

**Public Revenue, Expenditures
&
Washington Citizens' Tax Backlash**

by

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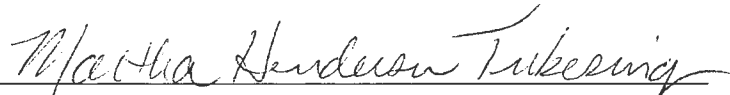
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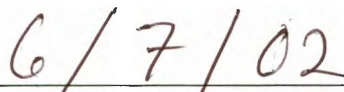
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Abstract

Public Revenue, Expenditures and Washington Citizens' Tax Backlash

Darin Cramer, Meagan D. Eliot and Casey Kanzler

Successive citizen approval of tax-limiting initiatives in Washington State has recently compounded the problems associated with a downshifting economy, creating what many policymakers consider a fiscal crisis. Statewide shrinking revenues and widening disparities between wealthy and poor areas are causing grave concerns around the state.

While many factors may influence a voter's decision to vote yes on any given tax-limiting ballot proposal, the inherent problems of the state's public finance system, namely instability and unfairness, particularly regressivity, appear to be significant contributors to the tax limiting initiative decisions Washington voters have made in recent years. The primary research question of this study was: *What is the relationship between the distribution of public revenue and expenditures of Washington's public finance system and voter behavior on tax-limiting initiatives?* Specifically, it was hypothesized that citizens in jurisdictions with low tax revenues and high expenditures, due to their area's low tax capacity, would vote for tax limiting initiatives in significantly higher percentages that citizens in high tax capacity areas.

Results indicate wealthier regions of the state initially sought a balance in the taxes they paid and the services they received, particularly as it applies to property taxes, whereas economically depressed areas rose up in latter years in an apparent effort to achieve balance and fairness. The research hypothesis was confirmed for two initiatives that addressed general taxes. Areas of the state that are experiencing more economic depression, higher tax regressivity, and lower benefits did approve initiatives at a higher rate than other areas. This was not true for a 1997 initiative that addressed property taxes. Results indicate that citizens were acting "rationally" to reduce their relative burden of taxation in comparison to the benefits they receive.

The results of this study are a first step in understanding the fiscal crisis in Washington State. Further research is essential. However, considering these findings in the political context of widespread civic distrust, the researchers conclude that Washington state policymakers are advised to work toward reforming the public finance system, collaborating with the public to consider options for reform and to make sound public decisions.

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Chapter One

Introduction

The Washington State budget is in crisis. The critical state of Washington's \$1.6 billion shortfall is the result of a larger national economic recession compounded by a spate of tax-limiting initiatives recently approved by voters. The unstable and regressive nature of the state's public finance system itself further exacerbates the situation (House Ways and Means Subcommittee on Revenues, 1984, p. 2; Citizens for Tax Justice, 1996). Each time the state has experienced similar budget crises in the past, concerted efforts to reform or overhaul the state's tax structure have been attempted, though these efforts have largely failed to gain wide enough acceptance to alleviate the tension between tax limitations and budgetary needs.

Given the historical patterns and indications from previous research that the public finance system itself may have significant influence on voter behavior, this study examines the relationship between potential problems with the structure of the state's tax system and tax-limiting initiatives. The research question asks whether there is a relationship between the public finance system and voting trends for Referendum 47, Initiative 695 and Initiative 722.

The research generated mixed results, in which wealthier regions of the state initially led the way toward stabilizing property tax revenues, while economically depressed areas followed suit in latter years, apparently in an effort to achieve balance and fairness. The research indicated that rural and economically depressed regions of

the state face disproportionate impacts from the tax structure itself, in terms of voter approval of the selected initiatives, as well as the fallout associated with tax-cutting measures. These areas are less able to stabilize their revenues, and with a limited source of new revenues, may face an uncertain future. Furthermore, as these initiatives continue to be passed, options for marginal reform become increasingly limited. The research analysis focuses exclusively on quantitative data, but considering that previous studies provide substantial evidence that many citizens largely feel left out of the public decision-making process, and thus may turn to the citizens initiative as a means of last resort, this research highlights the need for significant reform in the approaches policymakers utilize as they attempt to make adjustments to the public finance system. This includes working more closely with the public to consider qualitatively sound options, and to ultimately produce policy decisions based upon these citizen-generated options.

The current budget crisis provides an important window of opportunity for public policymakers and concerned citizens to collaborate as they seek solutions to these forms of reoccurring fiscal shortfall. The study's research indicates that the regressive nature of the tax structure plays a part in producing disparate impacts for citizens based upon class and regional location throughout the state. Given that citizens are increasingly turning to a more direct form of democracy via the citizen initiative process, this may indicate problems inherent within the very structure of representative democracy itself. By readily utilizing this accessible vehicle for dramatic legislative change, voters may be indicating a strong desire for more involvement in the decision-making and information disseminating process.

The ensuing chapters provide a guide for the reader through the processes and analyses that culminate with the final conclusions and recommendations found at the end of the paper. First, Chapter Two provides the historical economic and social contexts of Washington's tax structure, the initiative process and the last four tax-limiting ballot measures, as well as a discussion of the current fiscal crisis and past efforts to reform the tax system in order to avoid such situations.

Chapter Three is a review of previous studies that focus on key potential influential factors that may contribute to voters' decisions on tax-limiting initiatives. The literature from these studies indicates that like most complex problems, there are multiple factors influencing these decisions. There is some evidence that voters' social or economic group identification, the political environment in which decisions are made, as well as the public finance system itself may each shape decisions regarding tax-limiting initiatives.

Chapter Four describes the study's methodology. It provides the reasoning for the use of a descriptive design to test for possible relationships between the public finance data found in the 39 cities of King County and the 39 counties in Washington and voter behavior on recent tax-limiting ballot measures.

Chapter Five displays the study's data analysis scheme through the use of charts and graphs. The results are presented according to the objectives as defined by the methodology in Chapter Four.

Chapter Six discusses the research findings, paying special attention to relationships that point out Washington's public finance system as an important influence on voter approval of recent tax-limiting initiatives. The results are analyzed within an

overall context of widespread civic distrust with many aspects of the current public finance system.

Chapter Seven concludes the project, providing further explanations and recommendations for further study and action. The researchers identify the public finance system as having potentially negative affects upon the lives of citizens depending upon their position within the state relative to class and geographic location. The researchers suggest that two scholarly approaches are needed to follow-up this study. In addition, recommendations are offered to public officials as potential means of resolving and preventing budgetary crises.

This study is meant to be the first of many attempts to seek broad insight into the nature of the public finance problems facing the state currently, and in the future. It is hoped that administrators and citizens will pursue this understanding, drawing linkages to potential reform solutions that may remake our tax structure into a more balanced, fair and stable system overall. Given the state's long history of fiscal crises and citizen demands for redress, the time may have finally come for policymakers to find the courage to step forward and seek solutions to the state's long-standing public finance shortcomings.

Chapter Two

The Economic and Social Contexts of Washington's Public Finance System

This chapter provides an overview of Washington's tax structure, the citizen's initiative process, the state's current fiscal crisis, and efforts to reform the state's public finance system. Washington's tax system and the citizen's initiative process both appear to interact with one another, working in tandem to inadvertently create one of the most unique and complicated public finance systems in the nation (CTJ, 1996). This interplay of pressures and responses has led to obvious and somewhat negative results over the years. There have been a number of efforts to study and amend the structure of the state's tax system, but the most sweeping of the recommendations have been passed over in favor of simply tinkering at the margins due to political pressures unamenable to such far-reaching changes.

The Washington State Tax Structure

Washington's revenue collection and distribution system can be broken down into three main governing entities: state, county and city governments. Each has its own capabilities and responsibilities for collecting, and then distributing, revenues through a network of public expenditures. The state's modern tax structure has traditionally relied upon two primary revenue sources: property taxes, and excise taxes, including both the sales tax and the Motor Vehicle Excise Tax (MVET), among others. Most other states

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also rely upon a state income tax as a major source of revenue. Washington is one of only seven states in the nation without a personal income tax, and one of only four states without a corporate income tax (DOR, March 7, 2002). It is also the only state in the nation to utilize the Business and Operations excise tax (B&O tax) alone without an additional corporate income tax. The state's revenue system has evolved over time from one principally reliant upon the property tax to that of a structure shifted toward a more consumption-based source, e.g. the sales tax. The tax advocacy group, Citizens for Tax Justice (CTJ), found in 1996 that Washington relied on the general sales tax for 46.8 percent of its total revenue sources, while the national average for all fifty states was at only 24.9 percent (CTJ, 1996). A brief synopsis of the three taxes (sales, property and MVET) most relevant to this research project follows.

Sales Tax

Washington's sales tax is primarily applied to the sale of tangible goods and the performance of retail services, but it does exempt the sale of food purchased for off-premise consumption. The tax, ranging from 7.0 percent to 8.9 percent is collected by the State Department of Revenue, and a portion is then distributed back to the jurisdiction in which the sales transaction has taken place, less 6.5 percent, which is kept for the state's general fund. Cities collect 85 percent of the remaining tax rate, sending off 15 percent to the county government. In unincorporated areas, counties are able to keep 100 percent of the remaining sales tax rate above the 6.5 percent state share. The sales tax is the largest revenue source for state government, the second largest for counties, and either the second or third largest source for most of the state's cities (DOR, 2002; AWC, 2001).

Property Tax

The property tax is the state's oldest, and until recently, more stable revenue source for state and local governments. This tax is collected by a county's tax assessor, with revenues primarily distributed at the county and city level, though the state does take approximately 25 percent to fund public K-12 schools. The *ad valorem* tax is applied to individual property values and is equal to the assessed value divided by 1000, times the taxing district's levy rate. The tax represents the state government's third largest revenue source, the largest such source for counties, and supplies the second highest total of city revenues (MRSC, 2001, p. 5).

Motor Vehicle Excise Tax

The MVET was a 2.2 percent excise tax levied against the market value of vehicles licensed in the state. This tax had traditionally been utilized to provide extra revenues for cities and counties with low sales tax yields through a statewide sales tax equalization mechanism. The state legislature eliminated the tax following the passage of citizen's initiative 695. The loss of MVET funds has hurt many cities' and counties' ability to provide for local transit districts, human services, as well as law and justice operations (LWVW, 2000, p. 22). These municipalities had come to rely upon this revenue to fill in the gaps in the public finance coffers, especially in the under-resourced regions of the state.

Municipal Taxes

Cities and counties have a number of local revenue options at their disposal, but they are constitutionally restricted from expanding or adding to these sources. This

limited flexibility impacts their ability to respond to changing fiscal circumstances, e.g. recessions and citizen demands for reduced tax loads. As previously stated, the property and sales taxes are significant sources of revenue for these municipalities, and in addition, most already maximize the local revenue options feasibly available to them. In some economically depressed rural counties, increasing either sales tax or property tax rates would represent a significant burden to their citizens. In the absence of a revenue equalization formula like the MVET, these areas are now facing considerable future fiscal hardships.

The Tax Structure

Washington's tax structure impacts its citizens in differing ways according to income and regional location. Affluent urban areas have a greater ability to generate revenue than do poorer and more rural regions. This disparity is due to the tendency of wealthier areas to have higher property values and more opportunities for taxable consumption by their residents than is the case for the rural and economically depressed regions of the state. This inequity is further exacerbated by local tax structures that are heavily reliant upon taxing the consumption of citizens who can ill afford to spend their dollars as a means of generating the needed revenues for their local municipality.

A substantial reliance on consumption taxes can also be viewed as a liability if stability is to be considered. In 1984, the Washington House Ways and Means Subcommittee on Revenues described the tax system as "somewhat unstable". This, they said was due to the dependence on the sales tax, which causes "tax revenues to decline more rapidly during recessions and to increase more rapidly during economic booms" (p. 2). This instability appears to be playing a part in Washington's current budget crisis. In

addition to issues relating to instability, Citizens for Tax Justice (1996) describes Washington's revenue structure as "the most regressive tax system in the country" (p. 6), due in large part to its heavy reliance upon consumption taxes and lack of an income tax apparatus.

