



## 2002 ANNUAL REPORT



## A LETTER FROM OUR PRESIDENT

On behalf of the board and staff of Washington Policy Center, I am proud to present our 2002 Annual Report.

This report reflects the accomplishments, activities and growth of Washington Policy Center over the past year.

In recent years, Washington Policy Center has established itself as the premier independent, public policy research center in our state, offering analysis and solutions on our state's most pressing public policy issues and ensuring that this important information is received by policymakers, media and citizens around the state. Without this information, a crucial component of the public debate would be missing in the formation of state and local policies.

The efforts and successes of 2002 were possible because of the generosity of our friends and supporters. This year the number of individuals and companies contributing to our organization increased by nearly 20%, adding to our growing base of generous supporters interested in making Washington a better place to live and do business.

Our work has only begun. There is tremendous need to expand our efforts. As we look ahead, we are excited about our prospects for 2003 and confident we will have even greater impact on public policy in our state over the next 12 months. Our board and staff have ambitious goals for the future and look forward to continued success in 2003 and beyond.

Sincerely,

Daniel Mead Smith  
President



## OUR MISSION

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**To  
promote  
free-market  
solutions  
through  
research  
and  
education**

Washington Policy Center (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. WPC improves the lives of the people of Washington by providing accurate, high-quality research for policymakers, the media and the public. We focus on seven core areas of public policy:

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

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 91-175769.

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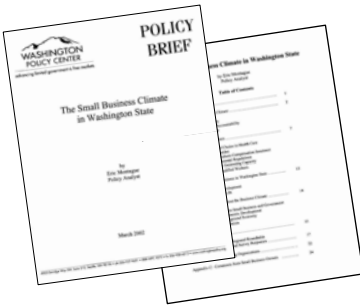
Washington Policy Center



Washington Policy Center Board of Directors with former Mayor Rudy Giuliani at our 2002 Annual Dinner

## POLICY BRIEFS

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*Every year Washington Policy Center researches and publishes studies on a variety of issues facing our state and region. These publications constitute the foundation of our work to improve public policy. Our 2002 research program was built on the issues WPC has developed an expertise in over the years, such as the state budget, health care and taxes. We also expanded into new areas including small business issues and free-market environmental protection. Following are summaries of the Policy Briefs we published in 2002.*

### **IDEAS FOR BALANCING THE STATE BUDGET WITHOUT RAISING TAXES**

by Eric Montague, Policy Analyst  
*January 2002*

This study addressed the \$1.6 billion deficit faced by the state legislature and governor and presents ten innovative ideas for the legislature to consider while addressing these problems. Without major reform of the state budget process, financial shortfalls will only worsen for the next biennium. We released the study at a press conference in Olympia during the 2002 Legislative Session and were joined by a bi-partisan group of legislators who endorsed the study's recommendations. This led to wide coverage of its release and our recommendations.

### **GUIDING PRINCIPLES OF A FAIR AND EFFECTIVE TAX SYSTEM**

by Paul Guppy, Vice President for Research  
*January 2002*

As a member of its Advisory Group, we prepared this concise report to guide the work of the Washington State Tax Structure Study Committee. In 2002 this committee considered changes and presented recommendations for revising the state's complex tax system. Our report discusses eight fundamental principles for a fair and effective tax system; one that minimizes the burden on citizens while raising needed revenue for government.

“Washington Policy Center is an important player in state policy making. It has earned respect and gained influence with decision makers who want to create a more efficient government and a better state for our citizens.”  
Rep. Cathy McMorris, House Republican Leader.





“Washington Policy Center’s Small Business Project will be a valuable resource in the next legislative session as it provides us with data from small business owners across the state. I am looking forward to the results of this project.”  
Senator Tim Sheldon, prior to the release of “The Small Business Climate in Washington State.”

**THE SMALL BUSINESS CLIMATE IN  
WASHINGTON STATE**

by Eric Montague, Policy Analyst  
*March 2002*

As part of our ongoing, three-year Small Business Project, this study combines research from fourteen small business forums held in cities throughout the state and hundreds of surveys completed by small business owners. The project provides a voice for small business owners in our state by identifying roadblocks to business success and exploring practical ways the business climate in all regions of our state can be improved.

**HOW MANDATES INCREASE COSTS AND  
REDUCE ACCESS TO HEALTH CARE  
COVERAGE**

by Paul Guppy, Vice President for Research  
*June 2002*

Paying for health care coverage is one of the fastest-rising costs facing businesses and families in Washington. At the same time health insurance is one of the most heavily regulated sectors of our state economy. This study analyzes the link between these two trends and its impact on the rate of uninsured in our state. *Puget Sound Business Journal*, the region’s leading business weekly, used our research from this study in an in-depth news article titled, “Coverage mandates steadily add to insurance costs.”

**STATE INCOME TAXES INCREASE  
GOVERNMENT SPENDING AND REDUCE  
PERSONAL INCOME GROWTH**

By Eric Montague, Policy Analyst  
*June 2002*

This study represents the second major research project resulting from our work on the Advisory Group of the Washington State Tax Structure Study Committee. A state income tax was a primary component of the committee’s recommendations in its final report released in November. Our study examined states with and without an income tax and outlined how an income tax can stifle a state’s economic growth and limit people’s take-home income more than any other type of tax.

