



POLICY BRIEF

Initiative 695 One Year Later: *The Sky Didn't Fall*

By
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Introduction

A little more than one year ago, the people of Washington overwhelmingly approved Tim Eyman's Initiative 695, the "\$30 License Tab Initiative." At a stroke the voters repealed the Motor Vehicle Excise Tax (MVET) and replaced it with a flat \$30 annual fee on private cars and trucks.

Shortly after passage, the measure came under court challenge. In order to insure that \$30 license tabs went into effect as the voters wished, the legislature passed, and the governor signed, a bill to enact Initiative 695's main tax-cutting provision. Other provisions, such as the requirement that future fee and tax increases must be voter-approved, were later struck down in court.

During the political campaign against Initiative 695, opponents made a number of specific predictions, all of them dire, of what would befall the state if the measure became law. They said funding would be lost for up to 1,000 police officers, funding for basic county health services would end on January 1, 2000, child immunizations, flu shots, daycare and restaurant inspections would all be cut, there would be no new highway projects, cars would be taxed like homes, the budget reserve would be spent, 70,000 transportation jobs would disappear, school safety would be jeopardized, big companies like Boeing and Microsoft would move operations out of state, we would have a state income tax, and so on.

Taken together these claims appeared so overblown that they amounted to a concerted effort to frighten people into voting against Initiative 695. Once their attempt had failed, opponents may be forgiven for hoping that their gloom-and-doom forecasts would be quickly forgotten.

A year later, however, we are in a position to coolly assess the actual outcome of Initiative 695. We see that the sky did not fall. Events have amply demonstrated that the state and local governments have adjusted well to the revenue reduction required by repeal of the MVET. Government agencies have adapted through a combination of increased efficiency, reordered budget priorities, program savings and alternative revenue sources. Vital government services have not been disrupted. On the whole these programs have continued as before, and in many cases have been improved and expanded, since Initiative 695 passed. Nor has the measure seriously crimped public revenues, since overall spending by the state, counties and cities continues to rise.

This Policy Brief examines the accusations opponents raised against Initiative 695 and reports on how these predictions have fared over the last year.¹ Our research finds that in specific, measurable ways the severe cuts in government programs forecast by Initiative 695's opponents have failed to materialize.

Initiative 695 has been a successful tax-cutting policy. In the first year the measure has enabled Washington citizens to keep over \$750 million of their own money, thus helping them to build better lives for themselves and their families. It has also contributed to the overall economic well-being of the state by partially

¹ All statements by Initiative 695 opponents are direct quotes from www.no-i-695.com, "NO on I-695 Campaign -- The Official Site of the No on Initiative 695 Committee," November 1, 1999, Fact Sheets titled, "Everything You Wanted to Know About I-695," "If It Sounds Too Good to be True, It Probably Is!," "What Would I-695 Do? More Than Meets the Eye..." and "What I-695 Promoters Forget to Tell You: A 'Dedicated Fund' Means 'Dedicated Cuts.'"

easing Washington's high tax burden and allowing more money to remain in the private sector to foster savings, investment and job growth.

Policymakers and the public can learn important lessons from the way Initiative 695 has been implemented. The measure's success indicates that by setting clear budget priorities, state and local leaders can respond effectively to the people's strong desire to ease the growth of the tax burden while maintaining essential services.

Predictions by Opponents vs. Actual Outcomes

1. Prediction: "The Washington Council of Police and Sheriffs has estimated that local governments will lose funding for as many as 1,000 police officers."

Actual Outcome: There is no indication that local governments have lost funding for as many as 1,000 police officers since passage of Initiative 695, or that they are likely to in the near future. Instead, the opposite trend is indicated. Most law enforcement agencies have either maintained or increased the number of officers employed since passage of Initiative 695. For example, Seattle's police force increased by three officers, while Spokane's stayed constant at 1999 levels.² A sample survey of thirty police departments across the state shows the total number of authorized police officers increased slightly in 2000 compared to 1999.³