Regressivity refers to a tax system in which low and middle-income taxpayers and businesses expend larger percentages of their incomes on a given tax or set of taxes than do higher income individuals and businesses. A progressive structure requires higher income earners to pay a larger proportion of their relative income than lower income earners. A perception of whether a regressive tax system is a negative attribute or not can be left to subjective perspective, as there are economic analysts who firmly believe that progressive taxes "penalize the most productive members of society (those that earn the most) and thus stifle economic growth" (House Ways and Means Subcommittee on Revenue, 1984, p. 1).

Ultimately, the success or failure of a tax structure comes down to the collective perceptions of citizens. Citizens must be satisfied if the system is to remain viable. Washington state citizens are not satisfied and have shown this by turning to the citizen's initiative as a means of tinkering with the tax structure. In nearly every case, they have chosen to reduce their tax burden or rein in state and local budgets altogether.

Initiative Background

In the ninety years since its adoption, the citizen's initiative has become an accepted and integral component of Washington state's electoral process. Populist and Progressive Party activists in the late 1800's proposed the adoption of the citizen's initiative as a means of checking the influence of corporations and powerful special

interests. The premise of their push for the initiative process hinged upon a belief that the checks and balances within the existing representative form of governance provided “no direct ability to rein in an out of touch government, or government paralyzed by inaction” (Initiative and Referendum Institute, 1999, p. 1).

Initiatives allow citizens to draft and ratify legislation after first gathering the requisite number of signatures totaling three percent of the total ballots cast in the previous statewide election. The Secretary of State certifies the signature totals, and the proposed legislation is then placed on the next statewide ballot for voters to adopt or reject. A referendum can be an effort by citizens to repeal legislation enacted by a state legislature or a desire by the legislature to have citizens directly sign-off on draft legislation by placing it on the ballot for an up or down vote.

Washington adopted the citizen’s initiative in 1912, and since then, the state’s citizens appear to have firmly held on to a sentiment that the process represents the purest form of an expression of the ‘will of the people.’ In recent years, the will of the people appears to be manifesting itself as a strong desire to amend or restrict current tax policy at the state and local level.

Recent Initiative-based Efforts to Influence Washington’s Tax Structure

Unwin Seu and McLean’s (2000) analysis of citizen’s initiatives on the ballot in the year 2000 revealed eighteen tax-limiting initiatives on state ballots across the nation and over 150 such initiatives during the last decade. They believe that the most important concerns for governments relating to the initiative process were those measures where citizens derived their own tax policy. The authors state, “The biggest challenges for state and local governments are the initiatives that reduce revenue, limit revenue growth, and

require voter approval before governments can raise revenues from existing levels” (p. 4). The authors describe the Colorado experience with a recent round of tax-limiting initiatives as a process in which “ short-term wants and needs rise to the top,” negatively affecting long-term projects and strategic planning (p. 31). In the last five years Washington governments have been faced with four similar tax-limiting challenges.

Referendum 47

The ballot measure sparking the current tax-limiting initiatives in Washington was 1997’s Referendum 47. The measure passed 64 percent yes to 36 percent no, making permanent a temporary 4.5 percent state property tax cut passed by the legislature, limiting future increases in the state tax levy to the consumer price index (CPI), and limiting local government’s ability to raise property taxes to increases no greater than changes in the CPI, where they had previously been allowed to raise taxes as needed up to 6 percent annually (Tax Shift, Oct. 13, 1997).

Initiative 695

In 1999, voters again were given the opportunity to vote on a tax-limiting initiative. This time the target was the state’s Motor Vehicle Excise Tax (MVET). I-695, as it became known, was approved by a 56 percent to 44 percent margin. The measure called for the repeal of the MVET and the substitution of a flat thirty-dollar fee for car tabs, reducing the tax from the previous 2.2 percent assessment of current market value of the vehicle. In addition, the measure required voter approval for increases in taxes, fees, or any monetary charge (Association of Washington Cities, 2001, p. 7). The measure

also ended the sales tax equalization mechanism allowing MVET funds to be distributed amongst the state's cities and counties.

The court ultimately declared the initiative unconstitutional under the state constitution's single subject rule. Unwin Seu and McLean (2000) explain,

This provision requires every initiative to present a single subject instead of combining two separate proposals in one initiative. This protects each voter's right to vote 'yes' on one proposal and 'no' on the other, instead of being forced to vote 'yes' on both or 'no' on both (p. 20)

The state legislature responded to the court action by swiftly drafting legislation themselves, rolling back the MVET and instituting a thirty-dollar car tab per I-695's primary provision. The loss of MVET funds has proven to be particularly difficult for many rural cities and counties that had relied upon sales tax equalization funds for a large portion of their annual budgets.

Initiative 722

The backers of I-695 quickly followed up on their electoral success the next year with a measure known as "Son of 695", or I-722, which passed 56 percent yes to 44 percent no. This initiative sought to not only limit the property tax levy increase factor to 2 percent or inflation as defined by the implicit price deflator (IPD), but also to nullify

"all tax increases (defined to include sales and use taxes, property taxes, impact fees, permit and license fees, water, sewer and other utility rates, and any 'monetary charge') that were adopted between July 2, 1999, and December 31, 1999, without an approving vote of the people, and to require that all 'taxes' collected as a result of such increases be refunded" (Unwin Seu and McLean, 2000, p. 16)

In addition to limiting property taxes, the measure was intended to send a message to public administrators and legislators that any efforts by the government perceived by

initiative backers to be thwarting or circumventing the will of the people would be met with countermeasures aimed at redressing their actions.

Like I-695, I-722 again ran afoul of the single subject rule and was also declared unconstitutional. No legislative action to implement the provisions of this measure was undertaken by the legislature, as was the case with I-695.

Initiative 747

For the third year in a row the voters would face another tax-limiting initiative brought by the same group of initiative supporters. I-747 was similar to I-722 in that it sought to limit property tax rates and was approved by a margin of 58 percent to 42 percent. The measure's only provision "limits property tax levy increase factor to lesser of IPD or 1 percent" (Association of Washington Cities, 2001, p. 14). This measure has withstood all court challenges so far and is expected to withstand all future constitutional challenges as well. The loss of property tax revenues associated with this initiative is expected to hit many cities and counties quite hard in the next few years, and the impacts are projected to compound over time.

There has been no statewide study seeking to understand why voters have so consistently chosen to approve these tax-limiting initiatives, yet these measures are beginning to have a negative effect on state and local budgets. The fiscal impacts of these measures happen to coincide with a national and regional recession that has resulted in Washington's rising unemployment figures, which as of March 2002 are at 7.3 percent (Dept. of Employment Security, April 22, 2002, Online). Many communities across the state are experiencing this downturn along with the subsequent budget shortfalls, but the rural and tax-capacity limited regions are being especially hard hit.

The State's Current Budget Crisis

The recent spate of tax-limiting initiatives has fiscally constrained and compounded the effects of a budget crisis brought on by an economic downturn. As of March 2002, the state faces a \$1.6 billion shortfall with only \$384 million remaining in the emergency-reserve fund. Fiscal projections show the state will face at least a \$1 billion shortfall at the start of the next biennium in July 2003, even if current budget deficits are filled in by the legislature and governor (Thomas, March 14, 2002). The two measures most relevant to this discussion are I-695 and I-747, given that the former, through legislative intervention, repealed the MVET, and the latter restricted property tax revenues. One unusual feature of the current fiscal crisis is the unprecedented number of rural cities and counties facing the very real possibility of slipping into a state of functional insolvency (Lewis, 2002).

Revenues from property taxes in addition to the MVET made up a significant proportion of local government budgets, and given the two tax-limiting initiatives' particular focus on these two revenue streams, there is a concern amongst some policy analysts as to whether local governments will be able to sustain basic and adequate levels of service to citizens. Speaking to the *Seattle Post-Intelligencer*, Pierce County Executive John Ladenburg addressed the current crisis by acknowledging that when tax-limiting measures had been approved in the past the economy had been strong and accompanied by budget surpluses, and thus governments could "make that cut, and there didn't appear to be any impact" (Stiffler and Modie, Nov. 8, 2001). In light of the economic downturn, Ladenburg wonders if citizens will become more aware of the connection between taxes and services. He states, "People may like the less taxes, but they'll have to get used to less service" (Stiffler and Modie, Nov. 8, 2001). The question

remains whether voters in rural areas, where such tax-limiting sentiments are strongest, will reconcile their votes along with the current budget conditions within their communities.

MVET and I-747 Impacts on Counties

Analysis of the impacts associated with the loss of MVET funds, reveals a disproportionate impact on rural and property tax base poor areas such as Garfield, Columbia, and Wahkiakum counties [see Appendix A, Table 1]. These counties have little sales tax capacity and are extremely dependent upon the redistribution of MVET funds from the state. The limited tax-capacity applies to the property tax as well. However, since these areas have limited ability to generate or rely upon property tax revenue, the passage of I-747 is not projected to affect them to the same degree as other jurisdictions possessing greater property tax capacity. The passage of I-747 appears to most negatively impact counties with a broader tax capacity, although not to the same degree that the MVET loss affects tax-capacity poor counties. Counties hardest hit by I-747, such as Kitsap, Pierce, Chelan, San Juan, and King [see Appendix A, Table 2], have more balance in their revenue sources. The limited relative impact, as well as their ability to utilize a more balanced revenue stream should allow these counties to spread the loss of funds across a range of services that may not be as noticeable to many citizens.

However, lost revenues associated with the MVET repeal and I-747, if factored along with the general decline in sales tax revenue due to an economic recession, could result in more noticeable impacts to these areas. Tax capacity limited rural counties will be especially hard hit from these combined losses, with results likely to be more noticeable to their citizens. This situation is particularly alarming because these areas

have a tendency to require higher expenditures per capita on basic services (police, fire, etc.) than relatively wealthier counties (LWVW and IWF, 2000).

Rural, tax-capacity limited counties will be challenged to supply even the most basic services. Urban/suburban, tax capacity rich counties, will more than likely be required to reduce marginal services while focusing more of their reduced revenue stream on meeting basic needs. This situation creates greater levels of inequity between urban/suburban and rural counties, and may well increase the real and perceived 'Cascade divide' between Eastern and Western Washington.

MVET and I-747 Impacts on Cities

The loss of the MVET also appears to impact tax capacity limited cities situated in rural counties, with a few notable exceptions. These exceptions include newly incorporated, bedroom communities, such as Sammamish, Normandy Park, Edgewood, and College Place [see Appendix A, Table 3]. These exceptions may be due to a lack of a sales tax base within their own jurisdictional boundaries, and as a result, these cities tended to be very dependent upon the MVET to equalize their sales tax revenue (LWVW and IWF, 2000).

The immediate I-747 losses for most cities are relatively small, or less significant in comparison to the loss of MVET funds [see Appendix A, Table 4]. There are exceptions to this general rule, with a few cities facing larger I-747 impacts in comparison to their MVET losses [see Appendix A, Table 5]. These appear to be property tax wealthy cities that can be characterized as bedroom communities or larger metropolitan areas. Again, tax-capacity limited cities in rural counties will be challenged

to supply even basic services, while cities that have greater tax-capacity will have to reduce marginal services. The economic recession will likely magnify these effects.

Previous and Current Public Finance Reform Efforts

Washington State's current budget crisis is preceded by a number of other previous cyclical downturns in the regional economy over the last eighty years. Throughout this period there have been repeated efforts to reform the public finance system, attempting to prevent or ameliorate the impacts on state and local finances and to ease the overall tax burden placed upon citizens.

Tax study groups have been meeting periodically since the 1920's to examine the state's tax structure, many with the intent of enacting major changes and improvements. A 1929 tax reform report's recommendations led to the drafting of a citizen's initiative in 1932 establishing a graduated 1 percent to 7 percent state personal and corporate income tax (LWVW, 2000; See Appendix B, Table 1). The measure passed by a 70 percent to 30 percent margin of victory, though it was later ruled unconstitutional on the grounds that it violated the uniformity and restricted classification provision of article VII, section 1 in the state's constitution. In *Culliton v. Chase*, the court held that net income constituted property. Thus, the measure "improperly created two classes of real estate, namely income-producing land and unproductive land" (Washington Law Review, 1965, p. 960).