**ASSESSING THE EFFECTIVENESS OF  
INITIATIVE 747 PROPERTY TAX  
LIMITATION**

Paul Guppy, Vice President for Research  
*August 2002*

Passage of Initiative 747 followed Referendum 47, a measure passed by voters in 1997 to limit increases in annual regular property tax collections to inflation, unless local officials identified a "substantial need" to raise taxes higher. Each year since, Washington Policy Center has conducted an annual survey of all 39 counties and 22 major cities to assess the impact of property tax increases. This year compliance with voter-passed limits by Washington counties reached 87% (up from 44% in its first year). This rise in property tax limitation compliance is a direct result of the vigorous research and follow-up that WPC conducts.



“Sound fiscal policies and a commitment to government resourcefulness have been the hallmark of Washington Policy Center.”  
Rep. Barry Sehlin, Ranking Republican on the House Appropriations Committee.



### **AN OVERVIEW OF REFERENDUM 51**

Eric Montague, Policy Analyst  
*September 2002*

In November, the people of Washington voted on Referendum 51, a statewide ballot measure that would have increased certain taxes and fees to pay for transportation reforms and improvements. Washington Policy Center's research summarized the measure's main provisions and provided data on transportation tax and spending policies. The study was used extensively by journalists reporting on R-51.



“The interest in your paper was phenomenal! I was out of your paper by the second day so I steered people to your web site...”  
Carol Ferrie, Political Economy Research Center (PERC), commenting on the response to “Private Land Trusts: A Free-Market Forest Conservation Tool” at a recent national conference for land trust executives in Texas.

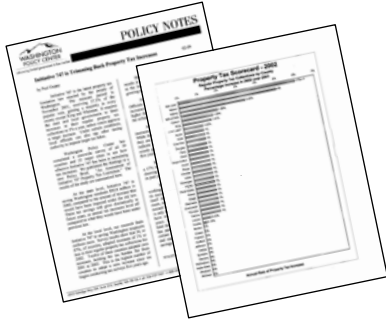
### **PRIVATE LAND TRUSTS: A FREE-MARKET FOREST CONSERVATION TOOL**

Eric Montague, Policy Analyst  
*October 2002*

This study looks at how one market-based environmental tool - the land trust - is being used to protect productive timberland and old growth forests from development without further government regulation. Our report presents case studies of existing land trusts, discusses some of the structural and political questions, and recommends principles for establishing a model, private, free-market land trust.

## POLICY NOTES

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*In addition to our in-depth Policy Briefs, Washington Policy Center publishes a series of shorter studies, Policy Notes, which provide easy-to-read overviews on a variety of topics. We publish a summary Policy Note with each Policy Brief and also publish Policy Notes on a variety of other timely issues throughout the year. Policy Notes are distributed to the same legislators, media, other public policy organizations and citizens who receive our Policy Briefs, plus a grassroots list of over 4,500 individuals. Below is a list of our 2002 Policy Notes.*

- “Teaching Assistants Hold Undergraduates Hostage, Demanding an Exclusive Union and Higher Pay,” by Jason Smosna.
- “Ideas for Balancing the State Budget without Raising Taxes,” by Eric Montague.
- “Further Government Expansion into Health Care will not Reduce Prescription Drug Costs,” by Daniel Mead Smith.
- “The Small Business Climate in Washington State,” by Eric Montague.
- “Consumer, Not Corporate, ‘Greed’ is Ultimately Behind Layoffs,” by Mark J. Perry.
- “Mandates Increase Costs and Reduce Access to Affordable Health Insurance,” by Paul Guppy.
- “Its Time for Consumer Choice in Local Phone Service,” by Paul Guppy.
- “A State Income Tax Would Increase Government Spending and Reduce Personal Income Growth,” by Eric Montague.
- “Initiative 747 is Trimming Back Property Tax Increases,” by Paul Guppy.
- “Washington Cities are Scaling Back Tax Increases in Response to Initiative 747,” by Paul Guppy.
- “Long Term Property Tax Trends Vary Widely Among Counties,” by Paul Guppy.
- “Voter Approved Limit Is Changing City Officials’ Taxing Habits,” by Paul Guppy.
- “Voters Face Decision on Two Statewide Initiatives This Fall,” by Karen Mooney.
- “Health Care 2002: Improving Cost, Quality and Choice,” by Eric Montague.
- “An Overview of Referendum 51,” by Eric Montague.
- “Private Land Trusts: A Better Way to Protect the Environment,” by Eric Montague.



- “Rudy Giuliani Honored at 2002  
Washington Policy Center Annual

Dinner,” by Eric Montague.

# OPINION-EDITORIALS

In 2002 Washington Policy Center continued its “Commentary on the Issues” op-ed series. Every other Wednesday, we send an op-ed discussing a current public policy issue to newspaper editors around the state. This greatly increases the ability of our ideas and research to reach a wide variety of Washington citizens. In 2002 we released 23 op-eds and pieces from the series appeared in 63 different newspapers across the state. A few highlights are listed below.

