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On behalf of the board and staff of Washington Policy Center, I am proud to present our 2003 Annual Report. This report reflects the accomplishments, activities and growth of Washington Policy Center over the past year.

The information in this report speaks for itself – 2003 was a great year for our organization and our efforts to make Washington a better place to live and do business. Throughout the year we continued to publish in-depth analyses and solutions to our state’s most pressing public policy issues. As the region’s premier, independent, public policy research center, we frequently served as a resource to policymakers throughout the state and continued our efforts to educate community leaders, the media and citizens through our publications, events and other activities. Without this information, a crucial component of the public debate would be missing in the formation of state and local policies.

We have been encouraged in recent years by the growth of our impact and in the reach of free-market ideas in general. For example, in 2003 the governor signed seven of our policy recommendations to balance the state budget into law. Yet in spite of this success our work has only begun. There is tremendous need to continue to expand our efforts. To accomplish this, in 2004 we will begin the implementation of individual research Centers within Washington Policy Center to address specific policy areas and continue to expand our impact in Washington state, beginning with our Center for Environmental Policy and Center for Small Business and Entrepreneurial Studies.

As we look ahead, our board and staff are excited about our prospects in 2004 and confident we will have even greater impact on public policy in our state this year. Maintaining a rigorous schedule of research and activities is expensive to carry out, particularly if those efforts are going to withstand academic and political scrutiny. We work daily to ensure the highest degree of integrity in everything we do. We simply could not do our work without the support of our numerous good friends. Our heartfelt thanks once again to you who give so generously.



Sincerely,



Daniel Mead Smith  
President

**To  
PROMOTE  
FREE-MARKET  
SOLUTIONS  
THROUGH  
RESEARCH  
AND  
EDUCATION**

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

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

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

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

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

For more information please call (888) WPC-9272 or visit [www.washingtonpolicy.org](http://www.washingtonpolicy.org).

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

## POLICY BRIEFS



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 2003 research program was built on the issues in which WPC has developed an expertise over the years, such as the state budget, health care and taxes. We also continued to develop our expertise in new areas such as small business issues and free-market environmental protection. Following are summaries of the Policy Briefs published in 2003.

**A POLICY GUIDE FOR BUDGET REFORM:  
STRATEGIES FOR IMPROVING  
STATE GOVERNMENT SERVICE &  
REDUCING THE DEFICIT**  
by Eric Montague, Policy Analyst  
*January 2003*

During the 2003 Legislative Session, legislators looked for any means possible to close the \$2.6 billion budget gap. As a follow-up to our past state fiscal and regulatory analysis, this in-depth study outlined sensible recommendations, endorsed by policymakers from both parties, that helped lead to a “no new taxes” budget, improve efficiency and avoid future budget deficits. Legislators included our recommendations in a number of bills introduced, and **seven of our policy recommendations were signed into law.**



[Washington Policy Center] has always been a tremendous help to us in Olympia.... This organization helped in a number of different ways [during the 2003 Legislative Session] with all sorts of policy advice. It's been a wonderful relationship, and a tremendous help in Olympia.  
– *Former Senator Dino Rossi, Chair of the Senate Ways & Means Committee (2003)*

**TREATMENT DENIED: STATE FORMULARIES  
& COST CONTROLS RESTRICT ACCESS TO  
PRESCRIPTION DRUGS**  
by Linda Gorman, Ph.D., Adjunct Scholar  
*February 2003*

This in-depth study presents data showing that spending on prescription drugs reduces overall health care costs as new drugs reduce side effects and better control disease. This view is opposed to that of many in state government who are considering prescription drug formulary programs in an attempt to cut Medicaid costs. They believe restricting prescription drug purchases will reduce the total amount spent on prescription drugs. This study particularly focuses on the many problems resulting from Florida's existing drug formulary program and the risks of introducing a similar program in Washington. A number of newspapers around

the state printed articles highlighting this report and we were invited to testify before the Senate Health and Long Term Care Committee and the House Health Care Committee.

**PRIVATE PRISONS & THE PUBLIC INTEREST:  
IMPROVING QUALITY & REDUCING COST  
THROUGH COMPETITION**

by Paul Guppy, Vice President for Research  
*February 2003*

The state Department of Corrections budget more than doubled over the last ten years. The rising cost of operating the state prison system outpaced the rise in total General Fund spending in every biennium in the 1990s and is one of the fastest growing areas of state spending. Using data and examples from other states, this study described privatization options to help Washington combat the increasingly unsustainable costs of our state's prison system.

**SMART GROWTH & HOUSING AFFORDABILITY:  
EVIDENCE FROM WASHINGTON STATE**

by Samuel R. Staley & Leonard C. Gilroy  
Co-published with  
Reason Public Policy Institute  
*April 2003*

This study offers a detailed analysis of the impact of Washington's Growth Management Act (GMA) on housing prices as well as comparable data from other states. In spite of the GMA's goal to ensure housing affordability, this study finds that it actually significantly reduces housing affordability, denies homeownership opportunities to low-income families, and sharply inflates the cost of existing housing.

**THE ECONOMIC CASE AGAINST AN INCOME  
TAX IN WASHINGTON STATE**

by David G. Tuerck, John S. Barrett &  
Sorin Cofreanu  
Co-published by Beacon Hill Institute  
*May 2003*

Published in partnership with Beacon Hill Institute at Suffolk University, this study utilized our new STAMP computer model to offer an empirical look at the impact of an income tax on Washington's economy. Conclusion: an income tax would hurt employment in the state and reduce the disposable income of those who remain employed. The numbers show the case for introducing a personal income tax in Washington is not economically compelling.

