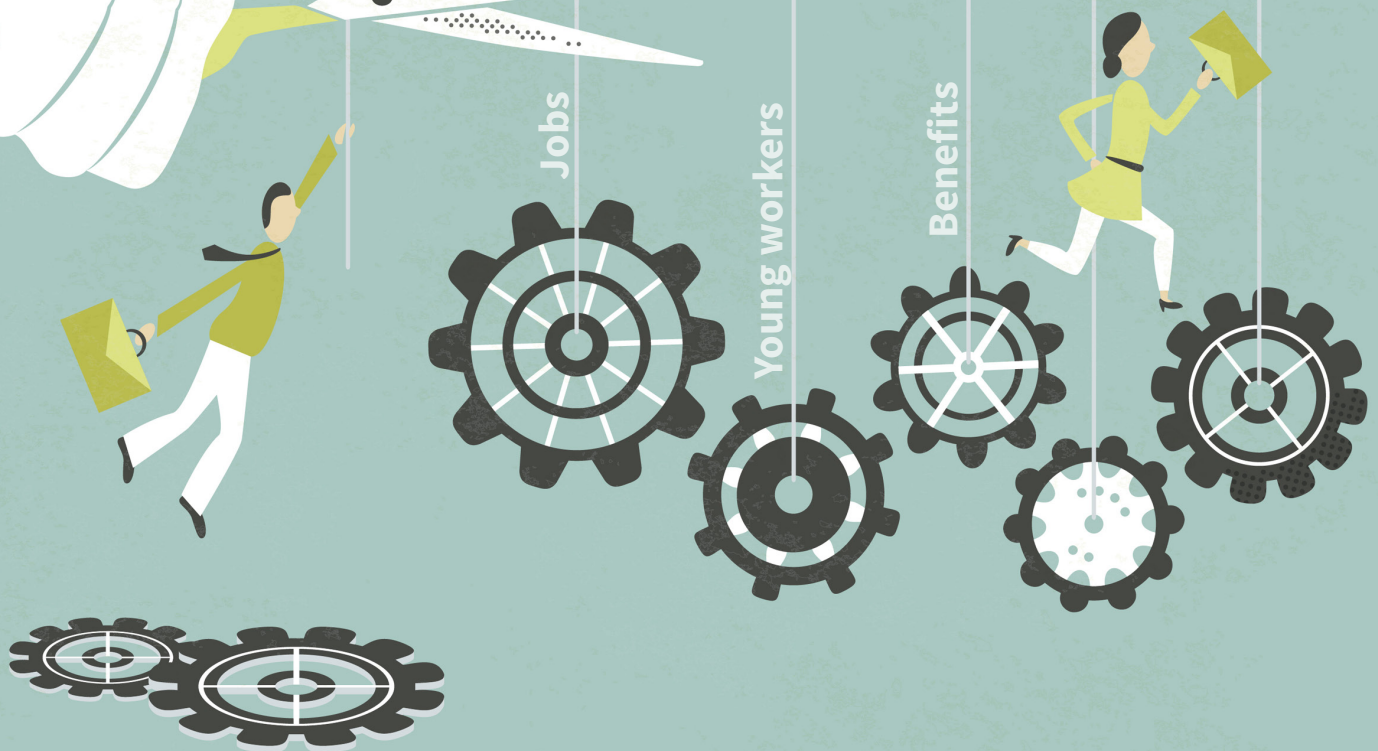


Viewpoint

THE QUARTERLY MAGAZINE OF WASHINGTON POLICY CENTER

SPRING 2015

*The unintended consequences of
a mandated
high minimum wage*



IN OUR SPRING ISSUE

**What the energy sector can learn
from Uber**

WPC's 2014 Annual Report

One year after King County Metro Transit's Proposition 1

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Viewpoint

THE QUARTERLY MAGAZINE OF WASHINGTON POLICY CENTER

SPRING 2015

Dear Friends,

With all of the activity of the 2015 regular and special legislative sessions, Washington Policy Center provided research, analysis and key recommendations every step of the way to our state's policymakers, media and citizens. And our work has made a difference.

Our experts were hard at work providing a free-market perspective to our state's most pressing issues. We testified by invitation in Olympia a record 36 times, published numerous studies and daily blogs, and appeared in the media both locally and nationally. Senator Michael Baumgartner, the Senate Commerce and Labor Committee Chair, thanked WPC for our research and analysis that helped ensure that the \$12 minimum wage proposal did not become law: "A huge 'thank you' for helping stop a minimum wage increase bill that would have hurt thousands of small businesses and workers across the state."

A lot has happened in Washington this year, from the legislation to increase our state's minimum wage failing, to the first charter school lotteries being held in our state, and to the hot debates surrounding new environmental regulations and transportation.

In this issue you will find some of our work on the major issues that touched the legislature, along with our cover story on the minimum wage increase in Seattle and its unintended consequences both for employees and employers. I hope you will also review our 2014 Annual Report, detailing our impact by each research center and our Eastern Washington office.

As spring draws to a close and summer approaches, we are excited about heading into our event season. With the success of our Annual Dinner events last year in Bellevue and Spokane, our 2015 Dinners will again be not-to-miss events. Stay tuned to our weekly email newsletter and our website, washingtonpolicy.org, for details as they become available for all of our upcoming events.

We invite you to share this issue with your friends, family and at your office. And as always, thank you for your continued support of our work!

Very truly yours,



Dann Mead Smith
President





Panel discusses climate solutions at Gonzaga University

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An update from Pillar Society President Greg Porter

If you've been to a recent WPC event, you've probably heard us mention our major donors group, **The Pillar Society**.