- **“When Auto Safety is Against the Law,”** by Daniel Mead Smith, discussed the impact on car safety by the federal government’s new car fuel economy standards. This op-ed ran in several papers and resulted in a TV interview on KIRO-TV (CBS) in Seattle.
- **“April 15<sup>th</sup> has Passed, But We’re Still Waiting for Tax Freedom Day,”** by Paul Guppy, ran in several papers, resulted in three radio interviews and was cited in a news report on a Tri-Cities TV station.
- **“Our High Minimum Wage Fuels Job Losses,”** by Paul Guppy, was published in 15 different newspapers.
- *The Seattle Times* ran an exclusive op-ed, **“A State Income Tax Would Hurt Washington’s Economy,”** which explains how an income tax would affect the people of Washington.
- The release of our annual study on property taxes resulted in an op-ed entitled, **“Are Your Property Taxes Going Up? Don’t Blame the Assessor,”** by Paul Guppy that was published in 15 newspapers. This column led to comments from assessors around the state including:



The Seattle Times

Seattle, WA  
December 27, 2002

## Income tax could stifle state's economic growth

**By Eric Monaghan**  
*Times Staff Writer*

**O**NE of the major recommendations of the report by the Washington State Tax Structure Study Commission, chaired by Gov. Gary Locke, is a 10 percent increase in the state's income tax rate. At the same time, it is important to look at the opportunity cost of the income tax rate increase for Washington.

Different types and levels of income taxes have a profound impact on the actions of residents and businesses. A heavy tax burden on the income level of someone can significantly impact economic growth. A study by the Heritage Foundation shows that states with the highest income tax rates have the lowest economic growth. In fact, an income tax cut can stimulate economic growth and create jobs. People's take-home pay is higher when the income tax rate is lower.

Since 1987, nine states have imposed an income tax. In those states, government spending increased an average of 6.8 percent and personal income growth decreased an average of 6.2 percent after enacting the new tax.

If an income tax causes the same trends to occur in Washington state, government spending would increase by an inflation-adjusted \$48 billion over the next 10 years. Over the same period, personal income growth would be reduced by some \$20 billion. By 2012, the average state of Washingtonians would be \$2.70 poorer than what they would expect to earn without an income tax.

A comparison among states also shows that states without an income tax consume a significantly smaller portion of their citizens' earnings and tend to be better stewards of the taxes they do collect. It is the budget decisions of elected board and council members — not the income tax rate — that determine how much property tax we all pay.

Holding the right officials accountable in the first step to reducing trust and fiscal unity to local government.

**Paul Guppy** is vice president of research at Washington Policy Center, an independent, non-profit research and education organization based in Seattle. He and the organization can be reached at [www.washingtonpolicy.org](mailto:www.washingtonpolicy.org). Guppy studied at the London School of Economics and specializes in state, local and public finance.

**Recent research shows that income taxes reduce state competitiveness, add cost and complexity to the tax code and reduce the incentive for people to work, save and invest — all vital components of small business growth and job creation.**

**Lower overall tax rates stimulate growth and development. By limiting tax exemptions, the state can reduce rates for all taxpayers, regardless of industry, occupation or special interest.**

**Revenue limits on the growth of government spending, Washington's non-binding, limited-revenue spending plan, would reduce state government from an average 12 percent of household income in 2001 to 10.6 percent in 2012 to just over 9 percent in the years following.**

**Limit the growing size of state government. The largest employer in the state is now the government. State government alone has added more than 15,000 employees in the last five years, thus contributing to the deficit by building higher permanent costs.**

**A personal income tax is not the answer to Olympia's budget woes. The expansion of other state services that an income tax would reduce — income growth, increase the rate of government spending and reduce the competitiveness of our business climate. Instead, simplifying tax rates and combining the rapid expansion of government would help our economy and benefit all taxpayers. People could then spend more time working for themselves and their families and less working to pay for the cost of government.**

**Eric Monaghan is a policy analyst and the Washington Policy Center's Seattle-based research and education operations that are a member of the Advisory Group for the Tax Structure Study Commission.**



## Blame local leaders for high property taxes

**By PAUL GUPPY**

Many people believe that property value alone determines how much property tax they must pay, and when the county assessor updates home values to reflect market trends, their taxes automatically go up. This is not the case.

County assessors do not set property taxes. Elected state legislators and the local board and council members of the Washington's 39 counties, 388 cities and 1,618 other taxing districts do.

Once elected officials in each taxing district decide the total dollar amount they feel they need to fund public operations for the following year, the assessor appraises that amount among the district's property owners, based on each person's assessed value. It is a household tax system, and that is the source of most of the confusion over who is responsible for rising property taxes.

Most people are familiar with rate-based tax systems, like the state sales tax or the federal income tax. In a rate-based system, the county assessor applies it to the value of each owner's property. One piece of land may fall under the jurisdiction of as many as 10 separate taxing districts. The assessor adds the budget demands of the different districts together, calculates the tax rate, then multiplies the tax rate by each property owner's assessed value.

Supposed by the provision of local officials, voters last year passed Initiative 507. That law

It's not the assessor's fault if your property taxes are going up; it's the budget decisions of elected boards and councils that set the rates.

Under this system, the amount of revenue the government will collect is known from the beginning. It is the tax rate that is unknown until it is calculated by the assessor.

The difference between the two systems can be expressed this way:

• **Rate-based system:** rate is tax base × revenue.

Once the rate is determined, the county assessor applies it to the value of each owner's property. One piece of land may fall under the jurisdiction of as many as 10 separate taxing districts. The assessor adds the budget demands of the different districts together, calculates the tax rate, then multiplies the tax rate by each property owner's assessed value.

