



2005 ANNUAL REPORT



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 area of public policy:

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

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

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

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



LETTER FROM THE PRESIDENT AND CHAIRMAN

On behalf of the board and staff at Washington Policy Center, we would like to present our 2005 Annual Report documenting our accomplishments and growth this past year. With already high performance standards, Washington Policy Center exceeded expectations in all areas. As Washington state's premier, independent, public policy research center, we continue to provide high quality analysis on issues relating to free-market and government regulations. With 2005 bringing advancements and some disappointments in the realm of free-market ideals in public policy, we are confident that we made a positive impact in promoting free-market solutions through our research and education.

In our efforts to create a state that provides an attractive living and business climate, Washington Policy Center hosted several forums and published in-depth analyses on solutions to our state's most pressing public policy issues. This year our board had a goal of \$1 million dollar operating budget for the first time in the organization's history. It is with excitement and pride that we announce that with your help we successfully met and surpassed this goal! With this increase we are now able to increase our staff to nine, adding two more critical positions. With a growing staff, board and budget, our events and publications are rising to new levels of quality and serve as a resource to policymakers throughout the state as well as an educational resource for community leaders, the media and citizens. Without our thorough research and objective analyses, a crucial component of the public debate would be missing in the formation of state and local policies.

With three of our eight planned centers currently up and running, we are encouraged by their impact in the spread of free-market solutions in relation to policy specific issues. Our Center for Environmental Policy is proving to be a great success with publications receiving national attention already in its first few years. The Center for Small Business and Entrepreneurship is making an impression in the legislature in an effort to create a better business climate in Washington state. WashingtonVotes.org, our veteran center, now in its fourth year, had its most successful year to date in 2005. The success of these center creates a momentum that we will maintain in the upcoming years as we continue to open new research centers.

As we look ahead, our board and staff are extremely optimistic about Washington Policy Center's potential in 2006. With an already rigorous schedule of activities and research planned, the staff and board anticipate another successful year ahead. Our work is entirely dependent on the dedication and support of our countless friends in the Northwest. Our warmest gratitude and thanks to all of you who contribute to this wonderful organization making the work we do possible.



Sarah Rindlaub
Chairman

Dann Mead Smith
President



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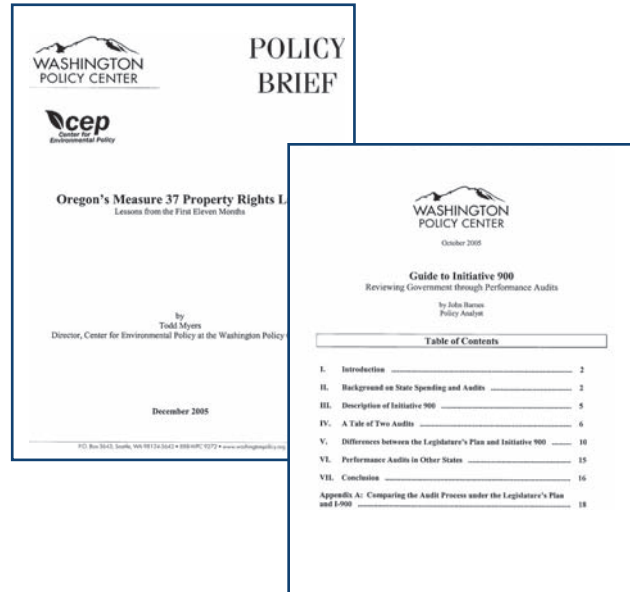


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PUBLICATIONS

POLICY BRIEFS

Throughout the year Washington Policy Center researches and publishes studies on a variety of issues facing Washington state and the Pacific Northwest region. Washington Policy Center analysts have developed expertise in such areas including health care, state budget, education, free-market environment protection, small business issues and taxes. Our Policy Briefs are a reflection of this expertise and are the foundation of our work in improving public policy. Following are a summary of the eight Policy Briefs published in 2005.



MEDICAL LIABILITY REFORM: A THREE STATE COMPARISON

by Amy Johnson

Co-Published with the
Spokane Chamber of Commerce
April 2005

In this study Washington Policy Center compares liability policies in Washington, Idaho and Oregon and points out that insurance companies base medical malpractice premiums in part on the costs associated with the rules and regulations in place in the states where they do business. The study examines Washington laws that differ from Oregon and Idaho which have led to our state's "crisis" level.

In addition to the comparison with our border states, the study also summarizes two medical liability reform initiatives that appeared on November's ballot.

THE HOW TO GUIDE TO HEALTH SAVINGS ACCOUNTS

by Liv S. Finne

June 2005

In this study Washington Policy Center takes a closer look at health savings accounts and the benefits of their use in the workplace. Health Savings Accounts (HSA's) address the basic economic distortions caused by the third-payer system. Consumers with HSA's have a tax-free account with money to spend on routine medical costs, combined with an inexpensive, high-deductible insurance policy to pay for catastrophic medical care in case of major accident or serious illness. Consumers with HSAs have a financial incentive to spend their dollars wisely, because unspent dollars accumulate tax-free in their own personal accounts. Consumers are now able to shop around, compare prices and providers, and select the medical services that are best for them. This policy brief was released as a pocket guide in a question/answer format for employers/employees.

RAIL DISASTERS 2005: THE IMPACT OF RAIL TRANSIT ON TRANSIT RIDERSHIP

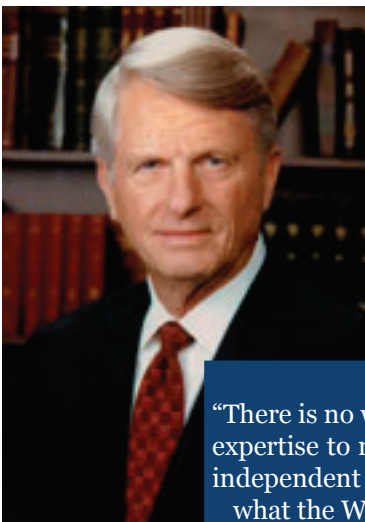
by Randal O'Toole
June 2005

This paper reviews ridership and other transit data published by the Federal Transit Administration from 1982 through 2003, plus 2004 ridership data published by the American Public Transportation Association, to determine the long-time effects of rail transit on transit ridership. The report also uses 1982-2003 data on mile of driving in each urban area published by the Federal Highway Administration to determine changes in transit's share of regional travel.