**TEN TOOLS FOR ACHIEVING  
CONSUMER DRIVEN HEALTH CARE**

by Greg Scandlen, Galen Institute  
*June 2003*

This study explains ten tools to create a new approach to health care financing based on consumer driven health care. These include: Flexible Spending Accounts, Medical Savings Accounts, Health Reimbursement Arrangements, Indemnity Coverage, and Defined Contributions. Near the end of 2003, Congress enacted legislation allowing all Americans under 65 to open tax-free Health Savings Accounts, a form of consumer-based health care that is recommended by Washington Policy Center.





**PROPERTY TAX LIMITATION IN  
WASHINGTON STATE**

by Paul Guppy, Vice President for Research  
*August 2003*

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 independent, 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 92% (up from 44% in its first year). Further, no county increased taxes by more than the once-common 6% level, indicating the broad effect the Initiative 747 law has had in reducing the rate of annual property tax increases among counties. This rise in property tax limitation compliance is a direct result of the vigorous research and follow-up that WPC conducts.

**SMALL BUSINESS POLICY OVERVIEW**

by Eric Montague, Policy Analyst  
*September 2003*

To prepare for the 2003 Statewide Small Business Conference, WPC held a series of meetings with our Conference co-sponsors and supporters to ensure the event would appeal to a diverse group of business owners and to develop an effective agenda for the day. This overview publication was created at the co-sponsors suggestion, providing brief summaries of each issue to be discussed and possible solutions to think about prior to the Conference. Topics included ergonomics, minimum wage, minor work rules, the rising cost of health insurance, workforce training, access to technology, environmental regulation, the tax burden and liability and tort reform. The overview was distributed electronically to all Conference registrants and included in the event program.

**AN OVERVIEW OF INITIATIVE 841: REPEAL OF  
STATE ERGONOMICS REGULATIONS**

by Paul Guppy, Vice President for Research  
*October 2003*

This study offered a thorough analysis of Initiative 841. The initiative sought to repeal the state’s latest set of rules regulating the workplace, called the ergonomics rules, aimed at reducing workplace injuries. The study provided voters and the media with a better understanding of the initiative’s purpose and impact prior to the November election. Newspapers throughout the state cited our study in articles leading up to the election. Repeal of the ergonomics rules was one of the recommendations of the 2003 Small Business Conference.

**AFTER THE BLANKET PRIMARY: REFORMING  
WASHINGTON’S ELECTION SYSTEM**

by Richard Derham, Board Member  
*November 2003*

In 2003 the federal courts struck down Washington’s blanket primary system, placing the responsibility for enacting a new primary election system on the state legislature. The new system had to be consistent with the First Amendment right of political parties to choose their candidates for elected office. The state Democratic and Republican parties indicated they would not participate in a primary election if the legislature failed to act, and would instead choose their candidates at party conventions. This Policy Brief reviews the recent court case, analyzes the options open to policymakers, and reviews how Washington’s major political parties are choosing to select their candidates now that the court has ended

## POLICY NOTES



*In addition to our Policy Briefs, Washington Policy Center publishes a series of shorter studies, Policy Notes, which provide easy-to-read overviews on a variety of topics. Policy Notes are published on timely issues throughout the year and as a summary with each Policy Brief. Like Policy Briefs, Policy Notes are regularly distributed to legislators, the media, other public policy organizations and citizens, plus a grassroots list of over 5,200 individuals. Below is a list of our 2003 Policy Notes.*

- “A Policy Guide for Budget Reform: Strategies for Improving State Government Services and Reducing the Deficit,” by Eric Montague
- “Washington Policy Center Transportation Forum: After Referendum 51, Now What?,” edited by Eric Montague
- “Modernizing Washington’s Liquor Control System,” by Eric Montague
- “Transportation Reform is the Key to Restoring Voter Trust,” by Eric Montague
- “Treatment Denied: State Formularies and Cost Controls Restrict Access to Prescription Drugs,” by Linda Gorman
- “Private Prisons and the Public Interest: Improving Quality and Reducing Costs through Competition,” by Paul Guppy
- “An Analysis of the Impacts of the Medical Malpractice System,” by Eric Montague
- “Prison Health Care: Healing a Sick System through Private Competition,” by Eric Montague
- “The Economic Case Against an Income Tax In Washington State,” by David G. Tuerck, John S. Barrett & Sorin Codreanu
- “Ten Tools for Achieving Consumer Driven Health Care,” by Greg Scandlen
- “An Unwarranted Attack on SUV’s,” by Diane Katz
- “Property Tax Increases in Washington’s Counties,” by Paul Guppy
- “Property Tax Increases in Washington’s Major Cities,” by Paul Guppy
- “Sound Transit Light Rail Should be Rated ‘Not Recommended,’” by John S. Niles
- “An Overview of Initiative 841, to Repeal the Ergonomics Rule,” by Paul Guppy
- “After the Blanket Primary: Reforming Washington’s Election System,” by Richard Derham

## OPINION-EDITORIALS

In 2003 Washington Policy Center continued its popular “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 2003 we released 22 op-eds. Pieces from the series appeared in 39 different newspapers across the state. A few highlights are listed below.