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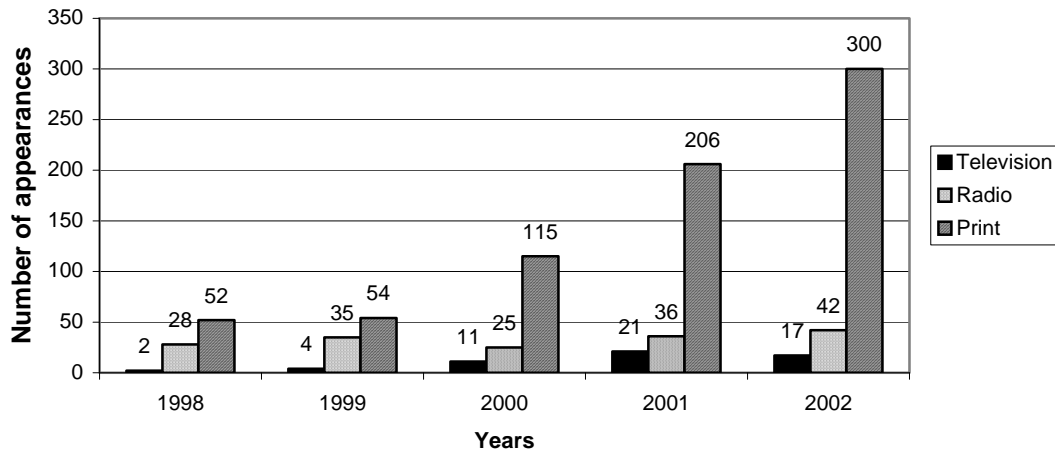


- *“I felt it was an excellent article; in fact, it is the best summary I’ve EVER seen on this subject, and I just wanted you to know that I really appreciate it.”* – Kristine Welfel, Stevens County Appraiser
- *“There are not many that will take the time or effort to explain the process. It has been much more fun just to ‘bash and blame’ the assessors’ offices for all the ills of the world. My hat off to you, you did a good job with the article.”* – Robert Carlton, Columbia County Assessor

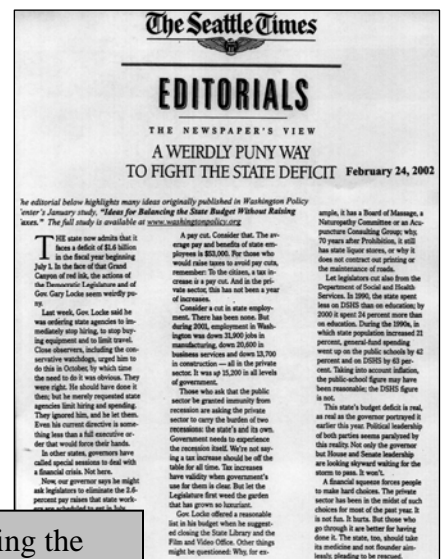
# WASHINGTON POLICY CENTER IN THE NEWS

Washington Policy Center has experienced a dramatic increase in media coverage in recent years. In 2002 we were mentioned in print media 300 times, on the radio over 40 times and have been covered by TV stations on 17 occasions. This represents a 476% increase in print coverage and a 337% increase in our overall media coverage in the last 5 years.

**Washington Policy Center Media Coverage 1998-2002**



- Our **Budget Study** and press release **“Innovative Ideas Provide Nearly \$1 Billion to Fill State Budget Deficit”** led to a significant amount of media coverage. For example, a member of *The Seattle Times* editorial board called to discuss our recommendations from this study. Following this conversation, on Sunday, February 24, the lead editorial in *The Times* agreed with our analysis and mentioned some of the recommendations in our report although it did not directly name Washington Policy Center. Also, syndicated columnist, Adele Ferguson expressed her concerns for the shortfall in the state budget in her article “Budget ideas: Good, Bad and Right on Target,” which was partly based on our study. Her column appeared in at least seven newspapers across the state.



“There’s a new booklet out called ‘Ideas for Balancing the State Budget Without Raising Taxes’ that should be a best seller if it wasn’t free.” Syndicated columnist, Adele Ferguson.

- Several newspapers, including *The Seattle Times* and *Seattle Post-Intelligencer*, turned to Washington Policy Center for comment following the decision against the Seattle School Board's race-based student assignment program by the United States Ninth Circuit Court of Appeals. Washington Policy Center's press release "**The Court is Right to Strike Down Seattle's Race-Based School Admissions**," led to mentions in two front page articles in *The Times* and *P-I*.
- Following the release of our study, "**An Overview of Referendum 51**," a reporter from *The Spokesman Review* complimented us on our analysis and quoted it in several of his stories.
- WPC was the first independent organization to make a statement expressing concern about King County's closure of 44 county parks. WPC's research was quoted widely in news reports on the issue, especially in community newspapers. *The Seattle Times* reported this comment from County Executive Ron Sims, "'We thought nobody would notice,' said Sims, but instead he's been deluged with e-mails about the parks."
- Editors and reporters from a variety of newspapers increasingly turned to Washington Policy Center for information as they developed ideas for editorials or articles. For example, Bob Young, a political reporter for *The Seattle Times*, sent WPC Research Director, Paul Guppy an e-mail stating: "Paul: I'm about to investigate possible city budget stories - any ideas, requests?" Although our name is not always mentioned in the resulting news reports, our ideas continue to reach an ever growing audience.