ANALYSIS OF NEWS REPORTING ON HABITAT CONSERVATION PLANS BY THE *SEATTLE POST-INTELLIGENCER*

by Todd Myers
July 2005

This study reviews a *Seattle Post-Intelligencer* three-part series critiquing Habitat Conservation Plans. HCP's require Washington landowners to abide by environmental planning guidelines, protect habitat and meet habitat goals for threatened and endangered species. WPC's Center for Environmental Policy takes a detailed look at four published items from the series and found a number of factual and analytical problems.



"There is no way that even the smartest or best intentioned public officer can amass enough personal expertise to make wise decisions about all of the issues that come before us. [It is] difficult to be an independent voice that can speak on the authority of well-researched, unbiased knowledge and that is what the Washington Policy Center does so well and I want to thank them for that vital service." -

Former U.S. Senator and Georgian Governor Zell Miller

DRUG IMPORTATION AND R&D SPENDING: THE ECONOMIC IMPACT ON WASHINGTON'S ECONOMY

by Douglas Giuffre
Co-Published with the Institute for Policy Innovation
June 2005

This study focuses on how consumers and the media are putting pressure on public officials to allow U.S. citizens to reimport drugs from foreign countries like Canada. Using an economic simulation model, this report concludes reimportation or price controls would have a significant negative impact on the Washington economy, and its large biotech sector.

OVERVIEW OF INITIATIVE 330 AND 336: PROPOSALS TO REFORM WASHINGTON'S MEDICAL LIABILITY REFORM

by Paul Guppy
September 2005

This study summarizes two initiatives that appeared on Washington's 2005 November ballots dealing with medical liability reform. It also presents research showing that caps on non-economic damages in other states have been effective in reducing the costs malpractice lawsuits impose on the health care system. Comparative research also finds that caps improve access to health care by increasing the number of doctors per state resident. Finally, this study recommends stronger enforcement of professional medical standards by the state and greater use of mediation to settle malpractice claims before they go to court.

GUIDE TO INITIATIVE 900: REVIEWING GOVERNMENT THROUGH PERFORMANCE AUDITS

by John Barnes
October 2005

Initiative 900 proposed a plan that would direct the state auditor to conduct performance audits of state and local governments, and dedicate 0.16% of the state's portion of the sales and use tax collections to fund these audits. This study summarizes all of Initiative 900, compares the Initiative and the former audit bill passed in early 2005 by the legislature, and discusses the differences between the two plans. Washington voters passed Initiative 900 during last November's elections.

2005 SMALL BUSINESS POLICY OVERVIEW

by Carl Gipson
October 2005

As a prequel study to Washington Policy Center's 2005 Small Business Conferences, this study presents the policy recommendations for the ten small business topics covered during the Conferences including workers' compensation, unemployment insurance, transportation, employment regulations, health care insurance, energy costs, water rights, regulation reform, tax burden and liability and tort reform.

OREGON'S MEASURE 37 PROPERTY RIGHTS LAW: LESSONS FROM THE FIRST ELEVEN MONTHS

by Todd Myers
December 2005

When Oregon voters overwhelmingly passed Measure 37 in November of 2004, critics predicted that it would have a dramatic and negative impact on Oregon's communities. This study shows that the impact on Oregon's landscape was limited and was unlikely to have the negative effects critics predicted. Measure 37 appears to have been doing just what was intended - shifting the burden of new regulation from individual landowners to the community as a whole. There are some important lessons for others looking to bring similar initiatives to their state or other jurisdictions.





POLICY NOTES

In addition to the longer policy briefs, Washington Policy Center publishes smaller studies called *Policy Notes*. The purpose of *Policy Notes* is to provide an easy-to-read overview of a variety of topics. They are published on timely issues throughout the year and also act summaries to larger *Policy Brief* studies. *Policy Notes* are distributed to legislators, the media, other public policy organizations and citizens, plus a statewide list of over 5,200 individuals. Below is a list of our 2005 *Policy Notes*.

- “Oregon’s Measure 37: Lessons from the First Eleven Months,” by Todd Myers
- “Lack of Automobility Key to New Orleans Tragedy,” by Randal O’Toole
- “Guide to Initiative 900: Reviewing Government Through Performance Audits,” by John Barnes
- “Doctors vs. Lawyers - Competing Initiatives Take Different Approaches to Medical Liability Reform,” by Paul Guppy
- “Summary of 3rd Annual Center for Environmental Policy Luncheon,” by Todd Myers
- “Initiative 912 Fuels Debate Over New Gas Tax,” by John Barnes
- “2005 Health Care Conference, Empowering Patients, Controlling Costs,” by Marisa Dilorenzo
- “The How-To-Guide to Health Savings Accounts,” by Liv S. Finne
- “Next Free Trade Agreement Will Boost Washington’s Economy and Enhance U.S. National Security,” by Paul Guppy
- “Social Security: A Tale of Two Problems,” by Pedro Celis
- “Medical Liability Reform: A Three-State Comparison,” by Amy Johnson
- “New Research Shows Voter-Passed Property Tax Limitation is Working,”
- “A Lesson for Government: How Consumer-Based Health Care is Benefiting Workers in the Private Sector,” by Sally C. Pipes

OPINION-EDITORIALS

Washington Policy Center provides its supporters and media regular opinion pieces through its “Commentary on the Issue’s” op-ed series. Every other week an op-ed is distributed to newspaper editors around the state discussing current public policy issues. In 2005 almost all of our 31 op-ed pieces were published in over 30 Washington newspapers. This greatly increases our ability to disseminate our ideas and research to a large, diverse audience in Washington. A few highlights of some of the more popular pieces are featured belows.