- **“Private Prisons Would Help Lawmakers Get Soaring Costs Under Control,”** by Paul Guppy, discussed privatization options to help the state combat the increasing costs of our state’s prison system. This op-ed ran in several papers and resulted in four radio interviews.
- **“The Price of Progress: The Real Reason for Health Care Cost Increases,”** by Daniel Mead Smith, was printed in an Illinois newspaper, as well as several in Washington state.
- **“What the Bush Tax Cuts Mean for Washington State,”** by Paul Guppy, was published in eleven different newspapers in Washington state. It was also sent to other similar think tanks throughout the county with a link to a source for similar data for each state. The op-ed was then re-released in a number of other states.
- Two op-eds by Policy Analyst Eric Montague received particularly broad coverage in papers throughout the state. **“Restoring Tax Fairness for Washington Taxpayers,”** was published in eleven different newspapers and **“Wake up Washington! Boeing’s 7E7 Decision is just the Tip of the Iceberg,”** was published in nine newspapers.



- Following the **2003 Small Business Conference** our keynote speaker, Dr. John Rutledge wrote an op-ed for the Seattle Post-Intelligencer entitled, **“Small Business Manifesto: Let My People Grow.”** It highlighted recommendations from the Conference and was published on the front page of the Sunday editorial section, reaching nearly 200,000 readers.



## WASHINGTON POLICY CENTER IN THE NEWS

*Our activities, publications and op-eds continued to receive significant media attention in 2003. Print media mentioned WPC more than 230 times, radio over 40 times and TV stations covered WPC on 14 occasions. Further, news reporters and editors are increasingly turning to us as a respected resource on a variety of key issues and WPC ideas and recommendations are often picked up by journalists and editorial writers even though our name is not always mentioned.*

- Our study “**A Policy Guide for Budget Reform: Strategies for Improving State Government Services & Reducing the Deficit**” and resulting Press Conference at the state capitol, led to a significant amount of media coverage. Legislators from both parties attended the Press Conference and endorsed our ideas. It was taped by Q13 Fox TV News and was covered by several radio stations, as well as a number of newspapers throughout the state and one in Idaho.
- The *Seattle Post-Intelligencer* used research from the study in a leading Sunday editorial and Eric Montague provided commentary when interviewed for King 5 (NBC) Television’s “Up Front” with Robert Mak program.

Eric Montague participated in a **press conference** in Olympia with Senator Dino Rossi, Senator Jim Horn, and Senator Dave Schmidt to explain the benefits of allowing Washington taxpayers to deduct state sales tax from their taxable federal income. Senator Rossi introduced Eric as

- the research expert on the issue and Eric provided a brief history of the sales tax deduction before taking questions from media representatives.

In May, David Boze from 770 AM KTHH contacted Eric to discuss an upcoming forum on transportation he was hosting. He asked Eric for a list of questions he should consider asking the panel, reflecting his recognition of Eric’s expertise in this area.

### Democrats Giving Up Plans for Sales Tax Increase

By DAVID AMMONS  
The economist writes

OLYMPIA — House Democrats are preparing to jettison a \$300 million sales tax increase proposal, ending replacement taxes and further budget cuts as they prepare for a state budget faceoff with the Republican Senate.

Democrats on Friday signaled that they will drop the proposal for a 0.2 percent sales tax hike — a penny on a \$5 purchase — after enduring several days of attacks from Republicans, business and editorial pages.

The GOP Senate and Democratic Gov. Gary Locke have drawn the line against a general tax increase — specifically an increase in the sales, property or business taxes. Increases in fees, tuition and other revenue sources are considered acceptable to them, and they haven’t ruled out “sin tax” increases being proposed by the Democrats.

House Democrats didn’t officially withdraw the sales tax plan, but Finance Chairman Jeff Gombosky, D-Spokane, conceded that he hadn’t rounded up enough votes in his own caucus to pass it.

Gombosky and House Speaker Frank Chopp, D-Seattle, notified the Locke administration that the plan will have to be dropped.

Gombosky tentatively settled on a new revenue package worth about \$140 million, including higher public utility taxes on trucking, raising \$80 million, and a higher business and occupation tax rate on legal services, generating \$60 million.

If those are the only additional ideas acceptable to the caucus, that would mean cutting the Democrats’ \$23.3 billion two-year budget plan by about \$200 million, Gombosky said.

The governor’s budget director, Mary Brown, said Locke hasn’t necessarily endorsed the new plan, but appreciates that the sales tax appears only in off the table.

“The governor has said all along that he didn’t like a general tax increase,” Brown said in an interview. “They’re being creative to look for other revenue ideas. It seems pretty smart.”

The Democrats’ package still includes about \$300 million in other taxes, including a 10-cent-a-pack increase in the cigarette tax, higher liquor taxes and a new sales tax on candy and gum.

The House delayed an expected vote on the budget until Monday or Tuesday, in order to give the Finance Committee more time to work on the new package.

“We’re obviously struggling, with so many people unhappy with the revenue side of things,” said House Appropriations Chairman Helen Sommers, D-Seattle.

Some members flatly opposed the sales tax proposal, yet others felt that a broad-based tax was an essential part of the package, she said in an interview.

Sommers said the additional budget cuts, on top of \$1.7 billion in cuts already accepted by the House Democrats, would be “very difficult” for her members.

A proposed \$100 million pay boost for 26,000 home care workers would be on the line, she said. Sommers said she doesn’t expect to wait for the tax package to jell before sending the House budget over to the Senate, even though Senate budget Chairman Dino Rossi, R-Sammamish, has insisted he won’t start budget talks until the House passes its full spending-and-saves package.

Sommers also said she doesn’t intend to cut the \$200 million before sending the House budget to the Senate. She said she thinks she will have the necessary 50 votes to approve the work-in-progress budget.

Rossi continued to pressure the House to peel back the taxes and lower its spending level.

