CHAPTER SEVEN
CREATING JOBS AND PROTECTING WORKER RIGHTS

1. Policy Recommendation: Replace the Business and Occupation tax with a Single Business Tax

Washington's Department of Revenue defines the Business and Occupation (B&O) tax as a tax on "gross receipts of all business operating in Washington, for the privilege of engaging in business." The term gross receipts refers to total yearly business income - the total value of sales, or the total value of products, whichever is applicable. The B&O tax is the second largest source of revenue for the state, after the sales tax.

As a levy on gross receipts, the B&O tax does not allow business owners to deduct the cost of doing business, such as the payments they make for materials, rent, equipment or wages, when they calculate how much they must pay.

A system riddled with loopholes

The B&O tax creates severe distortions and puts Washington employers, especially small and start-up businesses, in an anti-competitive position. To try to fix these unfair conditions, the legislature has passed numerous special deductions, credits and exemptions as a benefit to some industries. At the same time, lawmakers have raised B&O tax rates as a way to increase their revenue while giving some industries favored treatment. The result is a complex system of high tax rates riddled with hundreds of loopholes and special exemptions.

There is a better way - a simple, fair Single Business Tax. While based on total receipts like the B&O tax, a Single Business Tax would eliminate the current system's unfair and confusing tangle of tax rates and tax breaks and replace it with a simplified system that treats all business owners equally and uses one fair, flat rate.

How it would work

Each year business owners would choose one of three ways to calculate how much tax they owe, and they would be allowed to use the method that results in the lowest tax burden. Business owners could calculate their tax based on either the businesses':

1. Total gross receipts minus labor costs, or;
2. Total gross receipts minus all production costs except labor, or;
3. 60 percent of total gross receipts.

To find the dollar amount of tax owed the business owner would then multiply the taxable receipts by the Single Business Tax rate.

Cities could levy their own business taxes, but the same uniformity standard would apply – any local business tax would have to be based on a single rate applied equally to all business owners, with no loopholes, special exemptions or political favoritism.

The business owner would send the final amount owed for each taxing jurisdiction to the state in one payment. State officials would then place the revenue from the state business tax in the treasury, and distribute the local business tax revenue to different local governments.

A simpler, fairer tax

This proposal would eliminate today's confusing list of over 40 tax rates that state officials now impose on business activities every year. It would repeal the layers of special-interest tax credits and exemptions that have built up over the decades, and would provide relief to small businesses with low profitability. The Single Business Tax could be phased in over several years to allow time for citizens and policymakers to adjust to the new system.

Enacting a Single Business Tax would bring simplicity, equity and fairness to Washington's tax code. It would end thousands of hours of compliance time for citizens and encourage job creation and economic growth, while providing the governor and lawmakers with reliable yearly revenue to fund core services of government.

2. Policy Recommendation: Protect worker rights by enacting a right-to-work law

The principle of right-to-work is simple. It is the legal right of a person to hold a job without having to pay mandatory dues or fees to a union. It does not outlaw unions; it ensures that union membership is voluntary, in order to protect every worker's basic right to employment and freedom of association.

Worker rights gaining prominence

Right-to-work laws are gaining prominence across the country as state leaders strive to improve job creation, promote economic development and attract new businesses. Four states - Indiana, Michigan, Wisconsin and West Virginia - recently passed right-to-work laws, also called workplace freedom or workplace choice. Twenty-six states now protect basic worker rights, with more states introducing legislation and debating the issue every year.[1] Washington state does not have a right-to-work law.

A right-to-work law does not bar employees from joining a labor union or paying voluntary dues. Labor unions operate in right-to-work states. Right-to-work laws do not force unions to represent non-paying "free riders" who take advantage of union representation but do not pay their share of bargaining costs. Rather, right-to-work laws require unions to give workers a choice about financially supporting those efforts.

Studies show that states with right-to-work laws attract more new business than states without such laws. Right-to-work states have outperformed non-right-to-work states in employment growth, population growth, in-migration and personal income

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1 Right-to-work states are Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Louisiana, Michigan (private/public), Mississippi, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, Wyoming.

growth. Adjusted for cost-of-living, workers in right-to-work states enjoy higher real disposable income than workers in non-right-to-work states.[2]

A 2015 economic study measured the business and employment impacts of Washington becoming a right-to-work state.[3] The findings were dramatic. Like other right-to-work states, Washington would benefit from a permanent boost in employment and income growth. What is more, these benefits would come with no cost to the state. In fact, the study estimated the state would likely enjoy greater tax revenue from the increased economic growth:

- <u>Increased employment.</u> After five years, the state would have almost 120,000 more people working as a right-to-work state, with more than 13,100 in increased manufacturing employment, than it would have without a right-to-work law.

- <u>Increased incomes.</u> After five years, the state's wage and salary incomes would be $11.1 billion higher and average annual wage and salary would be more than $560 higher, than otherwise.

Right-to-work promotes fairness

The fairness inherent in right-to-work laws is clear. Worker rights advocates say workers should have the freedom to decide whether they want to support a union financially. If workers find sufficient value in the representation and services provided by a union, they will voluntarily pay union dues to ensure the continuation of those services. If they do not believe they are receiving benefits that are worthwhile, or if they disagree with the

2 "Real Earnings Higher in Right to Work States," by Stan Greer, Senior Research Associate, National Institute for Labor Relations, January 1, 2001, at, www.nilrr.org/2001/01/01/ real-earnings-higher-right-work-states/.
3 "Impact of right-to-work on the state of Washington," by Eric Fruits, Ph.D., Policy Brief, for Washington Policy Center, June 2015, at www.washingtonpolicy.org/library/docLib/Shannon-_fruits_study.pdf.

political activism and campaign spending of the union, they should not be forced to support it.

Similarly, the economic arguments supporting a right-to-work law in Washington are simple. As more states increase their competitiveness by adopting right-to-work laws, Washington's non-right-to-work status increasingly hampers the state's business competitiveness.

When comparing state business climates, Washington enjoys high marks for not having an income tax, for access to world markets and for an educated, innovative workforce. Adding a right-to-work law would serve the public interest, because it would enhance Washington's economic competitiveness and promote fairness and social justice for workers.

3. Policy Recommendation: Adopt state uniformity in workplace regulation

A top priority of the business community is for state policymakers to adopt a policy that would ensure uniformity and clarity in labor standards, and prevent local officials from imposing laws that over-regulate employers regarding wages, hours of work, employee retention or paid leave. Such a policy would preempt local governments in favor of state and federal regulations of those policies.

Employers who do business in several cities face a confusing array of wage, scheduling, paid leave and other workplace restrictions. Employers must track each employee's work-related activities in each city, keep the required records and prepare to be audited at any time. As officials in more cities impose their own labor laws, and as the scope of those laws continues to expand, employers in Washington state find it ever more difficult to do business at the national and statewide levels.

At some point the logistics of complying with a patchwork of differing labor standards become expensive and unmanageable, hurting productivity, customer service and job creation.