- “When the Union Really Isn’t Working for the Worker: New Collective Bargaining Agreement Includes Increase in Union Dues,” by Daniel Mead smith, covered a major issue in the state at the time over a collective bargaining agreement between the outgoing Governor Gary Lock and the state unions. The Governor “negotiated” an increase in the dues that are withheld from the state employees’ paychecks, however, the increased dues was almost equal to the proposed salary increase. The op-ed was published statewide including *The Tacoma News Tribune*
- “Should the State Follow the LEED or Get Out of the Way” by Todd Myers, was an exclusive op-ed for the *Seattle Times*. Environmental activists were asking the legislature to require the state to follow building standards created by Leadership in Environmental and Energy Design (LEED). Myers points out that supporters underestimate ongoing costs and the alternative motives of the environmentalists when propping the idea.
- “DOT should adopt reforms and efficiencies before we give it more gas tax dollars” by Paul Guppy, discussed a bipartisan proposal to add new gas taxes. The estimate revenue of the gas tax was \$9.1 billion over 16 years. The new gas tax would raise Washington to the fourth highest per-gallon gas tax in the nation. The debate however, is whether the Department of Transportation would make good use out of the new revenue or not. Guppy’s article appeared in the *Vancouver Columbian*.
- “Relying on sin taxes

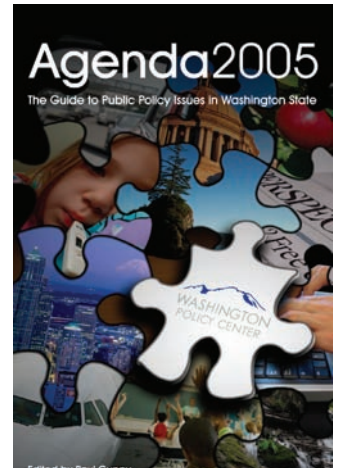
reveals the contradictions in the state budget,” by John Barnes, appeared in five different newspapers across the state including the *Vancouver Columbian*. The op-ed discussed the new “sin” tax passed by the legislature to finance a 12% increase in state spending. However, sin taxes often generate less revenue than expected and are a very unstable source of revenue as well.

- “Doctors vs. Lawyers - competing ballot initiatives take different approaches to medical liability reform,” by Paul Guppy, discussed the competing medical liability initiatives appearing on Washington state ballots in the November 2005 elections. The op-ed appeared National in the *National Center for Policy Analysis* newsletter and the *Heritage Insider*.



AGENDA 2005

Last January Washington Policy Center released its first book-length publication, "Agenda 2005: The Guide to Public Policy Issues in Washington State," at a press conference in front of legislators and media. The book provides detailed descriptions of policy recommendations in the areas of budget, tax, environment, health care, education, business climate, criminal justice and prison services, labor, high-tech policy, transportation, and energy. The recommendations are meant to represent the core principles of Washington Policy Center and is what all of our work is geared towards. The goal of the publication is to present ideas so policymakers can make wise and lasting policy choices to improve the lives of the people of our state. The 274-page book features 11 chapters with 139 policy recommendations. Agenda 2005 was also published in an easy-to-use cd version. A sequel, Agenda 2007, is scheduled to be released mid-2006.



Agenda 2005 Comments

Senator Finkbeiner said Agenda 2005 is "An absolutely invaluable document that is well written and easy to read." He also said, "To have someone looking at these issues from the outside, without an axe to grind...lends credibility to their recommendations."

"We know that to keep doing the same things in state government that we have done in the past is not going to be successful at funding public services that are essential, nor will it be fair to taxpayers," - Representative Bruce Chandler



Agenda 2005 media coverage with its release in Eastern Washington



President Dann Mead Smith and vice President Paul Guppy at Agenda 2005 release press conference

"I'm here to support the Policy Center in the release of Agenda 2005 and express my appreciation for the work they have done here," said Representative Maralyn Chase. "The policy recommendations in this book will save us [legislators] a lot of time when we try to figure out good policy proposals to present."

"This organization helped in a number of different ways with all sorts of policy advice and many of the issues that they brought forward. It's been a wonderful relationship, and a tremendous help in Olympia." - Former state Senator Dino Rossi

Highlights of Agenda 2005 Recommendations

- State Budget Reform: Restore reasonable limits on the growth of public spending
- Environmental Policy: Encourage cooperative, rather than coercive, solutions to environmental problems
- Health Care: Create an independent review commission to determine the true cost of mandates
- Return the education system to its core function by focusing on classroom instruction
- Labor: Delay automatic wage increases in years when Washington state unemployment is higher than the national average
- Transportation: Tie increases in spending to measurable performance improvements

OUR CENTERS

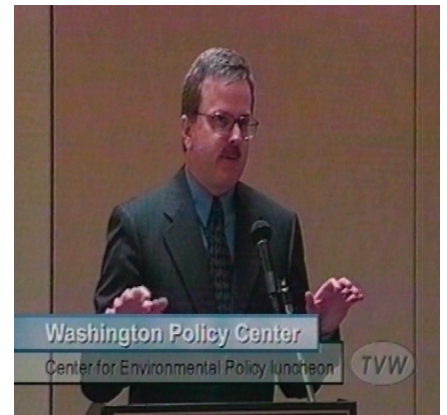
CENTER FOR ENVIRONMENTAL



The Center for Environmental Policy was founded two years ago in 2003. Since then its work on free-market solutions for environmental issues has become increasingly popular. The Center's objective is to bring balance to the environmental debate in Washington and to promote the concept that human progress and prosperity in a free economy works to protect the environment. It serves to important purposes, it is a source of original research on timely subjects of concern to Northwest residents and a clearing-hour for academic research from other think tanks and academic institutions. By combining these two roles the CEP offers a unique and innovative perspective on environmental policy, unmatched by any other organization in the region.

2005 Center for Environmental Policy Activities

- **3rd Annual CEP Lunch** - In July, the Center for Environmental Policy hosted its 3rd Annual Luncheon. The event included keynote speaker John Charles Jr., president of the Portland-based Cascade Policy Institute. The luncheon also featured Chris Bayley of Stewardship Partners who was the recipient of the first ever CEP Environmental Innovator Award. The event was attended by over 100 elected officials, business leaders, members of the media and concerned citizens interested in free-market environmentalism.



- **Environmental Watch** - Last December the Center for Environmental Policy created a new policy series, Environmental Watch. This series is designed to examine claims made by environmental activists or others to justify new government restrictions and regulations. It is important to base such regulations on factual and scientifically supported information which is what this series aims to accomplish. The goal is not to highlight falsehood, but to demonstrate the potential costs to the people of Washington and the environment of restrictions based on incorrect and unquestioned information.