“We don’t believe they have the votes to pass out their tax increases, so there’s no reason to negotiate on their wishlist of raises for government employees,” he said.

“A no-new-taxes budget isn’t a do. It’s simply what the Legislature should do to ensure that Washington continues efforts to get the economy moving and get people back to work.”

Neighboring Idaho approved a 1-cent increase in its 5-cent state sales tax on Thursday.

One of the many anti-tax messages that Washington lawmakers got this week was a new study by the Washington Policy Center, a conservative free-market think tank, that said a sales tax hike would have “a broad and detrimental impact on the state economy.”

The study calculated that more than 2,100 jobs would be lost, business investment would fall \$22 million and personal income would drop \$132 million as the impact worked its way through the economy.

■ On the Set:  
Legislature:  
<http://www.leg.wa.gov>  
Governor:  
<http://www.governor.wa.gov>



**We know what, we just don't know how**

**BILL VIRGIN**



**Seattle Post-Intelligencer**

**NO TELL US** the Washington Policy Center... **THE FIRST QUESTION** they get asked... **THE SECOND** - that's a little trickier.

**FOR EXAMPLE** Many people... **AND** whether tax policy... **BY PROVIDING** a... **FOR** the... **SEE VIRGIN, ON**

- In November, Paul participated in a one hour segment on **KIRO's "Dave Ross Show."** The topics were prescription drug re-importation from Canada and the Medicare reform bill being passed by the U.S. Senate that day.

The *Seattle Post-Intelligencer*, the *Business Examiner* (Tacoma), the *Vancouver Business Journal* and the *Yakima Valley Business Times* co-sponsored our **2003 Statewide Small Business Conference**. Their support of the Conference included free advertising which considerably increased our ability to reach out to business owners. *Seattle P-I* business columnist Bill Virgin spoke at the Conference lunch and discussed the Conference in his *P-I* column.

- Research Director, Paul Guppy was interviewed for the **FOX News Channel** on free market methods to protect endangered fisheries. The federal government plans to spend \$46 million to buy 92 fishing trawlers and take them out of



production. Paul gave FOX our research on transferable quotas, which would allow the market, not the government, to determine how many fishing boats there should be. The interview was aired nationwide.

- The number of times WPC was covered by three of the state's largest papers, *The Seattle Times*, *Seattle Post-Intelligencer* and *Tacoma News Tribune*, has increased significantly. WPC coverage in these three papers alone reached a combined readership of nearly 6 million people in 2003.

WPC radio interviews are primarily with news and talk stations, but this year Paul was interviewed repeatedly for news segments on two popular, Seattle area music stations, **96.1 FM The Point** and **94.1 FM KMPS**. These opportunities provided great exposure to a new segment of the population.

**How's state doing? Take your pick**

Some gauges of business climate produce wildly conflicting answers

**OLYMPIA** -- Just how do you gauge Washington's business climate?

It's a bit like asking about the weather: Ask someone struck by rain in the Olympics, chilled by glaciers on Mount Rainier or snowed in the high-desert country of Eastern Washington and you get three different answers.

Washington's economy is so diverse that no single barometer or measure will do the job, so various organizations come up with rankings and conclusions that give a conflicting view of how well or poorly the state is doing.

"Everybody has their own definition of success," says Dick Thompson, director of the Washington Competitiveness Council. "I don't think we'll ever agree on one barometer."

The closest thing to an official state government analysis, by the independent Office of the Fiscal Control Council, is called the Economic Climate Study. It uses 200 "indicators of economic performance," such as employment growth, per-capita income, exports and the jobless rate, and 24 other measures.

The Tax Foundation, which follows states' tax treatment for business, ranks Washington eighth-best for business. The

price rate and drinking-water quality, to library and park use and the cost of borrowing.

The year-end update says Washington showed improvements, relative to other states, in 23 measures, regressed in 11 and stayed the same in two.

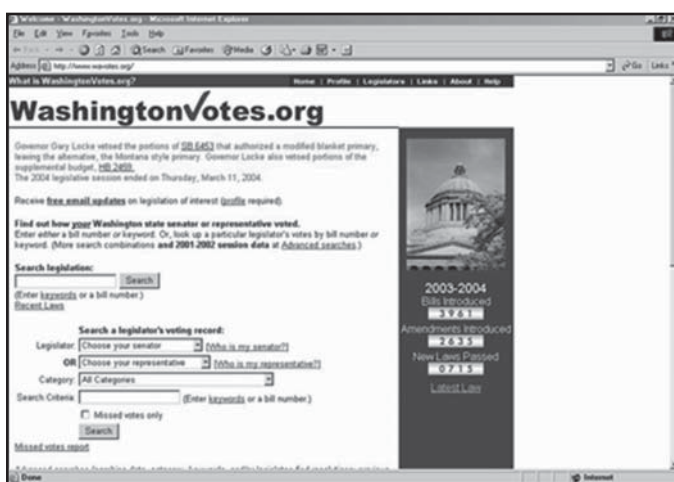
A few exceptions: Washington is the sixth-best state for overall health of its people, has the 10th-best interstate-highway system, ninth-best energy rates, eighth-highest percentage of people with college degrees, and 12th-highest per-capita personal income. The state ranks 17th in tax collections per \$1,000 of personal income, 23rd in water quality, 43rd in traffic flow and seventh in labor costs.