Uniformity in other states

Efforts to prevent cities and localities from passing employer mandates have gained traction as states have passed preemption laws to maintain uniformity in minimum wage limits, paid sick leave rules and other labor standards. Today, 29 states have laws barring local governments from adopting differing laws related to wages, employee benefits or terms of employment, with more states considering the issue.[4]

4 "Map: Minimum Wage Preemption Legislation Enacted," New Mexico Restaurant Association, accessed February 22, 2016, at www.nmrestaurants.org/wp-content/uploads/2015/06/Min_Wage_and_PSL_Preemption_.pdf.

Washington's neighbor, Oregon, has a long-standing practice of setting statewide policy on the minimum wage rate, and neighboring Idaho recently adopted a similar standard.[5]

These states have established the state as the primary authority on laws regulating wages, employee benefits and terms of employment. A policy of uniformity in workplace regulations does not prevent changes in the minimum wage, paid leave mandates or restrictions on work schedules. It simply requires that these changes be adopted by state policymakers, so that an equal standard is maintained for all workers and employers.

Ending "patchwork" regulation

A state policy of uniformity would resolve the long-standing Washington Policy Center concern over the current "patchwork" approach of local governments restricting how employers manage their workforce. As cities impose their own separate laws regulating employers, businesses operating in multiple jurisdictions find themselves struggling to comply with laws that vary greatly from city to city.

The "patchwork" approach creates a web of loopholes and exemptions that discourage job creation and business expansion. The rapid rise in compliance costs restricts business owners to the narrow limits of their own town or city, keeping small businesses small, even on a regional scale. Ensuring uniformity and consistency in labor laws would provide the predictability employers need to hire more people, serve more customers and grow their business across a wider region.

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5 "It's official: Kate Brown signs [statewide] minimum wage bill for $14.75 in Portland," by Ian K. Kullgren, *The Oregonian*, March 2, 2016, at http://www.oregonlive.com/politics/index.ssf/2016/03/its_official_kate_brown_signs.html, and "Idaho Cities Blocked from Raising Minimum Wage," by Tom Banse, KUOW.org, March 23, 2016, at http://kuow.org/post/idaho-cities-blocked-raising-minimum-wage.

4. Policy Recommendation: Legalize private workers' compensation insurance

Washington is one of only four states that bans business owners from buying workers' compensation insurance in the competitive market. Only Ohio, North Dakota and Wyoming keep similar monopoly systems. In 46 other states, employers have the right to choose among many competing private insurers to get the best coverage at the best price.

In contrast, Washington state runs its own insurance company and sets its own prices. Buying the product is mandatory, and state officials have passed a law to make sure there is no competition.

As a result the system is one of the most expensive in the nation. Increasing insurance choices through legal competition would help make workers' compensation more effective and less expensive.

Legalize private insurance

Legalizing private insurance would also help reduce workplace injuries. Employers know a dangerous work environment and slow rehabilitation for injured workers is expensive. Private insurance companies in other states have created extensive safety training programs designed to reduce accidents and protect workers. By working closely with their customers, insurance companies have dramatically reduced the risk of workplace injuries.

For example, in 2005 lawmakers in West Virginia ended a state-run monopoly and legalized private workers' compensation insurance. As a result the cost of work-related injuries fell an average of 27 percent, saving employers about $150 million every year. Even as costs declined, injured workers received more protections and better service.

By maintaining an outmoded insurance monopoly, Washington lags behind other states. Real-world experience shows that allowing competition reduces workers' compensation costs and improves safety. Currently, state managers know their insurance program can never go out of business; it's the law and employers have no other choice.

Legalizing market competition would create a strong incentive to reduce the number of accidents and help workers who are injured return to work sooner. In a system of private choice, the state could maintain a safety-net program by being the "insurer of last resort" for firms that, for whatever reason, cannot get private worker protection coverage.

5. Policy Recommendation: End state age discrimination against younger workers in making injury payments

In 2011, lawmakers in Washington passed modest reforms to liberalize Washington's monopoly workers' compensation system.[6] The purpose of the reforms was to enhance worker rights and reduce costs.

One reform allows workers who receive a lifetime disability pension to receive all the payments to which they are entitled, except medical expenses, upfront. The arrangement ensures workers receive what is due to them while providing a guarantee that they will receive medical care for as long as it is needed.

The settlement is voluntary. Workers who choose upfront payments gain the right to control their benefits, without being forced to rely on monthly payments from the state. Washington lawmakers discriminate against younger workers, however, by barring any injured employee under age 50 from asking for a voluntary upfront payment.

Showing respect for workers

Allowing voluntary settlements shows respect for workers who want to manage their own benefits. They also reduce long-term pension costs for the state. Since Washington gives out more lifetime disability pensions than any other state, the savings are significant.

Washington is also the only state where lawmakers discriminate against younger workers. Yet young workers have the best chance to make the most of their upfront benefits, as they make important life decisions after a work-related injury.

6 "Q&A about 2011 workers' compensation reforms," Washington State Department of Labor and Industries, accessed March 28, 2016, at www.lni.wa.gov/news/2011/2011workcompFAQ.asp.

The state's own budget analysts estimate that ending age discrimination would more than double the savings of the enacted reforms.[7] Most importantly, though, ending age discrimination would promote workplace equity by treating young workers fairly.

Additional Resources

"Replacing the Business and Occupation tax with a Single Business Tax," Policy Brief, Washington Policy Center, May 2010

"Right-to-Work: What it is and how it works," Policy Brief, Washington Policy Center, October 2014

"Impact of right-to-work on Washington state," Policy Notes, Washington Policy Center, July 2015

"Proposed bills would weaken historic workers' compensation reforms before they are implemented," Legislative Memo, February 2012

7 "Proposed bills would weaken the historic workers' compensation reforms before they are implemented," by Erin Shannon, Washington Policy Center, February 2012, at www.washingtonpolicy.org/library/docLib/workers-comp.pdf.

CHAPTER EIGHT
EXPANDING BUSINESS OPPORTUNITIES AND EMPLOYMENT

1. Policy Recommendation: Help family businesses by repealing the estate tax

In 1981, Washington voters approved Initiative 402 to repeal the state estate tax. The popular measure passed by more than a two-to-one margin.[1] In 2005, however, state lawmakers passed a law that repealed the voter-approved Initiative 402 law, and instead imposed a stand-alone Washington estate tax.

The rate at which lawmakers impose the tax on a family with an estate varies between 10 percent and 20 percent, depending on the size of the estate. Washington's maximum tax rate is the highest of any state in the nation. Families are taxed if an estate's assessed value exceeds $2.054 million, with the threshold adjusted annually, usually upward, based on inflation. Family farms are exempt, but there is no exemption for family-owned small businesses.

Estate tax falls hardest on small businesses

In passing the 2005 estate tax, lawmakers imposed a significant tax burden on Washington citizens. The state Department of Revenue collected more than $154 million in estate taxes in fiscal year 2015.[2]

This special tax falls hardest on small businesses. Corporations do not pay the tax, and corporate ownership of a business can

1 "Initiative Measure No. 402, Shall inheritance and gift taxes be abolished...?" Initiatives to the People, Elections and Voting, Office of the Secretary of State, Washington State, November 1981, accessed May 23, 2016, at https://www.sos.wa.gov/elections/initiatives/statistics_initiatives.aspx.
2 "State Tax Collections in Washington," Historical Data, Table 14, 1990 – 2015, Washington Department of Revenue, www.dor.wa.gov/Docs/Reports/2015/Tax_Statistics_2015/Table14.pdf.

change at any time without incurring the estate tax.