John Charles delivering his keynote speech, "From Environment Activist to Natural Capitalist," at the Center for Environmental Policy 3rd Annual Luncheon

Highlights of Center for Environmental Policy Publications

- Should the State Follow LEED or Get Out of the Way?
- Washington State Earth Day 2005: Abundant Red Herring Threaten Salmon
- Roadless Policy Decision: Three Questions When Crafting Policy
- Analysis of News Reporting on Habitat Conservation Plans by the Seattle Post-Intelligencer
- Bringing Habitat, Jobs and Science to Federal Forests
- Oregon's Measure 37 Property Rights Law

- **CEP Op-Eds and Media Attention** - The effort to expand free-market research into environmental issues has attracted media attention from around the state. Director of the Center for Environmental Policy, Todd Myers, has been quoted through his op-ed's, the Environmental Watch series, and from other publications in the Northwest's largest circulating newspapers including the Seattle Times, Seattle Post-Intelligencer, the Columbian and many others.

WASHINGTONVOTES

WashingtonVotes is our revolutionary, free website that provides concise, plain-English objective descriptions of every bill, amendment and vote of the Washington legislature. The site's searchable electronic database, by issue or bill number, allows users to learn about every action of the legislature within 24 hours of its occurrence. This information is completely non-partisan and free to the user. Users can also easily find who their legislator is and the latest bills on a specific subject and follow the progress of those bills. The website also includes an archive of past bills starting with the 2001 Legislative Session. 2005 was an overwhelmingly popular year for WashingtonVotes.org, with traffic increasing by almost 100% since last year. Currently the site is logging three times as many visits and hits as it was in previous Sessions.

WashingtonVotes.org

2005 WashingtonVotes.org Activities



“I applaud this website and its ability to allow citizens easy access to what their legislator is doing in Olympia.” - Senator Luke Esser (R)

on legislative voting records tailored to their regional audience. 2005 participants in the roll call service included the *Seattle Post-Intelligencer*, *Spokesman Review*, and *The (Tacoma) News Tribune*. In 2005 newspaper participants reached a combined circulation of 700,000 each week.

• **WashingtonVotes.org Comments** - “I use WashingtonVotes.org more than any other government website to track bills during the Session. It’s the easiest way to follow legislation.” - State Auditor Brian Sonntag (D)

“WashingtonVotes.org is a must-have website for the legislative session. There you can track bills of interest and track lawmakers’ voting records.” - *The Columbian*

• **WashingtonVotes.org Service** - Along with users being able to search bills and legislator voting records, the site has further increased its user interactivity. A new service offered by the site is the user comment section. The user comment section is designed to allow users, anonymous or not, to express their thoughts and concerns about specific legislation, or legislators. This comment section is another way for citizens to reach the political community and also a way for legislators to gauge public opinion.

• **ROLL CALL** - This year's roll call service registration was higher than ever before. More of Washington state's largest circulating newspapers are using WashingtonVotes as their resource for the legislative sessions. Once a week newspapers that sign up for the service receive a report

2005 Website Statistics

Total Website Visitors:	472,984
Total Page Hits:	3,232,193
Average Daily Hits:	8,887
Increase from '04 Session:	51%
Bills and Amendments Summarized:	>4,600
Laws Signed:	>500

SMALL BUSINESS PROJECT

“THE VOICE TO IMPROVE THE BUSINESS CLIMATE IN WASHINGTON”

The American dream is something that has lived on since the early 1900's, and Washington Policy Center recognizes the obstacles small business owners face in achieving this dream. Washington state has become an undesirable environment for start-up businesses. However, small businesses play a crucial role in our overall economy. Our small business project, over the last four years, has dedicated its time and effort into improving Washington's small business climate. Through research and education, the project has been successful on developing innovative solutions for public policy reform. The popularity of our Small Business Project continues to increase with over 60 organization and small businesses participating and sponsoring project events, and thousands of small business owners speaking out about their business experience.



2005 Small Business Project Activities

- **Small Business Project Nationally Recognized** - Last Spring, the Project received national recognition when it was chosen as one of 19 state entrepreneurship and economic development finalists. The Office of Advocacy of the U.S. Small Business Administration (SBA) chose our project as one of two-governmental agencies nationwide to participate in the running for its national Best Practices awards.

- **Small Business Project Comments** - “I know my office, and in particular the Legislative Committee on Economic Development, which I chair, have found your research from your Small Business Project very beneficial in developing our priorities to assist small businesses with economic development.” - Lieutenant Governor, Brad Owen

Attendees browse at a sponsors presentation board at a small business project event



Attendees browse at a sponsors presentation board at a small business project event

Small Business Project 2005 Publications

- Small Business Conference Policy Overview
- Government Entering the Health Insurance Business in Not Good for Small Business
- The Cost of Health Insurance Mandates in Washington
- An Honor Washington Could Do Without -- Highest Minimum Wage in the Nation
- When the Union Really Isn't working for the worker: New Collective Bargaining Agreement Includes Increase in Union Dues

“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. It is refreshing to see my concerns as a small business owner reflected in your work. [You have] put the interests of small businesses on the radar.” - Rep. Maralyn Chase, (D)

2005 HEALTH CARE CONFERENCE: EMPOWERING PATIENTS, CONTROLLING COSTS

Last June, Washington Policy Center hosted its Annual Health Care Conference for its second year in a row. The Conference featured 19 co-sponsors and welcomed over 229 legislators, small business owners, media and health care professionals. This half-day conference consisted of a legislative session review panel and three additional panels covering consumer driven health care/health savings accounts, prescription drug/biotech issues/evidence-based medicine and a medical malpractice reform debate. Sally Pipes, President of the Pacific Research Institute delivered the conference keynote address.

Health Care Conference Panel Descriptions

- **1st Panel: Consumer Driven Health Care/Health Saving Accounts** - Moderated by WPC board member, Bob Wiley, this panel focused on giving employees control over their health care improves benefits for workers and reduces costs for employers. One option for consumer driven health care is health savings accounts. Health savings accounts are affordable and provide people with a tax-free account with money to spend on routine medical costs.

Sally Pipes is President and CEO of the Pacific Research Institute in San Francisco. She address national and international audiences on health care, women's issues, education, privatization, civil rights, and the economy. Her new book "Miracle Cure: How to Solve America's Health Care Crisis and Why Canada Isn't the Answer" was released in 2004.



- **2nd Panel: Prescription Drug/Biotech Issues/Evidence-Based Medicine** - Medicaid has become the second largest item on state budgets and now officials are finding themselves looking for budgetary relief alternatives including centralized prescription drug controls. However, allowing the government impose its preferences on patients is dangerous because officials typically pay more attention to money than to the quality of care. Also there is no mechanisms to evaluate the state programs that control prescription drugs. This panel, featuring Sally Pipes as the moderator, addressed these issues and more.