To support WPC's vital work and new endeavors, and to ensure our impact continues to grow, WPC created the Pillar Society which distinguishes donors who make a substantial pledge which is paid over three years (*pledges start at \$5,000 per year*). We're pleased to announce the program has been a huge success and now has over 70 members who have pledged over \$2,000,000! **We would like to sincerely thank our current Pillar Society members and also urge you to join with us!**

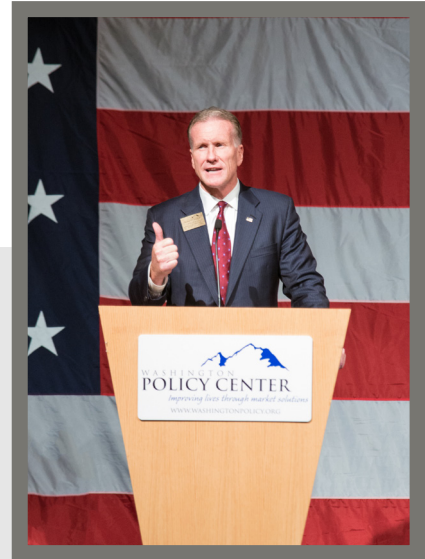
Pillar Society members receive the benefit of knowing their investment in WPC makes our state a better place by advancing our goal of spending discipline, low taxes and limited government. Simply read this issue of *Viewpoint* to see examples of our recent work and successes. Our most loyal donors are integral in the fight for smarter policy solutions in our state, and they are also invited to special, exclusive events.

This March, we held our annual Palm Springs event at the beautiful home of Bob & Ruth Wright. Attendees at this event exclusively for the Pillar Society enjoyed mingling in the picturesque desert setting and hearing from special guest, Kimberley Strassel of *The Wall Street Journal*. Many guests believe Ms. Strassel to be a "rising star" and appreciated the timely opportunity to meet and hear from her in an intimate setting. In addition, members and their guests were welcomed to the WPC desert weekend with a pre-event cocktail party my wife and I had the privilege of hosting.

In April, members were treated to an exclusive event in Bellevue at a very special venue—Pillar Society members Bruce & Peggy Wanta's antique car "garage." This special night featured former *Wall Street Journal* columnist and economist, Steve Moore as well as a must-see, antique and exotic car and memorabilia collection! It was a truly remarkable event that served as a "thank you" from WPC to our valued Pillar Society members.

WPC Pillar Society benefits include premier tables at our conferences and Annual Dinner (reserved before the event sells-out!), recognition throughout the year and invitations to private events like the ones mentioned above with key public officials and thought leaders. We listened to you—our supporters—many of whom told us they want to increase their financial support of WPC, but want to be asked for a gift only one time per year. The Pillar Society answers this need.

We hope you will consider joining our Pillar Society. We are on your side and we are honored to have your trust. For more information, please contact WPC's Development Director, Stephanie True, at (206) 937-9691 or strue@washingtonpolicy.org



A handwritten signature in black ink, appearing to read "G. Porter".

Why don't labor unions think their members deserve the same wages and benefits as non-union workers?



*by Erin Shannon, Director,
Center for Small Business*

In Washington state and across the nation, union executives and labor activists are demanding mandatory paid sick leave and a \$15 minimum wage for workers. They say it is a “matter of fairness”—workers deserve higher wages and paid

time off when they are sick.

So why do many of these minimum wage and paid sick leave laws, purportedly designed to benefit workers, exempt unionized businesses?

In many of the minimum wage and paid sick leave proposals pushed by unions, they have hypocritically included a union escape clause.

After well-funded campaigns by labor unions, SeaTac and other jurisdictions have an exemption for unionized employers that allow them to pay a lower wage and not pay for sick leave. Thanks to the union escape clause supported by labor, unionized employers can legally pay their workers less than what their non-union counterparts earn.

That's right. The union executives pushing these measures don't think union members deserve to actually benefit from them. So much for fairness.

It is revealing that the \$15 wage campaign in SeaTac, considered ground zero of the “Fight for \$15” movement, initially had nothing to do with winning a higher minimum wage or paid sick leave for workers. It started as an effort to intimidate SeaTac employers into unionizing. Unions tried to strong-arm employers into unionizing by threatening to fund a \$15 minimum wage ballot measure. When employers resisted, union executives made good on their threat, complete with a clause to coerce and incentivize employers to unionize.


This disturbing trend of using government labor mandates as a means of threatening and coercing business owners is not confined to cities. It is taking root with some state lawmakers as well. Bills mandating paid sick leave (HB 1356), paid

vacation (HB 1163) and triple pay for employees who work on Thanksgiving Day (HB 1694) each included an exemption for unionized employers.

Labor unions' willingness to undercut their own members demonstrates the self-serving motive behind the legislation—pressure employers to unionize in order to take advantage of the union exemption. Unionizing becomes a low cost way for employers to avoid being subjected to more restrictive mandates. The tactic is also a way for union executives to collect more dues money. It's a “win-win” for employers and unions.

Ironically, left out of the “win-win” are the workers who are forced to pay union dues for the union to represent them, but are exempted from the benefits of the higher wage or paid sick leave—because they are a union member. Washington is not a right-to-work state, so workers have no say in whether they pay those dues to be represented by the union; it is a condition of employment.

Isn't joining a union supposed to be about better pay and benefits and protecting powerless workers from being exploited by greedy and unethical employers? Today it is the union workers who are exploited, and by the union executives who are supposed to represent them.

