Puget Sound area, furthering PACCAR's strong corporate ethic that began with his grandfather in 1905 and has now passed on to his son. Mr. Pigott is involved with numerous local organizations and has received national recognition from the Boy Scouts of America and National Catholic Charities.

"The Center's research in education, transportation, taxes, health care, to mention just a few areas, has been outstanding. And the Center certainly has merited my financial contribution and I hope the financial contribution of all of you in this audience." Charles Pigott at 2006 Annual Dinner

FREE-MARKETS FOR WASHINGTON CAMPAIGN

In recognition of growing demand for the type of policy work that Washington Policy Center produces, we have launched a multi-year campaign aimed at increasing our ability to meet those particular needs. The campaign, "Free Markets for Washington," is geared towards the opening of individualized research centers dedicated to core policy issues. With an increase in research capability, expanding outside activities, and hosting events the goal is to bring about real change in the public policy climate in Washington State.

CAMPAIGN GOAL

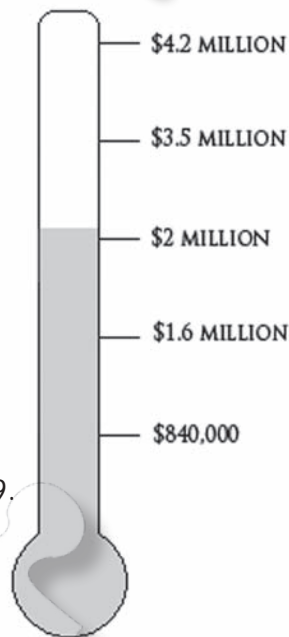
We have set an ambitious goal with Free-Markets for Washington. But we are proud to announce that we have already reached our half-way point! 100% of our board members have committed to this campaign helping us surpass the \$2 million mark towards the \$4.2 million goal.

Five of the eight campaign research centers are currently up and running, staffed by a director, impacting state policy and receiving statewide media attention. These include:

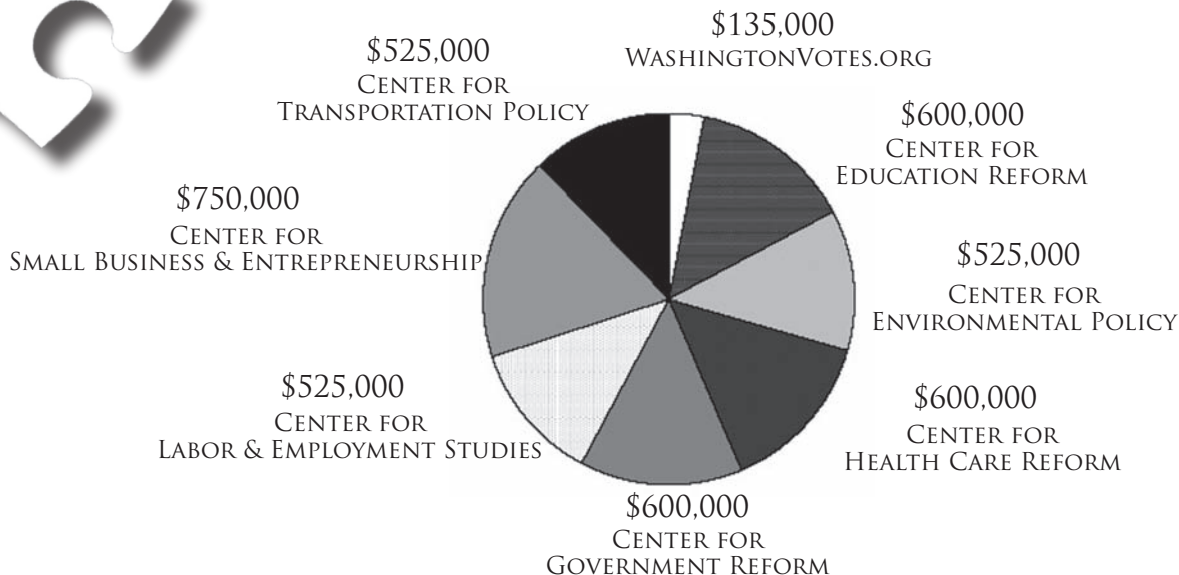
- Center for Environmental Policy,
- Center for Health Care Reform,
- Center for Transportation Policy,
- Center for Small Business & Entrepreneurship, and
- WashingtonVotes.org.