- **3rd Panel: Medical Malpractice Reform Debate** - Washington state is currently on the American Medical Association's crisis list because of its high medical malpractice insurance rates. This health care conference panel, featuring NBC's host of "Up Front" Robert Mak as the moderator, debated medical malpractice issues including two competing initiatives appearing on the November 2005 election ballots. Both initiatives failed. Washington Policy Center published a policy brief on the competing initiatives comparing their similarities and differences. The conference debate was televised on "Up Front" shortly after the conference.



The highlight of the lunch featured a medical malpractice debate moderated by Robert Mak, Host "Up Front" King-TV (NBC)

2005 ANNUAL DINNER

Every fall Washington Policy Center celebrates another year passed with their Annual Dinner honoring two public policy leaders. Our Stanley O. McNaughton Champion of Freedom award is given to a local leader who has established a permanent mark on public policymaking. Our Columbia Award is given to a nationally recognized figure who possesses the virtues of leadership and freedom. Past award recipients include: Rudy Giuliani, Oklahoma Governor Frank Keating, Steve Forbes, Ed Fritzky, Senator Tim Sheldon, Karen Hughes and Susan Hutchinson.

Washington Policy Center is extremely proud of the success of this year's Annual Dinner. The dinner attracted over 800 of Seattle's top policymakers, legislative leaders, businessmen, media and WPC friends from across the state. The sold-out dinner at the Westin Seattle including a book signing by Zell Miller.

Former Microsoft CFO, John Connors, honoring Zell Miller with the Columbia Award



This year we were honored to have Former U.S. Senator and Georgian Governor Zell Miller, receiver of our Columbia Award and Former Congresswoman Jennifer Dunn, receiver of our McNaughton Award, as our featured keynote speakers.

Former Congresswoman Jennifer Dunn



Zell Miller gave an outstanding speech on the importance of freedom in our state and around the world. As governor of Georgia he cut taxes and created two far-reaching public education programs that no other state has been able to duplicate and a scholarship program that provides free college tuition for every high school graduate with a B average. He has also been the keynote speaker in both the Republican and Democratic national conventions.

Jennifer Dunn discussed her impact in Washington state policymaking and Washington D.C. including her work on the estate tax repeal and Amber Alert legislation. She was honored with our McNaughton Award for her long and distinguished career advocating for her constituents and our entire state on the important policy issues facing our region.



Board Chairman Sarah Rindlaub meets with Former U.S. Senator and Georgia Governor Zell Miller and Former Congresswoman Jennifer Dunn at WPC's 2005 Annual Dinner



2005 WASHINGTON STATE SMALL BUSINESS CONFERENCES

In November, Washington Policy Center hosted its Washington State Small Business Conferences in Tri-Cities and SeaTac. These conferences provide an opportunity for small business owners to address the obstacles that the small business community faces every year. Conference results are presented to state legislators with the hope of impacting their decision on small business legislation. In the past our Small Business Conference recommendations have been reflected in legislation and signed into bills. These results show how important it is for the small business community to stay driven towards the goal of improving Washington's small business climate.

This year the Conferences attracted hundreds of small business owners with 150 participants in Tri-Cities and 250 in SeaTac. At our SeaTac conference Gov. Christine Gregoire addressed the small business community as our keynote speaker and made an announcement that there would be no increase in workers' compensation.

At the conferences, attendees were asked to vote on policy recommendations to improve our state's business climate. These recommendations were later turned into a full policy study. The study, "Reviving Washington's Small Business Climate: Policy recommendations from the 2005 Small Business Conferences" compiled the conference's recommendations and provided analysis for the top three.

At a press conference, held on the State Capitol in Olympia, Washington Policy Center released the study in front of state legislators and the media. Participants featured in the press conference included House Minority Leader Rep. Richard DeBolt, Rep. Maralyn Chase, and Republican Deputy Leader Sen. Linda Evans Parlette.



Small business owners vote on their top recommendations for improving the small business climate

SeaTac Keynote Speaker Gov.
Christine Gregoire



"I would love to see this report as a working document; a document we can take into the legislature...and say this is a commitment we're going to make to Washington state to help the [business] climate. And when you read this document, you can see there are some simple, pragmatic solutions that we can put on the table that can guide Washington forward." - Rep. DeBolt

"As a small business owner and manager I wholeheartedly support your efforts on behalf of the small businesses in our state," said House Majority Leader Rep. Lynn Kessler. "There are several items on your report that I would be happy to support."

**GIVING SMALL BUSINESSES
& ENTREPRENEURS**



2005 STATEWIDE SMALL BUSINESS CONFERENCE
It's time to improve the small business climate in Washington.

Work with other small business owners and policymakers to find solutions to the state's ailing small business climate.

November 17th from 7:30 a.m. - 4:00 p.m.
at the SeaTac Hilton.
Admission is \$45.00 or \$350 for a table of eight
Includes keynote speech with Governor Gregoire

WASHINGTON
POLICY CENTER

LEGISLATIVE SESSION

During the legislative session, Washington Policy Center serves as a resource for legislators contributing timely research on free-market solutions to the issues legislatures face. Throughout the session, WPC staff can be found down in Olympia meeting with legislators, hosting events, testifying by invitation in front of committees and corresponding with the media. It is a busy time for our organization, but is an excellent opportunity to discuss the top public policy issues with the state policymakers.

2005 Legislative Session Highlights

- Washington Policy research staff testified by invitation seven times before House and Senate committees down in Olympia. Members of committees called upon our staff to provide credible expertise on a variety of topics including Health care, energy, environment, and small business.

- Washington Policy Center held its annual Legislative Briefing down in Olympia at the beginning of the 2005 Legislative Session. This briefing is a time for WPC research staff to present their recommendations for the issues that the legislature will take on for the session. It is also a time for legislators and legislative staff to ask questions of the research staff and get to know our organization. Often during this time, publications are hand delivered to legislators. This year the briefing was covered and televised by TVW.

- WPC President Dann Mead Smith, Vice President of Research Paul Guppy and Director of our Small Business Project, Carl Gipson met with all 20 of the new legislators for the 2005 Legislative Session. It was a good way to introduce the organization and to offer our services and research. The new legislators were given a copy of Agenda 2005 to use as a resource during the session.