Workers rallying with labor activists to pass the \$15 wage and paid sick leave mandates should be careful what they wish for. They could very well find themselves exempted out of the benefits they thought they were fighting for. 



One year after voters defeated King County Metro Transit's Proposition 1 – the sky didn't fall



by Bob Pishue, Director,
Coles Center for Transportation

When King County voters handily rejected Metro Transit's Proposition 1 in April of 2014, County leaders' proposal to increase regressive sales taxes and to raise car tab fees by \$60, King County Executive Dow Constantine said he would follow through with his threat to cut 16 percent of Metro bus service. He asserted, "There are no other options but to cut service," and "without the revenue from Proposition 1, reductions to transit service are now unavoidable." Seattle Mayor Ed Murray called the situation "a crisis," and proposed his own tax-increase plan to "prevent significant impacts" to 50,000 riders on transit.

Earlier, King County Councilmember Larry Phillips warned the planned cuts would have dreadful effects. He said their own planned bus cuts would "harm low-wage workers" and "increase traffic congestion, damage our economic competitiveness, diminish mobility options for seniors, youth and people with disabilities, and hurt our environment."

Seattle City Councilmember Kshama Sawant said cutting bus service would "disproportionately affect low-wage workers, the elderly, the disabled, and people of color."

Ken Michelson, the Director for the Alliance for People with Disabilities cautioned, "People could literally die without transit to access food, and go to needed doctor appointments."

With such catastrophic projections, we decided to look at how bus service changed in King County. One year later, this is what we found.

Finding: Devastating bus cuts did not happen – Metro became more efficient and gained ridership without increasing regressive taxes

Despite the claims by public officials that "there are no other options but to cut service," King County Councilmembers canceled their promised bus cuts. By finding efficiencies and better managing rising revenues at current tax rates, the Council preserved 95 percent of bus service and made the bus system more efficient. Metro Transit is now on-pace to grow ridership even higher this year, despite claims from Metro representatives that without Proposition 1's regressive tax increases, Metro

would lose "an unprecedented 14 million rides annually" due to service cuts.

Finding: Low-income families benefited the most from Proposition 1's failure

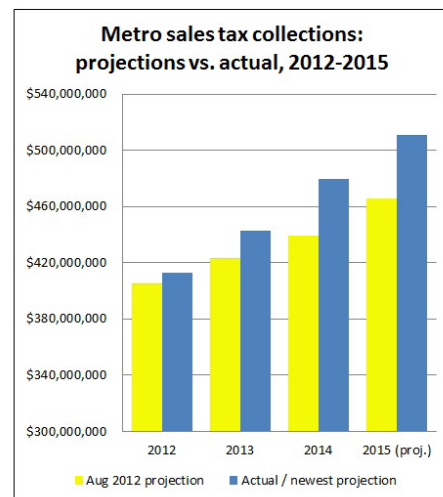
Low-income families actually benefited the most from the defeat of Proposition 1. Voters stopped King County officials from increasing the regressive tax burden on all working families, whether or not they ride the bus. In addition, low-income bus riders got a break at the farebox. They now pay a reduced-\$1.50 per ride instead of the \$3.25 peak two-zone fare. In fact, according to Metro's survey released this month, new riders on Metro tended to be younger, have lower incomes and are more racially diverse than Metro's "experienced" riders.

Finding: Metro continues to see windfall profits without regressive tax increases

Prior to the vote, Metro officials claimed a \$60 million operating revenue shortfall resulted in the need to cut neighborhood bus service. However, in March of 2014, Washington Policy Center reported that Metro was actually receiving a \$32 million sales tax windfall above budgeted estimates. Metro officials ultimately acknowledged the improved revenue picture; however, they only planned on receiving less than half of the additional revenue.

Last year, Metro officials have collected record-breaking levels of tax revenue. Information released by King County last month reveals Metro received an

even-higher \$40 million tax windfall last year, and officials project six to seven percent growth this year. The new growth estimates show Metro will receive over half a billion dollars in sales tax revenue alone this year, all without raising regressive taxes.

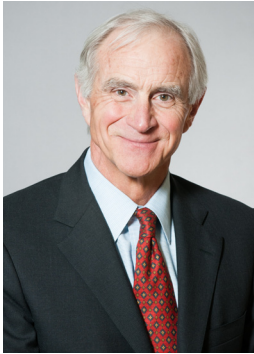


Source: King County Office of Economic and Financial Analysis

The public's experience with Proposition 1 provides an important lesson. When you hear public officials threaten to cut vital services if they don't receive more tax money, it is likely the threats are exaggerated, and that tax revenue may be increasing anyway.

Threats of service cuts tied to tax increases are often presented as a false choice that fails to consider other policy alternatives. In this case, King County Metro officials actually improved service to the public, gained ridership, helped low-income residents and grew their revenue, all without raising the regressive tax burden county officials impose on working families.

Coming ruling in *King v. Burwell* case may open a brighter vision of health care for everyone



by Roger Stark, MD, FACS
WPC Health Policy Analyst

The Affordable Care Act (ACA), or Obamacare, has been controversial since it was enacted along strict party lines in 2010. No Republican amendments were included in the legislation and no Republican in Congress voted for the final bill.

Since it became law, the United States Supreme Court has ruled on several lawsuits directly related to the ACA. The Court has accepted another case – this one dealing with the legality of the insurance subsidies distributed through the federal health insurance exchange.

The wording of the ACA is very specific. Subsidies can only be paid out through exchanges established by “States”, not the one established by the federal government. To date, only 13 states, including Washington, have set up their own state exchanges. The other 37 states chose to use the federal exchange. One key architect of the ACA confirms the wording was not an accident or an oversight. It was done specifically to entice or force the states to participate in the ACA by setting up their own exchanges.