State officials, however, make families that own small businesses pay an extra tax when ownership is passed from one generation to the next, putting these families at an unfair disadvantage compared to their corporate competitors.

Tax targets family-owned businesses

The state's estate tax suppresses entrepreneurship, impedes economic growth and discourages family businesses from remaining in or relocating to Washington. Most importantly, the tax is unfair, because state lawmakers target family-owned businesses that can least afford to pay it, while their larger, corporate counterparts are exempt. Studies consistently show that estate taxes are among the most harmful to a state's economic growth.[3]

3 "State death tax is a killer," by Stephen Moore and Joel Griffith, Backgrounder #3021, The Heritage Foundation, July 21, 2015, at www.heritage.org/research/reports/2015/07/state-death-tax-is-a-killer.

2. Policy Recommendation: Avoid imposing a job-killing high minimum wage

For years Washington state has imposed the highest minimum wage of any state, because the state's artificially high wage rate automatically increases each year according to inflation. While a handful of other states have recently eclipsed Washington with higher minimum wages, the state's minimum wage is still among the highest in the nation.

While some workers (those who keep their jobs) may benefit from a higher wage, many others will not. According to decades of research on the impact of a high minimum wage on employment opportunities, strong evidence shows that raising the wage reduces employment for the least skilled and most disadvantaged people.

Low-skilled workers are hurt by high minimum wage

One study summed up the research conclusion that low-skilled workers are hurt by a high minimum wage:

> "The studies that focus on the least-skilled groups that are likely most directly affected by minimum wage increases provide relatively overwhelming evidence of stronger disemployment effects for these groups."[4]

A high minimum wage reduces job opportunities and cuts work hours. State officials recognize the job-killing effect of a high minimum wage. Precisely because a high minimum wage decreases job opportunities, Washington officials allow 14- and 15-year-olds to be paid 85 percent of the state minimum wage to mitigate some of the job losses for people in this age group. However, those 16 and older must be paid the full minimum wage,

Labor

4 "Minimum wages and employment," by David Neumark, Department of Economics, University of California, Irvine; and William L. Wascher, Board of Governors of the Federal Reserve System, Division of Research and Statistics, 2007, at www.socsci.uci.edu/~dneumark/min_wage_review.pdf.

pricing many young workers out of the labor market.

As a result, the unemployment rate for 16-to-24 year olds in Washington has consistently been among the highest in the nation. While the state's general unemployment rate in 2015 was 5.8 percent, the unemployment rate for teen workers (16 to 19 years old) in Washington was 17.6 percent, and the rate for workers ages 20 to 24 was 9.6 percent. This hardship falls hardest on minority youth, whose jobless rate is often three times higher than the general unemployment rate.

Young workers unable to find work

When forced to pay an artificially high minimum wage, employers overwhelmingly favor hiring workers with skills and experience over young, inexperienced workers. High youth unemployment is not simply a matter of young workers being unable to find work. Ample research shows the effect is deep and long lasting, affecting an individual's long-term job security and lifetime earning potential.

Economists have shown the significant long-term effects of youth unemployment – a "wage scar" that leaves a lasting harmful impact on a worker's employment prospects and future earnings. The longer a young worker remains unemployed, the worse the scarring effect he or she will experience.

Taking away freedom of choice

Officials who impose a high minimum wage take away the greatest labor advantage young people have, their ability to compete on price in finding a job. If a young worker offers an employer a better bargain, the worker is more likely to get hired. High minimum wage laws take away workers' freedom of choice.

If a worker is willing to work for a certain hourly wage that an employer wants to pay, it is unfair and disrespectful for people with government power to outlaw a voluntary and mutually beneficial agreement. Young people who want to work should be allowed to work, even if the money they want to earn is less than some ideal number chosen by distant lawmakers.

3. Policy Recommendation: Avoid imposing mandatory paid leave laws

There is no federal requirement that employers provide workers with paid sick or vacation leave. The federal Family and Medical Leave Act requires that workers in companies with 50 or more employees receive up to 12 weeks of unpaid leave for specified family and medical reasons. Congress has decided not to require paid leave, because of how federal mandates hurt workers who want to receive other benefits.

Washington state also does not require employers to provide paid sick or vacation leave. In fact, no state requires paid vacation leave, while just five states (Connecticut, California, Oregon, Massachusetts and Vermont) mandate paid sick leave. However, about two dozen cities around the nation, including four cities in Washington (Seattle, Tacoma, Spokane and SeaTac), have ordinances mandating paid sick leave.

One-size-fits-all mandates

Mandating one-size-fits-all employee benefits comes with a cost to businesses and to workers, especially for the state's 203,000 small employers. To comply, employers must pass some or all of the added costs onto employees, in the form of reduced hours, lower wages and cuts in non-mandated benefits.

Consumers also bear some of the cost, in the form of higher prices and lower-quality service. The rise in prices falls hardest on poor families who are least able to afford it.

According to the Bureau of Labor Statistics (BLS), the average cost to an employer for paid sick leave is 25 cents per hour per employee. Taken in isolation, an extra 25 cents per hour may seem small. Looking at the numbers in aggregate, however, shows that seemingly negligible costs add up quickly.

Staggering cost of paid leave mandate

There are over three million workers in Washington state. Nationally, 39 percent of private-sector workers do not receive paid sick leave. Assuming the same rate in Washington, nearly 1.9 million workers in Washington state would receive paid sick leave if imposed by mandate. Assuming those workers work the national average of 1,700 hours per year, the annual cost to Washington employers for a paid sick leave mandate would be a staggering $788 million.

Employers could not simply absorb an extra $788 million every year without cutting work hours, raising prices, or both. They would be forced to shift costs back to workers, by eliminating non-mandated benefits (such as health care or vacation time) and by reducing hours, and to consumers, in the form of increased prices.

Preserving a flexible workplace and improved benefits

Like a high minimum wage, a paid sick leave mandate imposes an artificial decision on workers that they may not want. Some workers would rather have more work hours, or receive a higher salary, or get better health benefits, or have more for retirement, than receive a paid sick leave benefit. Officials who push for paid leave mandates want to take these choices away and substitute what they think is best for workers. Avoiding arbitrary mandates imposed by law allows a flexible workplace, improves other benefits, and shows respect for workers.

4. Policy Recommendation: Reduce the regulatory burden by requiring legislative oversight of agency rulemaking

Washington is considered one of the most heavily regulated states in the nation. A recent study by the Pacific Research Institute ranks Washington as the 8th most regulated state.[5] Another study, by the Mercatus Center at George Mason University, using different measures, ranks Washington as the 13th most regulated.[6] Both rankings demonstrate a regulatory environment in urgent need of reform.