- Legislators often inquire after WPC staff for further explanations on issues or to receive copies of recent publications or op-eds. Rep. Tom Mielke (R-18th District) called Paul Guppy for an explanation on how the 1% limit on property taxes works. Rep. Mielke included in the conversation how he uses our publications as a resource on a regular basis.



Washington Policy Center Annual Legislative Briefing down in Olympia featuring WPC research staff



- WPC President Dann Mead Smith met with Representative Barbara Bailey and House Minority Leader Bruce Chandler at their request to discuss our health care ideas and our recommendations on health care from Agenda 2005. Rep. Barbara Bailey also requested a seat at our table during a May Cityclub event we co-sponsored.

Representative Barbara Bailey

2005 Testimony Highlights

- HB 1194 - Requires state agencies to purchase prescription drugs approved by the FDA from Canadian sources
House Health Care Committee
- Featured panelist before the House Trade, Agriculture and Economic Development Committee on WPC's Small Business Project and recommendations
- SB 5202 - Allows HSAs to be one of the choices of health care coverage
Senate Health and Long-term Care Committee
- SB 5509 - LEED Green Building Standards
Senate Water, Energy and Environment Committee
- HB 1383 - Requires the public employees' benefits board to develop a health savings account option for employees
House Health Care Committee
- HB 1685 - Requires no health carrier may deliver, issue, or renew a health insurance policy that includes any additional coverage mandates
House Health Care Committee
- Working Session before the Senate Health and Long-Term Committee, WPC featured panelist
- SB 5397 - To adopt the state of California's vehicle car emission standards for passenger cars, light duty trucks, and medium duty passenger vehicles
Senate Water, Energy and Environment Committee
- SB 5509 - Requires public buildings to be built using high-performance green building standards
House Capital Budget Committee



• WPC President Dann Mead Smith and chairman Sarah Rindlaub met with Congresswoman Cathy McMorris' and District Director, David Condon who attended our Agenda 2005 press conference to further discuss the Agenda 2005 publication and to ensure future contact.



• WPC President Dann Mead Smith and chairman Sarah Rindlaub met with Congresswoman Cathy McMorris' and District Director, David Condon who attended our Agenda 2005 press conference to further discuss the Agenda 2005 publication and to ensure future contact. Dann also was able to meet with Congressman McMorris' over in Washington D.C.

• Often times Washington Policy Center is invited to speak on legislative issues and serve as a resource for trade associations around the state. WPC President Dann Mead Smith was invited to address the Washington state PhRMA Task Force meeting in Olympia to update them on our health care activities. Task force Chair Bill Struyk gave a strong endorsement of WPC and our work and encouraged other companies to support us.

Congresswoman Cathy McMorris

2005 WASHINGTON POLICY CENTER IN THE NEWS

Our activities, publications and op-eds continue to stimulate the news community and received more attention in 2005 than any previous year. WPC received over 300 mentions in newspapers including numerous in the highest circulating ones. Radio appearances added up to over 70 and TV. stations covered WPC on 26 occasions. 2005 was the best year in terms of media coverage for Washington Policy Center.

Media Highlights

- Todd Myers (picture on the right) was invited to speak on FOX News, a national cable news network, on building standards Washington state legislators are proposing. Myers addressed the costly affects of implementing the standards and the limited benefits to the standards.
- Paul Guppy was invited to speak to the Seattle Times editorial board. The meeting was regarding Proposition 1, a county-wide ballot proposal to increase property taxes to increase funding for veterans and other social programs. After the editorial meeting, Guppy met individually with two of Seattle Times top editorial writers on WPC's research on the gas tax revenues and I-912.
- Washington Policy Center is constantly updated their research on a timely basis during the legislative session. In 2004 WPC staff began a regular radio legislative update on 570 KVI AM in Seattle on the "Kirby Wilbur Show." This weekly legislative update series continued in 2005. The show provides an effective way for citizens to stay up to date on the latest legislation proposed in Olympia. It also was a way to promote the legislative information website, WashingtonVotes.org as a tool for listeners.



May 11, 2005 A lack of spending discipline, not a lack of revenue

REPHIL GUPPY
Special to The Times

THE Legislature swung up its 2005 session by raising taxes but failing to address the cause of the state's structural deficit — lawmakers' penchant for making more spending promises than they can keep.

So, don't be surprised to hear by year's end renewed cries of money problems, despite the series of add-on levies adopted a few weeks ago.

In addition to boosting the gas tax to 55 cents a gallon, lawmakers the past session raised a variety of taxes to increase general fund spending by another half-billion dollars. The legislation given for the next session was to close a \$1.5 billion deficit. Yet, even without a tax increase, state revenues over the next two years will grow by \$1.7 billion, about 7 percent, just from natural expansion of the economy.

But this was far short of what many lawmakers wanted to spend. They said that without a higher tax burden, there "was" no way to pay for the programs they wanted to fund. Yet, public revenue is rising, so what they meant was spending on state programs would not increase as fast as they thought it should. Only in the wake of public budgeting in response to a crisis of \$1.7 billion called a "deficit," and a possible reduction in the rate of spending increase called a "tax."

When it's all added up, the budget passed last month leaves state spending up 12 percent inflation this year to less than 1 percent.

The new taxes include higher levies on cigarettes and hard liquor, and a new estate tax that will be phased in over the next few years. Lawmakers disapproved the four bills authorizing higher taxes as necessary legislation to offset the tax cuts from possible repeal by citizens or referendum.

Free will complaints about increases in tax called on voters, although their economic impact in reducing job creation should not be ignored. The state estate tax is most certain, though, because it hurts small businesses and provides income in our society. In the early 1990s, that people voted to end the estate tax, but state leaders piggybacked on the federal estate tax as a result of Congress making it a permanent tax.

It is not only the impact itself who pay this tax. For thousands of small businesses, it reduces the ability to add jobs and much price will be kept constant. The estate tax, then, is a major competition in the marketplace. Corporations do not pay estate taxes, and what happens are forced to sell to reduce their cash to pay the tax, large companies are well-positioned to buy them out.

While these add-on levies are permanent, they represent only a temporary fix to the state's long-term budget needs. There was much talk early in the session about eliminating the structural deficit. The Legislature advanced, however, with no addressing the problem. The structural deficit exists because the capital increases in what we pay in taxes do not match the yearly rise in the state's spending commitments. As a result, state government is badly overextended.