When many states chose not to do so, the Internal Revenue Service acted unilaterally and decided that subsidies could be paid through the federal exchange too. Only Congress, not an executive agency, can make or re-write laws. The current lawsuit, *King versus Burwell*, challenges the legality of the IRS providing subsidies in the federal exchange.

If the Supreme Court rules against the Obama administration, the entire law is in jeopardy. Making subsidies illegal would essentially abolish the federal exchange. The employer and probably the individual mandates would become ineffective in those 36 states. The state exchanges in the remaining states would likely collapse for various reasons related to the fact that federal law should apply to all states.

This crisis has arisen because the ACA is one of the most complex and flawed pieces of legislation ever created and it has not reached its policy goals. It was supposed to provide health insurance for the 50 million uninsured Americans. For the first three quarters of 2014, about six


million people had individual private coverage under the ACA. However, almost five million workers lost their employer-sponsored coverage over the same time period. At least 290,000 people in Washington state lost the health insurance they wanted to keep.

The vast majority of the decrease in uninsured under the ACA is not because people are buying more coverage. It is because of increased enrollment in Medicaid. The ACA has forced millions of people into this entitlement, completely funded by taxpayers. Proponents of the ACA claim these people now have health insurance, but because of low provider payments, access to health care is a growing problem for these patients. In Washington state, 80 percent of the enrollees in the state exchange were put into Medicaid.

There is no argument that some people have been helped by the ACA. Free, or heavily subsidized, health insurance has undoubtedly been a benefit to some individuals and families. Who has been harmed by the law? The obvious people are those who are now paying higher insurance premiums, those who lost their jobs or had their working hours reduced and those who were forced to change their doctors.

A large proportion of the money to finance the ACA comes from draconian cuts to Medicare. Access to health care and the ability to choose a specific doctor will decrease for our seniors. Medicaid enrollees in the original program now must compete for access to health care with the people added through the expanded plan. Taxpayers will be forced to pay new or increased taxes. Young adults will be forced to pay for health care for older, sicker individuals. Doctors and hospitals will find their reimbursements decreasing over time.

Even people who qualified for subsidies have found it hard to enroll because of “glitches” in the federal and state websites. They have encountered difficulties interacting with the IRS and have found a limited choice of providers in their insurance plans.

Even some proponents of the ACA admit it is flawed and needs to be fixed. The stated goal of many of these supporters, however, is to put everyone into a single-payer, government-controlled health care system. A better alternative would be to let the ACA collapse under its own contradictions and begin the transition to a true patient-oriented system. Let patients, as consumers, control their health care – not the government or insurance companies. The Court’s upcoming ruling may make this brighter health care vision possible for everyone. 



THE WALL STREET JOURNAL.



These Opinion/Editorial columns were featured on The Wall Street Journal in Spring 2015.

*by Todd Myers, Director,
Center for the Environment*

It's time to bring energy policy into the smartphone era

It is time to give consumers more control over their energy choices.

Today, energy policy is made by politicians and imposed on consumers. How much renewable energy should consumers be required to purchase? How much should taxpayers pay others to buy solar panels? What is a reasonable price for electricity?

It doesn't have to be that way.

First, consumers should be given more options about the energy mix they purchase. Recognizing that Texas is unique, it still demonstrates the ability to provide price options. Low-income families can choose inexpensive energy while those with disposable income can choose energy amenities like environmental benefit or a preference for North American sources.


Second, consumers should be rewarded for reducing use at peak hours. Currently, many utilities use techniques inspired by behavioral economics – such as comparing use to your neighbor – to encourage efficiency. A new study, however, shows price incentives are more effective and longer lasting than guilt.

Third, we have the technology to engage individuals. Smart meters and smart phones give people the ability to control energy choices. Individuals also know their own energy needs and where they can best make changes. Why use a one-size-fits-all approach when we can personalize our energy policy?

Energy policy has become a major source of political conflict because the critical decisions are made in the political arena. Giving individuals more control won't eliminate these debates. It will, however, allow individuals to address their concerns personally rather than hoping politicians will listen to them.

It also has appeal across the political spectrum. Some will appreciate the market-based approach, giving consumers control. Others will welcome new options

to buy environmentally friendly energy and reduce costs for low-income families.

This policy alone will not carry someone to the White House. It can be a powerful signal that a candidate is moving beyond a 1970s government-centered approach to energy and embraces the exciting possibilities of a smart phone world. 

What the energy sector can learn from Uber

For most Americans, the type and price of energy they must buy is dictated by their local utility.

Things are changing, however. Following the lead of crowdfunding and the sharing economy, people now have more control than ever over the energy that reaches the grid. Just as the Uber app allows people to choose the quality and price of their taxi while increasing supply, other smartphone apps and crowdfunding can help determine what type of energy reaches the grid.


Advances in this area are increasing investment funding for energy innovation.

For example, Cloud Solar is a crowdfunded startup allowing people to invest in a portion of a solar farm in sunny parts of the country. Instead of putting a panel on your roof where clear weather is rare or marginal, you can invest in a project where the panels will operate at peak efficiency. Cloud Solar still relies on generous taxpayer subsidies to make the finances work, but if demand for solar increases due to projects like this, policy makers should soon be able to cut government subsidies.

Moving beyond solar, smartphone apps could allow people to invest in other renewable sources of energy, like landfill gas. Already people can purchase renewable energy credits (RECs) to support the generation of green sources of energy.