Washington's harsh regulatory burden

Business owners agree. They increasingly identify Washington's harsh regulatory burden as the major obstacle to business growth and job creation.

Even state agencies acknowledge the regulatory problem in Washington. In recent years the Department of Commerce, the State Auditor, the Department of Revenue and the Washington Economic Development Commission (WEDC) have issued reports describing the morass of regulations employers must know, understand and obey in order to do business legally in our state.

Each of these agencies recommends that state officials provide regulatory relief in order to retain and attract businesses. In a strongly-worded condemnation of our state's regulatory climate, commissioners at the WEDC concluded:

> "Washington's overly burdensome regulatory system must be

5 "The 50-State Small Business Regulation Index," by Wayne Winegarden, Ph.D., Pacific Research Institute, July 2015, at www.pacificresearch.org/leadmin/images/Studies_2015/SmBusinessIndex_UpdatedVersion2_web.pdf.
6 "Freedom in the 50 States; An Index of Economic Freedom," by William P. Ruger and Jason Sorens, Mercatus Center at George Mason University, 2013 edition, at http:// freedominthe50states.org/about.

addressed as a top economic development priority."[7]

15,000 pages of new rules

State agencies have replaced the legislature as the primary vehicle for day-to-day lawmaking. Unelected agency officials increasingly use the rulemaking process to impose onerous regulations that normally would not be approved by the elected legislature. In 2015, state agencies filed 1,535 new rules that fill 15,727 pages. They adopted 1,046 of those rules, filling 9,147 pages and changing 5,305 sections of the Washington Administrative Code.[8]

When unelected bureaucrats create so many rules there is significantly less public accountability, transparency and debate than when elected representatives in the legislature pass new laws.

In addition to the sheer volume of rules is the problem of imposing regulation without public accountability or representation. Requiring legislative approval of all regulations issued by state agencies would hold unelected officials accountable for the regulations they want to impose on citizens, and would hold lawmakers accountable for supporting or opposing those regulations.

Require a roll call vote on regulations

Agency officials routinely point to legislative mandates as cover for the rules they want to impose, even when the proposed rules go far beyond what lawmakers intended. Requiring a clear roll call vote on new rules would make lawmakers responsive to the public for the regulations they have directed agencies to implement.

7 "Driving Washington's prosperity: A strategy for job creation and competitiveness," Washington Economic Development Commission, March 2013, at www.wedaonline.org/documents/ Con2014/2013StrategicPlan.pdf.
8 "Agency rule-making activity," Office of the Code Reviser, State of Washington, Table 1, 2015, at http://leg.wa.gov/CodeReviser/Documents/rulactiv.pdf.

Requiring legislative approval of agency regulations would prevent agency officials from unilaterally imposing regulations with no concern for the consequences. The result would be to increase public accountability, deliver relief for hard-working citizens, and provide a much-needed check on agency rulemaking activity.

5. Policy Recommendation: Provide for the automatic repeal of outdated regulations

It is difficult to imagine the shear bulk of state regulations that are imposed every day on the people of Washington state. State regulations fill 32 thick volumes, comprising thousands of pages and forming a stack of paper over five feet high. These rules have the force of law, and they strictly control and limit the day-to-day activities of every person in the state.

Government rules are clearly needed in an orderly society. Regulations protect public safety, promote public health, assist needy families, help the jobless, protect the civil rights of all residents, and guard against consumer fraud. This need was recognized by the founders of the state, who recommended "a frequent recurrence to fundamental principles," which is "essential to the security of individual rights and the perpetuity of free government."[9]

Regulations last forever

The problem is that under the current system of governing most state regulations are written to last forever. State rules often last far longer than their intended purpose. In fact, regulations usually outlive the state officials who created them, and go on limiting people's lives long after anyone can remember why they were imposed in the first place.

Within the limits of ordered liberty, it is the right of citizens to live as they see fit, not as officials in government direct. When people in state government overstep their bounds by regulating the smallest details of lawful activities, they increase their own power by hindering the vibrant economic and social life of the community.

9 Constitution of the State of Washington, Article 1, Section 23.

Review rules every five years

To solve the problem of regulations that are practically immortal, policymakers should require all agency rules and regulations to carry a sunset provision – a date on which rules will automatically expire. Expiration dates could be set so that state agency rules would come up for review every five years on a regular schedule and, if still needed, would be reauthorized by the legislature.

Agency managers would notify the legislature of approaching expiration dates a year in advance, giving lawmakers time to hear from the public and to review regulations to see if they are still needed.

The default assumption of this policy should be in favor of citizens, not state agencies. If the legislature does not act to continue a rule, it would expire, freeing citizens to make their own decisions in an area once constricted by the government. Rules that are really necessary and enjoy broad community support would be easily renewed, continuing in force until the next review period.

Additional Resources

"Did your teen find a summer job?," Policy Notes, Washington Policy Center, September 2012

"Paid leave would cost non-union employers over $1.5 billion annually; Unions seek to exempt themselves from workplace mandates," Legislative Memo, Washington Policy Center, March 2015

"SB 6396 would bring review and accountability to agency rule-making," Legislative Memo, Washington Policy Center, February 2016

"Seven steps on the road to economic recovery; Key recommendations to improve Washington's small business climate," Policy Brief, Washington Policy Center, January 2012

"Changing views of the estate tax: Implications for legislative options," by Douglas Holtz-Eakin and Cameron T. Smith, American Family Business Foundation, February 2009

"Help grow the economy by repealing the estate tax," Opinion/Editorial, Washington Policy Center, October 17, 2009

CHAPTER NINE

IMPROVING MOBILITY AND TRANSPORTATION SERVICES

1. Policy Recommendation: Tie public spending to improvements in traffic congestion relief

Traffic congestion relief is the most basic tenet in transportation policy, yet state officials do not actually connect public spending to measurable progress that improves people's commute and makes daily trips quicker.

In 2000, Washington's Blue Ribbon Commission on Transportation identified several ways to measure the effectiveness of the state's transportation system. These performance measures were very specific and some were adopted into law. These congestion-related benchmarks included:

- Traffic congestion on urban state highways shall be significantly reduced and be no worse than the national mean;
- Traffic delay per driver shall be significantly reduced and no worse than the national mean.

In 2007, however, lawmakers repealed those specific measures and replaced them with five vague transportation policy goals.

Lawmakers added a sixth goal in 2010. Only one of the six policy goals mentioned improving travel times for the public. "Mobility," as the legislature defined it, was an effort to "improve the predictable movement of goods and people throughout Washington state." Making traffic delays "predictable," however, does not enhance people's mobility or improve transportation service to the public.

Lawmakers cancelled performance-based benchmarks

In 2015 lawmakers changed the policy goal of mobility to include traffic congestion relief and improved freight mobility, but opted against adding the performance-based benchmarks previously included in law, thus eroding accountability.