The next major block of tax study groups met at the behest of then-governor Dan Evans in 1966, 1968 and 1971. Prior to the convening of the 1971 group, Governor Evans identified his primary goals for tax reform as refraining from increasing the total tax burden and as,

...making the tax burden more equitable among all our citizens—poor, young and old, well-to-do, disadvantaged and others. If we are to provide a more equitable tax system, any revision of the present structure must have the unqualified support of the citizens of the state as well as the support of labor, business, agriculture and education” (Evans, 1971, p. 1)

The governor’s last point, requiring a broad base of support, points out the source of what ultimately doomed the two electoral efforts at tax reform emerging from his commissioned tax studies. In 1970, House Joint Resolution (HJR) 42 was put to the people stipulating a flat personal and corporate income tax rate of 3.5 percent, while reducing existing taxes. The measure was defeated by a 2 to 1 margin. In 1973, HJR 37, calling for a progressive income tax with rates from 2 percent to 6.5 percent along with a flat 10 percent corporate tax, was also defeated, this time by a 3 to 1 margin. Efforts to introduce either a personal or corporate income tax were proposed and also defeated in 1975 and 1982, both by 2 to 1 margins (LWVW, 2000).

In June 2001, the state legislature once again recognized the need for comprehensive review, authorizing a new Washington State Tax Structure Study to be convened by an eleven-member committee. The committee will be analyzing the tax system by looking into issues of elasticity, stability, equity/fairness, ability to pay, as well as taxpayer perceptions of the overall tax system.

The converging realities of consistent expressions of voter discontent and the recurring fiscal instabilities exemplify a new level of critical need for complete review of the state’s revenue and expenditure structure. Citizen attitudes and perceptions about taxes and public expenditures clearly need to be brought into any discussions about reforming the tax system, lest the failures of past reform efforts be forgotten. These citizen attitudes may be formulated in part by a perception that there is a breakdown in

the existing republican model of politics, leading citizens to revert to a more direct form of democratic action. This study, informed by previous academic research and theory, takes one step toward critically analyzing these phenomena and discussing possible causes and solutions to this situation.

Chapter Three

Literature Review: Multiple Influences on Voter Decisions

This chapter reviews previous literature that attempts to explain key influences on a voter's decision to vote yes or no on a tax-limiting initiative. Like most complex problems, there are multiple factors that may influence these decisions. Beginning with the voters themselves, it must be noted that there is no model of the typical voter. Preferences may be associated with a voter's social or economic group identification. Next, the political environment in which decisions are made may have a major impact, including how information is disseminated to voters. Finally, there is some evidence that the public finance system itself may shape a voter's decision to vote yes or no on a particular tax-limiting initiative. These issues, as explored in previous research and theoretical works, will be reviewed in this chapter, exposing the location of this study in the web of issues that explain how a voter in the State of Washington may decide to approve or disapprove of a tax-limiting initiative.

Voter Characteristics & Influences on Fiscal Decision-making

Analysis of individuals most likely to approve of tax cuts or limitations have been the subject of some significant work in this field. It has been demonstrated that voter attitudes toward government, taxation in general and specific taxes can be somewhat

predicted by individual voter's characteristics, such as political party association, annual income, race/ethnicity, homeowner or renter, and urban, suburban or rural resident (Beck, Rainey and Traut, 1990; Bowler and Donovan, 1995; Hahn and Kamieniecki, 1987; Phares 1980). Similarly, in Washington State, whether a person resides in eastern or western Washington may influence their attitudes toward government and taxation.

Studies highlight economic interest, as determined by a citizen's annual income and status of homeownership, as an important factor to consider. Beck, Rainey and Traut (1990) found that economic interest takes a predominate role in citizen evaluations of taxes, and exerts a "powerful influence on sociopolitical attitudes" (p. 88). Sociopolitical attitudes, then, have a more direct influence on the evaluation of public goods and services. They claim, "Only a forced trade-off between services and taxes activates both economic and sociopolitical considerations simultaneously" (Beck et al, 1990, p. 90). However, Bowler and Donovan (1995) found that "individual attributes tend to have a fairly limited impact in determining hostility toward specific taxes" (pp. 88-89). These attributes include income, status of homeownership and party identification.

Essentially, these characteristics may be of little more significance than a predisposition toward a final yes or no decision on a ballot issue. It is not that these characteristics hold some magical wand that will sway a voter one way or another; in fact, they arise out of the experiences and the conditions in which a person lives. These characteristics, especially level of income, race/ethnicity and geographic location may have real consequences in terms of the burdens citizens bear in the tax system, as well as the benefits they receive from public goods and services. For instance, in a regressive tax system, a lower middle class homeowner will pay a greater portion of his income in

taxes than will a wealthy person, and if he lives in a depressed area, he will also likely find lower quality public services due to the local government's low capacity to generate enough revenue for high quality services. The real-life experiences of individuals associated with these key characteristics may be a better way to understand why voters prefer one side of an issue versus the other. Before exploring this issue further, it is important to first delve into the possibility that voters may not be well-enough informed or competent in the issues at hand and may no longer even be inclined to consider governmental solutions to social problems.

Political Context: The Informed Voter & Personal Politics

Media coverage of initiative campaigns, the influence of money in initiative campaigns and the depth and breadth of public discourse on the potential impacts of a given ballot proposal may all influence how well a voter is equipped to make an informed decision on election day. As local and state governments have attempted to persuade the public that cutting public revenue will also mean cutting public services, many have claimed that voters must not be well enough informed about the issues each time a tax-limiting initiative is passed. For instance, Steel and Lovrich found "widespread misconception about state and local taxes," limiting voters' ability to make informed decisions on fiscal ballot proposals (in Bowler and Donovan, 1995, p. 82). As a result of findings like this, in addition to government perspectives on the issue, much of the literature since California's Proposition 13 was passed has focused on the issue of voter competence.

Zisk (1987) examined the influence of money and the media in initiative campaigns on voter decision-making. Overall, she found "very little evidence for most of

the common pessimistic lore about voter confusion or negative voting” that many theorists claim results from big money influence and media sensationalism (p. 192). While she did find that the vast majority of high-spending campaigns triumphed at the polls, she concluded that, in the case of tax-limiting initiatives, “Public attitudes toward their state government were probably most crucial” (p. 185; See also Levi and Stoker, 2000). She found that approval of these initiatives was largely driven by homeowners’ “genuine *fear*” and “anger at the government” (p. 247). Was this fear and anger legitimate, or was it created through the propaganda of the yes campaigns? Again, both the yes and no campaigns were strikingly similar in each of the cases, so it seems there must be at least some legitimacy to the voters’ fear and anger.

In California’s Proposition 13, Zisk found that “the confluence of high taxes, high inflation, and increasing awareness of a large public sector that was seemingly wasteful laid the groundwork for an electorate that was, by late May 1978, angry and intensely aware of what they saw as economic wrongs to them, particularly as homeowners” (p. 175). It does seem that voters in the two states that approved tax-limiting initiatives bore a generally high tax burden. Unfortunately, Zisk did not research the potential influence of disparities within these states’ public finance systems on voter decisions, and this information is no longer readily available. Nonetheless, it seems that the overwhelming rejection of these initiatives in the other states can be related to a general sense of fairness in their public finance systems and a generally positive attitude toward their governments.

In his examination of the political context in which initiatives and referenda are passed, Cronin (1989) found similar results. He concluded, “Demand for more

democracy occurs when there is growing distrust of legislative bodies and when there is growing suspicion that privileged interests exert far greater influences on the typical politician than does the common voter” (p. 10). More specifically, he concluded, “Voters in Massachusetts, California, and elsewhere voted themselves tax cuts when surpluses were present and the legislatures needed to be instructed that they had been too slow to reduce taxes” (p. 206). Here, the findings reflect a fairly straightforward check and balance procedure to counter “runaway” taxes. However, these studies only begin to offer an explanation of key influences on voter decisions, and they do not address the possibility that attitudes may be shaped by erroneous information.

A large body of research explores the notion that public attitudes, opinions and decisions on ballot issues are shaped by information that is neither adequate for the complexity of the issues presented to them nor factually correct. Thus, one could conclude that attitudes toward government would improve with better information available to and utilized by the general public. If this notion were verified in the research, governments would simply need to do a better job of communicating rather than changing anything significant about the system of governance itself. However, many researchers have determined that voters *are* adequately informed and are making relatively competent decisions in terms of their votes on tax-limiting initiatives. While critics of the initiative process claim that voters do not grasp the complexities of the issues (Kinder, 1998; League of Women Voters of Washington, 2001; Talmadge in Egan, 2002), many researchers have determined that voters are capable of making competent decisions with only partial or fragmented information (Key, 1964; Popkin, 1991; Lupia and McCubbins, 1998; Bowler and Donovan, 1998; Gerber, 2001).

Bowler and Donovan (1995) note that voters can be reasonably responsive to taxation in similar ways as they are responsive to fluctuating unemployment rates. They explain,

Voters are not expected to be able to tell us the current unemployment rate, let alone the unemployment rate two quarters ago, yet at some point they are expected to alter their opinions in response to changes in levels of unemployment. It seems reasonable to expect voters to be similarly responsive to their taxes while not having accurate information about actual taxes (Bowler and Donovan, 1995, p. 83).

Furthermore, some research has demonstrated that voters are distinctly aware that their decisions to reduce taxes would impact government benefits. In both Meader's and Field's research on tax-limiting initiatives, voters appeared to understand that reducing taxes also meant reducing public goods and services. Studying California's and South Dakota's property tax-limiting initiatives, Meader determined that voters passed the initiatives because they were in a conservative mood, believed government to be wasteful, thought taxes were too high (even though they were already relatively low) and "clearly understood" that the initiative would reduce local services and diminish the quality of public education (in Cronin, 1989, p. 72). Field's review of California's Proposition 13 showed, "Voters understood the trade-off; fewer government services in exchange for tax relief. The two-thirds who voted yes wanted to send a message as well as secure economic benefits for themselves. That message was at least twofold: give us back some of the revenue surplus the state government is sitting on, and cut out waste and needless bureaucratic programs" (p. 87).

In light of the passage of referenda and initiatives that limit taxes in states around the country, these researchers have nearly unanimously concluded that voters simply want less government. Thus their votes could be considered to be rational as votes to

limit taxes effectively reduce the size of government. University of Washington Professor Lance Bennett (1998) confirms that citizen behavior that decreasingly supports public institutions is basically ideological, influenced by a rise in the importance of money and individualist solutions to social problems. He claims, "Declines in voting and confidence in institutions are consistent with a growing sense that formal government solutions are either ineffective or irrelevant for many lifestyle concerns" (Bennett, 1998, p. 8). There appears to be some truth to Bennett's argument that many citizens see government as irrelevant to their lives, as even areas of the state that are hurt by the passage of these initiatives (because of their greater reliance on public goods and services) persist in passing them. It seems that this should be a very personal concern for this segment of Washington citizenry, yet they seem to be acting in discord with it. Bennett weights his argument in survey responses that supposedly indicate this desire for fewer government solutions. However, respondents' most popular solution to "society's ills" was to "get tougher on criminals" (p. 9), a clearly governmental solution. While respondents' also commonly listed solutions that are the prerogative and responsibility of the citizenry, it is clear that they still find government solutions to be relevant, even desirable.

This support for government in some ways while not in others is also reflected in Washington State's current context. Through the citizen initiative process over recent years, Washington citizens have persisted in demanding better public goods and services while simultaneously slashing the capacity for governments to generate revenue to meet those demands (Galloway, January 2001, and Senator Snyder et al, 2001). This phenomenon indicates that Washington citizens may actually want *better* government

rather than *less* government, contrary to Bennett's (1998) claims. According to the February 2000 *Elway Poll*, Washington citizens chose "finding ways to fund programs" over "finding ways to cut taxes" as their top priority for the legislature by a 5 to 3 margin (p. 1). In fact, Elway writes that this finding has remained consistent since "at least 1996" (p. 3).

With much of the literature indicating that voters know what they are doing at the polls when they pass tax-limiting initiatives, even if services are at risk, and with indications that voters are calling for better government, there is clearly a need to understand what the underlying source or sources of the problems are. If Washington citizens are dissatisfied, it is important to understand the cause of this dissatisfaction. Some fundamental questions need to be answered: *What is better government? What do citizens in Washington want to improve? What is the root cause of their dissatisfaction?* There may be a number of underlying causes, but as each one is identified, more effective steps toward rectifying them can be made.

Root Cause: Unfairness in Washington State's Public Finance System?