Other measures:

- The Corporation for Enterprise Development, a nonprofit group in Washington, D.C., gives Washington a "C" for economic performance, a "C" for business vitality, and an "A" for its development capacity.
- "Washington's economy is a mixture of strengths and weaknesses, such as strong entrepreneurial energy on the high end and economic inactivity on the low end," the group says.
- Washington Alliance for a Competitive Economy says business-climate studies need to measure fiscal policy, regulatory climate, education and work-force training, and the quality of the infrastructure.
- "Efforts to improve the business climate gained traction over the last year" but most indicators show the need for continuous improvement, the group says in its new report.
- The Washington Policy Center, in a 2002 analysis of the small-business climate, said, "Washington has one of the most difficult business climates in the nation. Each year, 22 percent of businesses in the state fail."
- The so-called critics' "regulatory accountability and the cost of all anti-business climate."



WashingtonVotes.org is providing citizens in-depth access to our state legislature. For the first time in Washington's history, every action of the Legislative Session was described in concise, plain English, and every vote of every legislator was recorded in a searchable electronic public database. Anyone with internet access can search WashingtonVotes.org by legislator, keyword or bill number. Users can also create custom voting-record guides for senators or representatives. People interested in particular subjects, such as transportation, education, or taxes can register to receive automatic e-mail alerts of legislative action on those issues.



The public response in 2003 to this new service was overwhelmingly positive. Those using and benefiting from the site include:

- Citizens
- State Agencies
- Trade Associations
- Private Companies
- Major Universities
- Newspapers
- Political Parties

“The site provides a faster way to check the voting records and bill sponsorship of a particular legislator than official legislative Web sites... [WashingtonVotes.org] offers clear, concise and objective summaries of legislation.”  
 Capital Views 5/26/03 - Don Jenkins, *Columbian (Vancouver) staff writer*

## Comments on WashingtonVotes.org:

“This year, I used your website in my high school American Government class to take students through the legislative process. I even required my students to use the site for homework assignments and research projects.” *Karen Helland, High School Teacher, American Government, Olympia, WA*

“As Chair of the Senate Technology Committee, I applaud this website and its ability to allow citizens easy access to what their legislator is doing in Olympia.” *Senator Luke Esser (R - Bellevue)*

“WashingtonVotes.org provides an important means for citizens to keep track of legislation. And when they're better informed, we can better serve them – it's a win-win situation for the people and their representatives.” *Senator Jeanne Kohl-Wells (D - Seattle)*

### 2003 Legislative Session Statistics

Total Website Visitors:	67,443
Total Page Hits:	814,582
Average Daily Hits:	4,654
Bills Summarized:	2,396
Amendments/Substitutes:	1,572
Laws Signed:	441



## WASHINGTON POLICY CENTER SMALL BUSINESS PROJECT

“A VOICE TO IMPROVE THE BUSINESS CLIMATE IN WASHINGTON”

Washington Policy Center realizes that small business owners face many obstacles on their road to success and profitability. We also recognize the crucial role they play in the overall economy. Over the last three years our Small Business Project has been extremely successful at involving small businesses in developing innovative solutions for public policy reform.

Since its inception in 2001, over a thousand small business owners and every major business organization and chamber of commerce in Washington have participated in the Small Business Project. Project activities prior to 2003 include fifteen roundtable meetings, a statewide survey to determine the top issues impacting small businesses, a major study examining the small business climate and invitations to testify before our state legislature.

### Small Business Project Publications

- *Agenda for Reform: Priority Solutions for Improving Washington's Small Business Climate* (Policy Brief and Policy Note)
- *Small Business Policy Overview*
- *The Wrong Approach: Raising Taxes will Only Worsen Washington's Business Climate* (Op-ed)
- *State's Harsh Business Climate is Tough on Small Business* (Op-Ed)
- *The Small Business Climate in Washinton State* (Policy Brief and Policy Note)
- *Small Business in Washington: A Vital Part of our Economy* (Op-ed)

### **2003 Small Business Project Activities:**

- **2003 Statewide Small Business Conference** – Washington Policy Center's major event of the year, the Small Business Conference, was co-sponsored by more than 65 statewide and local business associations and chambers of commerce and was attended by more than 350 small business owners and policymakers. During eight breakout sessions business owners discussed and voted on solutions to bring about a better business climate. The day also offered a look at the past Legislative Session and allowed business owners to hear directly from and ask questions of four important state regulatory agency representatives.



Business owners voting on recommendations at the 2003 Statewide Small Business Conference

- **Keynote speaker Dr. John Rutledge's** op-ed on the Conference was published on the front page of the *Seattle Post-Intelligencer's* Sunday editorial section. This greatly increased the Conference's impact as it was read by citizens throughout Washington.



- **The Chair of the House Trade and Economic Development Committee,** Representative Velma Veloria (D - Seattle), requested an opportunity to speak at our Conference and give an update on her Committee's business climate work.

“Thank you to the Washington Policy Center for allowing me to participate in this most important Conference.” - *Rep. Velma Veloria, Chair of the House Trade and Economic Development Committee, at the 2003 Statewide Small Business Conference.*



- To prepare for the Conference, WPC staff held a series of meetings with co-sponsors and supporters to ensure the event would appeal to a wide range of business owners and to develop an effective agenda and goals for the day. At their suggestion WPC created a “**Small Business Policy Overview**,” providing a brief summary of each issue to be discussed and possible solutions to think about prior to the Conference. It was distributed electronically to all Conference registrants and was included in the event program.



- **U.S. Small Business Administration Director Hector Barreto** spoke at a pre-Conference lunch in September. This sold-out event offered an introduction to the issues and purpose of the coming Conference. Verizon and the Greater Seattle Chamber of Commerce co-sponsored the event and more than 125 people attended. Media coverage included TVW and *The Seattle Times*.