The Washington State Auditor's office determined in 2007 that, over a five-year period, congestion could be reduced up to 20 percent, reducing vehicle emissions and saving travelers up to $400 million by prioritizing congestion relief.[1] The Auditor's Office said that transportation spending "should be measured, in part, based on how many hours of delay can be reduced for each million dollars" spent.[2]

The Auditor's report also recommended lawmakers, "Apply congestion-related goals, objectives and benchmarks to all highway and transit-related investments" and "elevate congestion reduction benefits in all decision-making decisions."[3]

Return to performance metrics

This is sound advice. Lawmakers should amend current transportation law to return to a standard based on performance metrics, like those first identified by Governor Gary Locke's Blue Ribbon Commission. Reinstating these measures would serve the public interest by improving the quality of life in Washington, and show that policymakers are committed to reducing traffic congestion and making trips quicker.

1"Performance Audit Report, Washington State Department of Transportation, Managing and Reducing Congestion in Puget Sound," Office of the Washington State Auditor, October 10, 2007, at http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1000006&isFinding=false&sp=true#search=congestion%20relief.

2 Ibid.

3 Ibid.

2. Policy Recommendation: Spend transportation dollars based on the wishes of the public

Transportation revenues should be spent based on market demand, that is, on what the public wants, rather than officials trying to engineer demand and force lifestyle changes on people.

In normal economics, supply is a result of popular demand. This means a willingness to use a service must exist before a supply of that service is created. Boeing executives do not make 300 airplanes knowing they will only sell 100. Similarly, governments should not spend a disproportionate amount of tax money in unpopular, low-demand sectors, where the public's willingness to use the service does not justify the spending.

Providing the public with what it wants

European transit systems provide an example of how these economic concepts apply. In Switzerland, transit is successful, not because of the amount of service or infrastructure, but because the country has certain demographic and economic characteristics that induce demand.

In other words, there is an existing market with a customer base and Swiss policymakers respond with proportional infrastructure spending, providing the public with what it wants.

As a result, mode share, ridership and fare box recovery are high. In the United States, transit money is spent in just the opposite way. Policymakers decide on a transit vision first, then try to force it on the public.

Under the "build it and they will come" theory, policymakers think that increasing the supply of transit will somehow induce a public willingness to use the service. This speculative model fails because most U.S. cities do not possess the economic or demographic characteristics that create enough voluntary consumers for public transit.

Instead, policymakers try to force change by letting congestion on roads and highways get worse. Traffic jams then become a tool for coercing people to use costly public transit.

Roads and highways are the overwhelming choice of the traveling public

Using the economic principles of supply and demand shows that building excess transit capacity before there is equal public willingness to use it leads to an underperforming system. Nowhere is this more apparent than in the Puget Sound region, where Sound Transit officials are spending billions of dollars on a light rail system.

Despite this massive spending on trains, regional officials say light rail will only carry about one percent of daily person trips in the region by 2040.[4] Meanwhile, travel on the region's public roads is the overwhelming choice of the traveling public.

When prioritizing transportation projects, policymakers should use consumer demand – that is, people's desire to use the public roads – to guide spending, not the other way around.

4 "Transportation 2040, Chapter 4, Transportation," Puget Sound Regional Council (PSRC), March 2010, page 71, at www.psrc.org/assets/3677/04-Transportation.pdf, based on PSRC estimate of 164,400 daily passenger trips on light rail in 2040, out of an estimated 18.9 million total daily passenger trips.

3. Policy Recommendation: Expand the use of efficient public-private partnerships

Officials in Washington state constantly say they want more money to pay for transportation infrastructure. They say established funding methods like state and federal gas taxes are not keeping up with the rising cost of their transportation program, resulting in growing problems in meeting the state's transportation expansion, maintenance and safety needs.

Increasing project cost by choice

State officials, however, have increased their project costs by choice, not because of outside forces beyond their control. Artificial cost increases, like prevailing wage rules, excessive planning, permitting mandates and the decision of state officials to tax their own projects, put pressure on budgets to maintain and expand infrastructure.

Over the past thirty years, highway demand in the Seattle region increased by 128 percent, while the number of lane-miles increased only 72 percent. As the public need for highway travel outpaces the supply of travel lanes, drivers experience increased traffic congestion.

In many states, officials are making a different choice. They are tapping the private sector to maintain and expand public roads and increase mobility. Public-private partnerships are a popular way to build public projects both in other countries and in states such as Virginia, Texas, Florida and California.

Shifting financial risk to investors

A public-private partnership is a legal contract between government officials and private companies to design, build, operate, maintain and finance needed public infrastructure. In short, public-private partnerships allow the public sector to shift financial risk from taxpayers to private investors.

In Washington, state officials often oppose using private financing to build public infrastructure, a policy choice that results in much higher costs for state taxpayers.

Officials say they know traffic congestion in the Puget Sound region will continue to worsen, raising costs and stifling economic growth. Congestion also harms the environment, as cars, trucks and buses idle in traffic, leading to lower air quality and increased public health risks.

The positive role of private finance

Lawmakers should recognize the positive role private finance can play in building public infrastructure. State officials do not have to make public construction projects so expensive. Amending the restrictive 2005 state law that blocks private money would attract private investment to public projects, get badly needed projects built and protect taxpayers from higher taxes and bailouts.[5]

5 "Transportation Innovative Partnerships Act of 2005," Revised Code of Washington, Chapter 47.29, at http://apps.leg.wa.gov/rcw/default.aspx?cite=47.29.

4. Policy Recommendation: Improve Sound Transit accountability and governance

Currently, Sound Transit's board consists of 18 local elected officials who are appointed by various other elected officials. This insider arrangement insulates the board from direct accountability to the public. Sound Transit's Citizen's Oversight Panel (COP) is supposed to be an independent group of citizen experts who serve a watchdog role, yet members are appointed by the same people they are supposed to hold accountable, the unelected Sound Transit board of directors.

Not surprisingly, the Citizen's Oversight Panel is not independent, and has never raised any serious objection to the way Sound Transit operates or spends public money.

Violating the "one person one vote" principle

In addition, Sound Transit's federated board violates the "one person one vote" principle, because some residents have multiple board members representing their interests, while others may only have one. For example, under Sound Transit's board structure as of early 2016, a West Seattle resident has three people representing his interests on the Sound Transit board, while a resident of Mill Creek is represented by only one board member.

The Washington State Auditor investigated Sound Transit's governance and found that,

> "When citizens cast their votes for most of these city and county officials, they have no way of knowing whether or not they will one day serve on Sound Transit's Board, or the positions they may take if appointed."[6]

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6 "Sound Transit: Performance Audit of the Citizen Oversight Panel, Adjustments to Planned Investments, Construction Management and Ridership Forecasts," Washington State Auditor's Office, Performance Audit, October 25, 2012, at http://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?isFinding=false&arn=1008277.

The Auditor added, "Sound Transit voters have no say regarding who will represent them and limited recourse if they are dissatisfied with the decisions of Sound Transit's Board."[7]

Enhancing Sound Transit accountability

Therefore, the public is unable to hold Sound Transit directly accountable for cost overruns, broken promises, concerns over subarea equity, and delayed project timelines. It is not fair for Sound Transit to collect taxes and distribute money without direct accountability to the public.