The particular electron flow that you help generate would never reach your house. It is no different from a bank, where the dollar bills you take out are different from the ones you put in, but of course that doesn't matter to the consumer.

States that require consumers and utilities to meet strict renewable energy targets could slowly shift to crowdsourced approaches like these. The environmental benefit would be the same, but it would be fairer, relying on funding from voluntary investments rather than imposed tight regulations and taxpayer subsidies.

By giving consumers more options, Uber-izing energy investment holds the promise of creating a fairer and more innovative energy sector for everyone. 

2015 Statewide Debate Series

The Debate on Climate and the Environment

Where can we find solutions - government or the free market?

Two nights. Two universities. Two opposite sides of the state.

Recently, hundreds of students, young professionals, elected officials and engaged citizens gathered at the WPC Young Professionals-sponsored "Debate on Climate and the Environment," a statewide event held at the University of Washington and Gonzaga University.

The debates were moderated by KIRO Radio's John Curley at UW and Nadine Woodward from Spokane's KXLY4 (ABC) at Gonzaga. The panelists were comprised of national and local climate and environmental experts: Calvin Priest, PERC's Wendy Purnell, WPC's Todd Myers, Starwood Hotels & Resorts' Andrea Pinabell, Earthjustice's Jan Hasselman, Whitworth University's Patrick R. Van Inwegen and Seattle City Councilmember Mike O'Brien. The panelists debated the question: What is the best way to tackle environmental issues and who has the best solutions; the government or the free market?

The interactive debates included vibrant discussions about where solutions should come from, with the two panels giving examples of individuals responding through free enterprise and the government working to reduce environmental impact through increased regulation. Much of the discussion surrounded how the government and the free market could work together to make the most impact at the lowest cost.

After the formal debate, questions from the audience were welcomed, as attendees were able to text in their questions throughout the event. The event at UW was covered by TVW and streamed live during the debate. Both debates can be viewed online on our website.

This was WPC Young Professionals' second annual debate series and displays WPC's continued commitment to educate young people on important, relevant and timely policy issues.

Thank you to our sponsors, Young Professionals' Board and WPC Young Professionals @UW officers for making the events such a great success.

Visit www.washingtonpolicy.org/2015-debates



The audience at UW hear both sides in Kane Hall



Gonzaga University engages in the debate



Panelists answer questions at UW


Word on the street...

"There needs to be more of these!!!"

"Brilliant speakers, encouraging moderator, really well organized, this booklet rocks."

"Curley killed it. Todd and Mike were fantastic contributors. Format of the debate was smooth. Wendy's use of examples was effective. Text-in questions portion was strong."

"Eye opening for both government & market solutions. Great debate."



The unintended consequences of a mandated high minimum wage

By Lisa Shin, Communications & Marketing Director

While advocates of increasing the minimum wage claim it is a win-win for employers and employees, the reality is much different. Increasing the minimum wage comes with undeniable trade-offs.

Research consistently shows that when the government forces employers to pay a higher minimum wage, employers rarely absorb the extra costs. Employers simply cannot pay a worker more than the value of the worker's output. So forcing employers to pay workers an artificially high wage means employers have to find other ways to cut labor costs. Usually it is in the form of charging higher prices, cutting jobs, cutting work hours and reducing benefits.

Employees in SeaTac learned this lesson of unintended consequences after that city passed a \$15 minimum wage law. As one SeaTac employee who lost benefits puts it (as reported by *Northwest Asian Weekly*): "It sounds good, but it's not good."

KING 5 TV (NBC-Seattle) reports that workers at Icon Grill in downtown Seattle will lose paid vacation days to mitigate the increased labor costs of Seattle's new \$15 minimum wage. All employees will now only earn one week of paid vacation, when before employees received up to four weeks of paid vacation per year.

The owner of Z Pizza in Seattle says she's being forced to close her doors because she can't afford the higher labor costs, according to Q-13 News (FOX-Seattle). Z Pizza is a part of a national franchise, and thus, puts Ritu Shah Burnham, owner of the Seattle Z Pizza, in the "large business" category, expediting the timeline in implementing the \$15 an hour minimum wage.

Says Burnham "I've let one person go since April 1, I've cut hours since April 1, I've taken them myself

because I don't pay myself...I've also raised my prices a little bit, there's no other way to do it."

Kigo Kitchen owner, Steve Hooper (also a WPC Young Professionals YP Board member), had a unique perspective on the wage increase. Kigo's average employee profile consists of students, singles and working parents. He employs fewer than 500 workers, so he has more time to increase their employees' pay to \$15 an hour. Kigo has until January 2019, while Z Pizza has until 2017. However, Hooper plans to pre-empt his mandated timeline and match the 2017 timeline because he sees a "fairly tight labor market in Seattle...It's actually been hard to find the people we want and we're competing with much larger chains like Chipotle or Starbucks for really high quality, dedicated employees." With these larger chains paying a higher wage sooner, Hooper must match their compensation rates in order to retain and attain experienced workers.

Like many businesses in the city, Hooper said that "the changing minimum wage situation in Seattle will really result in businesses doing whatever they need to do to figure it out..." which in his case means a slight increase in prices at his restaurant, a "Seattle surcharge" for his Seattle location to maintain consistent pricing to avoid "menu confusion" when he opens locations outside of Seattle, and matching wages to companies larger than his to maintain high-quality employees. Kigo Kitchen is one example of a business started by young entrepreneurs who selected Seattle because of their affinity for the city and now put in a position where their focus is "doing whatever they need to do to figure it out" to stay in business rather than solely focus on growing their business.