### Business climate debate clouds up

The state's business climate stinks. Taxes are too high, government interference is unbearable, environmental regulations are stifling, other states are more supportive, we can't compete. Business will just have to look elsewhere unless it gets more respect and better incentives.

I've heard it all before — every place I've been, for more than 20 years.

I heard it when I covered business in Oregon, Minnesota, Wisconsin, Illinois, Maryland and now, Washington.

I read the same complaints every time I pick up any newspaper from any part of the country.

No matter where you go, no matter what the actual economic conditions, I guarantee you'll hear the identical lament, over and over: The business climate is killing us. Every government entity in the U.S. is anti-business.

The business climate is always terrible everywhere for everyone — except that wherever you are, it's always better somewhere else.

Yet before the current recession, the country prospered like never before, in the longest sustained economic boom we've ever seen. Hundreds of

**EDITOR'S NOTEBOOK**

The answer is simple: What's "good" and "pro-business" depends on a lot of elements that are not the same for everyone at any one time. For instance, the business climate forecast is often quite different for small business and big business.

That's why throwing the business climate blanket over every economic discussion is becoming increasingly futile. Worse, it's a "crying wolf" response that's costing the business community credibility.

Remember a year ago, when the Boeing Co. announced its move? Chairman Phil Condit said repeatedly that the move had nothing to do with the business climate, and that there was nothing government could have done to make the company change its long-term strategic plans.

Yet the "bad business climate" uproar has barely subsided in the year since. A recession that nothing could fuel the fervor in the governor on the indictment on. Task forces and scrambling to come which may be of little cross-purposes.

Why? Because there is no single way to characterize a business climate or to easily change it. Whatever the business conditions are, they are made up of dozens of factors including many that are out of the control of local or state governments.

A new report by the Washington Policy Center assesses the small-business climate in Washington state. I correctly anticipated what it would say before I opened the cover: Washington is anti-business and state government is strangling us. Reports like this one should be valued but are becoming so predictable and redundant that they're in danger of having no impact.

Which would be too bad, because there are persistent themes that still need attention. In particular, the Policy Center report notes, small business is still frustrated by regulatory uncertainty and lack of government accountability.

Those are fair complaints that have never been adequately addressed. Break it down into specific issues such as health insurance, workers' compensation, tax burdens and contradictory regulatory directives, and you've got some things to work on.

That's how the business climate will be warmed up — not by politicizing it into the all-purpose bogeyman, but by tackling and solving one problem at a time.

DONALD R. NELSON is editor of the Business Journal. Reach him at [dnelson@bizjournal.com](mailto:dnelson@bizjournal.com).

PUGET SOUND  
**Business Journal**

How could things have been so good if they were so bad?

Why? Because there is no single

## Budget gap plans debated

Conservative think tank pushes cost-cutting ideas

BY BRAD SHANNON  
THE OLYMPIAN

OLYMPIA — Rising Medicaid and school costs might widen the state budget deficit to \$1.3 billion, dropping more tough choices on lawmakers who are struggling to find ways to make up the shortfall.

The state budget deficit might have grown another \$50 million to \$60 million, according to state Sen. Lisa Brown, chairwoman of the Senate Ways and Means Committee.

But many of the ideas The Washington Policy Center, a conservative, Seattle-based think tank, introduced Friday probably won't help the Legislature this year because the savings won't come in time, said Brown, D-Snohomish.

Increases in revenue probably will be needed when the state's proposed supplemental budget is released, perhaps on Feb. 25, Brown said.

**Cost-cutting ideas**

Daniel Mead Smith, president of The Washington Policy Center, offered a different view in a briefing for reporters.

Smith said \$1 billion could be saved if the state took a half-dozen steps, including:

- **Putting a flexible freeze on state agency hiring**, which has swelled state-employee ranks to 102,000, up from 81,000 in 1990.
- **Authorizing state Auditor Brian Sonntag** to carry out performance audits to judge how well tax dollars are being spent.
- **Opening state services to competitive bidding**, including contracting with private companies for such services as Capitol grounds maintenance, printing, liquor sales and passenger service.
- **Eliminating prevailing-wage requirements in school and highway construction jobs.**

See BUDGET, Page C2



"You are to be congratulated on a valuable, informative report. It should help the citizenry better understand the budget woes cities and counties may face in the years to come." *Seattle Post-Intelligencer* editorial writer Thomas Shapely, after reading "Assessing the Effectiveness of Initiative 747 Property Tax Limitation."