Most important to citizens, however, is not the number of law enforcement officers on payroll, but how effective police and sheriff departments are in preventing crime. Far from gutting the effectiveness of law enforcement, current statistics show that crime has decreased in Washington state since the passage of Initiative 695. The FBI's latest Uniform Crime Report shows that the overall Crime Index Trend for our region has fallen over the last year, with significant declines shown in the incidence of murder, arson, burglary, robbery and property crime.⁴ This trend is confirmed by a drop in reported crime in the state's largest cities. Seattle's crime index total fell by 5% from 1999 to 2000. In Bellevue crime fell by almost 4% over the same period.⁵

2. Prediction: "The Washington State Crime Lab would lose an average of about \$2 million per biennium."

Actual Outcome: Funding for the State Crime Lab has not declined since the passage of Initiative 695. On the contrary, funding for the Lab has increased. The Crime Lab's budget for FY 1999 was \$7.9 million with a staff of 104.5 FTEs. In FY 2000 funding for the Lab rose to \$8.4 million with a similar staffing level. The Lab has not experienced layoffs, funding cuts or a falloff in the quality of its anti-crime work in the time since Initiative 695 passed.

3. Prediction: "Police and courts would lose more than \$81 million dollars sic if this initiative passes."

Actual Outcome: Public funding for police and the courts has not been significantly reduced since the passage of Initiative 695. In early 2000 the legislature established the policy that no city would be asked to absorb a funding reduction in excess of 7.5%, and most cities adjusted their budgets to ensure that vital police and court functions continued.

² Washington Institute Foundation statewide survey of select police departments, October 2000.

³ Ibid

⁴ Federal Bureau of Investigation, "Uniform Crime Report for January – June 2000," the latest available, Table 2, "Crime Index Trends by Geographic Region," released December 18, 2000, available at www.fbi.gov/ucr/Cius.

⁵ Ibid, Table 4, "Cities and Towns 100,000 and Over in Population."

The legislature also targeted an additional \$64,983,463 in assistance to cities for criminal justice, fire and police protection and other services through the end of the current biennium.⁶ Similarly, the legislature increased assistance to counties by \$35,621,953 in ongoing funding for public safety assistance, court operations and other essential crime-fighting services.⁷

The court system continues to operate at effective levels. The system functions smoothly and there have been no reports that local police departments or state and county courts lack the resources to do their job. As noted above, there has been no appreciable increase in crime since the passage of Initiative 695.

As with other public services, the changes required by Initiative 695 have been accommodated through a combination of increased aid from the state, greater efficiency and changes in budget priorities at the county and municipal levels.

4. Prediction: “If I-695 passes...transportation, prosecutors, police, fire and health programs, will be reduced by billions of dollars.”

Actual Outcome: These vital government services have not been reduced by billions of dollars as a result of Initiative 695. As noted, reductions in state aid to local government has been limited to no more than 7.5%. The legislature provided additional funding specifically to insure that these services continue. For example, in the 2000 supplemental budget, the legislature provided the King County Department of Public Health an added \$4,153,122 in FY 2000 and \$8,306,245 more in FY 2001. In all, counties in Washington received additional funding for public health of \$11,061,266 for FY 2000 and \$22,122,535 for FY 2001.⁸

The legislature also provided transit authorities in all counties an added appropriation of \$99,833,400 for FY 2000.⁹ In King County, for example, this means \$45,549,600 more is available to meet public transit costs.

5. Prediction: “The passage of I-695 would reduce funding for these vital programs transportation, prosecutors, police, fire and public health services, about \$1.7 billion in the next biennium alone.”

Actual Outcome: As discussed above, funding for these important public services has not been reduced by \$1.7 billion or by anywhere near that amount. Additional funding from the legislature coupled with changes in budget priorities ensures that these service are continuing at effective levels. There has been no breakdown in transportation, prosecutors, police, fire or public health services since Initiative 695 passed.

There is no indication that county prosecutor’s offices have been reduced. In fact, in many cases the opposite has occurred. In Pierce and Snohomish counties, for example, the budget for prosecutors increased in 2000 compared to 1999.¹⁰ Eastern Washington counties like Franklin, Whitman and Okanogan

⁶ Supplemental 2000 Operating and Capital Budget Highlights, p. 7, at www.leg.wa.gov/senate/scs/swm/budget/2000Budget/supplemental.