The additional three centers are still in the planning stages and will be up and running by 2009. These include:

- Center for Education Policy,
- Center for Government Reform, and
- Center for Labor & Employment Studies

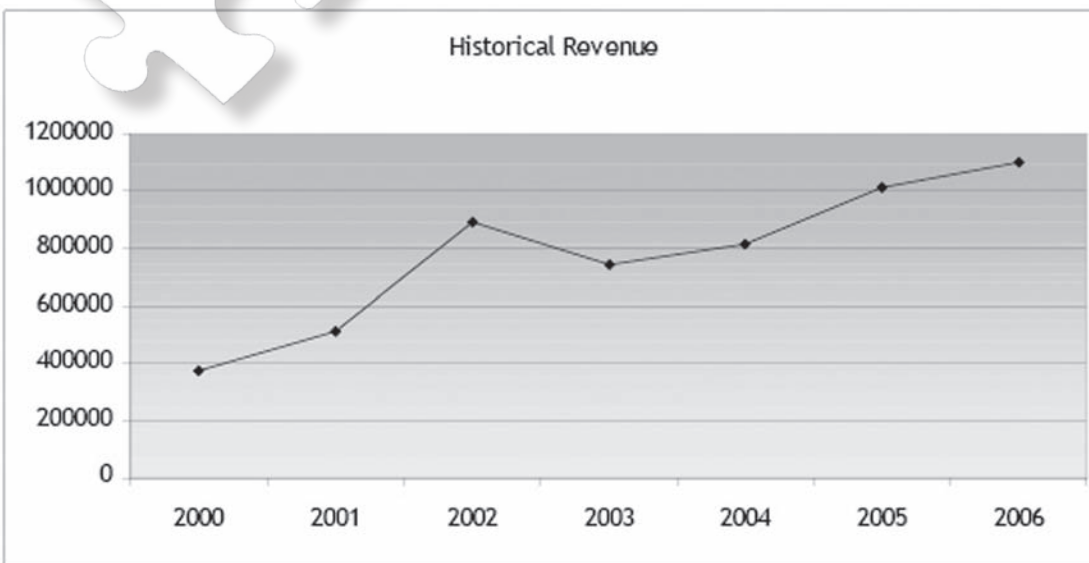


RESEARCH CENTERS THREE-YEAR BUDGETS



Thanks to our many supporters, Washington Policy Center successfully exceeded our budget goal for 2006. This represents the second year in a row that our operating budget has exceed \$1 million, allowing us to continue increasing our impact across the state as we work on behalf of Washington's businesses and citizens.

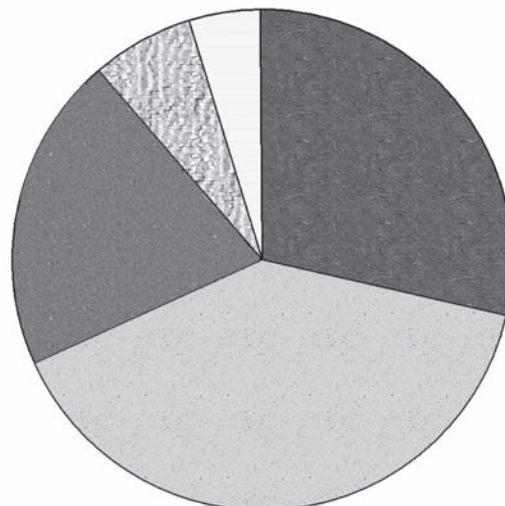
Washington Policy Center has grown quickly in recent years. This budget goal was part of our five year strategic plan to double all aspects of our organization, from revenue to staff, to impact. We added two important staff positions in 2006 and plan to add more in 2007. Our financial success, through your support, is key to this growth and our continuing goals to expand our research department and have a positive impact across the state.



WPC's an independent, tax-exempt 501(c)(3) organization, that is funded solely through tax-deductible gifts from private companies, foundations and individuals.