With Sound Transit's history of broken promises, state legislators should change the governing structure of Sound Transit to allow voters directly to select the people who sit on the board, spend public money and represent the public interest.

7 Ibid.

5. Policy Recommendation: Make sure state officials spend highway tolls to support highways

In 1921, officials imposed Washington's first gas tax - one cent per gallon. With this new revenue stream, state leaders were able to build, maintain and expand Washington's public highway network. As the state's transportation infrastructure needs increased, so did the tax. Today, Washington's gas tax rate, coupled with the federal gas tax rate, is 62.9 cents per gallon, the second highest in the nation.[8]

Seventy years ago, as they often do today, politicians saw "opportunities" with a new and stable revenue stream, and they began to divert gas tax money to programs not related to roads and highways. Seeing this diversion as unfair, Washington voters in 1944 passed the 18th Amendment to the state constitution, to make sure state officials spend gas tax money exclusively on public roads and highways.

Trying to divert highway toll money

Today, state officials want to collect additional money from the public through highway tolls and, as in the past, they want to divert that money to non-highway programs.

Washington motorists have plenty of modern-day experience with tolls, which have recently been imposed on the Evergreen Point State Route 520 floating bridge and Interstate 405 Express Toll Lanes. People intuitively support public programs and services funded through user fees. Highway tolls are no exception.

When tolls are used to pay for a bridge or a length of new highway, drivers naturally understand and generally support the added cost of performing the activity. Similarly, but to a lesser extent, when tolls are used to manage congestion and the

8 "State Gasoline Tax Rates in 2016," by Nicole Kaeding, The Tax Foundation, March 3, 2016, at http://taxfoundation.org/blog/state-gasoline-tax-rates-2016.

toll money is spent on the highway where it was collected, users generally agree to pay.

People see toll diversion as unfair

For drivers, tolls fund a visible product that results directly in a tangible benefit. However, as Washington's early experience with gas taxes illustrates, people become upset when they see public officials take toll money and spend it on programs unrelated to maintaining good roads. People rightly see the diversion of toll revenue as unfair.

State lawmakers impose tolls on people who use five highway facilities: Tacoma Narrows Bridge, State Route 167 HOT lanes, Interstate 405 Express Toll Lanes, State Route 520 Floating Bridge, and the State Route 99 deep bore tunnel.[9] Yet only toll revenues from the Tacoma Narrows Bridge and the Interstate 405 Express Toll Lanes are spent through the Motor Vehicle Fund, and therefore, are used to improve highways.[10]

Tolls from the State Route 520 Bridge, the State Route 167 HOT lanes, and the deep bore tunnel, are deposited *outside* the Motor Vehicle Fund, and are not restricted to highway purposes. State officials say they want to use this toll money for other programs, not for the benefit of people using public highways.

Protecting toll revenue to support public highways

By law, toll revenues not in the Motor Vehicle Fund can be used for the "operation of conveyance of people or goods," meaning officials can decide to spend highway toll money on transit, a non-

9 Lawmakers authorized tolling on the Columbia River Crossing project in 2012, but authority was repealed on December 31, 2015 when the project was cancelled.
10 "Transportation Resource Manual," Joint Transportation Committee, page 233, January 2015, at http://leg.wa.gov/JTC/trm/Documents/TRM_2015%20Update/CompleteTRM2015.pdf.

highway purpose.[11] That strikes most people as unfair. Instead of diverting the taxes and fees drivers pay to non-highway purposes, like transit, officials should protect toll revenue for highway purposes only, similar to the legal provisions that now protect the gas tax.

11 Revised Code of Washington 47.56.820, "Imposition of tolls on eligible toll facilities – Who may authorize revenue expenditures," at http://apps.leg.wa.gov/rcw/default.aspx?cite=47.56.820.

6. Policy recommendation: Reduce the cost of building roads and ferries

One of the more significant obstacles to building transportation infrastructure in the United States is the decision by policymakers to increase the cost of public projects.

Congress passed and the President signed the Fixing America's Surface Transportation (FAST) Act in December of 2015. The FAST Act is a five-year, $305 billion spending program that involves no increase in the federal gas tax, instead relying on $70 billion in general fund transfers.[12]

Since 2008, total transfers from federal general revenues to the Highway Trust Fund are just over $140 billion.[13] Simply put, the federal government is spending more than it receives in user fees, taking money from general taxpayers instead. Besides increasing spending, the other side of the equation that lawmakers must address is how their policy decisions increase costs.

Two ways transportation costs increase

In the broadest sense, there are two drivers of costs in transportation projects: natural and unnatural. Natural cost drivers occur as a result of normal economics. They include inflation, cost of materials and higher cost for new technology.

Unnatural costs are decisions by government officials that artificially inflate expenses on public projects. These policies are implemented for reasons that are unrelated to actually building a project.

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12 "AASHTO Summary of the New Surface Transportation Bill, Fixing America's Surface Transportation (FAST) Act," American Association of State Highway and Transportation Officials, December 16, 2015, at http://fast.transportation.org/Documents/AASHTO%20Summary%20of%20FAST%20Act%202015-12-16%20FINAL%20v4.pdf.
13 Ibid.

Unnatural cost drivers include prevailing wage rules, imposing taxes on state projects, apprenticeship requirements, inefficient permitting, environmental compliance, setting aside money for public art, "Build in Washington" provisions, and requiring that mass transit be included in highway projects.

Bridge replacement in record time

When elected leaders make policy decisions that reduce artificially-imposed costs, the results in favor of the public interest are dramatic. The Skagit River Bridge collapsed on May 23, 2013, severing the main highway link between Vancouver, Canada and Seattle. By choosing to eliminate the policies that add artificial delay and increase costs, officials had a temporary replacement bridge open to the public in record time, by June 19, 2013. The new bridge was in place less than a month after the collapse.

Officials then decided to open a permanent replacement span to traffic by September 15, 2013. The public saw first-hand how eliminating inefficient and artificial rules can restore mobility and provide immediate benefits. By making different policy choices, public officials decided to restore a major highway link in record time, far faster than would have been possible under the state's routine way of doing business.

Reducing artificial cost increases

After the highway bridge collapse, the public demanded reforms to reduce unnatural costs and delays on other transportation projects. In passing the 2015 statewide transportation bill, lawmakers changed the law and decided to keep taxes paid on highway projects in the transportation account. Lawmakers also created a limited-open bidding system for ferry construction, to reduce costs and improve service to the public.

Lawmakers also worked to streamline permitting on bridge replacements. The reforms were a good first step, and they show what is possible when state leaders make decisions that put the public interest first. Lawmakers should continue to reduce artificial cost increases in state road and highway projects, to provide better mobility and congestion relief to the public for less money.

