



Initiative on Agriculture

Improving lives through market solutions

Washington State Policy Update

Income Tax Fight, Labor Reform, and Hirst are top of mind for state policy concerns



About Washington Policy Center



**Independent, non-profit 501(c)(3), non-partisan,
independent think tank in Washington state**

**Promotes sound public policy based on high
quality research and free-market SOLUTIONS**

**Seeks to improve the lives of Washington
state citizens**

"Washington Policy Center is an important player in state policymaking. It has earned respect and gained influence with decision makers who want to create a more efficient government."

- Cathy McMorris Rodgers, U.S. House of Representatives (R-Spokane)

WPC Key Stats

- **Staff of 21**
- **Annual budget of \$3.1 million**
- **4 offices: Seattle, Olympia, Spokane, Tri-Cities**
- **Average of 6 media hits per day**
- **Operates WashingtonVotes.org**
- **7 Research Centers (soon to be 18)**

WPC's Research Centers

Public Policy

Agriculture

Education

Environment

Gov't Reform

Health Care

Small Business

& Labor Reform

Transportation

Charter Schools

Lowered Debt

Rejected state income taxes

Expanded public/private
partnerships

SOLUTIONS

Highway Tolls for Hwy purposes

Gov't Efficiency Repealed taxes

Rejected New Taxes

Regulatory Relief

WPC's Current Research Priorities

1

Washington State Income Tax

- State law prohibits local income tax
 - For 8 decades the state courts have ruled that income is property and a progressive income tax is unconstitutional
 - Local governments can only have taxing authority by legislative approval
 - State law prohibits a local government from imposing a tax on net income
- Currently, no personal or corporate income tax is a selling point for Washington
- November 17th trial in King Co. Superior Court ruled against Seattle's attempts
- An appeal is a "long shot" however Seattle Mayor said they are going to try
 - The legal way to obtain an income tax is through a constitutional amendment

2

Making Washington State a Right to Work State

- WA is currently one of 22 states with a right to work law
- Right to work gives workers choice and allows them not to fear firing for not joining a union
- The current Janus legal challenge will be heard early next year by the US Supreme Court, with the potential of making all 22 a right to work state

3

Providing a Hirst Fix to Washington Families

- Failed to provide a solution during the 2017 legislative session
- The new balance within the state legislature affects the outlook for 2018's 60-day session

A disconnect exists between the consumers, public officials, & farmers



Farmers

Consumers trust farmers far more than scientists, nutritionists, government agencies, companies engaged in farming or agriculture, even social media contacts outside agriculture.



Consumers

Special interest groups push negative messages, attempting to describe farm practices.



Special Interest Groups

RESULT: An ever increasing burden of regulations for farmers with a high cost and little to no benefit

Multiple organizations lobby and work with public officials on behalf of agriculture.



Public Officials

Special interest groups lobby "on-behalf of the consumer," claiming to represent their demands.



Ag Organizations

How do we work to shrink the rural/urban divide?

Washington's water law is played Humpty Dumpty, and the *Hirst* case pushed it off the wall



3 court cases upset the balance

Swinomish v. Ecology (2013)

Foster v. Ecology and City of Yelm (2015)

Hirst v. W. Wash. Growth Mgmt (2016)

1948

Water Flow Policy

1967

Minimum Water Flows & Levels Act

1971

Water Resources Act

Instream flow rules

1997

Watershed Planning Act

1989

Washington's Growth Management Act



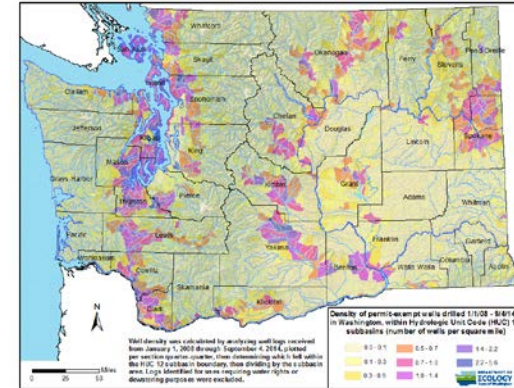
***Hirst* placed WA water law in conflict with GMA and all these cases work together to stop development.**

The *Hirst* ruling created unfair costs for all taxpayers with little to no benefit for any party

Is *Hirst* worth the costs?

- 15% of state's population
- 2,500 permits/ year (2008-2014)
- 80% of wells are in 20% of the area

**0.9% OF THE WATER
CONSUMPTION**



Overall, it is a negligible amount of water that hurts far more than any “benefit” for salmon

- \$15,000-100,000 cost of a hydrogeological study
- Makes water unaffordable with a gross selling price of \$5,900 -11,000 per residential unit
 - Much higher than the price in exempt regions
- Increases property values with a home by 27%
- Decreases undeveloped property values by 32%
- *Swinomish* reduced property tax collections by \$22 million



SB 5239's failure prolongs the consequences of *Hirst*, leaving us with costly burdens

OCTOBER 2016: Ecology filed a brief asking the court to find that the Nooksack Rule protected the county's streams and rivers.