It isn't just restaurants that are being forced to make tough decisions to deal with the new minimum wage in Seattle. Seattle-based Cascade Designs, Inc.,

Headlines


which makes outdoor equipment, says the city's new wage mandate is one of the reasons it will move 100 of its jobs to Nevada. The homegrown company that opened in 1972 says Seattle has become "too expensive" and hopes that by moving those manufacturing jobs to a state with lower costs, the company will be able to keep manufacturing jobs in the U.S. Many of their competitors use cheap overseas labor.

Bon Lemon is a boutique jewelry and gift store located in Olympia, WA opened by owner Amy Evans five years ago. The small business now donates 100 percent of its profits to charitable causes. When faced with the real possibility of a mandated increase of the minimum wage this year, Amy had to re-consider her business plan and the benefits she offered her employees, if an increase in the statewide or City of Olympia minimum wage did in fact occur.

"A higher minimum wage doesn't equate to better jobs, it equates to less opportunities. I hope my business continues to grow, and I will be able to provide long-term jobs for my employees. But right now, my employees are here because I provide a work environment that helps inspire their individual potential. We are a springboard for other opportunities...Although I can't provide limitless salaries, I can provide mentoring and support. I am helping one of my employees start a side business as a graphic designer. I donate to the school of another's daughters.

Without the partnership we share, I would not have a small business, and they would not have a job. I could not have afforded employees when I first opened if there was a \$15 per hour minimum wage. A \$15 per hour minimum wage could kill both of our dreams."

The question of whether to increase the minimum wage is not black and white. Yes, some workers will who keeps their jobs and their hours will earn more money. But other workers will find themselves receiving fewer hours and lower benefits, while others may find themselves without a job entirely. Our young people will find it more difficult to find their first job and gain the skills that come along with it. And consumers will pay higher prices.

The real question is whether increasing the minimum wage is worth the undeniable trade-offs. Too often we hear advocates of increasing the minimum wage argue that everyone wins with a higher wage, but the reality is increasing the minimum wage creates winners and losers. After all, there is a wage that is lower than the minimum wage. That wage is zero. 

WPC has recently released a new 3-minute video as part of its Minimum Wage Project. To watch the video and to learn more about the minimum wage, visit www.washingtonpolicy.org.

The Seattle Times

WINNER OF NINE PULITZER PRIZES

SEATTLETIMES.COM

Ivar's to raise restaurant workers' wages to \$15 right away

At its sit-down restaurants, Ivar's will boost menu prices and do away with tips as it adjusts employees both in an hour.

northwest
asianweekly
33 YEARS YOUR VOICE

BLOG: What SeaTac tells us about \$15 minimum wage

Posted on 22 May 2014. Tags: 2014 Publisher Ng's blog Vol 33 No 22 | May 24 - May 30

By Assunta Ng

While attending an event at a SeaTac hotel last week, I met two women who received the new law on Jan. 1. I met the women who were cleaning the hallway.

full-time cleaning lady.

id.

nd vacation," she responded. "No more free



WESTERN WASHINGTON'S HOME TEAM
A GANNETT COMPANY

Employees lose vacation time amid minimum wage increase



The Seattle Times

WINNER OF NINE PULITZER PRIZES

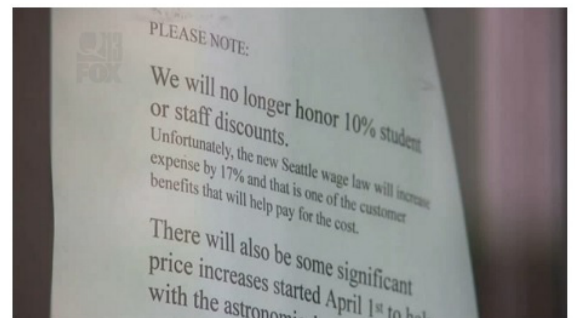
SEATTLETIMES.COM

Seattle's too expensive, so Cascade Designs moving a fifth of its jobs to Nevada



The manu

Owner of pizza shop says new Seattle minimum wage law is forcing her to close





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Educating, engaging, empowering
the next generation of free-market leaders

WPC's ever-growing and engaging Young Professionals (YP) group is led by an active, 20-member advisory board of young, ambitious, thought, business and policy leaders. In 2013, the YP board underwent a strategic planning process to identify goals and key projects to implement over the next three years to take our YP group to the next level.

One of the many goals they identified was to improve the way WPC communicates and markets to the younger demographic. One example is our new, Young Professionals' newsletter, *The INK: IN [the] Know*!

This monthly e-newsletter is sent to over 650 young professionals and college students in our state and contains our policy research and analysis, and ways to engage with WPC that is of interest to young people. As you will see, the articles and "lingo" are different than your typical WPC publication. Each monthly "lowdown" focuses on three categories: WTK (what to know), WTB (where to be) and ICYMI (in case you missed it).

Check it out and be sure to encourage young people you know to subscribe to our Young Professionals email list and attend our YP events!