2006 REVENUE
\$1,100,633

- GENERAL SUPPORT - 29%
- ANNUAL DINNER - 39%
- RESEARCH CENTERS - 20%
- IN-KIND SUPPORT - 7%
- INTEREST - 5%



WPC EARNED MEDIA COVERAGE



MEDIA HIGHLIGHTS

2006 EARNED MEDIA

| | |
|------------|-----|
| PRINT NEWS | 372 |
| REPORTS | |

| | |
|----------------|----|
| TV APPEARANCES | 25 |
|----------------|----|

| | |
|------------------|----|
| RADIO INTERVIEWS | 43 |
|------------------|----|



1. Eastern Washington media, including Tri-Cities' KNDU (NBC affiliate) covered the release of WPC's Center for Small Business & Entrepreneurship's study "Reviving Washington's Small Business Climate: Policy Recommendations from the 2005 Small Business Conferences."
2. CEP Director Todd Myers was interviewed by reporter Essex Porter on KIRO 7 (CBS affiliate) nightly news about Washington's property rights Initiative 933.
3. President Dann Mead Smith was interviewed by CBS affiliate KEPR about WPC's statewide Small Business Forums.
4. Paul Guppy was interviewed by KING 5's (NBC affiliate) Robert Mak for "Upfront with Robert Mak," on health care issues including what is wrong with Washington State's health care system and WPC's recommendations for improvement the system.
5. Director of WPC's Center for Small Business & Entrepreneurship, Carl Gipson, appeared on Tri-Cities' NBC affiliate KNDU to discuss the Eastern Washington Small Business Forums.

Not only is Washington Policy Center a resource for policymakers and citizens, but it also strives to be a quality resource for the media. Throughout the year media outlets reach out to WPC, whether it be print for an exclusive opinion editorial, radio for a legislative update, or television for a featured story. Media also publish WPC's publications released throughout the year. In total WPC was mentioned or featured in over 442 newspapers, and radio & TV stations from around Washington as well as national publications, making 2006 a record year for media coverage.

OFFICERS & STAFF

CHAIRMAN SARAH RINDLAUB (2005-2006)

Sarah has been a valuable member of the Washington Policy Center board since 2001. Sarah has lived in the Seattle area since 1993. She has been a member of the PTA board in Mercer Island, and is a long time board member of the Pacific Northwest Ballet, as well as Seniors Making Art. In addition, Sarah is a board member of the United Service Organization (USO) which has delivered its special brand of comfort, morale and recreational events to military service members and their families since 1941. Prior to Seattle, Sarah lived in Hong Kong for three years, New York for four years, and Tokyo for eight years. After graduating from Agnes Scott College in Atlanta, Sarah worked for The Hoover Institution. Sarah spent the next 11 years in the airline industry with four different airlines, most recently with United Airlines in the flight safety department.

CHAIRMAN-ELECT GREG PORTER (2007-2008)

Greg Porter has been a Washington Policy Center board member since 2003, serving on the Executive Committee since 2005 and as chair of the its last three Annual Dinners, which set records for attendance and revenue. In 1985 he co-founded Berntson Porter & Company, PLLC, in Bellevue, one of the largest CPA firms in the Puget Sound region. Greg received his MBA from Washington State University (WSU) and his Masters of Science in Taxation from Golden Gate University. He is a Certified Public Accountant, Certified Valuation Analyst, Certified Forensic Financial Analyst and Investment Advisor Representative. Greg is a board member of the WSU College of Business National Board of Advisors, HomeStone Bank, The National Football Foundation & College Hall of Fame, KidsQuest Children's Museum and was the former Chairman of Supreme Corq, prior to its sale in 2004.

PRESIDENT DANN MEAD SMITH

Dann is a graduate of Western Washington University and has been with the organization since 1991. Since becoming President in 2001 he has testified by invitation before a dozen legislative committees in Olympia and appeared on numerous radio and TV stations around the state promoting the Center's work. He has addressed participants in several national conferences and speaks to local groups throughout the year. Dann is a member of Seattle Rotary #4, Washington's private sector co-chairman for American Legislation Exchange Council, has served on the Advisory Group of the Washington State Tax Structure Study Committee and currently serves on the Governor-appointed Citizen Performance Audit Oversight Board.

VICE PRESIDENT OF RESEARCH PAUL GUPPY

Paul Guppy is a graduate of Seattle University and holds Masters Degrees in political science from Claremont University and the London School of Economics. He came to the Center in 1998 after 12 years on Capitol Hill, including services as Chief of Staff and Legislative Director focusing on federal budget and appropriations issues. He is the author of numerous published studies and articles, and editor of the "Policy Guide for Washington State." He specializes in state and local tax policy, health care reform, Social Security and retirement issues, and free-market economics. He is also a member of the King County Citizens Election Oversight Committee.