- In 2002 and 2003, the state **Senate and House Economic Development Committees** asked WPC staff to make in-depth presentations on the state's small business climate. Following our testimony, a number of bills were introduced based on issues in our report, including improving access to health care, regulatory reform and reducing the tax burden.
- Three top issues identified by business owners: workers' compensation, ergonomics rules and unemployment insurance, were significantly reformed in 2003.



- Policy Analyst Eric Montague met with **Tom Sullivan, Chief Advocate for the U.S. Small Business Administration** and Norm Proctor, the local advocate representing our region. During the conversation Eric highlighted WPC's research to help improve the state's small business climate.

“This Conference is a great opportunity for individuals to personally participate in the development of policy solutions to issues facing businesses in our state - an event to strengthen Washington State's economy and develop positive solutions for economic growth.” *Congresswoman Jennifer Dunn*

## 2003 LEGISLATIVE SESSION

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*Throughout the 2003 Legislative Session WPC worked as a ready resource for legislators, providing background information and free-market solutions to a variety of difficult and important issues. Activities during the Session included press conferences, our annual Legislative Briefing, meetings with Legislators and testifying by invitation before committees.*

- WPC used our new **STAMP computer model** to provide policymakers with timely evaluation of the economic impact of new taxes being considered to address the state's \$2.6 billion budget deficit. Using STAMP, WPC sent helpful analysis to legislators regarding a proposed sales tax increase and imposing new taxes on cigarettes, candy and liquor. **WPC was credited by legislators for giving the timely information which led to bi-partisan adoption of a no-new-taxes budget.**

“Great information! Was this information sent to all the members of the Legislature?” Answer: Yes – *Rep. Cathy McMorris House Minority Leader (R – Colville) commenting on Washington Policy Center’s press release on tax increases based on the STAMP computer model.*



- WPC’s study “**A Policy Guide for Budget Reform: Strategies for Improving State Government Services and Reducing the Deficit,**” offered a number of alternative solutions to reduce the deficit without raising taxes. A bi-partisan group of legislators endorsed the recommendations at a press conference. At least 14 of these recommendations were reflected in bills introduced during the Session and **7 were signed into law.** These recommendations, which will save state taxpayers hundreds of millions of dollars include:



Governor Gary Lock signing a bill into law

- Place a freeze on government employment
- Delay automatic pay increases for state employees
- Allow private passenger ferries
- Reduce Unemployment Insurance system costs
- Streamline the permitting process
- Eliminate unnecessary boards and commissions through sunset review
- Improve government services using advanced technology

- During the Session it is always our goal to be available to provide research and testify on timely and important issues. In 2003 this led to invitations to testify 11 times, our highest number ever.

### 2003 Testimony Highlights

**E2SHB 1214 – Making prescription drugs more available**

*Senate Health and Long Term Care Committee*

**Working Session on implementation of the Contracting Out Provision of the Personnel System Reform Act of 2002**

*Senate Ways and Means Committee*

**SB 5522 – Creating a pilot project to study the feasibility of privatizing liquor retailing**

*Senate Commerce and Trade Committee*

**HB 1881 – Removing certain assaults and robberies from the list of most serious offenses under the three strikes law**

*House Criminal Justice & Corrections Committee*

**HB 1384 – Streamlining the permitting process for new road construction in the Department of Transportation**

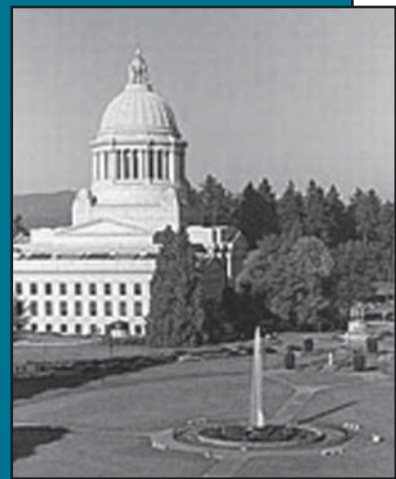
*House Transportation Committee*

**SB 5406 – Creating the Medicaid Senior Prescription Drug Program**

*Senate Health and Long Term Care Committee*

**HB 1015 – Proposing a demonstration project to contract out maintenance at one highway rest stop**

*House Transportation Committee*



Representative Skip Priest

- Legislators increasingly recognized WPC’s studies and staff expertise as important resources on public policy issues. For example, Representative Skip Priest (R – Federal Way) called to say how much he appreciated receiving WPC’s analysis of the formulary drug bill. He commented that a lot of members look at WPC research, even if they don’t always agree with the viewpoint, because it provides them with useful information on legislative issues.

• Policy Analyst Eric Montague met with Representative Steve Conway (D-Tacoma) to discuss the high cost of unemployment insurance in Washington state. Representative Conway requested the meeting to discuss his ideas for reforming the unemployment insurance system while protecting labor interests, and to learn more about WPC’s views on the issue and how it impacts small businesses.



Representative Steve Conway

## ADDITIONAL ACTIVITIES & IMPACT

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- **Compliance with Referendum 47's Property Tax Inflation Limit by Washington counties reached 92%** (up from 44% in its first year). Further, no county increased taxes by more than the once-common 6% level, indicating the broad impact the Initiative 747 law has had in reducing the rate of annual property tax increases among counties. 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 October our study, "**An Overview of Initiative 841 – Repeal of State Ergonomics Regulations,**" was sent to more than 2,000 citizens, media and policymakers. This study offered an in-depth analysis of this initiative to provide voters and the media with a better understanding of its purpose and impact prior to the November election. Newspapers throughout the state cited this study in articles leading up to the election. Repeal of the ergonomics rules was one of the recommendations of small businesses at the Statewide Small Business Conference.