⁷ Ibid

⁸ 2000 Supplemental Budget: Legislative Assistance for Public Health, “Initiative 695 Impacts and State Replacement Funds for Local Governments,” at www.leg.wa.gov/senate/scs/swm/budget/2000Budget/i695.

⁹ “Appropriations to Transit Authorities Assumed in the Enacted 2000 Supplemental Budget,” in Impacts of Initiative 695, Office of Financial Management at www.ofm.wa.gov/i-695.

¹⁰ Pierce County, Office of Budget and Finance at www.co.pierce.wa.us/finance/2000budget and Snohomish County Office of Budget and Finance at www.co.snohomish.wa.us/finance/2000budget.

experienced no reduction in the number of prosecutors, police or sheriffs employed as a result of Initiative 695.¹¹

A similar trend is revealed in funding for county health services. In Pierce and Snohomish counties funding for public health increased in 2000 over 1999 levels. King County plans to increase spending on public health services by \$21.5 million in 2001 compared to 2000.¹²

6. Prediction: “More than 70,000 transportation jobs would be lost.”

Actual Outcome: There is no indication to suggest the state has lost anything like 70,000 transportation jobs. In fact, current information shows the opposite trend. The number of Full Time Equivalent (FTEs) positions funded in the state’s transportation operating budget has increased in the current biennium compared with the past levels.

The average number of annual FTEs in all of transportation programs is 7778.7 so far in the 1999-01 biennium, compared to 7,610.5 in the 1997-99 biennium, an increase of 168 jobs. The Transportation Capital Budget shows a similar upward trend in staffing, growing by slightly more than 100 FTEs, from 2372.8 to 2473.6 over the same period. Of the seven line-item programs in the transportation budget, only the Board of Pilotage Commissioners, which oversees marine navigation, experienced any reduction. Personnel at this board fell by less than one FTE from 1.2 in 1997-1999 to 1.1 today. Staffing at the other six transportation programs has held steady or increased since passage of Initiative 695.¹³

The private sector has also seen an increase in transportation jobs since passage of Initiative 695. The Department of Employment Security reports the number of such jobs grew from 90,700 in the last quarter of 1999 to 93,700 by October 2000.¹⁴

7. Prediction: “Eliminate all funding to reduce traffic congestion and improve highway safety.”

Actual Outcome: Funding to reduce traffic congestion and improve highway safety has not been eliminated since the passage of Initiative 695. After repeal of the car tax, the legislature provided an added \$139 million for highway safety and \$349 million more for traffic congestion relief.¹⁵

Traffic safety has not become worse in Washington since the passage of Initiative 695. There is generally a slight increase in the number of collisions each year, which run around 145,000 annually, and the Washington State Patrol reports no significant change in this trend in 2000 compared to previous years.¹⁶ The number of traffic fatalities, meanwhile, has decreased since Initiative 695 passed.

¹¹ Washington Institute Sample survey of Eastern Washington law enforcement agencies, January 2001.

¹² Interview with Susan Eisele and spreadsheet titled “Adopted 2000 and Recommended 2001 Budget Figures” Office of Budget, King County, November 2, 2000.

¹³ Legislative Evaluation and Accountability Program Committee, Current and Historical Budget Information, through June 2000, the latest available, at <http://leap.leg.wa.gov/default.asp>.

¹⁴ Washington State Employment Security Department, Labor Market Information Review, November, 2000. p. 5 and Washington Labor Market, ESD Labor Market and Economic Analysis Branch, “Nonagricultural Wage and Salary Workers in Washington State, Place of Work,” p.14, at www.wa.gov/esd/.

¹⁵ 2000 Supplemental Transportation Budget. p. 218, leap.leg.wa.gov/LBN2000.htm, and interview with Rick Smith, Construction Projects, Washington State Department of Transportation, September 20, 2000.

¹⁶ Interview with Lt. Steve Davis, Washington State Patrol Collision Records, Olympia, Washington, January 11, 2001.

In 1999 there were 637 traffic fatalities in Washington. In 2000 there were 585, a decline of 8%.¹⁷

8. Prediction: “Over the next six years, passage of I-695 would result in the loss of \$7 billion in transportation funding.”