CARL GIPSON

Director, Center for Small Business & Entrepreneurship

MICHAEL ENNIS

Director, Center for Transportation Policy & WashingtonVotes.org

TODD MYERS

Director, Center for Environmental Policy

KATIE BERING

Development Director

BRADEN GOODWIN

Operations Manager

LYNDSEY HARTJE

Communications Coordinator

ANNA CARROLL

Development & Event Coordinator

DANICA IGLOPAS

Development Assistant

2006 INTERNS

- Colin Gowan, *Seattle Pacific University*
- Brooks Tabor Smith, *San Diego State University*
- Jacqueline Nassimi, *University of Washington*
- Matt Juel, *Seattle Pacific University*
- Jenaline Pyle, *University of Washington*

2006 PROJECT ASSISTANTS

- Teresa Blanco, *Seattle University*
- Christine Hoffman, *University of Washington*

EASTERN WASHINGTON ADVISORY BOARD

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- Dr. John Condon, *Spokane*
- Diane Cornwell, *Peoples Bank, Wenatchee*
- Craig Dias, *Haskins Steel Co, Inc., Spokane*
- Randy Gold, *Gold Construction, Wenatchee*
- Paul Gray, *Gray's Electric, Inc., Wenatchee*
- Hon. Jeannette Hayner, *Walla Walla*
- Rich Hadley, *Spokane Regional Chamber of Commerce, Spokane*
- Kris Johnson, *Tri-City Area Chamber of Commerce, Kennewick*
- Kees C. Koster, *Preferred Reality Inc., Pasco*
- William Lampson, *Lampson International, Kennewick*
- Jeff Losey, *Executive Director, Home Builders Association of Tri-Cities*
- Dr. Blake McKinley, Sr., *Spokane*
- Mike & Barbara Poulsen, *WA Agriculture Legal Foundation, Connel*
- Melanie Schmitt, *Tri-City Area Journal of Business*
- Bruce Smith, *Yakima Valley Business Times, Yakima*
- Mark Sonderen, *Sonderen Packaging, Spokane*
- Dr. John Sonneland, *Spokane*
- David Stambaugh, *Cle Elum*
- Heidi Stanley, *Sterling Savings Bank, Spokane*
- Peter Stanton, *Washington Trust Bank, Spokane*
- Dean Strawn, *Dependable Janitor Service, Kennewick*
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- William Maurer, J.D., *Institute for Justice*
- Prof. John Sands, Ph.D., *Western Washington University*
- Dr. Roger Stark, M.D., *Overlake Hospital*
- Prof. Andrew Tadie, Ph.D., *Seattle University*

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- John "Scotty" McEachern, *Seattle*
- Ed McMillan, *Silverdale*



Make a difference, invest in ideas.

Washington Policy Center believes that good ideas, supported by sound research and promoted through publications, public forums, and the media, over time, create the environment in which sound public policy decisions are made.

WPC's plan for 2007 is to continue providing high quality research and forums on:

- **Free-market environmental policy**
- **Competitive bidding/contracting out government services**
- **Transportation congestion relief**
- **Tax reform**
- **Health care reform**
- **Improving the small business climate**
- **The legislature through our comprehensive legislative website, WashingtonVotes.org**
- **Education funding**

Policymakers are increasingly looking to the work of WPC for the development of public policy, most notably WPC's nationally recognized Small Business Project and our comprehensive guide to our state's top issues, *Policy Guide for Washington State*. National and local leaders alike praise the Policy Center's innovative ideas:

"Absent the leveling of ideas, politics is nothing but an unlovely maelstrom of scrambling interests. Given ideas, it is an elevating and elevated discipline. And institutions like the Washington Policy Center and its research centers make politics not only more intelligent, but more noble."

Columbia Award Winner George Will at WPC's 2006 Annual Dinner

"Washington Policy Center is an important player in state policymaking. It has earned respect and gained influence with decision makers who want to create a more efficient government."

Congresswoman Cathy McMorris Rodgers, 5th District of Washington

As a supporter you will receive high-quality Policy Briefs, Policy Notes, and invitations to events, conferences and forums, featuring both national and local public policy experts.

For more information, please contact us at 888-WPC-9272, or visit us at www.washingtonpolicy.org

Yes! I want to make a tax-deductible contribution to support Washington Policy Center.

Levels of Support

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- \$500 Patron
- \$100 Research Circle
- \$50 Associate

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Charge my: Visa MasterCard AmEx # _____

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