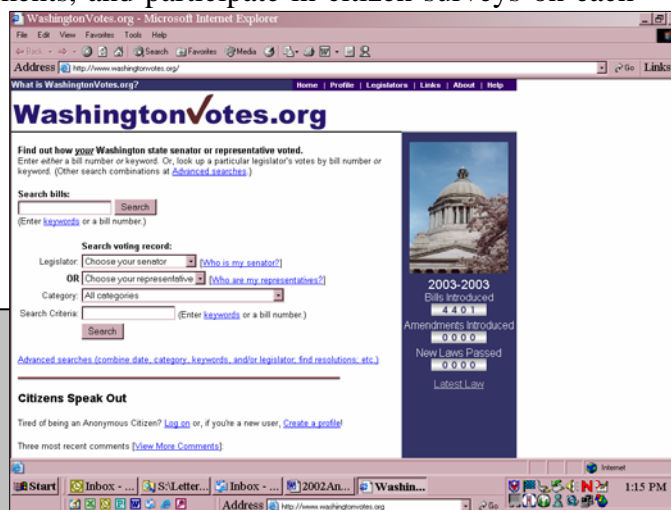
*This unique and comprehensive website, for the first time, puts simple and accurate descriptions of Washington legislative measures and actions, along with the complete voting records of Washington legislators, at the fingertips of all citizens twenty-four hours a day, free-of-charge. By allowing easier access to citizens, our state government will never be the same.*

## **This new site gives citizens the ability to:**

- Access concise, plain-language, objective and accurate descriptions of every bill, amendment, roll call vote and voice vote.
- Track all the votes of a particular legislator, or search by bill number, category or keyword.
- View all bills and amendments introduced by a particular legislator.
- Post a public comment, view others' comments, and participate in citizen surveys on each bill.
- Immediately e-mail legislators about a bill.
- Follow action in any one or more of nearly 100 different categories of legislation (such as *Education, Land Use or Property Tax*).

“Congratulations on the inauguration of the WashingtonVotes.org project. Having perused the website, I am impressed at its design and breadth of coverage. It will no doubt be an unparalleled resource during the upcoming legislative session and beyond.”

Kristopher Tefft, Legal Counsel, Building Industry Association of Washington.



## **Future of WashingtonVotes.org:**

- The site will be formally introduced to state policymakers in Olympia and continually updated during the 2003 Legislative Session as a tool to track bills as they move through the legislature. This will allow citizens to track and comment on bills of interest to them during the session.
- New features will continue to be added to the site making it increasingly easy to access and track information.
- We will continue to promote and market WashingtonVotes.org, building a growing and diverse group of supporters and co-sponsors and continually working to get the word out about the site to encourage maximum citizen impact from the information provided.



## RECENT ACTIVITIES AND IMPACT

- Consistent with one of the recommendations of our **Budget Study** – allowing the state auditor to conduct performance audits – a performance audit amendment was added to the budget bill the legislature passed during the 2002 session. The amendment requires the state auditor to conduct an audit of the state’s claims and benefits system, along with two other audits, to be conducted by the Office of Financial Management. Governor Locke signed this provision into law.



“The research conducted by Washington Policy Center provides a clear argument for implementing independent performance audits in state government.” State Auditor Brian Sonntag

- We published a well-received **transportation plan** in 2001 that outlined several ways policymakers can stretch existing funding sources to help meet the expanding transportation needs of our state. In 2002 Gov. Gary Locke signed one of our reform ideas – permit streamlining – into law.
- **Compliance with Referendum 47’s Inflation Limit by Washington Counties reached 87%** (up from 44% in its first year). This rise in property tax limitation compliance is directly related to the vigorous research and follow-up that Washington Policy Center has conducted through our annual “R-47 Scorecard.” The Scorecard has tracked compliance county by county each year since the inflation limit was passed by voters in 1997.
- In 2001 we launched our three-year **Small Business Project** to examine the state’s small business climate. We hosted roundtable discussions in 14 cities and surveyed small businesses across the state. The Project is co-sponsored by over 50 local and statewide organizations including chambers of commerce, NFIB, AWB and IBA. In January 2002, we were asked to make two, in-depth presentations before both the Senate and House Economic Development committees in Olympia on the initial results of our project. We also met with the U.S. Small Business Administration Regional Director Conrad Lee to discuss our findings.



Port Angeles small business owners discuss the business climate with WPC’s Eric Montague





- The State Department of Revenue asked Washington Policy Center to serve on the **Advisory Group of the Washington State Tax Structure Study Committee**. This committee considered changes to our complex state tax system throughout 2002 and presented recommendations to the legislature in November.
- Our two recent prescription drug Policy Notes, **“Further Government Expansion into Health Care will not Reduce Prescription Drug Costs”** and **“Price Controls Are Not the Right Answer to Rising Prescription Drug Costs,”** were featured as the only handouts at the American Legislative Exchange Council (ALEC) Annual Meeting in Orlando at their prescription drug session. The session was attended by hundreds of state legislators and activists from around the country.
- A national public policy organization, The Progress and Freedom Foundation, reprinted WPC’s 2001 study **“When Government Enters the Telecommunications Market: An Assessment of Tacoma’s Click! Network.”** They used our study on government-run cable systems, as part of their national telecommunications project to explain why such government ventures are not as efficient as private ones and rely on taxpayer subsidies.
- In 2002 Washington Policy Center formed a new **Eastern Washington Advisory Board** composed of influential business and community leaders who show a commitment to furthering our mission to make Washington a better place to live and do business. The Board’s purpose is to inform us about issues that affect Eastern Washington that should be addressed from a free-market viewpoint and brought to the attention of policymakers, members of the media and citizens throughout our state. Board members will also represent the Center in their local communities.