Actual Outcome: Indicators show that transportation funding will not be reduced by \$7 billion over the next six years due to the of passage of Initiative 695. In fact, current budget trends show that transportation funding is increasing, and is higher in the present biennium compared to the previous two-year budget. Transportation funding for 1997-99 was just over \$3 billion. In the 1999-01 biennium that figure has increased to \$3.2 billion, even after the budget changes required by the MVET repeal are taken into account.¹⁸

9. Prediction: “A cut of this magnitude \$4.2 billion for roads means that there would be no new construction projects to improve our highway system, until new revenue sources could be found.”

Actual Outcome: There have been and will continue to be new construction projects to improve our highway system. The Department of Transportation’s list for Capital Projects shows new and ongoing road projects for the 1999-01 biennium totaling \$1,352,892,000. The same program envisions a 6-year total of more than \$5.2 billion in road construction through 2005.¹⁹ The project list contains well over 1,600 road projects slated for work or completion through 2005.²⁰

Regarding new funding, the governor’s Blue Ribbon Commission on Transportation has already submitted its recommendations to the governor and the legislature for establishing numerous transportation goals, stating, for example, that no city street, county road or state highway will be in poor condition and confirming that government officials will be held accountable for proven results. The Commission recommends spending \$50 billion in new revenues over 20 years to improve traffic congestion.²¹ The governor and the legislature have repeatedly indicated their determination to provide adequate funding for transportation.

10. Prediction: “With the passage of I-695, funding for these programs basic county health services will end on January 1, 2000.”

Actual Outcome: Funding for basic health services in Washington counties did not end on January 1, 2000, and no county has ended its public health service as a result of Initiative 695. The legislature appropriated an additional \$11 million to local governments for public health in FY 2000 with a further \$22.1 million added in FY 2001. This funding is on top of county and state revenues already being spent to provide public health services.²² In all, roughly 90% of the funding for local public health that previously came from MVET revenue has been renewed through alternate sources.²³ While some adjustments in state and county

¹⁷ Washington State Patrol, Traffic Safety Division. “Recap of Traffic Fatalities,” at www.wa.gov/wtsc/.

¹⁸ Legislative Evaluation and Accountability Program Committee, 2000 Supplemental Transportation Budget, p. 215, Chart: “Transportation Budget Comparisons.”

¹⁹ Interview with Rick Smith, Construction Projects, Washington State Department of Transportation, September 20, 2000.

²⁰ Washington Department of Transportation, “2000 Project List,” p. 230, leap.leg.wa.gov/lbn2000.htm.

²¹ The Blue Ribbon Commission on Transportation, “Final Recommendations to the Governor and Legislature – Summary of Recommendations,” p. 1, November 29, 2000.

²² 2000 Supplemental Budget, “Legislative Assistance for Public Health, initiative 695 Impacts and State Replacement Funds for Local Governments,” at www.leg.wa.gov/senate/scs/swm/budget/2000Budget/i695.

²³ Interview with Vicky Kirkpatrick, Washington Association of Counties, Public Health Office, September 27, 2000.

budget priorities have been made, the counties continue to provide vital health care services to their citizens.

11. Prediction: “Child immunization and flu shots for the elderly will be cut. So will restaurant and day care inspections.”

Actual Outcomes: Immunizations. The number of child immunizations and flu shots in Washington has not been cut. The number of immunizations distributed throughout the state by health departments each year is based on the past numbers of doses distributed and on the number of children expected to reach immunization age that year. In 1998 the state distributed 2,188,061 immunizations, in 1999 the figure was 1,956,148. The official number of immunizations distributed in 2000 is not yet available, but immunizations have not been curtailed due to lack of funding.

Immunizations are provided free to all children based on annual projections.²⁴ This policy remains unchanged and child immunizations have continued at expected levels since the passage of Initiative 695. In King County, for example, figures reported through August 2000 show immunizations for the year to be on a par with those of previous years.