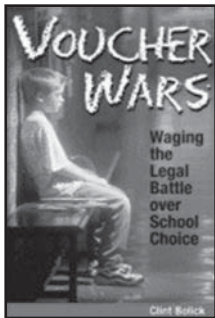


Paul Guppy

- Vice President for Research, Paul Guppy received the **Governmental News Reporting of the Year** award from the King County Municipal League. The award recognized Paul's work as "consistently contributing to the quality of public discourse over several years with clear research and a strong editorial voice through Washington Policy Center, a news media resource."
- In November, Washington Policy Center announced the creation of a **Board of Academic Advisors**. Members of the Board will broaden WPC's contacts in the academic world and add to its intellectual resources. "Producing clear, accurate research on public issues of importance to the people of Washington is the primary goal of our research program," said Paul Guppy, the Center's Research Director, "The experience, knowledge and strong scholarly credentials of our academic advisors will add greatly to that capability." (see full list on page 21)
- Throughout the year, WPC staff members spoke at 22 **community events** across the state. Audiences included chambers of commerce, rotaries, and high school and college classes. These events offer great opportunities to educate citizens on important policy issues and introduce them to WPC's work, as well as drawing the attention of local media.



- In April, WPC and the Intercollegiate Studies Institute co-hosted a lunch event with **Dr. Shelby Steele**, research fellow at the Hoover Institution. Dr. Steele, a familiar face on “Nightline” and “60 Minutes” and frequent contributor to the *Wall Street Journal*, *New York Times*, and *Harper’s* magazine, discussed his thoughts on the problems facing America in the wake of September 11th as well as the crisis in Iraq.
- In 2003, WPC held two special events for our Board, key supporters and their guests. In March, **House Minority Leader, Cathy McMorris** took time from her busy schedule in Olympia to come to Seattle and give an “Inside Olympia” briefing on the current proceedings in the State Legislature. In June, **Senate Ways & Means Chairman Dino Rossi** explained how he resolved the \$2.6 billion state funding shortfall and passed a balanced budget without raising taxes. We greatly appreciated the willingness of these two key legislators to meet



with our board and supporters and candidly discuss their experiences in Olympia.



- **Waging the Legal Battle Over School Choice** – Clint Bolick, Vice President of **Institute for Justice**, spoke at a WPC event in May on his new book *Voucher Wars*. *Voucher Wars* follows the 12-year battle for education freedom in the United States which culminated in the recent U.S.

Clint Bolick, Vice President of Institute for Justice

Supreme Court decision upholding the constitutionality of Cleveland’s school voucher system. Institute for Justice engages in constitutional litigation protecting individual liberty and challenging the regulatory welfare state. They recently opened a Washington state chapter.

“I’m here to tell you that you’re winning, we’re winning and we have to stay the course.” - *Gisele Huff* president of the *Hume Foundation*, at the *State Policy Network Annual Meeting*



- **State Policy Network Annual Meeting** – In September, we co-hosted the national State Policy Network Annual Meeting here in Seattle. We were joined by hundreds of representatives of state-based organizations like ours, diligently working to educate and promote market-oriented solutions. Not only was this event very helpful as we shared ideas on research, fundraising, and management, but it also illustrated the broad impact we are having as one of a number of like-minded state organizations across the nation. WPC staff contributions to the conference included Daniel Mead Smith participation as a moderator for a panel titled “Building Dynamic and Productive Corporate Relationships,” and Eric Montague’s participation as a panelist for a discussion on “Crisis in State Budgets: Strategies and Methods.”
- **City Club** – In 2003 Washington Policy Center co-presented 22 civic forums with CityClub, a 23-year-old, non-partisan, non-profit education organization dedicated to informing citizens and building community leadership in the greater Seattle region. Co-presented forums included 2003 Legislative Preview with House and Senate leaders from Olympia, a Conversation With Seattle Mayor Greg Nickles, Cable TV Democracy, Election Debate on the Latte Tax, The Role of Corporate Citizenship in Building Healthy Communities, and 2003 Year in Review. About 5,000 people per year attend CityClub events.

## WASHINGTON POLICY CENTER 2003 ANNUAL DINNER

*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 award recipients include, Rudy Giuliani, Oklahoma Governor Frank Keating, and Steve Forbes.*

WPC was honored to have **Karen Hughes**, advisor to President Bush and former Counselor and White House Communications Director, as our guest and keynote speaker at the 2003 Annual Dinner. She received our 2003 Columbia Award for her “outstanding accomplishment in counseling our nation’s highest leaders and for faithful service to the President communicating ideas and policies to the public.”



“I learned during my years in state government, and then at the national level, how important free market think tanks like the Washington Policy Center are to our national public policy debate.” *Karen Hughes speaking at the 2003 Annual Dinner*

Mrs. Hughes has been described as “the most powerful woman ever to serve in the White House” by the Dallas Morning News and President Bush’s “most essential advisor” by ABC News.

During her talk on leadership and good communication and her experiences with the President, Mrs. Hughes commented on the importance of institutions such as Washington Policy Center, “I learned during my years in state government, and then at the national level, how important free market think tanks like the Washington Policy Center are to our national public policy debate. How many times we called on groups such as this to support, develop, and to lend us your innovation to help us communicate the principles on which my boss made many of his decisions.”