Some researchers and theorists are beginning to point to the relative fairness of state finance systems as a key influence on voter approval or disapproval of tax-limiting initiatives (Niskanen et al, 1997; Elder, 1992; Bowler and Donovan, 1995; Hopps, 2001; Idemoto, 2001). There is reasonable skepticism about this notion. Studies have shown that citizens do not fully understand tax systems in general (Hansen, 1983). It seems especially unlikely that Washington voters would possess a detailed understanding of a state public finance system comprised of over 1400 special taxing districts, each with very specific revenue and expenditure formulae (LWVW, 2000, p. 20). However, as

previously stated, Bowler and Donovan's (1995) study revealed that voters could be appropriately responsive to fluctuations in taxes without fully comprehending the actual mechanics of the system. The study found a link between opinions on taxes, and opinions on government performance, and perhaps more importantly, that impressions of a fair or unfair tax were positively associated with evaluations of the appropriate governmental entity. In closing, they wrote, "Although it would be a leap to conclude that these results illustrate a process where public attentiveness to taxation causes political retribution for tax increases, the results do illustrate that the prerequisites for such a process exist in the mass public" (Bowler and Donovan, 1995, p. 96). At a minimum, then, voters possess enough understanding of their taxes to act out against undesirable taxation if they were so inclined. This also provides some support for the notion that Washington citizens may be sending a message via the initiative process that they are dissatisfied with the tax system or the relative fairness of taxes themselves.

Thus far it is unclear how voters in aggregate would define fairness in taxation. Fairness in taxation is, of course, a confounding issue. Fairness or equity issues are a persistent struggle in any democratic polity. Simply put, what one person sees as fair may be deemed grossly unfair by another person. For instance, political conservatives typically view regressive taxes as fair because they believe that as wealth increases use of public services decreases. In this model, use is the primary determinant of fairness. Moderates typically view flat taxes as most fair because the dollar paid for taxes is equal across the income spectrum. Here, a relative balance of the dollar amount paid is the determinant of fairness. Liberals and progressives typically view a progressive tax system as most fair because taxes are allocated according to one's ability to pay. In this

case, equal distribution of relative tax burden according to the proportion of income is the principal determinant of fairness. Nonetheless, people across a variety of ideologies do appear to agree that fairness is a core characteristic of a healthy public finance system and that unfairness in some terms is motivating tax revolts in many states (Niskanen, Norquist and Arnett, 1997; Hopps, 2000; Idemoto, 2001).

Steve Idemoto, of the Economic Policy Institute, and Don Hopps, Director of the Institute for Washington's Future, both make strong assertions that the passage of tax-limiting initiatives in Washington State is a push for a more progressive tax system. Their conclusions provide potentially viable explanations for the holes in tax revolt research. Idemoto (2001) claims, "While it is unlikely that many citizens favor defunding community emergency services, libraries, and schools, Washington's regressive tax system places a disproportionate burden on low- and middle-income families, engendering significant anti-tax sentiment. Until the issue of tax equity is addressed by state policymakers, tax-cutting initiatives will probably continue to appear on state ballots" (p. 3). Similarly, Hopps (2000) asserts, "...the imposition of uneven tax burdens is a primary, if hidden, cause of tax revolt" (p. 7).

Both Hopps and Idemoto have stated that they are unaware of research in Washington that directly addresses this issue (Personal communications, 2001), and neither of them has tested this theory empirically. Idemoto (2001) supports his claim with the assertion that "few citizens want to see essential services cut" (p. 15). In fact, Washington citizens approved new legislation in 2000 providing major new funding levels for Washington's public education system, a clearly defined essential service according to Washington citizens. This case is also supported by Elway Polls in 1997,

1998 and 1999 in which clear majorities indicated a belief that Washington's governments should be spending more on transportation and highways, public schools, healthcare, higher education, human and social services, prisons, and environmental protection (Elway, February 1999, p. 3). Yet, Idemoto (2001) claims, "the disproportionately high tax burden placed on middle and low-income families by Washington's regressive tax system has led many to support tax cutting initiatives that hobble state and local government. The anti-tax sentiment that fuels support for these types of initiatives will likely remain high until policymakers seriously address the issue of tax regressivity in Washington State" (p. 15).

To support the notion that Washington's regressive tax system is at the root of taxpayer revolt, Hopps (2000) took a cursory look at voter decisions of similar tax-limiting ballot proposals in Pacific Northwest states. Comparing Washington voter approval of Initiative 722 to Oregon and Alaska voters' rejection of similar measures, Hopps connects voter preferences to the different public finance systems. He found that the more progressive states defeated these initiative proposals, while the more regressive states passed them. He explained, "Both Oregon and Alaska have more balanced and fair tax systems than Washington" (Hopps, 2000, "Unintended Consequences," p. 5). Of course, simply reducing taxes across the board will not solve this problem for Washington governments. Hopps (2000) elaborates, "It is ironic that, because of the way we reduce taxes, the majority of Washington taxpayers can still claim to be overtaxed. This is the result of the slightly-overtaxed majority and its legislature constantly giving the bulk of its tax cuts to the grossly under-taxed few" (p. 8).

Hopps' and Idemoto's claims about the need to address Washington's largely regressive tax system, especially if public policymakers are concerned about the on-going approval of tax-limiting initiatives, are somewhat supported by related research. In their study of two states that had passed property tax limiting initiatives, De Tray and Fernandez (2001) found, "tax changes subject to local control [initiatives and referenda] have moved the tax system toward greater progressivity" (p. 435). Essentially, when the voters approved a reduction in the more regressive property tax, the government's reliance on other taxes or public revenue sources was reflexively increased. In both of these states, De Tray and Fernandez found that there was an increased reliance on the state income tax. Of course, the property tax is typically the primary revenue source for local governments, while state income taxes provide for state-based operations and services. In these states, then, while the reduction in the overall burden of the property tax was reduced, a greater proportion of their total tax burden came from income taxes, even though these states did not increase the state income tax. Overall, this set-up created a tax base that less heavily burdened citizens of lower incomes but reduced the ability of local governments to control revenue generation for local needs. In Washington State, this phenomenon has been witnessed by increased local government calls for fiscal support from the state government and considerable uncertainty about whether or not those funds will be found for each ensuing fiscal year (Lalli, 1994).

High burdens and low benefits from a public finance system for any given subset of the population do appear to contribute significantly to citizens' desire for tax reform. Depending on one's perspective, the same distribution of public burdens and benefits may still be considered simultaneously fair or unfair by different sectors of the

population, and this issue must be adequately taken into account if Hopps' and Idemoto's claims are to be honestly explored. For instance, Hahn and Kamieniecki's (1987) study of 29 cities' referenda on tax and expenditure proposals showed "overwhelming strong and positive correlations between social status and the vote in favor of every type of tax and expenditure proposal" (p. 121). In other words, as wealth increased, voters were more inclined to approve additional tax or program expenditures with one notable exception: when high status voters' tax dollars would be re-distributed across the state. In short, tax and expenditures seemed fair and worthwhile to this subset of the population as long as they were used for local purposes.

Hopps (2000, "Unintended Consequences") himself illustrates this issue in Washington's context. He notes that a "great deal of finger-pointing" takes place as voters consider the relative burdens and benefits from Washington's finance system (p. 4). This finger pointing, he asserts, is particularly evident along the urban-rural divide:

"For example, people in rural areas believe they are overtaxed so that urban areas can pile up public benefits...On the other side, many urban voters feel their tax money supports rural areas, but that 'ungrateful and jealous' rural voters continue to pass initiatives that prevent urban areas from using their tax dollars to meet pressing problems" (p. 4).

Hopps concludes that there is at least some validity in these arguments, at least from the viewpoint of rural residents. "It is true that many rural areas pay higher tax burdens than urban areas," he writes. "This is because the urban areas have higher property values and therefore need a lower tax rate to raise needed revenues. In contrast, rural areas have lower property values, so [they] often need higher rates to meet their revenue needs" (p. 4).

Inequity and the Distribution of Tax Capacity

Though Hopps' and Idemoto's claims might be supported through formal research, their theories should not mislead anyone to believe that Washington citizens are particularly charitable toward people living in poverty. Rather, disparities of burden in public finance systems like Washington's create disparities in the real quality of life and public benefits between economically stratified sectors of the state. Research in Minnesota provides an interesting comparison. While Minnesota has not experienced a tax revolt similar to Washington's, because it does not use the citizen initiative process, their reliance on the more regressive taxes for local government revenue has produced similar disparities to those Washington citizens experience:

“An area with high social needs and low resources is generally not a nice place to live, with poor services and high taxes. Conversely, an area with high resources and low social needs *is* a nice place to live, with good services and low taxes” (p.9). (Orfield, 1997; see also Metropolitan Area Research Council (MARC), 1999).

In a later study of Washington's Puget Sound region, Orfield (1999) found “social and economic polarization development patterns on a regional scale in the Puget Sound region” that “exact costs in terms of waste of human resources; deterioration of neighborhoods, increased fiscal stress, increased costs of infrastructure and land, loss of agricultural and fragile lands; and increased miles traveled and number of automobile trips” (p. 3). These findings provide further evidence that the tax system in the State of Washington may be one of the primary factors in creating fiscal disparities between communities. Over-reliance on a sales and property tax to generate public revenue causes tax base competition, resulting in development patterns that further exacerbate the disparity. Evidence suggests that this pattern of fiscal disparity appears statewide, regionally, and locally.

Research Implications

While examining the literature, it becomes clear that a web of factors influences the fiscal problems Washington's governments are currently facing. Assumptions found in previous research appear to have limited relevance with regard to the current situation. Research has shown that individual attributes or characteristics of voters, such as political affiliation and income levels, have a fairly limited impact on attitudes toward taxes and public services. Here it is more likely that the real-life experiences of individuals associated these key characteristics may be a better way of understanding why voters prefer one side of an issue or another. While many researchers and public officials have presumed that voters are ill informed, research has shown that voters typically know what they are doing at the polls, at least in terms of their personal needs. Some researchers have determined that this fact, combined with self-mindedness under the constraints of a strenuous economic system, should mean that citizens see government as irrelevant to their lives. While the pace of modern life and the accompanying stresses of keeping up with personal economic responsibilities is a valid issue for most citizens, evidence seems to actually indicate that voters are calling for better government.

Dissatisfaction with the tax system and public services, as evidenced by the on-going approval of tax-limiting initiatives, may be best understood in terms of fairness. Where lower income citizens living in economically depressed areas face a heavier burden as a proportion of their income, while receiving a reduced quality of public services, dissatisfaction seems a natural result. This pattern of fiscal disparity, combined with the lack of civic-minded dialogue and the pressures of a fast-paced world, may

provide important bases for more fully understanding the wave of tax-limiting initiatives recently passed in Washington State.

Several of these factors have been researched at length, while others have largely been untouched in formal research. Because it is clear that the problem situation will not be rectified until the entire web has been addressed, this study attempts to verify or dismiss Hopps' and Idemoto's near-identical theories that the unfairness of Washington's public finance system is a major contributing factor in Washington citizens' on-going approval of tax-limiting initiatives. Specifically, the question this research intends to answer is: What is the relationship between the distribution of public revenue and expenditures of Washington's public finance system and voter behavior on tax-limiting initiatives?

Chapter Four

Methodology

What is the relationship between the distribution of tax revenues and expenditures of Washington's public finance system and voter behavior on tax-limiting initiatives?

This chapter describes the research methods used to answer this question satisfactorily.

Clearly, "taxes" and "expenditures" carry too many variables in themselves to be manageable given the timeline for this study. Furthermore, these variables are too divergent between jurisdictions to make appropriate comparisons. Thus this study reduces "taxes" to primary sources of government revenue and "expenditures" to key local government public expenditures that are common to all jurisdictions and that are primarily funded by the selected taxes. With this in mind, the greater study design can be understood more clearly.

A descriptive design is used to determine if a relationship exists between per capita tax revenue to per capita expenditure ratios in Washington counties and/or King County cities and voter behavior on tax-limiting referenda/initiatives. Per capita tax revenue to per capita expenditure ratios will be computed for 1997, 1999, and 2000, and then relationship tested with the approval percentage on tax limiting referenda/initiatives for those years. Therefore, this research has several objectives:

1. Describe the distributional characteristics of the per capita tax revenue to per capita public expenditure ratio of all counties across the State of Washington;

2. Describe the distributional characteristics of voter approval on tax limiting referenda/initiatives of all counties across the State of Washington;
3. Determine the relationship between per capita tax revenue to per capita public expenditure ratios and voter approval of tax limiting referenda/initiatives, and determine if there are other variables such as per capita income that are important to this relationship;
4. To the extent the data are available, fulfill these same research objectives for all incorporated cities within King County; and
5. Provide research results that will further inform the discussion about tax reform in the State of Washington.