Flu shots are widely available through both public and private medical outlets. Although records of the total number of flu shots distributed by all sources are not kept by public health agencies, and the number of publicly-funded shots are not available for 2000, there have been no widespread reports of elderly citizens being unable to obtain flu shots easily and upon request.²⁵

Day care inspections have not been reduced as a result of Initiative 695. In fact, the opposite has occurred. The state conducted 341 day care inspections in 1999. The following year the number of inspections increased, rising to 375 for the reporting period January to October 2000.²⁶

Restaurant inspection standards have not changed since the passage of Initiative 695, according to the Washington Association of County Health Services.²⁷ King County, for example, conducted 19,965 food inspections in 1999. For the reporting period January 1 through to September 28, 2000 the County has conducted 15,252 such inspections, a rate consistent with the previous year. The County says its policy is to continue food inspections at normal levels.²⁸ In addition, there have been no reports of increased food poisonings across the state or of rising public health risks due to a lack of restaurant inspections.

12. Prediction: I-695 would, “jeopardize safety in Washington schools.”

Actual Outcome: School safety in Washington has not been jeopardized due to passage of Initiative 695. In the 2000 Supplemental Transportation Budget the legislature provided an additional \$5 million to local governments for school safety projects.²⁹

More important than funding levels, however, is maintaining basic safety for students and teachers at public schools. As with recent crime rates in general,

²⁴ Interview with Bob Hayes, Child Immunization Distribution Center, September 27, 2000.

²⁵ Interview with Margaret Hansen, Washington State Office of Immunizations, September 27, 2000 and letter from Lisa Werlech, Risk Management, Seattle and King County Office of Public Health, October 3, 2000.

²⁶ Interview with Teresa Phillips Washington State Department of Health, September 26, 2000.

²⁷ Interview with Vicki Kirkpatrick, Washington Association of Counties, Public Health Services, September 27, 2000.

²⁸ King County Office of Budget, “Adopted Budget for 2000,” p. 13, www.metrokc.gov/budget/2000/adopted/, and letter from Lisa Werlech, Risk Management, Seattle and King County Public Health, October 3, 2000.

²⁹ 2000 Supplemental Transportation Budget. p. 216.

current research shows no marked increase in crime in Washington schools since Initiative 695 passed. In fact, in some districts the opposite trend is indicated. In the Seattle School District, the state's largest, officials report a steady improvement in school safety over the last ten years, with dramatic decreases in weapons brought to school and in gang-related incidents.³⁰ The long-term trend toward improved school safety has not been disrupted by the passage of Initiative 695.

13. Prediction: The ferry system would “face cuts in its operational budget and the elimination of \$115 million intended for construction projects.”

Actual Outcome: While Washington State Ferries experienced a small decrease in its operating budget and the capital budget was reduced, the legislature provided funding at “the level needed to maintain ferry terminals and vessels in a safe condition and still meet essential obligations.”³¹ The ferry system maintains the same fleet of 29 vessels serving the same number of routes, although on some routes there has been a limited reduction in the number of daily runs. The system still carries over 23 million passengers annually to 20 ports of call, and employs a workforce of 1,850 workers, more than when Initiative 695 passed.³²

In all, the legislature provided \$453 million in 2000 to maintain ferry service throughout Puget Sound.³³ It also provided \$20 million in ongoing annual assistance from the General Fund.³⁴ The ferry system is making the budget adjustments necessary to cope with repeal of the MVET and has suffered no significant reduction of service. Actually, service has increased. The system is carried an average of 26,000 more riders per month in 2000 than in 1999.³⁵

14. Prediction: “Initiative 695 would cut spending on clean air programs by \$17 million.”

Actual Outcome: Funding for the air quality program was not cut by \$17 million. Initiative 695 repealed a \$2 per vehicle excise tax that funded approximately half of the Department of Ecology's air quality program. By shifting budget priorities, the legislature restored 90% of the FY 2000 funding the program would have otherwise received. An additional \$9.8 million from the state general fund was provided to the air quality program through the 2000 Supplemental Budget.³⁶ Air quality monitoring, grants to local agencies and compliance with state and federal air quality laws have all been maintained.³⁷

15. Prediction: “I-695...contains loopholes that allow cars to be taxed as property, just like our homes.”

Actual Outcome: Cars have not been taxed as property since the passage of Initiative 695. It is doubtful whether property tax law as it existed at the time Initiative 695 passed would have imposed a property tax on cars similar to that levied against homes. The point is moot, however, because in March 2000 the legislature enacted a law, retroactive to January 1, 2000, which specifically exempts motor vehicles from the state property tax.³⁸

³⁰ Interview with Mark Della, Seattle Public Schools, Safety and Security Department, January 5, 2001.