Mrs. Hughes joined Washington Policy Center board and key supporters for a private lunch

**Ed Fritzky**, former Chairman of the Board, President and CEO of Immunex, received the Center’s 2003 Stanley O. McNaughton Champion of Freedom Award, for his tireless defense of free-market principles in the life-saving area of biotechnology and pharmaceutical research.



Dinner MC Susan Hutchison and Ed Fritzky

## 2004 RESEARCH & ACTIVITY AGENDA

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*Washington Policy Center will continue to conduct research and publish Policy Briefs and Policy Notes in 2004 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, hold timely and relevant events and continue our Commentary on the Issues op-ed series. Here is an advance look at just some of what you can expect from WPC in 2004.*

### **Agenda 2005:**

- This important new, book-length publication will serve as a comprehensive resource for policymakers, the media and citizens on Washington's major public policy issues. It will feature the latest and best research and analysis from the free-market perspective on issues the people of Washington will face over the next few years.
- WPC will hold public forums in both Seattle and Olympia after the 2004 election to announce *Agenda 2005* and discuss its contents.

### **Health Care:**

- "Health Care 2004: Opportunities for Innovation & Reform" a major, statewide conference focusing on the topics of health care reform, tort reform and prescription drug policy issues. Attendees will include state legislators, candidates, small businesses, patient groups and industry representatives.
- As a further effort to educate legislators on timely issues we will release "Legislative Memos" analyzing how the prescription drug bill passed in 2003 is being implemented and exploring problems with drug re-importation.
- Reprinting copies of the "State Legislators Desktop Reference to Prescription Drugs Policy," and adding a state component to this national publication. This guide provides

policymakers with clear, positive action steps they can take on prescription drug policy reform.

### **Small Business:**

- Continue the efforts of our Small Business Project and build on the success of our 2003 Small Business Conference by holding a series of forums with businesses and policymakers throughout the state. Each forum will address an individual issue and recommendations from the Conference in greater depth.
- Following the forums we will publish Policy Briefs with detailed analysis of issues and recommendations discussed.
- Throughout the year we will present our "Agenda for Reform" at a variety of community events throughout the state. For each event we will notify local media and policymakers, and arrange opportunities to discuss the report with them.

### **Center for Environmental Policy:**

- The Environmental Policy Project: Balancing the Economy and the Environment in Washington Communities – This project will consist of 5 or 6 roundtable forums in communities across Washington to learn about the major environmental issues facing those communities and how best to balance the needs of environmental protection and economic development.

**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.

**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, including the Small Business Project and legislative website, WashingtonVotes.org. Over the last three years he has testified by invitation before several legislative committees in Olympia and appeared on radio and TV around the state promoting the Policy Center’s work. He is a member of Seattle Rotary and served on the Advisory Group of the Washington State Tax Structure Study Committee.

**Paul Guppy, Vice President for Research**

Paul is a graduate of Seattle University and holds graduate degrees from Claremont Graduate University and the London School of Economics. He worked on the staff of the U.S. Congress as an Appropriations Committee Analyst, Legislative Director and Chief of Staff before joining WPC in 1998. He has been recognized as a “rising star” by The Seattle Times and received the 2003 Governmental News Reporting Award from the King County Municipal League.

**Carl Gipson**

Operations & Communications Director

**Eric Montague**

Director, Small Business and  
Environmental Policy

**Katie Bering**

Development Director

**Melissa Milewski**

Director, WashingtonVotes.org and Policy  
Analyst

**Braden Goodwin**

Office Manager

**Amber Endres**

WashingtonVotes.org and  
Research Assistant



## 2003 Interns:

**Michael Brandt** - Claremont McKenna College

**Elizabeth Clawson** - Whitman College

**Thomas Hackett** - Seattle University

**Alysha Lascano** - Pomona College

**Marcus Lee** - University of Washington

**Andrew Nelson** - University of Washington

**Justin Nelson** - University of Washington

**Nigel Stark** - University of Washington

**Maria Vassileva** - University of Washington

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**Gene Astley** - Richland

**Michele Brich** - Kennewick

**Bob Brody** - Wenatchee

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**Earl Davenport** - Colville

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**Randy Gold** - Wenatchee

**Rich Hadley** - Spokane

**Hon. Jeannette Hayner** - Walla Walla

**Mike Hogue** - Prosser

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**Dr. Blake McKinley, Sr.** - Spokane

**Mike and Barbara Poulsen** - Connell

**Bruce Smith** - Yakima

**Dr. John Sonneland** - Spokane

**Heidi Stanley** - Spokane

**Peter Stanton** - Spokane

**Bob Tippett** - Pasco

**Del Vanderhoff** - Wenatchee

**Judi Williams** - Liberty Lake

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**Prof. Philip Goggins, Ph.D.** - Seattle Pacific University

**William Maurer, J.D.** - Institute for Justice

**Prof. John Sands, Ph.D.** - Western Washington University

**Dr. Roger Stark, M.D.** - *on leave*

**Prof. Andrew Tadie, Ph.D.** - Seattle University

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## Center for Environmental Policy Advisory Board:

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**Sam Casne** - Landau Associates

**Gene Chase** - C&C Contracting

**Jim Day** - WPC Board Member

**Mike Fahey** - Columbia Helicopters

**Lyle Fox** - LeRoy Surveyors and Engineers

**Larry Mason** - University of Washington Rural Technology Initiative

**Todd Myers** - Department of Natural Resources

**Ted Reeve** - Simpson Tacoma Kraft Superfund

**Al Symington** - WPC Board Member

**Michael Truax** - Green Diamond Resource Company