"We're disappointed the Supreme Court didn't uphold the Ecology's interpretation of the Nooksack Rule."

-Washington State Department of Ecology



2017 LEGISLATIVE SESSION: Ecology testifies against Senate Bill 5239, arguing for more government oversight and in support of SB 5024 (failed to clear Senate). Then testified in support of amendments in the House to SB 5239, that would have increased oversight as well. SB 5239 Failed.

SB 5239 would have resolved the contradiction between GMA and the water law

"We sent House Democrats a reasonable and affordable solution for *Hirst* weeks ago. But they killed our bipartisan remedy and didn't pass any bills of their own, even though the situation around small, household wells continues to get worse for Washington families." – Sen. Warnick

Asked whether he could support the Senate's *Hirst* bill, Governor Inslee gave a short reply. "I haven't looked at it in detail. I can't answer that," he said.

The stand-off on Hirst is set to widen the gap between rural and urban Washington

The third special session ended on July 20th without a Capital Budget and without a solution to the Hirst ruling. Conversations between elected officials is still ongoing though many experts are not expecting anything to come about until after the elections.

Hirst Solution

- **Property Taxes redistributed in Rural Washington affecting funding indefinitely for:**
 - Education, libraries, police, firefighters, parks, and other community services

CAPITAL BUDGET

- **Funding for special projects throughout WA for a 2-year budget**
 - Schools construction, housing and water projects.

Solution to Hirst vs. Capital Budget

“Widening the gap between rural and urban Washington is more than a water issue, it is about homes and families.”

– Madi Clark, Tri-Cities Area Journal of Business

A recent study by Building Industry Association of Washington (BIAW) estimates Hirst's impact

BIAW released a study last week proving that Hirst is much more than a “water” issue. Hirst is having a disastrous impact on rural communities and residents throughout Washington.

\$6.9 Billion

Lost economic activity annually, predominantly in rural WA

\$452.3 Million

Lost employee wages due to the impacts of Hirst, annually

Nearly 9,300

Lost jobs (FTEs) in rural Washington, annually

\$392.7 Million

Lost taxes to state and local governments, annually

\$4.59 Billion

Losses to the construction industry, annually

\$37 Billion

Lost property values in areas impacted by Hirst

\$346 Million

Property taxes shifted to other properties in Washington

How do Washington communities and families make up this difference?

Post-election update on Hirst

With the shift in the Senate to a Democratic majority (the 1st time in 5 years) the possibility of a Hirst solution is becoming less likely

- The goal of the 60-day session is to end on time with a resolution to Hirst and also passing the Capital budget that has been held as leverage
- The Supermajority requirement means the Ds will need Republican support to pass the Capital budget and the Rs have promised to wait for a Hirst fix not a postponement
 - *Senate Chair Brian Blake said, “My hope is that we can go in, get a Hirst fix, get a capital budget and get out of there in 60 days.”*
- Main difficulty in passing a Hirst solution is getting parties to agree on whether Native American tribes have the final say on well approval if they “threaten” watersheds.

Other Ag Policy Issues in 2018

CARBON TAX

- Very likely that a ballot measure that places a carbon tax in front of the voters in 2018 is very likely
- Would it be more prudent to pass legislation and “beat” the voters to prevent a more painful carbon legislation alternative?
- Rep. Debolt (Chehalis Republican) is working on a bill that would classify hydropower as green energy
- WPC’s Environmental Director has come on full time to address this issue

Farm Bill

- The Federal Farm Bill is expected in 2018, though rumors are surfacing that it will not be wrapped up until 2019
- Reps. Newhouse and McMorris Rodgers have held Farm Bill Listening Sessions
- Various opinions exist on how to reform the current Farm Bill because the crop insurance program is proving more costly than promised in

Reg.

- Oversight challenges with Department of Ecology are becoming costly to Washington state and driving jobs out of rural Washington
 - Millennium Bulk Terminal barred from Cowlitz County
- Pesticide usage by for oyster farmers is also hurt by DOE’s slow process

FIRST OF THE PRE-FILED BILLS WERE SUBMITTED YESTERDAY DECEMBER 4TH

Mark your Calendars - February 8th

WPC's 2nd Annual Ag Dinner



FARM TO FREE MARKET

★ WPC'S AGRICULTURE POLICY DINNER ★

- **Thursday, February 8th, 2018**
- **Pasco Red Lion**
- **Speakers will be announced soon**

Thank-You!

Please Visit our Website to Learn More:

<http://www.washingtonpolicy.org>

Follow the Agriculture Initiative on Twitter at:

@WAPolicyAg



WASHINGTON
POLICY CENTER