³¹ Department of Transportation, “Program W – Washington State Ferries – Capital, Total Appropriated Funds,” 1999-01 Revised Appropriations, Ch 3, L 00, E2, PV, Section 229, p. 299.

³² Washington State Ferries, “Ferry Fleet Guide,” January, 2001, at www.wsdot.wa.gov/ferries.

³³ 2000 Supplemental Transportation Budget. p. 218, at leap.leg.wa.gov/lbn2000.htm.

³⁴ Ibid, p. 215.

³⁵ Washington State Ferries, “Traffic Statistics Rider Segment Report,” January 1, 1999 through November 30, 2000.

³⁶ Supplemental 2000 Operating and Capital Budget Highlights, p. 7, “Air Quality Program,” at www.leg.wa.gov/senate/scs/swm/budget/2000Budget/supplemental.

³⁷ Ibid, p.8.

³⁸ 2000 Legislative Budget Notes, Revenues, Section III, p. 19, House and Senate transportation committee with assistance from LEAP staff, at leap.leg.wa.gov/LBN2000.htm.

16. Prediction: “I-695 is a backdoor attack on the spending limits of Initiative 601. This will end spending limitations and make tax increases common again.”

Actual Outcomes: The spending limits of Initiative 601 remain in effect and no new, large state-level tax increases have been enacted. If anything the initiative sent a strong signal to elected officials that voters feel taxes are already too high.

17. Prediction: “If I-695 passes...the reserve will be spent in three years.”

Actual Outcome: The passage of Initiative 695 has not resulted in the spending of the state’s budget reserve. The state still maintains a large reserve which, prior to passage of Initiatives 728 and 732, was projected to increase to almost \$1.1 billion by the end of the current biennium.³⁹

18. Prediction: “Money for important programs will have to come from somewhere, and an obvious place would be from a state income tax.”

Actual Outcome: Passage of Initiative 695 has not led to a state income tax in Washington, and it shows no sign of doing so in the foreseeable future. Only three bills, out of more than a thousand, were introduced in the legislature concerning a state income tax. None of them passed, or were even seriously considered in committee. In addition, Governor Locke has indicated that he does not support any form of income tax,⁴⁰ so such a bill would not become law even in the unlikely event that a majority of legislators could be induced to vote for it.

Also, there is no greater need for a state income tax now than there was before Initiative 695 passed, because the state has already amply demonstrated that it has the resources to maintain essential government services.

19. Prediction: “County bus service would lose at least \$1.4 billion over the next six years.”

Actual Outcome: To date county bus services have not lost funding that would result in a \$1.4 billion shortfall over six years. Soon after Initiative 695 passed, the legislature added an immediate \$50 million appropriation to the Multimodal Transportation Account, which helps pay for mass transit.⁴¹ An additional \$80 million is provided in the 1999-01 biennium for county transit districts to reduce their dependence on MVET funds.⁴²

Also, the legislature passed legislation (SSB 6856) that gives local governments the authority to impose up to a 0.9 percent local sales and use tax for public transit purposes with voter approval.⁴³ Four rural transit systems, in Island, Grays Harbor, Clallam and Jefferson counties, have already received approval from voters to collect additional sales tax revenue for public transit.⁴⁴ Other county bus services have sought greater efficiencies in their operations and have reviewed budget priorities to maintain service to the public.

20. Prediction: “More than 3,000 government jurisdictions would be forced to have elections on every fee they change, costing taxpayers more than \$25 million a year.”

³⁹ Office of Financial Management, Forecasting Division, November 2000.

⁴⁰ Interview with Jeff Withersby, Washington State Governor’s Office, December 15, 2000.

⁴¹ 2000 Supplemental Transportation Budget, p. 227.