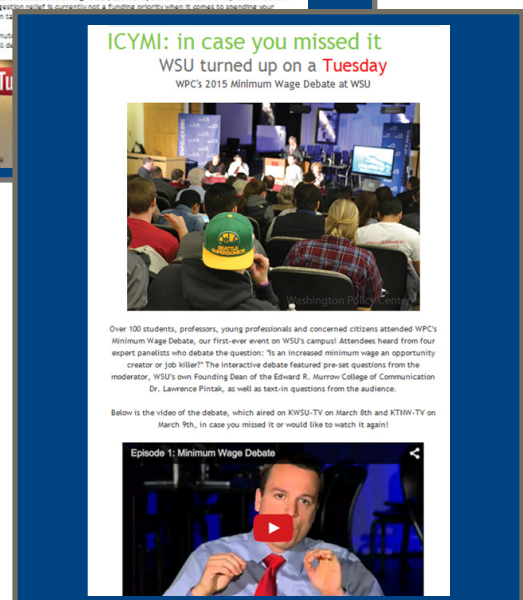
Sign up online at:

<http://washingtonpolicy.org/pages/sign-our-email-lists>



The INK • IN [the] Know

Washington Policy Center's Young Professional monthly lowdown

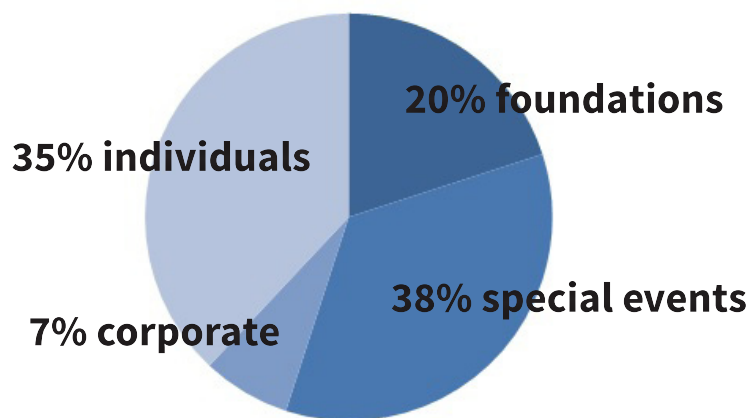


Measuring our impact 2014 Annual Report

2013 Revenue: \$2,273,556

2014 Revenue:
\$2,306,205

WPC revenue comes from:



35 Total events hosted by WPC

Total event attendance

4,579

WPC appeared in the media
an average of

5 times per day

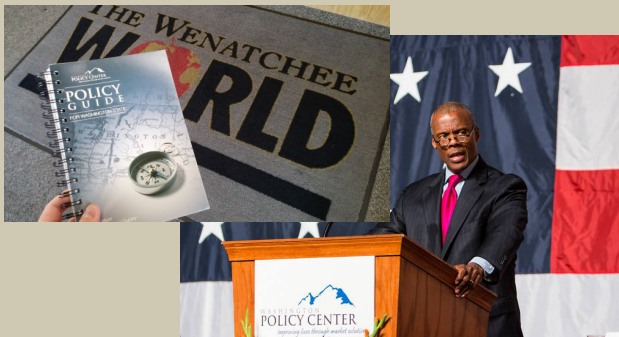
Visitors to the WPC website

204,022

Number of publications
and blogs released

513

East of the CASCADIES



In 2014, WPC celebrated the fifth anniversary of our Eastern Washington office with impressive achievements, continued growth, substantial name

recognition and events that continue to be the envy of organizations around the country.

No other public policy or research organization has an Eastern Washington media presence like Washington Policy Center. In 2014, we were featured more than 350 times throughout Eastern Washington!

During the 2014 legislative session, we held eight legislative 'Wake-Up Forums' which drew more than 300 attendees in total. These forums connect legislators via video conference to locations across Eastern Washington, where citizens gather to get updates on the latest happenings at the state capitol.

Thanks to the success of WPC's Wake-Up Forums, legislators in 2014 pushed forward with our recommendations to begin legislative remote video testimony. In November, for the first time in state history, a State Senate committee took video testimony from a remote video location – Spokane Community College – as WPC's Jason Mercier testified by invitation on a proposal to change the way state Supreme Court justices are elected.

In April, 200 people packed the Wolff Auditorium at Gonzaga University to hear experts debate whether Washington state should raise the minimum wage. Attendees, including many college students, were able to text-in questions to panelists including legislators, economist Steve Moore of The Heritage Foundation and Sarah Jane Glynn of the Center for American Progress.

In June 2014, we were delighted to introduce Eastern Washington to its first public charter school – PRIDE Prep in Spokane. At a breakfast event, Congresswoman Cathy McMorris Rodgers, Spokane Public Schools Superintendent Dr. Shelley Redinger, CEO & Founder of PRIDE Prep Brenda McDonald and Dan Nicklay, principal of Coeur d'Alene Charter Academy addressed the attendees.

Finally, the autumn of 2014 featured our Annual Dinner. For the first time ever we held a standalone dinner event in Eastern Washington – and WPC supporters and the community responded! More than 650 people welcomed former Oklahoma Congressman J.C. Watts and *Forbes* columnist and author Amity Shlaes to the Spokane Convention Center for one of the largest yearly events in Eastern Washington. WPC's Eastern Washington Annual Dinner continues to grow in size and stature. As Congressman Watts explained, "Good public policy is tough. And it's expensive. Someone has to think through these issues. And so I appreciate the Washington Policy Center... an organization that still gives serious thought to how to move the state of Washington forward."

Environment

In 2014, the Environmental Center focused its analysis on refuting the many environmental myths that have come to dominate policy debates.

Notably, when Governor Inslee announced his environmental policies in December, Environmental Director Todd Myers provided analysis of the costs of the proposal. The Governor said he modeled his proposal on the "successful" carbon-reduction policy in the Northeast United States, called RGGI. Todd pointed out, however, that RGGI made no difference in carbon reduction – something the RGGI board admitted. Our research also pointed out that although the Governor claims his low-carbon fuel policy would reduce air pollution, the Department of Ecology says it will cut pollution by ½ of one percent, ten years from now.