Some lawmakers see the structural deficit differently. They take it to mean the critics of Washington are not spending enough of their income on the state treasury, so, in their view, taxes naturally need to be increased.

During the session, there was little consideration of how the budget got into this mess in the first place. The Legislature conducted no comprehensive review of spending practices, and did not consider which programs could be eliminated because they are ineffective or had outlived their purpose. The default position for most lawmakers was to seek control of more money, rather than find ways for government to live within the current rate of revenue growth.

Lawmakers also expanded the list of state programs created under Initiative 502, the 1989 state tax, the growth-based measure as a check on runaway spending. It set a cap on state spending that grows faster than annual inflation plus population growth. Instead, lawmakers voted last session to tie the growth factor for government spending to the growth rate of personal income.

The change makes the state a social partner in every family and business enterprise in Washington. From now on, when our personal incomes increase, the state's spending authority will increase. Lawmakers also voted to repeal last year's 60% cap on state spending. This measure would superimpose support, but would not allow state funds to be used to offset state needs.

The pattern of growth in Olympia does not have a revenue problem. The public eventually will see that the public will not pay for the state's needs and will not see an increase in their price, and it will not be a social partner.

Here is a self-proclaimed leader about the structural deficit will be on the state to again shift of money. At the same time, they will successfully adjust to innovation that they control more of our dollars today than at any time in Washington's 160-year history.

It is possible our prediction will be wrong. It would certainly be a pleasant change if our elected representatives announced they intend to see the existing growth in revenues to fund the state budget, instead of increasing our personal budgets through higher taxes.

The Columbian

Serving Clark County, Washington

Government won't win if it demands certain way of living

BY CARL GIPSON

Very often our state government engages in policymaking by establishing what are sometimes called "Horizon Goals." That is, noble goals that are realistically not attainable, because the end always seems to be just out of reach or "over the next horizon."

The "Horizon Goal" notion is currently being entertained by several Washington environmental groups as they advocate for our state Legislature to adopt strict California emission standards. Former Gov. Gary Locke got the ball rolling on this issue late last year in the final months of his administration when he proposed a stringent plan to greatly reduce the amount of greenhouse gases emitted from vehicles.

There are two separate but similar issues facing the Legislature.

First, it is right for state government to set car dealers what vehicles to sell? Government pushing (or punishing) a particular market is not necessarily a good course of action when an economy is in a hard



Gipson

time, but what is left unsaid is that most of these strict regulations would have little to no effect at stemming "global warming." It's really just policy written to appease those special interest environmentalists.

Obviously, no governor should ignore the potential hazardous effects of a business or individual who runs roughshod over basic environmental stewardship practices. However, our state government must also go the extra mile to ensure that it does not fall into the "governing by regulation" trap, where both businesses and individuals are forced to accept onerous rules and regulations in the name of accomplishing an unsustainable "horizon goal."

This type of top-down regulatory enforcement sets a dangerous precedent of bureaucrats attempting to set the parameters of a particular market. When it comes to hybrid and fuel-efficient vehicles, the needs of consumers force behind what cars are manufactured. Consumers have their own voices known, but hybrid vehicles are not the market (including Hybrid SUV).

Imagine if the Department of Environmental Quality in Oregon said that, due to new pollution regulations, no current Boeing airplanes could be flown through Oregon's airspace. What would happen? Would Boeing build an entirely new airplane, as it could accommodate Portland International Airport? Not a chance.

There is little reason for Boeing to cater to one medium-sized airport because of bureaucratic fiat, but when Boeing's

major customers start asking for a fuel-efficient airplane, their cars perk up. They, too, recognize that they must meet the demands of their customer.

The executive direction from Locke to state agencies to use fuel-efficient and hybrid cars when feasible and economical makes good sense, but to try and direct national manufacturers and consumers to accept the toughest vehicle-emission standards in the world will surely backfire without accomplishing his original goal.

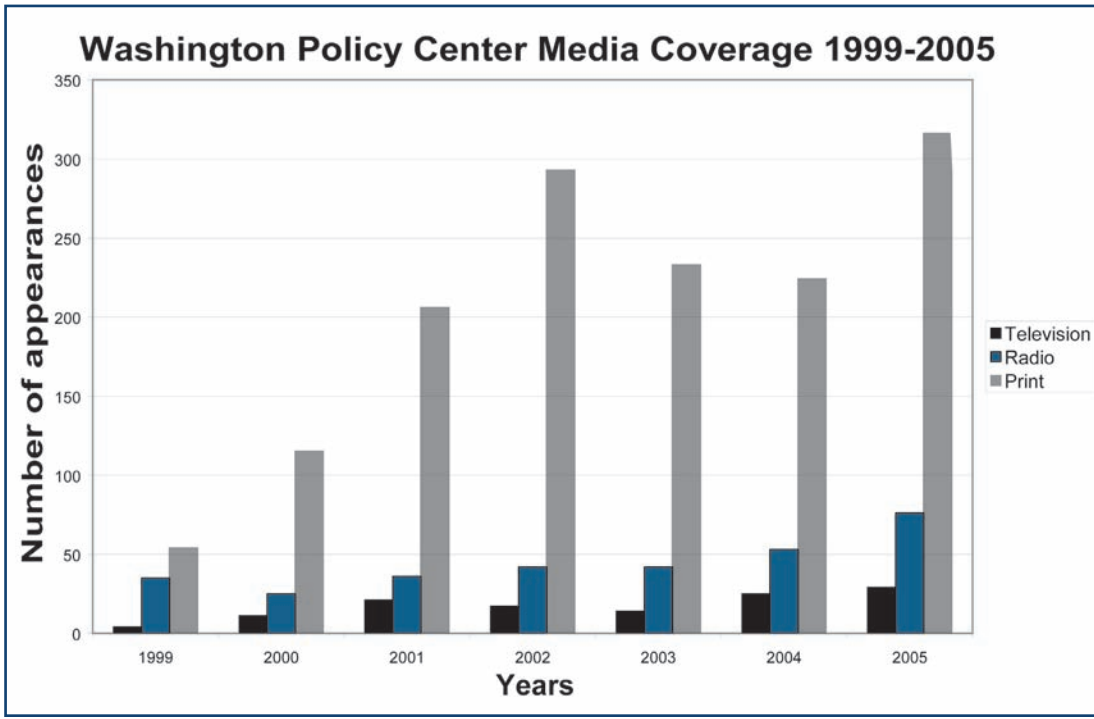
The free market does not work in a one-size-fits-all world, and a one-size-fits-all approach does not work in the real world.