**Eastern Washington Advisory Board**

*Brenda Alford, Alford Farms, Inc., Pasco*  
*Steve Appel, Washington State Farm Bureau, Endicott*  
*Gene Astley, Richland*  
*Michele Brich, Home Builders Association of Tri-Cities, Kennewick*  
*Bob Brody, King Orchards, Wenatchee*  
*Dr. Peter Brooks, former legislator, Walla Walla*  
*Dr. John Condon, Spokane*  
*Diane Cornwell, Pacific Northwest Bank, Wenatchee*  
*Earl Davenport, Colville*  
*Hon. Dale Foreman, WPC Board Member, Wenatchee*  
*Randy Gold, Gold Construction, Wenatchee*  
*Hon. Jeannette Hayner, WPC Board Member, Walla Walla*  
*Mike Hogue, The Hogue Cellars, Prosser*  
*William Lampson, Lampson International, Kennewick*  
*Dr. Blake McKinley, Sr., Spokane*  
*Mike and Barbara Poulsen, Washington Agriculture Legal Foundation, Connell*  
*Bruce Smith, Yakima Valley Business Times, Yakima*  
*Dr. John Sonneland, Spokane*  
*Heidi Stanley, Sterling Savings Bank, Spokane*  
*Peter Stanton, Washington Trust Bank, Spokane*  
*Bob Tippet, Tippet Company, Pasco*  
*Del Vanderhoff, Chamberlain Distributing, Wenatchee*



## WASHINGTON POLICY CENTER 2002 ANNUAL DINNER

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Every fall Washington Policy Center holds its Annual Dinner to honor two public policy leaders, one from Washington state and one who is a national symbol of leadership and freedom. Past recipients include, Oklahoma Governor Frank Keating, Steve Forbes, and William J. Bennett.

2002's honored guest and keynote speaker was former New York City Mayor and *Time Magazine's* 2001 Person of the Year, **Rudy Giuliani**. He received the Policy Center's 2002 Columbia Award for, as the award reads, his "steadfast commitment to the principles of freedom and responsible government, and for his bold leadership and enduring strength in a time of national crisis." This was his first trip to Seattle and only Washington state appearance in 2002.



Former Mayor Rudy Giuliani noted the importance of high-quality research from independent organizations like Washington Policy Center in developing innovative public policy

King County Sheriff Dave Reichert received the Center's 2002 Stanley O. McNaughton Champion of Freedom Award for his work in cracking the Green River murder case and for his overall commitment to protecting the lives, liberty and property of citizens.

During his speech former Mayor Giuliani noted the importance of high-quality research from independent organizations like Washington Policy Center in developing innovative public policy. He said he often benefited from the policy recommendations of the Manhattan Institute, a similar free-market think tank in New York.

This was WPC's largest and most successful Dinner ever with over 850 guests. The Dinner enabled us to introduce our organization and research to hundreds of business and community leaders, elected officials and prospective supporters.



"Congratulations on a great dinner event. I was proud to be a part of it." Susan Hutchison, news anchor for KIRO 7 Eyewitness News and Master of Ceremonies for Washington Policy Center's 2002 Annual Dinner.

## EVENTS

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*Washington Policy Center holds conferences, forums and events on both national and state issues throughout the year. These events are attended by a wide variety of individuals including legislators, lobbyists, members of the media, Washington Policy Center supporters and interested citizens.*

- **Small Business Briefings** – Following the release of our study, “The Small Business Climate in Washington State” and testimonies before the State House and Senate Economic Development Committees, we returned to a number of cities across the state to present our findings to small business owners and members of the media. Cities we visited included Yakima, Tri-Cities, Walla Walla, Port Angeles, Aberdeen, Bellingham, Everett, Spokane and Wenatchee. In each city, we discussed the particular issues of importance that we discovered in their region. These events continued the relationships we started with small business owners the previous fall and led to continuing media news coverage of our study and its findings which will build up to a statewide conference and “Agenda for Reform” report.
- In May we held a lunch event with Washington, D.C.-based, Institute for Justice entitled “**Waging the Conservative Legal Counter-Revolution.**” The event was attended by nearly 100 people, many of whom were introduced to WPC for the first time. The purpose of the event was to discuss the opening of an Institute for Justice office in Seattle later in 2002. Institute for Justice is a non-profit, public interest law firm, devoted to protecting individual rights by pursuing cutting-edge litigation in the law courts and in the court of public opinion.



- In August we sponsored a sold-out health care conference in Seattle, **Health Care 2002: Improving Cost, Quality and Choice**, to discuss the impact of government mandates on health insurance costs, issues surrounding prescription drugs and free-market solutions to these issues. This event brought public awareness of free-market principles in health care to a new level. Congresswoman Jennifer Dunn and Dr. Merrill Matthews of the Institute for Policy Innovation spoke at the event. Over 175 people attended, including legislators and candidates; representatives of the pharmaceutical industry, hospitals, and insurance companies; and patients and doctors, increasing our impact on health care related policy decisions.

“I trust you are pleased with WPC's Health Care Forum yesterday. It was well attended, well received, and all-around well done. I believe the conference yesterday takes us one step closer to a balanced and rational set of health policies in our state.” James Whitfield, Director, Transforming Health Care, Washington Health Foundation.

- After voters rejected Referendum 51 at the polls in November, we sponsored another sold-out and timely forum entitled, **Transportation After Referendum 51: Now What?** This event was co-sponsored by *The Seattle Times*, City Club, and Discovery Institute. *The Times* editorial page editor, Jim Vesely, moderated the discussion and panelists included: Hon. Kemper Freeman, Owner, Bellevue Square; Senator Jim Horn, Chair, Senate Highways and Transportation Committee; Andrew Johnson, Executive Policy Advisor, Office of the Governor; and Hon. Rob McKenna, Councilmember, King County Council.