Additional Resources

"Claims that light rail expansion is an effective way to reduce traffic congestion and improve air quality are unfounded," Policy Notes, Washington Policy Center, May 2015

"Five Principles of Responsible Transportation Policy," Policy Brief, Washington Policy Center, March 2015

"Ending 'Build in Washington' rule would cut new ferry construction cost by 30 percent," Legislative Memo, Washington Policy Center, March 2015

"Using transportation public-private partnerships to improve mobility and increase value to taxpayers; How state leaders can use private investment to serve the public," Policy Notes, Washington Policy Center, November 2014

"How to reduce the cost of highway projects," Legislative Memo, Washington Policy Center, February 2014

CHAPTER TEN
IMPROVING AGRICULTURE

1. Policy Recommendation: Base state regulation of agriculture on enacted law, not on rulings in lawsuits

Agriculture is one of the most important sectors of the Washington state economy. The state has four attributes that make it a food production powerhouse: a diverse climate, rich soil, abundant water and hard-working people. Throughout Washington's history, agriculture has been central to the state's development and economic success. Currently, agricultural businesses add $51 billion a year to the state's annual productivity, and the agricultural sector makes up more than 13 percent of the state's economy.[1]

Generating jobs and tax revenue

More than 300 different crops are grown in Washington, a diversity of food production second only to California's. More than 39,000 farms are located in Washington, from the fertile valleys of Snohomish County to the drier areas of Eastern Washington. The counties that play the largest role in the agricultural economy are Grant and Yakima, which are home to 4,700 farms and $3.41 billion yearly in combined economic output.[2]

There are more than 200 food processing companies in the state and the number of people working in farming and food processing surpasses 160,000, more than the combined in-state employment of

1 "Agriculture's contribution to Washington's economy, Total economic impact," Washington State Farm Bureau, accessed May 25, 2016, at https://wsfb.com/agricultures-contribution-to-washingtons-economy/.
2 "Agriculture: A Cornerstone of Washington's Economy," Market value of crops and livestock and number of farms by county from 2012 Census of Agriculture, USDA, Washington State Department of Agriculture, accessed May 25, 2016, at http://agr.wa.gov/AgInWa/docs/126-CropMap2015-ForCopier.pdf.

Microsoft and Boeing.[3]

In addition to economic output, farm families contribute enormously in yearly revenue to local communities and to the state to fund essential public services. To cite just one example, property taxes paid by farmers and agricultural businesses exceed $230 million per year.[4]

Confusing network of regulations

Farmers prefer to spend their time in the fields or tending livestock, but their productive time is often consumed with bureaucratic red tape from Olympia or with legal action brought by political activists located in cities hundreds of miles away. The result is a confusing and constantly-shifting network of burdens and restrictions imposed by judges and regulators.

Instead of being governed by reasonable laws enacted by their elected representatives, farm families find themselves subjected to arbitrary dictates imposed by distant and aggressive political interests.

In recent legislative sessions, lawmakers have considered bills to improve the regulation of agricultural production based on enacted legal authority. This policy approach has the support of legislators of both parties and would give farmers clear direction about the state's rules for growing and producing food.[5]

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3 "Review of the food processing industry in Washington," Working paper commissioned for the Future of Farming Project, Processing Meeting - 2008, Washington State Department of Agriculture, 2008, page 7, at http://agr.wa.gov/fof/docs/MajorFoodProcessing.pdf.
4 "Washington Agriculture, Strategic Plan, 2020 and Beyond," Future of Farming, Washington State Department of Agriculture, February 2009, page 13, at http://agr.wa.gov/fof/docs/FutureofFarmingReport-PrinterFriendly.pdf.
5 House Bill 2840, 2015-16 regular legislative session, Washington State Legislature, introduced January 28, 2015, at http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2840&year=2015.

For example, the proposed bipartisan approach would put the regulation of water quality associated with animal feed operations, like dairies, under the jurisdiction of the state Department of Ecology and state Department of Agriculture. These agencies would be specifically directed to write rules clearly based on state laws.

Basing regulation on clearly-defined law

Radical environmental groups oppose this approach because it would limit their ability to sue farmers in court and put family dairies out of business. A paid lobbyist for the Sierra Club said the state Department of Agriculture should not regulate Washington's dairies, because the agency's mission is to "promote agriculture."[6]

Hostile attitudes like this make it impossible for farmers to produce food within a system of commonsense and predictable regulation. Lawmakers should ensure that state rules for agriculture are founded on clearly-defined laws, not the unpredictable and controversial rulings imposed by the courts and executive branch agencies.

6 "Environmentalists blast House dairy bill over lawsuits; Environmental groups hammered a House bill that would strengthen state oversight of Washington dairies, while blocking federal lawsuits against farmers," by Don Jenkins, *Capital Press*, January 29, 2015, at http://www.capitalpress.com/Dairy/20160129/environmentalists-blast-house-dairy-bill-over-lawsuits.

2. Policy Recommendation: Do not impose a mandatory cap-and-reduce system on food production

Governor Jay Inslee said he wants to impose caps on greenhouse gas emissions from refineries and food producers.[7] The regulations would target fertilizer makers and food processing facilities in Eastern Washington, raising costs and reducing job opportunities, with little or no environmental benefit.

The governor said he wants to impose fines of up to $10,000 a day. In addition, the governor wants to encourage companies that close operations and cut jobs in Washington to sell credits for carbon reductions beyond the targets set in the regulation. Essentially, the governor says he wants to punish refinery owners and food producers for keeping jobs in the state, and to pay them for sending jobs elsewhere.

Under the proposed rules, food producers would find that selling carbon credits created by the state would be more profitable than creating jobs and producing food for consumers. Yet the amount of estimated carbon reduction would be so small it would have almost no impact on global climate trends.

The governor's policy approach would work directly against the public interest in Washington, and would particularly hurt families and workers in the state's agricultural sector. Lawmakers should avoid this top-down policy approach, because it would impose a heavy burden on Washington citizens while doing little for the environment.

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7 "Carbon cap plan would hit fertilizer, food processors; The Washington Department of Ecology has proposed a cap-and-reduction measure for manufacturers," by Don Jenkins, *Capital Press*, January 7, 2016, at http://www.capitalpress.com/Washington/20160107/carbon-cap-plan-would-hit-fertilizer-plant-food-processors.

3. Policy Recommendation: Maintain public access to Washington ports

Washington farmers produce food for a global market. Government agencies operate a system of modern port facilities built and maintained in part with tax money. Without public access to the state's ports, Washington's agricultural sector would shrink to a fraction of its current size.

In 2014, the state exported more than $16 billion worth of food and agricultural products to people around the world, half of which was grown or raised in Washington.[8] To cite one example, Washington is a top exporter of food to Asia. Beneficiaries of Washington crops include people in Japan, China, South Korea and the Philippines. Modern transport allows Washington farmers to improve nutrition and vary the diets of millions of people worldwide.

The ports of Seattle, Tacoma and Longview are major shipping points for Washington products, in addition to goods transported from other states. Further, all-weather highways and the barge system on the Columbia and Snake rivers allow swift and safe shipment of farm produce. These are public facilities, built and maintained for the purpose of allowing the people of Washington to connect with the world.