For the purposes of this research, it is important to define per capita tax revenue per capita public expenditures and to explain how they are a function of tax capacity. Per capita tax revenue generally means the total tax dollars generated per capita from all sources – property, sales/use and other local taxes. Per capita public expenditures generally mean the total expenditures per capita for selected public services. Tax revenue and public expenditure data will be the independent variables for this research. Tax capacity will not serve as a variable in this study, but will be used in a descriptive sense, and thus must be defined. Tax capacity generally describes a jurisdiction’s ability to generate tax revenue from the various taxing sources, therefore is an indicator of a county’s population density, property value, percent of urban, suburban, and rural tax base. Affluent, urbanizing counties generally have a greater ability to generate tax revenue (high tax capacity). These counties also tend to have high population density,

high property values, and high incomes. Conversely, less wealthy rural counties generally have a lesser ability to generate tax revenue (low tax capacity). Consequently, counties with low tax capacity will generally produce low per capita tax revenue due to lower population density, lower property values, and lower retail sales. Furthermore, a county with low tax capacity may need to charge higher tax rates than an urbanizing county in order to generate enough revenue to provide very basic public services. This situation results in rural, less wealthy counties typically generating considerably less tax revenue per capita and paying considerable more per capita for public services than urbanizing counties.

When given the opportunity to make direct taxing decisions by initiative, voters who perceive their per capita tax revenue to expenditure ratio as being out of balance may act to lower their tax burden, even if their vote results in the reduction/elimination of necessary public services. Simply put, the research team believes voters may be acting rationally. It is likely that most citizens don't know the details of the facts and figures of per capita revenues and expenditures; the balance just doesn't "feel" right. Therefore, perhaps these voters are practicing a 'perceptual' rationality.

The terms high, low, affluent, and less wealthy denote value terms relative to some standard. However, for the purposes of this research, these terms are used in the context of comparisons between counties/cities and their relationship to the mean or median value for all counties/cities combined. Also, the relationships between the fiscal characteristics of these counties are not necessarily simple and easily categorized. There are many intervening variables associated with such characteristics as population, culture, politics, and geography not captured in the data that may influence the associations

between variables. To the extent possible, the researchers will account for possible influences of intervening variables.

The research hypothesis can be stated as: there is a negative relationship between the per capita tax revenue to per capita expenditure ratio and voter behavior on tax limiting initiatives. In other words, voters in counties with low per capita tax revenues and high per capita expenditures are expected to vote for tax limiting initiatives in higher percentages. In order to simplify the terminology, a mnemonic, RTE, will be used to represent the ratio of per capita taxes to expenditures.

Rural counties will generally have low RTE ratios because the revenue number will be smaller than the expenditure number; the opposite will generally be true for urbanizing counties. The direction of the hypothesis is negative, as the RTE ratio goes down voter approval of tax limiting initiatives should go up. The mean or median RTE ratio for all counties is used to determine high and low RTE ratios for individual counties. Counties that are below the mean or median are expected to vote for these referenda/initiatives in higher percentages. Income is expected to display the same relationship, although perhaps to a lesser degree. Counties with per capita incomes below the mean/median are expected to vote for these referenda/initiatives in higher percentages. The hypothesis supports the RTE ratio as the dominant independent variable in the model and income as a fine-tuning variable in the relationship (see Figure 4.1).

Numbers are paramount in the understanding of Washington governments' fiscal crisis: dollars generated, dollars spent, votes cast, and how they relate to each other. Thus, a quantitative approach has been selected for this research. This approach was not

chosen to diminish the value of qualitative analysis; indeed, the limits of a purely quantitative study for social science research are acknowledged here. Preferably, this research would have been supplemented with qualitatively derived data, yet it was not possible given the available timeline. Therefore, it seemed most critical to begin this type of research with a quantitative analysis, especially since issues related to public finance are so heavily embedded in the jargon of numbers and dollars.

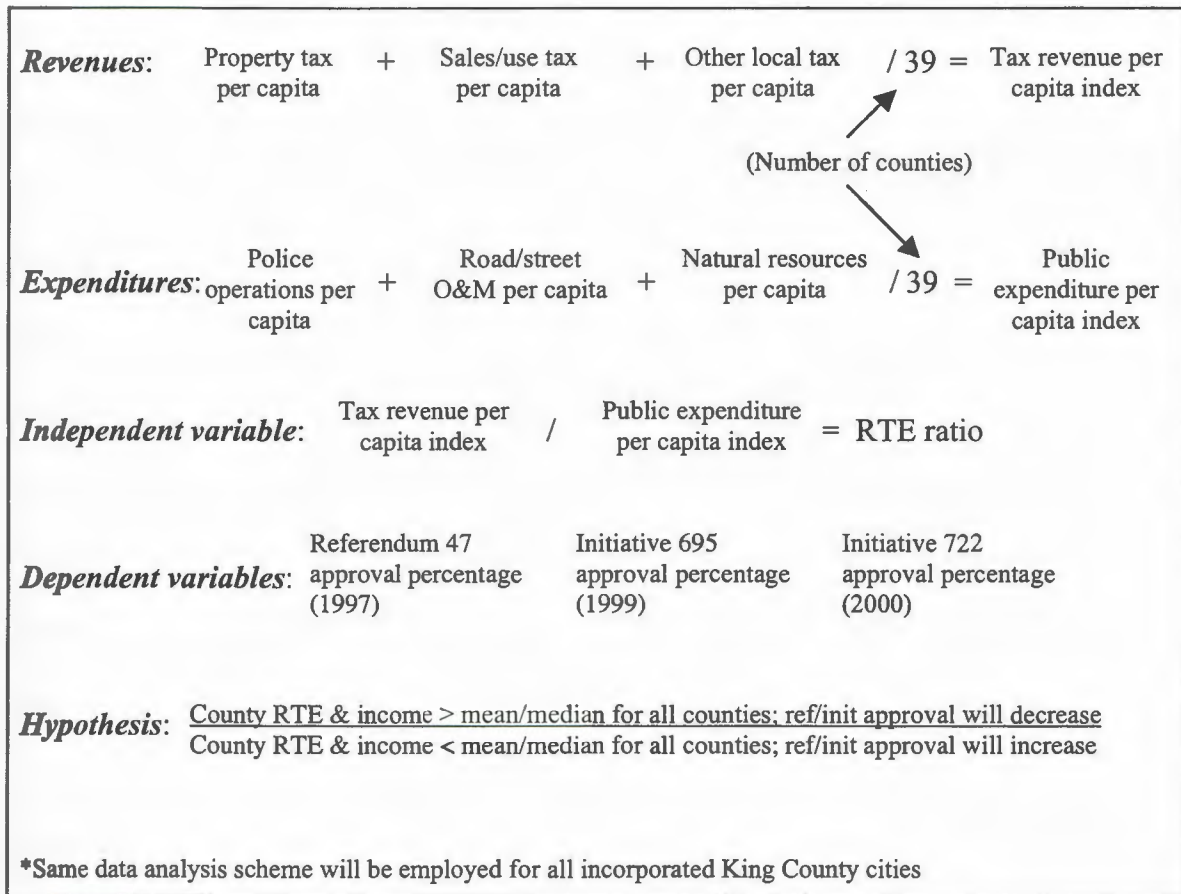


Figure 4.1: Data analysis scheme

Data Collection

Fiscal data for each county in the State of Washington were collected from the state Auditor's Office, the state Office of Financial Management and the state Department of Revenue. Tax revenue data include per capita property, sales/use, and other local taxes as well as total tax revenue generated from each source. These data are generally available over the Internet. Per capita expenditure data by county, in the same format, are also available from state Auditor's Office, the state Office of Financial Management and the state Department of Revenue. Per capita expenditure data include expenditures for law enforcement, transportation operation and maintenance, and natural resources, which include community development and planning as well as parks and recreation. The public expenditure indicators were chosen due to their commonality across all counties, they are primarily funded through taxes, and citizens commonly recognize them as base government services. Since this research focuses on voting behavior regarding tax-limiting initiatives, voting data from each county for Referendum 47, Initiative 695, and Initiative 722 were collected from the Secretary of State's Office. Per capita income data for each county has also been collected from 1997 U.S. Census data, and this is held constant across the years for association testing.

Data Management/Analysis

Since these data are all generally available in spreadsheet format, Microsoft Excel was used as the initial data management software. Data were organized dependent upon categories (revenues, expenditures, demographics, etc.) and eventually copied into the Statistical Package for the Social Sciences (SPSS) software for data analysis. Descriptive

and inferential statistical analysis was performed to support rejection or retention of the null hypothesis. Test statistics were computed using bivariate and partial correlations; obtained values were compared to critical values at the $p \leq .05$ level to determine if the null hypothesis should be retained or rejected. Partial correlations were then performed while controlling for income per capita. Regression analyses were performed to determine if a predictive relationship existed between the RTE ratio and voter approval of tax limiting initiatives. Again, test statistic obtained values were compared to critical values at the $p \leq .05$ level to determine if the null hypothesis should be retained or rejected (Salkind, 2000; Moore et al, 1999).

Data Collection and Analysis for King County Municipalities

As indicated in the research objectives, the research team also performed a similar data collection and analysis scheme at a local scale within King County. Related research conducted by Orfield (1999) indicates that fiscal disparities occur at the regional and local scale as well. However, Orfield did not associate fiscal disparities with voter behavior. The research hypothesis for this study also suggests that a similar relationship may exist between the RTE ratio and voter behavior at the local scale. Therefore, the same data were collected and analyzed for each incorporated city within King County. Revenue and expenditure data are available in the same format and from the same sources as the county data. Voting data are available through the King County Elections Office.

Chapter Five

Presentation of Data

This chapter presents the data analysis scheme for Washington counties and King County cities. Data analysis is presented according to the objectives as defined in the methodology: first, describing the distributional characteristics of the RTE ratios for all counties within the state of Washington ($N = 39$), and all incorporated cities within King County ($N = 39$); secondly, describing the distributional characteristics of voter approval on the selected tax limiting referendum/initiatives for all counties across the state and all incorporated cities within King County; and finally, the results of relationship testing between these variables will be displayed, including the influence of income, if any, on that relationship. Interpretation of the results presented here is largely reserved for the discussion, Chapter Six.

RTE Ratios for all Washington Counties

As shown in Table 5-1 and Figures 5-1, 5-2, and 5-3, the RTE ratio for Washington counties averages above 1.0 for each year considered. All the distributions are right skewed with a few observations two or three standard deviations away from the mean. These counties tend to be high tax capacity counties, such as King and Snohomish with higher than average population densities, property wealth, and per capita incomes. The mean and median RTE ratio is highest in 2000 at 1.39 and 1.22 respectively, although the median changes very little from 1997 to 2000.

As shown in Table 5-1 and Figure 5-4, the average per capita income for all counties is slightly less than \$23,000. Again this distribution is right skewed with two counties, Snohomish and King, more than two and three standard deviations from the mean, respectively. More than 40 percent of the counties have a per capita income slightly less than the mean for all counties. Sorting the counties by descending per capita income produces a corresponding descending RTE ratio, from a mean of 2.2 for the top ten income counties to a mean of .90 for the bottom ten-income counties.

Table 5-1: Descriptive Statistics for Washington Counties - RTE ratios for 1997, 1999, and 2000; voting patterns for Referendum 47, Initiative 695, and Initiative 722; and income per capita as reported by the 2000 census (based on 1997 model).