⁴² 2000 Supplemental Transportation Budget, p. 215 and p. 16.

⁴³ 2000 Legislative Budget Notes, Section III, p. 19, at leap.leg.wa.gov/lbn2000.htm.

⁴⁴ Interview with Cathy Silins, Manager, Public Transportation Office and Transportation Demand Management Office, Washington Department of Transportation, October 25, 2000.

Actual Outcome: Passage of Initiative 695 has not cost taxpayers more than \$25 million a year due to frequent elections. In fact, there has been no added cost for elections because of Initiative 695. As mentioned above, the State Supreme Court struck down the provisions of the initiative that would have required a vote of the people in order to raise fees and taxes. Even if the court had not taken this action, such elections would not have cost taxpayers anything like \$25 million a year, since most counties hold some kind of election every year in any case.⁴⁵

21. Prediction: “I-695 will harm the state economy because big employers like Microsoft and Boeing will move some activities out of state where transportation costs are adequately funded.”

Actual Outcome: Boeing, Microsoft and other big employers have not moved major activities out of the state. Boeing’s employment in Washington, at 78,200, is only slightly below the level it held a year ago. Microsoft maintains an in-state workforce of over 21,700, and currently has about 2,000 positions open for software programmers and designers. Neither company has shifted major operations out of the state because of Initiative 695.⁴⁶

A year after passage of Initiative 695, Washington’s economy continues to be strong, and has generally followed regional and national trends. The number of workers employed in Washington was about 2,930,600 in 1999. That figure grew to 2,934,900 in 2000. Unemployment held to a low 4.7% in 2000, consistent with the jobless rate of the previous year, well below the level economists once considered full employment.⁴⁷ Inflation is about 2%. There is no indication that Initiative 695 has harmed the state economy.

Conclusion

Our experience with Initiative 695 holds important lessons for the public and for policymakers. First, despite the cynicism about politics that is common today, elected officials can and do respond to direction from the people when taxes are cut by a popular vote. Even when the courts began to review Initiative 695, the legislature and the governor moved quickly to insure that the measure’s main tax-relief provision went into effect, regardless of what a judge might do. Second, our assessment of Initiative 695 shows that in the heat of a political campaign, inaccurate and exaggerated predictions can be made by opponents about the true impact tax cuts might have on important government services. Real-world experience shows that budget adjustments can be made to preserve these services, while at the same time easing the financial strain government imposes on ordinary citizens.

Washington’s tax burden remains one of the highest in the nation, and the level of taxation imposed by the state, counties and cities continues to grow year by year. For that reason popular support for tax cuts remains strong. As future tax-reduction proposals are considered, groups that benefit from government spending can be expected to raise vigorous arguments against reducing the amount of money people must pay to the government. The lessons learned from the implementation of Initiative 695 serve as an important guide to lawmakers and to voters in assessing the validity of these claims.

⁴⁵ The Seattle Times, “State Supreme Court declares I-695 unconstitutional,” by Hunter T. George, October 26, 2000.

⁴⁶ The Boeing Company, current and past employment at www.boeing.com/employmnet_table.html and Microsoft Corporation at www.microsoft.com/presspass/fastfacts.asp.

⁴⁷ Washington State Department of Labor and Industry, “2000 Year to Date Labor Force Data,” p.24, at www.wa.gov/esd/spreprts.

About the Author

Paul Guppy is Vice President for Research at Washington Policy Center. He came to WPC in 1998 after 12 years on the staff of the U.S. Congress, including service as Legislative Director, Chief of Staff and with the House Appropriations Committee, with a focus on budget policy and federal spending. He is the author of numerous published studies and articles, including the *Washington State Piglet Book*, and is editor of the *Policy Guide for Washington State*. He specializes in state and local tax systems, health care reform and free market economics. He is a member of the King County Citizens Election Oversight Committee, the State Commission on Tax Preferences, and the Attorney General's Eminent Domain Task Force. In addition, Paul writes WPC's monthly column in Spokane's *Spokesman Review* newspaper. Paul is a graduate of Seattle University and holds graduate degrees in political science from Claremont Graduate University and the London School of Economics.



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