Carl Gipson is the communications director for the Center for Environmental Policy, which advocates market-based solutions to environmental policy issues.

Seattle Post-Intelligencer

heavily endorsed these recommendations.

THE NEWS TRIBUNE



Washington Policy Center received more media coverage in 2005 than any years previous.

- Paul Guppy was featured on the “Upfront with Robert Mak,” a news series appearing weekly on KING 5 T.V. Guppy was interviewed by host Robert Mak on Walmart and the issues surrounding its health care policy for employees. This was a popular issue nationally and WPC research on the topic appeared in newspapers across the state.



- Our Small Business Conferences attracted media attention from all over the state. Dann Mead Smith (below) talks to Tri-City reporters on CBS affiliate state KEPR in Kennewick. He discusses recommendations that small business owners particularly saw important for the upcoming legislative session.



2005 Media Appearances

Paper	'05 Appearances	Total Circulation
The Seattle Times	8	2,335,753
Seattle Post-Intelligencer	18	3,125,088
Spokesman-Review	13	1,654,875
News Tribune	20	2,838,000

2006 RESEARCH & ACTIVITY AGENDA

Washington Policy Center sets a rigorous agenda when it comes to research and events. As we look upon our schedule for 2006 it is full of policy brief ideas covering environment, health care, and transportation. We will continue to provide our series of op-ed's, legislative memo's during the legislative session and our policy briefs and policy notes.

Research Agenda and Ideas

AGENDA 2005 UPDATE

- An updated version of this publication is scheduled to be released mid-July of 2006. The new policy guide will include research from our recent publications and original research on a range of issues that fall with our seven main policy areas. The release date is scheduled such that candidates running in the 2006 election and lawmakers serving in the 2007 Session can use it as a resource.

ENVIRONMENT

- A policy brief analyzing the forest certification process, health forests practices and the changing government response to summer wild fires and present way policies in these area can be improved

- The nationally recognized Environmental Watch series will continue monthly through 2006.

- A study discussing the practices that hamper the government's ability to make good decisions on environmental policy is scheduled for 2006. Public agencies are reluctant to give responses to ideas that surface during the public comment period on new regulations for fear their comment will be used in later lawsuits brought against the agency. The result is stifled debate and limited public review of regulations that affect the lives of property holders, business owners, and other ordinary citizens.

HEALTH CARE

- An update to the 2002 study on the cost of health care mandates is scheduled for 2006. The updated version will be released shortly before the start of the next legislative session. In addition to updated statistics about the cost of mandates, the new study will include an analysis of how Washington's high number of mandates make Health Savings Accounts more expensive here than any in any other state.

- A plan to research evidence-based medicine and restricted prescription drug lists will review the state's efforts to reduce health costs by imposing restrictions of the use of prescription drugs by patients who are dependent on public health programs.

EDUCATION

- The first class education initiative proposal would require that at least 65% of all public education funds be spent on teachers and direct classroom instruction. Currently 59% of public education funding in Washington is spent in the classroom. Increasing that figure to 65% would shift about \$390 million more public education funds to the classroom. This study will assess how this idea is faring in other states, and measure in detail how education funding would change if it becomes law in Washington.

TRANSPORTATION

- A short study will include a comparison of what Sound Transit supporters were promised in 1996 with what is actually being done. Sources will include WPC's Rail Disasters 2005 report and the February 2005 "Report Card for Sound Transit," by Emory Bundy.

BUDGET

ADDITIONAL ACTIVITIES & IMPACT

- As part of a series of private events hosted by Washington Policy Center for our top supporters, we invited Attorney General Rob McKenna to speak at a luncheon.

- Washington Policy Center often co-sponsors events throughout the year. In 2005 WPC co-sponsored a total of 18 events. Seattle CityClub was the majority of the events making a total of 14 events.

- WPC President Dann Mead Smith had the opportunity to visit Washington D.C. to participate in the US Small Business Administration's "Putting it Together: The Role of Entrepreneurship in Economic Development," conference where WPC's Small Business Project was honored as a finalist for their "Best Practices" award. While in D.C. Dann met with the small business legislative assistant from the following Congressional members on Capitol Hill: Senator Cantwell, Congressman Hastings, Congressman Baird, Congressman Smith and Congressman Larson.

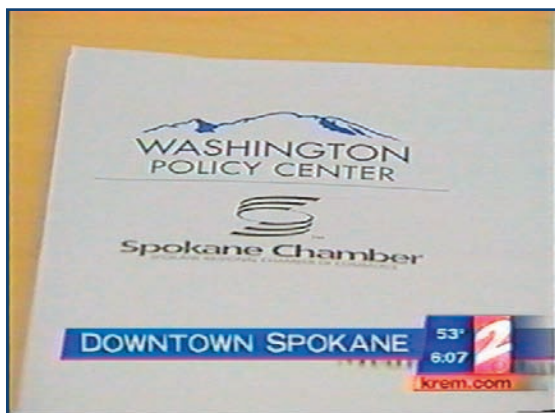


Attorney General Rob McKenna speaking at the Westin to WPC top supporters

- Throughout the year Washington Policy Center provides events down in Tacoma for our south sound supporters. In December we invited State Auditor Brian Sonntag to speak at a Pierce County breakfast held at the Tacoma Marriot. The event was an opportunity to learn about the auditor's new authority under the recently passed I-900 to conduct performance audits. The breakfast also included a legislative preview from WPC research staff.

- During a trip to New York for an State Policy Network conference, WPC President Dann Mead Smith met with the Wall Street Journal editorial board and gave a 5 minute overview of Washington state's top issues. He also met with Rick Lowrey, Editor of the National Review with other members of the State Policy Network.

- Last April Washington Policy Center along with the Spokane Chamber of Commerce released the Policy Brief "Medical Liability Reform: A Three State Comparison, at a press conference in Spokane. The press conference featured legislators and media. Below is a newscast of the Policy Brief on NBC affiliate station KREM in Spokane.



WPC's joint study with the Spokane Chamber of Commerce "Medical Liability Reform: A Three State Comparison"

OFFICERS AND STAFF

Sarah Rindlaub, Chairman (2004-2005)



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