*The Seattle Times* editorial page editor, Jim Vesely, moderates the discussion at WPC's sold-out Transportation Forum

- We also hosted a luncheon event in May for our major donors, featuring **United States Congressman George Nethercutt, Jr.** from Washington's 5<sup>th</sup> District. Rep. Nethercutt discussed Congressional issues of importance to Washington state.
- John Von Kannon, Vice President for The Heritage Foundation, spoke on the importance of think tanks at the national and local level at a **joint Washington Policy Center/Heritage Foundation event** in Seattle in June. This event introduced a number of Heritage supporters to the work of Washington Policy Center, some of whom were very interested to learn of a free-market research organization here in Washington state.



- Also, in June we held an event with **Dr. Steven Hayward**, the F.K. Weyerhaeuser Fellow in Law and Economics at the American Enterprise Institute. He discussed his new book, "**The Age of Reagan**," which outlines the American political landscape preceding and during Ronald Reagan's ascent to the White House.

## 2003 RESEARCH & ACTIVITY AGENDA

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*Washington Policy Center will continue to conduct research and publish Policy Briefs and Policy Notes in 2003 that present innovative policy solutions to improve the lives of people in our state. We will also work full-time on improving the WashingtonVotes.org website during the legislative session, hold timely and relevant events and continue our Commentary on the Issues series. Here is an advance look at just some of what you can expect from WPC in 2003.*

### **On Taxes and the State Budget:**

- State policymakers face a \$2.4 billion budget deficit during the 2003 legislative session. As a follow-up to our past state fiscal and regulatory analysis, Washington Policy Center will publish an in-depth Policy Brief outlining sensible recommendations that will help state government balance the budget without raising taxes, improve efficiency and avoid future budget deficits.
- For the 6<sup>th</sup> year, we will publish our Annual Property Tax Scorecard which continues to hold cities and counties accountable to the limitations imposed by voters through R-47 in 1997 and I-747 in 2002.

### **On Health Care:**

- An in-depth Policy Brief and summary Policy Note on the issue of direct to consumer advertising of prescription drugs. This study will examine the effects of proposals to prohibit such advertising at both the national and state level and the resulting loss of information, choice and technical innovation available to consumers.
- Analysis of a proposed bill to create a single, government formulary list for prescription drugs, especially on how such a policy would impact the mentally ill.

- Continue to encourage the enactment of a moratorium on new health care mandates and the legalization of basic insurance based on our 2002 study, "How Mandates Increase Costs and Reduce Access to Health Care Coverage."

### **On Small Business:**

- Continue our three-year, statewide study on the first-hand experiences of small business owners. The next phase of the project will include a statewide conference that will create a dialogue between our state's policymakers and small businesses resulting in an "Agenda for Reform" report, with specific recommendations for improving the small business climate.

### **On Privatization:**

- As a timely addition to the 2003 legislative session, we will publish a policy note on liquor store privatization and a concise study on prison privatization opportunities made possible by a new state law that could allow greater contracting out of public services.
- We will continue to illustrate the need to move up the effective date of the repeal of the ban on contracting out of government services from 2005 to 2003.





## OFFICERS & STAFF

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### Chairman and Senior Staff:

**Janet True, Chairman**– Janet is a founding member of Washington Policy Center’s Board of Directors. She is an active member of the Seattle non-profit community serving on the board of directors for a number of community organizations including Woodland Park Zoological Society, Seattle Repertory Theatre, PONCHO, The Junior League of Seattle, and The Bush School. Janet previously worked in the political field in Washington, D.C. at The American Enterprise Institute and for Senator James Buckley and Congressmen Jack Kemp and Jack Cunningham.

**Bill Conner, Vice Chairman** – Bill has served on Washington Policy Center’s Board since 1999. He is the founder of Bellevue-based Conner Homes Company, Inc. He previously served the building industry politically as President of the Seattle Master Builders Association and the Washington State Homebuilders Association, and as the Area Vice President for the National Homebuilders Association. Bill is the current Chairman of United for Washington and previously served as President of Threshold Housing and the Board of Holy Names Academy.

**Hon. Emilio Cantu, Immediate Past Chairman** – Senator Cantu served as Washington Policy Center chairman from 1997 to 2002. He served for 16 years in the state legislature and as the Senate Deputy Majority Leader before retiring in 1996, and previously worked as an Engineering Design Supervisor for The Boeing Company. Appointed by Governor Locke, he serves on the Washington State Information Services Board, and is a World War II Navy veteran.

**Daniel Mead Smith, President** – Dann is a graduate of Western Washington University and has been with the organization since 1991. Since becoming President in 2001, he has guided the Center in a significant re-organization and is leading a major expansion of the Center’s programs and activities. He also served on the Advisory Group of the Washington State Tax Structure Committee.

**Paul Guppy, Vice President for Research** Paul is a graduate of Seattle University and holds Masters degrees in political science from Claremont Graduate University and the London School of Economics. He worked for 12 years on the staff of the U.S. Congress as an Appropriations Committee analyst, Legislative Director and Chief of Staff before joining the Center in 1998. He has been named one of the region’s new rising stars by *The Seattle Times*.

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### Staff:

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