Port shutdown hurts growers

The ability of growers to move products came to an abrupt halt in 2014 and 2015 because of strikes. Union action shut down West Coast ports, resulting in millions of dollars in lost revenue for farmers and other food producers. Tons of fresh fruit and vegetables rotted in warehouses at 29 ports along the West Coast during the strike. Washington state apple growers, for example, lost

8 "Washington is the third largest exporter of food and agricultural products in the U.S.," Export Statistics, Washington State Department of Agriculture, December 22, 2015, at http://agr.wa.gov/marketing/international/statistics.aspx.

an estimated $100 million.[9]

Overall, in-state businesses lost an estimated $769.5 million during the port shutdown.[10] Not included in this estimate is the loss of global market share for Washington growers, which may take years for them to recover.

The port slowdown dragged on for many months without action by state or federal officials to intervene, as they had done in previous port disputes.[11] The controversy had nothing to do with the private market. It occurred at facilities built and operated by government agencies. The lack of action by public officials caused even greater financial loss for Washington's farm families and businesses.

As a matter of policy, lawmakers and federal officials should ensure the public has regular and dependable access to Washington ports and that these public facilities are protected from unions and damaging labor disputes. The public interest of Washington's agricultural communities should not suffer because of the narrow economic agenda of organized labor or any other special interest.

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9 "Washington farmers dump millions of apples after ports dispute," NBC News, May 29, 2015, at http://www.nbcnews.com/news/us-news/washington-farmers-dump-millions-apples-after-ports-dispute-n366426.
10 "The economic costs of the 2014-2015 port slowdown on Washington state," Community Attributes, Inc., Washington Council on International Trade, February 2016, Exhibit 3, page 9, at http://wcit.org/wp-content/uploads/2011/08/WCIT-Port-Delays-Economic-Impacts-Report-FINAL1.pdf.
11 "Is president considering 'nuclear option' in ports dispute?" by Elizabeth Weise, *USA Today*, February 18, 2015, http://www.usatoday.com/story/news/2015/02/18/labor-secretary-perez-west-coast-ports-ilwu-dispute/23611117/.

4. Policy Recommendation: Consider the policy needs of agriculture equally with other key economic sectors

As mentioned, agricultural production is a major segment of the state economy, yet policymakers often overlook the needs of farmers and agricultural workers when setting tax and economic policy. Elected officials often prefer to be seen as champions of perceived cutting-edge sectors such as aerospace, medical research or digital technology. Moreover, population distribution means that policymaking in Washington is often dominated by elected representatives from the Seattle area and the more urbanized Western part of the state.

Washington farmers help feed the world

Yet farming communities are far more productive than people living in cities may believe. Although located in a mid-sized state, Washington farmers are among the top agricultural producers in the country. Simply put, Washington farmers help feed the world. Examples of Washington production include:

> **Apples:** Washington state leads the country in apple production, with a yearly value that exceeds $2 billion (2013).[12] No other state comes close to Washington's apple yield, which comprises more than 66 percent of total U.S. production.
>
> **Potatoes:** Washington is a top producer of potatoes, a staple in the diets of people around the world. Nearly 20 percent of total U.S. production comes from the Evergreen state, compared to 24 percent from Idaho, the nation's top

12 "Cash Receipts by Commodity, Apples," state rankings, Economic Research Service, U.S. Department of Agriculture, 2014, at http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/cash-receipts-by-commodity-state-ranking.aspx#P2a1d992291ae446a85aebfdb920be9ba_6_252iT0R0x113.

producer.[13]

Raspberries: Among all agricultural commodities, the red raspberry market is one in which Washington state produces the largest share – more than 90 percent of the nation's total production.[14]

Wine: After decades of research and investment, Washington state is now home to a thriving wine industry, with more than 850 wineries. Wine grape growing areas now exceed 50,000 acres. The state ranks second only to California in total wine grape production.[15] In quality Washington wines compare favorably with the finest wines in the world.

Reducing regulation and protecting resources

Research by the state Department of Agriculture found that farmers believe lawmakers should make agriculture a priority, eliminate regulatory barriers, protect natural resources, strengthen support services, and harness emerging technologies.[16]

Whether policymakers are following these recommendations is a source of great debate in Olympia and across Washington's farming communities. Placing additional regulatory burdens on the

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13 "Cash Receipts by Commodity, Potatoes," state rankings, Economic Research Service, U.S. Department of Agriculture, 2014, at http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/cash-receipts-by-commodity-state-ranking.aspx#P2a1d992291ae446a85aebfdb920be9ba_6_252iT0R0x113.
14 "What's growing in Washington state?" by Hans D. Stroo, Plan Washington, Washington Business Alliance, September 25, 2014, at http://planwashington.org/blog/archive/whats-growing-in-washington-state.
15 "Economic impact of Washington state wine and grapes," Stonebridge Research Report, Washington State Wine Commission, April 2012, at http://www.wawgg.org/files/documents/2012_Economic_Impact_WA_Wine-Grapes.pdf.
16 "Washington Agriculture, Strategic Plan, 2020 and Beyond," Future of Farming, Washington State Department of Agriculture, February 2009, at http://agr.wa.gov/fof/docs/FutureofFarmingReport-PrinterFriendly.pdf.

state's farm families certainly does not reduce regulatory barriers. Based on their actions, it is unclear whether state policymakers have truly made Washington agriculture a top priority.

Washington's farm families and food processors do much more than provide economic benefit to the state. They provide food security, and they are often stewards of public lands and public resources.

Making agriculture a priority

State leaders should ensure that agricultural productivity is a priority in Olympia, and is considered equally with high-tech, software, aerospace, biomedical research and other key industries when setting tax, regulatory and economic policy for Washington state.

Additional Resources

"Agriculture: The cornerstone of Washington's economy," Policy Notes, Washington Policy Center, March 23, 2016

"What's growing in Washington state," by Hans D. Stroo, Plan Washington, Washington Business Alliance, September 25, 2014

"The Future of Farming – 2020 and Beyond, Strategic Plan for Washington Agriculture," Washington State Department of Agriculture, May 14, 2012

"Review of the food processing industry in Washington state," Working Paper, Future of Farming Project, 2008

THE POLICY EXPERTS

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Chair of the House Republican Conference

About the Policy Guide for Washington State

The 5th edition of the Policy Guide for Washington State provides updated information and insight about a range of important issues, including budget and taxes, environment, agriculture, health care, education, small business and transportation.

Typical users of the Policy Guide are state lawmakers, public agency managers, city and county officials, reporters for print, broadcast and online media, and the general public. News organizations commonly use Washington Policy Center research when covering public issues.

The Policy Guide provides both a reference to current issues and a practical guide to the best policy ideas and reforms needed in our state. It provides clear and specific policy recommendations that policymakers can adopt as their main priorities. The recommendations are based on approaches the research indicates would make the greatest positive difference for the people of our state. The priorities presented here are designed to lead to better governance and promote policies that improve the lives of all Washingtonians.

"*The Policy Guide for Washington State* is seen on legislators' desks throughout the capitol—from both sides of the aisle. It provides real solutions and reforms for the biggest problems that the state faces. I've drawn on the Policy Guide both as an uninformed candidate and now as a seasoned legislator. It's a must read and must have for all legislators and candidates!"

-Senator Andy Hill
Senate Ways and Means Committee Chair

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