We continued to draw national attention for our work, publishing more than a dozen articles in *The Wall Street Journal*. Todd was also interviewed by CNN, *The Wall Street Journal* and CBS "This Morning" regarding Seattle's new mandatory composting law.

While much of our work used data to show the failure of the left-wing approach to environmental policy, on Earth Day 2014, we showed there is a better way to help the environment. Todd's "Real environmentalists are conservative. And live where it's green," noted that many of the most effective environmental solutions originated in the free market, not political policy.



Small Business

In 2014, amid the growing movement to increase the minimum wage to \$15, the Center for Small Business worked to dispel many of the common myths about the minimum wage and who earns it. WPC published research publications and editorials, and traveled around the state to speak to local chambers of commerce and civic organizations to educate policymakers and citizens on the facts about minimum wage earners and the tradeoffs of an artificially high mandated minimum wage.

The Center for Small Business also hosted two debates on the minimum wage issue in 2014 with WPC's Young Professionals. Hundreds of business owners, students and engaged citizens gathered at the University of Washington and Gonzaga University to learn more about the arguments for and against increasing the minimum wage and the impact it would have on students.

Small Business Director Erin Shannon traveled around the state for WPC's Biennial Small Business Forums, where hundreds gathered to hear about ways to improve the state's business climate.

As part of the Center's increasing focus on labor reform, a series of research studies on right-to-work policies and the impact they are having in other states were released, with a follow-up on the economic impact a right-to-work law would have in Washington planned for 2015.

Education

In 2014, the Center for Education's Liv Finne, as part of WPC's Charter School Follow-up Project, introduced leaders of Washington's new charter schools over breakfast at Seattle's Town Hall. The goal of this WPC project is to ensure the success of charter schools and their expansion in our state. The Center also published "Opening New Doors for Students: Washington's First Public Charter Schools," and reported about the next round of charter schools.

In January, the state Supreme Court directed the legislature to appropriate funds for certain education funding line items or be held in contempt. The Center criticized that decision as interfering with the constitutional authority of the legislature to fund education. In September, the Supreme Court held the legislature in contempt, raising additional questions about the separation of powers doctrine. The Center continued to offer solutions to the quagmire the *McCleary* decision means to the state legislature and education reform.

Over the summer, the state teachers union, the Washington Education Association, filed Initiative 1351, the class-size reduction initiative with no funding source. While this initiative had no organized opposition, the Center provided extensive research and commentary showing that class-size reduction policies are very expensive and do not bring significant learning improvements to students. The initiative passed narrowly, but not by huge margins, as anticipated.

Finally, Liv was honored by *SeattleMet Magazine* as a "Game Changer," one of the 15 people who should run Seattle!



Government Reform

We continued our work to bring a supermajority for taxes protection to the local level. In June we published a primer for local government officials on how to implement a supermajority for taxes requirement like Spokane, Yakima and Pierce County have done. We met with several local government officials about bringing this popular taxpayer protection to their jurisdictions. We also had an op-ed published in *The Seattle Times*, *Walla Walla Union Bulletin* and *Tri-City Herald* on the need for supermajority protections at the local level.

WPC launched a pension reform project including a study by respected former State Auditor Brian Sonntag, as well as a video, which reviews the current pension system in Seattle and provides recommendations for reform that would benefit current city employees, future employees and Seattle taxpayers. The project gained momentum through the media, resulting in several radio interviews, an editorial board meeting and study endorsement by *the Seattle Times* and an op-ed by Brian Sonntag.

Also, *The Seattle Times* requested an op-ed from us on the need to end the secret contract negotiations between state unions and the Governor. Since then they have run their own editorial calling for the end of secret negotiations. Other newspapers then ran editorials based on our calls for open negotiations including: *The Olympian*, *Vancouver Columbian*, *The Spokesman-Review*, *Bellingham Herald* and *tri-City Herald*.

Health Care

Last year marked the beginning of the implementation of many of the Affordable Care Act (ACA) benefits. Health care policy analyst, Roger Stark, M.D., spoke to groups around the state and was invited a total of three times by three different members of Congress to testify on Capitol Hill regarding various aspects of the ACA.

WPC health care editorials were published in *Forbes*, *The Seattle Times*, *the Puget Sound Business Journal* and other regional news outlets. The Center also contributed to national and regional news broadcasts dealing with implementation of the ACA.

WPC's 12th Annual Health Care Conference held in May focused on the impact of the ACA. Over 500 attendees in Bellevue and Spokane heard Katie Mahoney, the Executive Director of Health Care Policy with the U.S. Chamber of Commerce, discuss the law's impact on businesses. The 13th Annual Health Care Conference will be held in the second half of 2015 and will focus on health care solutions.

Transportation

In 2014, WPC's Coles Center for Transportation spent much of the year providing research and data to the public, the press and elected officials on King County Metro Transit. Local elected officials chose to place two tax increases for Metro on the April ballot, totaling \$1.5 billion over ten years, to prevent a 17 percent cut in bus service. The Center's research showed Metro could preserve bus service without raising regressive taxes, as county leaders were receiving a huge sales tax windfall, more than half of what they needed. We also recommended county leaders open a dialogue with transit unions, who previously rejected a generous contract offer and donated heavily to the pro-tax campaign.

After voters rejected the tax increases, county officials planned to follow through on their threats to cut neighborhood bus service, despite the rosy revenue picture. WPC's "Cut King County Metro costs after Prop. 1 failure" op-ed was published in *The Seattle Times* and we were heavily involved in stopping the bulk of those bus cuts, and in the end, the King County Council chose to preserve 95 percent of bus service by better managing rising revenues at current tax rates.



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