<u>1997 RTE ratio</u>		<u>1999 RTE ratio</u>		<u>2000 RTE ratio</u>	
Mean	1.22	Mean	1.25	Mean	1.39
Standard Error	0.10	Standard Error	0.13	Standard Error	0.12
Median	1.16	Median	1.11	Median	1.22
Standard Deviation	0.62	Standard Deviation	0.81	Standard Deviation	0.73
Minimum	0.18	Minimum	0.35	Minimum	0.31
Maximum	3.37	Maximum	4.68	Maximum	3.82
<u>R-47 Approval %</u>		<u>I-695 Approval %</u>		<u>I-722 Approval %</u>	
Mean	0.62	Mean	0.60	Mean	0.55
Standard Error	0.01	Standard Error	0.01	Standard Error	0.01
Median	0.62	Median	0.62	Median	0.56
Standard Deviation	0.05	Standard Deviation	0.09	Standard Deviation	0.06
Minimum	0.51	Minimum	0.38	Minimum	0.41
Maximum	0.73	Maximum	0.73	Maximum	0.70
<u>1997 Income Per Capita</u>					
Mean	22,886				
Standard Error	842				
Median	21,061				
Standard Deviation	5,256				
Minimum	16,305				
Maximum	44,719				

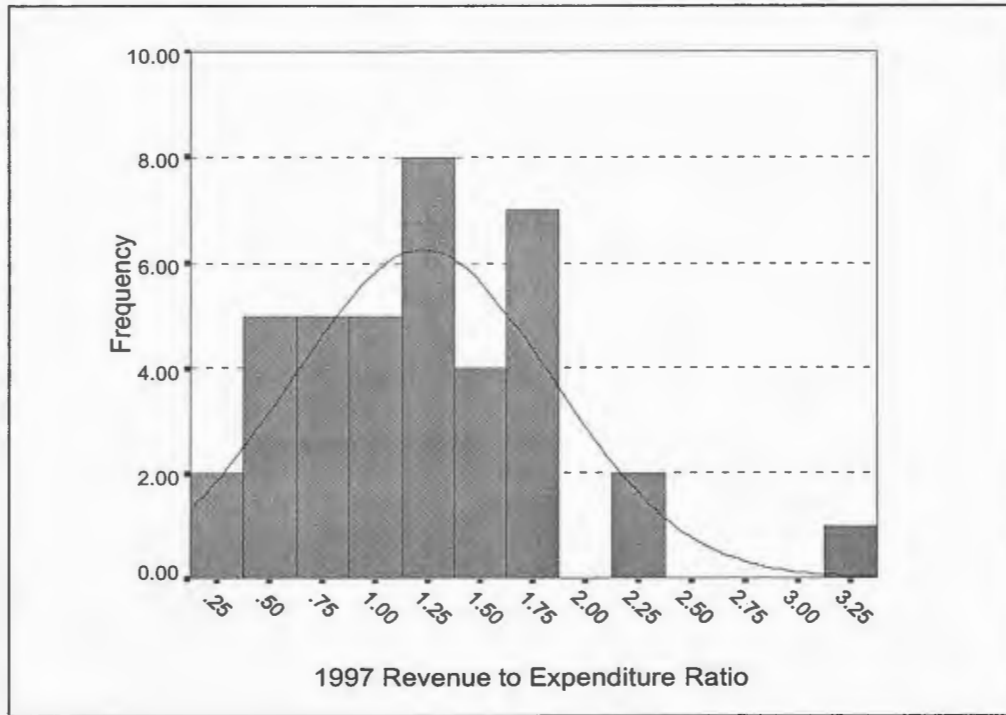


Figure 5-1: Washington Counties – Frequency distribution of 1997 RTE ratio, N=39, Mean=1.22

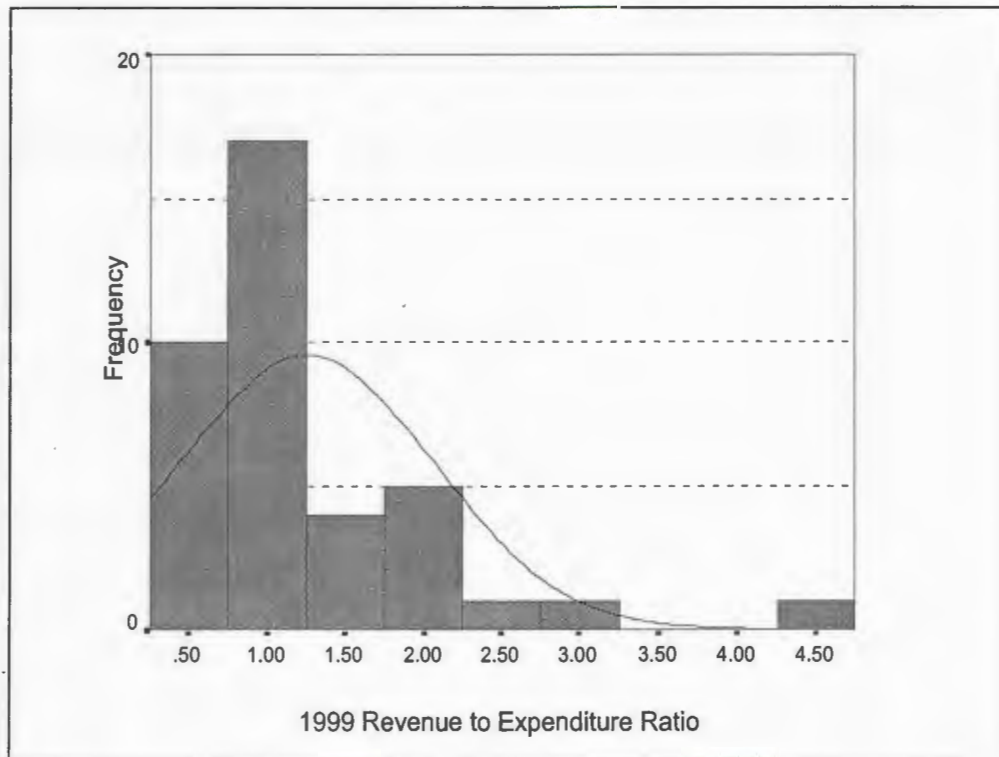


Figure 5-2: Washington Counties - Frequency distribution of 1999 RTE ratio, N=39, Mean=1.25

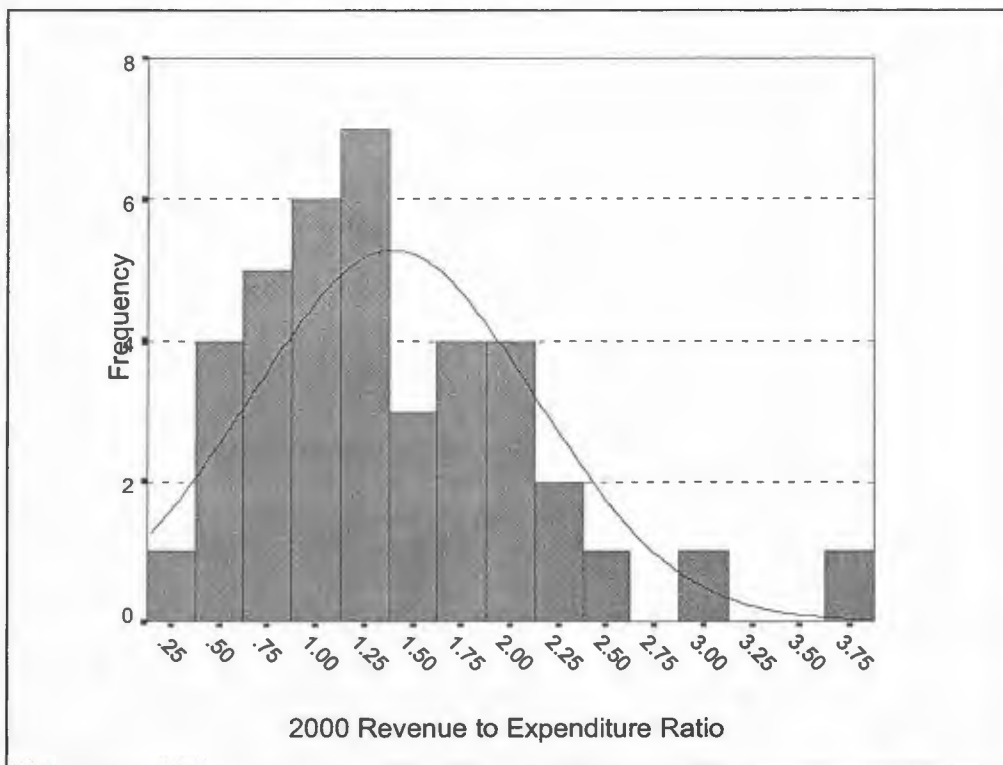


Figure 5-3: Washington Counties - Frequency distribution of 2000 RTE ratio, N=39, Mean= 1.25

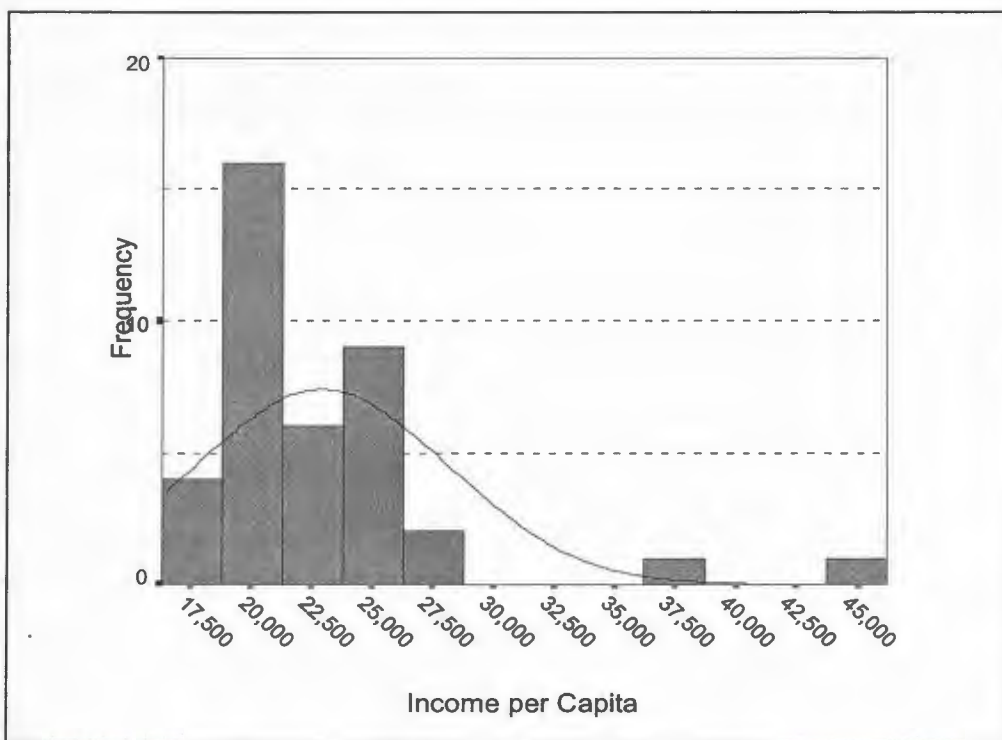


Figure 5-4: Washington Counties – Frequency distribution of income per capita (1997 model), N=39, Mean=22,886

Initiative Approval Description

Figures 5-5, 5-6, and 5-7 show the distribution of approval percentages for Referendum 47, Initiatives 695 and 722. These distributions are nearly opposite in arrangement as the fiscal data, skewed slightly left with a few observations near or just below the 50 percent mark. Most of the observations are in the vicinity of 60 percent approval or greater. All counties passed R-47, with Columbia County having the lowest approval percentage of 51 percent, followed by Garfield County with 53 percent. All counties with the exception of Garfield, King, San Juan, Whatcom, and Whitman passed I-695 in 1999. Likewise, all counties with the exception of King, San Juan, and Whitman passed I-722 in 2000. As shown by the central tendency tables and the frequency distributions for the initiatives (Table 5-1 and Figures 5-7), the mean approval percentage drops slightly from R-47 to I-695 to I-722. The two counties that did not pass I-695 and I-722, King and San Juan, have high RTE ratios with King having the highest of all counties. They also have high per capita incomes as compared to other counties. King, being the most urbanized county in the state, generates nearly as much tax revenue by itself as all the other counties combined, and San Juan, although not very urbanized, has high property values which generates significant property tax revenue even though their property tax rates are by far the lowest in the state (see Table 5-2).

Whitman County is somewhat of an anomaly in this pattern in that it had a low RTE ratio yet did not approve either I-695 or I-722. The City of Pullman is the major city in Whitman County, and there are indications that the City of Pullman has spent considerable effort discussing and informing its citizens on taxing and spending issues. This may have had an effect on the voter approval percentage of these two initiatives.

Table 5-2: Individual county 1997, 1999, and 2000 RTE ratio, referenda/initiative approval percentage, and income per capita

County	1997 RTE ratio	R-47 %Yes	1999 RTE ratio	I-695 %Yes	2000 RTE ratio	I-722 %Yes	Income per Capita
Adams	0.62	0.559	0.74	0.569	0.76	0.570	\$20,941
Asotin	0.89	0.604	1.00	0.593	1.21	0.565	\$21,615
Benton	1.85	0.585	1.57	0.620	1.91	0.545	\$25,004
Chelan	1.32	0.739	1.23	0.664	1.50	0.631	\$25,483
Clallam	1.07	0.685	1.19	0.563	1.13	0.595	\$23,454
Clark	1.57	0.602	1.11	0.663	2.28	0.613	\$28,116
Columbia	0.18	0.513	0.36	0.633	0.40	0.515	\$20,257
Cowlitz	1.50	0.665	1.24	0.634	1.22	0.604	\$22,783
Douglas	1.18	0.706	0.93	0.704	1.19	0.667	\$19,204
Ferry	0.61	0.574	0.55	0.649	0.56	0.660	\$16,305
Franklin	1.19	0.588	0.89	0.659	0.97	0.578	\$17,961
Garfield	0.25	0.529	0.36	0.419	0.31	0.527	\$18,237
Grant	0.98	0.669	0.95	0.713	1.31	0.658	\$19,424
Grays Harbor	0.87	0.608	1.20	0.619	0.79	0.572	\$21,044
Island	1.11	0.650	1.12	0.535	1.37	0.557	\$25,834
Jefferson	1.15	0.654	1.28	0.505	1.09	0.526	\$25,223
King	3.37	0.615	4.68	0.467	3.82	0.499	\$44,719
Kitsap	1.73	0.673	1.95	0.543	1.85	0.556	\$23,902
Kittitas	1.44	0.671	1.11	0.586	1.53	0.578	\$20,771
Klickitat	0.59	0.522	0.62	0.619	0.68	0.585	\$19,815
Lewis	1.19	0.648	1.20	0.729	1.27	0.644	\$20,851
Lincoln	0.50	0.530	0.35	0.588	0.54	0.599	\$20,839
Mason	1.71	0.650	1.79	0.628	1.80	0.608	\$20,146
Okanogan	0.88	0.665	0.72	0.657	0.84	0.625	\$20,068
Pacific	1.16	0.623	1.43	0.632	1.65	0.587	\$20,523
Pend Oreille	1.15	0.608	0.96	0.676	1.05	0.657	\$18,911
Pierce	1.50	0.641	0.88	0.642	1.88	0.619	\$25,289
San Juan	1.82	0.624	2.09	0.382	2.10	0.450	\$37,843
Skagit	1.26	0.643	1.14	0.595	1.60	0.578	\$25,184
Skamania	0.43	0.585	0.64	0.638	0.57	0.645	\$21,702
Snohomish	2.22	0.651	2.76	0.608	2.99	0.595	\$28,105
Spokane	2.21	0.611	2.07	0.593	2.13	0.581	\$24,368
Stevens	0.82	0.669	0.90	0.675	1.06	0.653	\$17,316
Thurston	1.83	0.663	0.37	0.506	2.11	0.533	\$25,760
Wahkiakum	0.69	0.592	0.64	0.659	0.85	0.613	\$21,061
Walla Walla	0.82	0.607	1.30	0.564	0.88	0.525	\$21,366
Whatcom	1.65	0.679	2.00	0.467	1.80	0.523	\$23,228
Whitman	0.70	0.598	0.85	0.379	0.91	0.449	\$19,082
Yakima	1.75	0.697	2.65	0.660	2.47	0.590	\$20,811

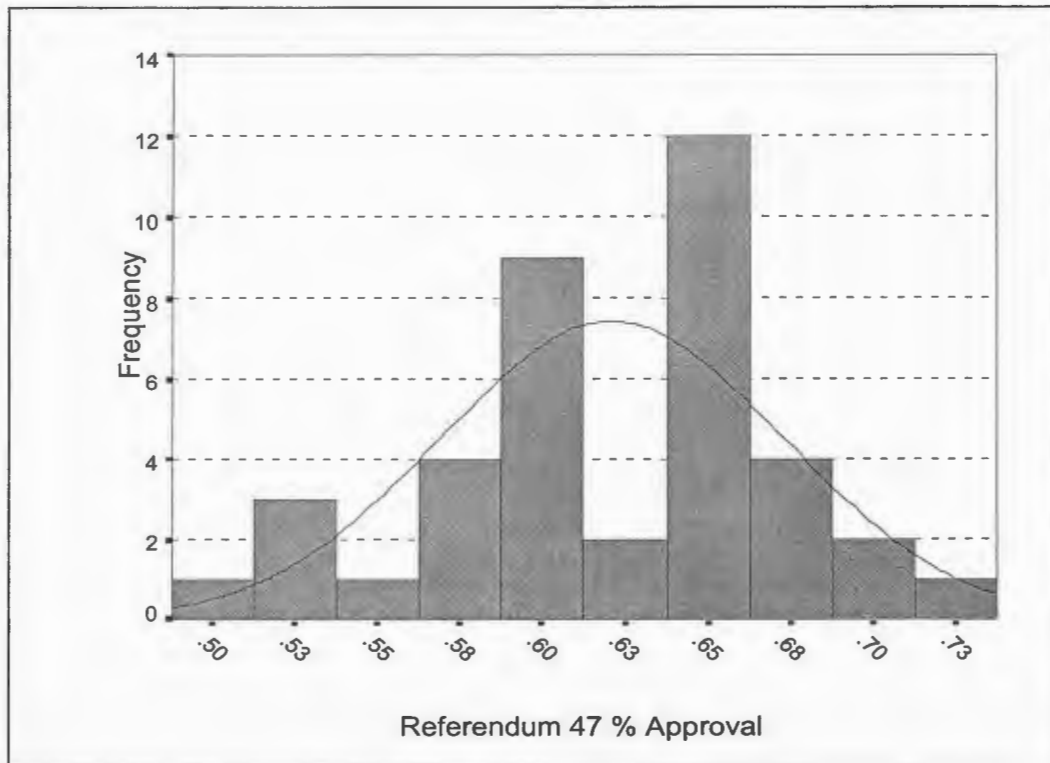


Figure 5-5: Washington Counties – Frequency distribution of Referendum 47 approval percentage, N=39, Mean= .62

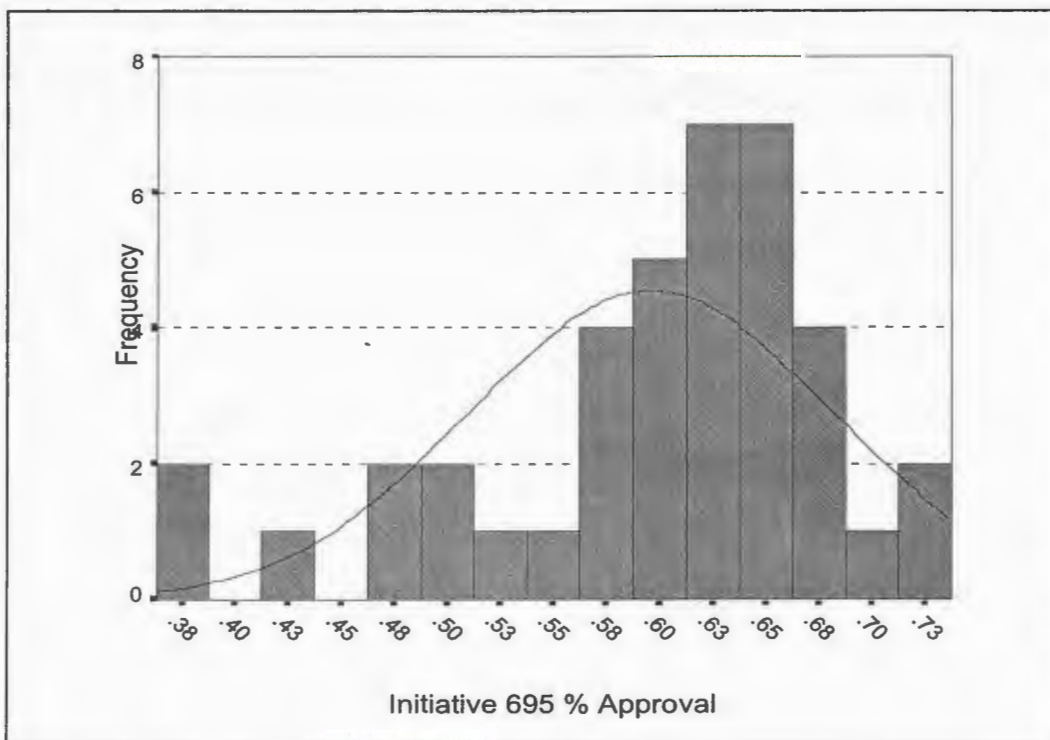


Figure 5-6: Washington Counties – Frequency distribution of Initiative 695 approval percentage, N=39, Mean= .60

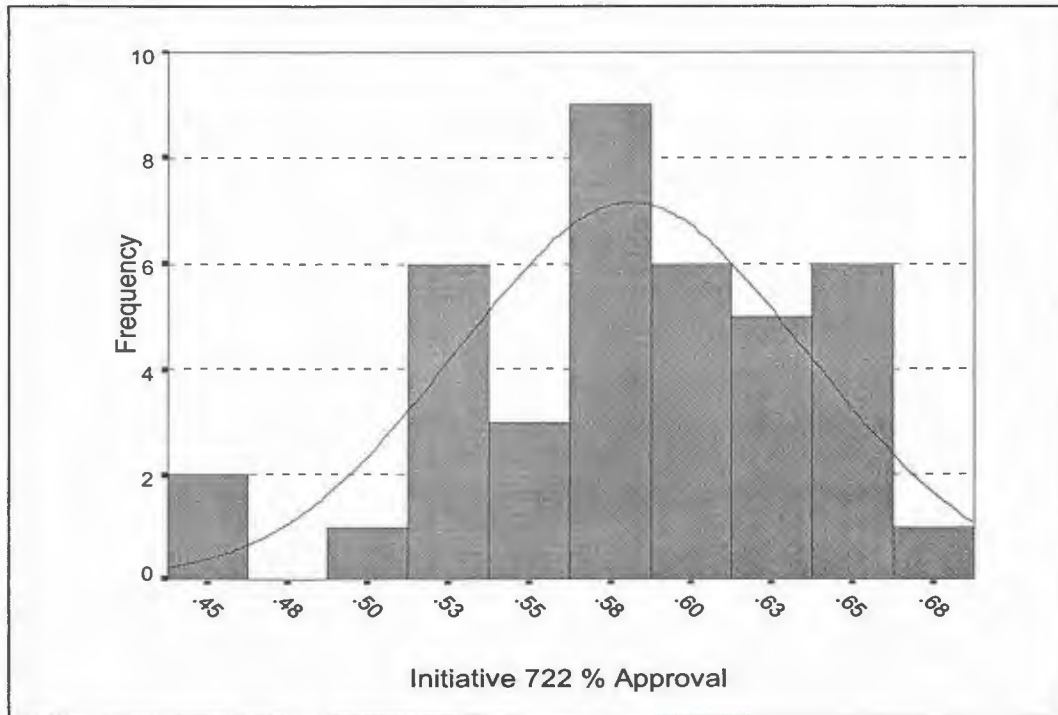


Figure 5-7: Washington Counties – Frequency distribution of Initiative 722 approval percentage, N=39, Mean= .55

Relationship Testing: Washington County Ratios and Initiative Approval

As displayed in Table 5-3, Pearson Correlations were performed on each RTE ratio and the corresponding initiative approval percentage to determine the strength and direction of the relationship, if any, between the two. This analysis was performed both with and without outliers and extreme data points. Outlier and extreme data points were identified using box plots; data points that fell outside the range of 1.5 multiplied by the inter-quartile range were flagged and temporarily removed from the data set.

Correlations with all data points suggest a significant relationship exists between the 1997 RTE ratio and the approval of R-47 ($r = .46$; $p < .05$). This analysis also suggests a relationship between the 1997 RTE ratio and approval of I-695 and I-722 ($r = .33$ and $.44$; $p < .05$, respectively), which were not on the ballot in 1997. Pearson Correlations did not reveal a significant relationship between I-695, I-722 and the RTE ratios for those years.

Table 5-3: Washington Counties – Correlations between 1997, 1999, and 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, and Initiative 722.

Correlations		R-47	I-695	I-722	1997	1999	2000
		Apprv (%)	Apprv (%)	Apprv (%)	RTE ratio	RTE ratio	RTE ratio
R-47 Apprv (%)	Pearson Correlation Sig. (2-tailed)						
I-695 Apprv (%)	Pearson Correlation Sig. (2-tailed)	.159 .335					
I-722 Apprv (%)	Pearson Correlation Sig. (2-tailed)	.249 .126	.876** .000				
1997 RTE ratio	Pearson Correlation Sig. (2-tailed)	.463** .003	-.167 .308	-.197 .229			
1999 RTE ratio	Pearson Correlation Sig. (2-tailed)	.326* .043	-.237 .146	-.285 .079	.857** .000		
2000 RTE ratio	Pearson Correlation Sig. (2-tailed)	.443** .005	-.156 .344	-.199 .225	.953** .000	.852** .000	

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).
N = 39

It is appropriate for these relationships to be examined with and without the outlier/extreme data points, recognizing that outliers/extremes are pertinent information but can also influence the associations. Using the inter-quartile range rule to determine outliers/extremes may be statistically sound, but in a practical sense, is arbitrary. Therefore, analysis was conducted and is reported for both. The research team considered these effects when interpreting the results. Removing the outlier/extreme data points diminishes the strength of the relationships between the 1997 and 1999 RTE ratios and R-47 approval below statistical significance, while the 2000 ratio and R-47 approval remained significant at $r = .34$, $p < .05$ (see Table 5-4). Other relationships attained statistical significance, including the 1997 RTE ratio and I-722 approval ($r = -.41$; $p <$

.05), the 1999 ratio and approval of both I-695 and I-722 ($r = -.36$ and $-.43$; $p < .05$, respectively), and the 2000 ratio and I-722 approval ($r = -.39$; $p < .05$).

Table 5-4: Washington Counties – Correlations between 1997, 1999, and 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, and Initiative 722 – with outliers and extremes observations removed.

		R-47 Apprv (%)	I-695 Apprv (%)	I-722 Apprv (%)	1997 RTE ratio	1999 RTE ratio	2000 RTE ratio
R-47 Apprv (%)	Pearson Correlation						
	Sig. (2-tailed)						
	N						
I-695 Apprv (%)	Pearson Correlation	.058					
	Sig. (2-tailed)	.733					
	N	37					
I-722 Apprv (%)	Pearson Correlation	.255	.816**				
	Sig. (2-tailed)	.128	.000				
	N	37	36				
1997 RTE ratio	Pearson Correlation	.318	-.221	-.409*			
	Sig. (2-tailed)	.058	.203	.016			
	N	36	35	34			
1999 RTE ratio	Pearson Correlation	.276	-.355*	-.428*	.906**		
	Sig. (2-tailed)	.104	.036	.012	.000		
	N	36	35	34	34		
2000 RTE ratio	Pearson Correlation	.343*	-.208	-.391*	.946**	.895**	
	Sig. (2-tailed)	.038	.222	.020	.000	.000	
	N	37	36	35	36	35	

* Correlation is significant at the 0.05 level (2-tailed).
 ** Correlation is significant at the 0.01 level (2-tailed).

Research on voter behavior with regard to taxing and spending decisions conducted by Bowler and Donovan (1995) indicated income was an important controlling variable. Following this line of reasoning, Partial Correlations were conducted with these same data while controlling for income per capita. Again, as displayed in Table 5-5, a significant relationship was revealed between the 1997 RTE ratio and R-47 approval ($r = .52$; $p < .05$). Likewise, a relationship also exists between the 1997 ratio and I-722 approval ($r = .50$; $p < .05$). Although non-significant, this analysis also indicated a weaker relationship exists between the 1997 ratio and I-695 approval ($r = .31$; $p < .06$).

Table 5-6 displays Partial Correlations with outlier/extreme data points removed.

Similar results are produced, except here the relationship between the 1997 RTE ratio and I-695 approval attains statistical significance ($r = .41$; $p < .05$).

Table 5-5: Washington Counties - Partial correlations between 1997, 1999, and 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, and Initiative 722 - Controlling for income per capita.

PARTIAL CORRELATION COEFFICIENTS						
Controlling for: Income per Capita						
	1997 RTE ratio	1999 RTE ratio	2000 RTE ratio	R47APP	I695APP	I722APP
1997 RTE ratio						
1999 RTE ratio	.6946 P= .000					
2000 RTE ratio	.8933 P= .000	.6781 P= .000				
R47APP	.5224** P= .001	.3103 P= .058	.5003** P= .001			
I695APP	.2696 P= .102	.1343 P= .421	.3061 P= .062	.2585 P= .117		
I722APP	.2422 P= .143	.0772 P= .645	.2557 P= .121	.3667 P= .024	.8438 P= .000	

(Coefficient / (D.F.) / 2-tailed Significance) ** Correlation is significant at the .01 level, N = 36

Table 5-6: Washington Counties - Partial correlations between 1997, 1999, & 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, & Initiative 722 - Controlling for income per capita, outliers/extremes removed.

PARTIAL CORRELATION COEFFICIENTS						
Controlling for Income per Capita, Outliers/Extremes Removed						
	1997 RTE ratio	1999 RTE ratio	2000 RTE ratio	R47APP	I695APP	I722APP
1997 RTE ratio						
1999 RTE ratio	.6890 P= .000					
2000 RTE ratio	.8944 P= .000	.5866 P= .000				
R47APP	.5082** P= .003	.4125* P= .017	.4724** P= .006			
I695APP	.1608 P= .371	.0055 P= .976	.2390 P= .180	.2371 P= .184		
I722APP	.1686 P= .348	-.0319 P= .860	.2386 P= .181	.4303 P= .012	.7753 P= .000	

(Coefficient / (D.F.) / 2-tailed Significance)
*Correlation is Significant at the .05 level **Correlation is significant at the .01 level, N = 31

To determine if a predictive relationship exists between these data, multiple regression analyses were conducted. Income per capita and the RTE ratios were the predictors, and the referendum and initiative approval percentage for each corresponding year were the dependent variables. All models were significant (1997: $F = 7.4$; 1999: $F = 4.9$; and 2000: $F = 6.5$; $p < .05$). R squared values were low however, indicating the models were successful in explaining 25 percent of the variation in 1997, 17 percent in 1999 and 22 percent in 2000 (see Tables 5-7, 5-8 and 5-9).

Table 5-7: Washington Counties – Multiple regression model and ANOVA, 1997

Multiple Regression Model Summary									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
Model					R Square Change	F Change	df1	df2	Sig. F Change
1	.539	.291	.251	4.519E-02	.291	7.381	2	36	.002

a. Predictors: (Constant), Income per capita, 1997 RTE ratio
b. Dependent Variable: Referendum 47 Approval (%)

Multiple Regression Model ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.015E-02	2	1.507E-02	7.381	.002
	Residual	7.353E-02	36	2.042E-03		
	Total	.104	38			

a. Predictors: (Constant), Income per capita, 1997 RTE ratio
b. Dependent Variable: Referendum 47 Approval (%)

Table 5-8: Washington Counties – Multiple regression model and ANOVA, 1999

Multiple Regression Model Summary									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
Model					R Square Change	F Change	df1	df2	Sig. F Change
1	.461	.213	.169	7.792E-02	.213	4.858	2	36	.014

a. Predictors: (Constant), 1999 RTE ratio, Income per capita
b. Dependent Variable: Initiative 695 Approval (%)

Multiple Regression Model ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.900E-02	2	2.950E-02	4.858	.014
	Residual	.219	36	6.072E-03		
	Total	.278	38			

a. Predictors: (Constant), 1999 RTE ratio, Income per capita
b. Dependent Variable: Initiative 695 Approval (%)

Table 5-9: Washington Counties - Multiple regression model and ANOVA, 2000

Multiple Regression Model Summary									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
Model					R Square Change	F Change	df1	df2	Sig. F Change
1	.514	.264	.223	4.787E-02	.264	6.463	2	36	.004

a. Predictors: (Constant), Income per capita, 2000 RTE ratio
 b. Dependent Variable: Initiative 722 Approval (%)

Multiple Regression Model ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.962E-02	2	1.481E-02	6.463	.004
	Residual	8.251E-02	36	2.292E-03		
	Total	.112	38			

a. Predictors: (Constant), Income per capita, 2000 RTE ratio
 b. Dependent Variable: Initiative 722 Approval (%)

Table 5-10: Washington Counties - t-test of significance of regression model coefficients for 1997, N=39

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.635	.035		17.908	.000	.563	.707
	1997 RTE ratio	6.458E-02	.018	.768	3.675	.001	.029	.100
	Income per Capita	-4.092E-06	.000	-.412	-1.971	.056	.000	.000

a. Dependent Variable: Referendum 47 Approval (%)

Table 5-11: Washington Counties - t-test of significance of regression model coefficients for 1999, N=39

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.785	.064		12.360	.000	.656	.914
	Income per Capita	-9.269E-06	.000	-.570	-2.673	.011	.000	.000
	1999 RTE ratio	1.821E-02	.022	.173	.813	.421	-.027	.064

a. Dependent Variable: Initiative 695 Approval (%)

Table 5-12: Washington Counties - t-test of significance of regression model coefficients for 1999, N=39

Coefficients

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B		Beta			Lower Bound	Upper Bound
1	(Constant)	.717	.038		18.686	.000	.639	.794
	Income per Capita	-7.461E-06	.000	-.722	-3.315	.002	.000	.000
	2000 RTE ratio	2.559E-02	.016	.346	1.587	.121	-.007	.058

a. Dependent Variable: Initiative 722 Approval (%)

The regression analysis of 1999 and 2000 data elucidates the influence income has upon voting behavior. As displayed by the t-test on regression model coefficients in Tables 5-10, 5-11, and 5-12, in 1999 and 2000 income per capita became the stronger predictor of variation in the relationship. Increasing approval of I-722 and I-695 is still associated with decreasing RTE ratios for those years, but the pattern is more pronounced with decreasing income. This phenomenon is also reflected in the ability of the regression model to explain variation in the relationship: 17 percent explained in 1999 and 22 percent explained in 2000, primarily by income per capita. The influence of income in 1999 and 2000 is also seen in the correlation tables. Correlations without income show the negative association between the 1999 and 2000 RTE ratios and approval of I-695 and I-722 respectively. These attain statistical significance when outlier/extreme data points are removed. Partial Correlations while controlling for income do not reveal significant associations, which indicates a stronger influence of income than the RTE ratio in the relationship for 1999 and 2000.

In order to ensure that the RTE ratios were different between counties, the county ratios were divided into three groups dependent upon population density: high = 100 persons per square mile or greater; medium = 25 – 80 persons per square mile; and low =

20 persons per square mile or less. This resulted in three groups with at least ten counties in each group. ANOVA was conducted on the tax to expenditure ratios between groups. Significant differences were confirmed between all three groups in 1997 and 2000 ($p < .05$). In 1999, the high and medium population density counties exhibited a significant difference from the low population density counties ($p < .05$), but no significant difference was found between the high and medium population density counties.

Restriction of Variance and Multicollinearity

Most of the data used during the analysis has undergone a considerable amount of averaging prior to being analyzed. Individual votes are rolled up into countywide percentages, and individual tax burdens are rolled up into countywide totals and averaged across the population. Therefore, it is not unreasonable to assume a restriction of variance or other effect could occur that may render statistical analysis less powerful. In order to control for these effects to the extent practicable, similar data analysis schemes were followed without combining per capita tax revenue and per capita expenditure variables into an RTE ratio. Correlations and regression analyses were conducted with the individual per capita tax revenue indicators for each county (property, sales/use, and other local taxes) as well as the individual per capita expenditure indicators (law enforcement, transportation O&M, and natural resources expenditures) as independents, and the referendum/initiative approval percentages as dependents. These data analyses did not produce significant relationships.

Multicollinearity – redundancy between independent variables – was examined by first correlating income per capita from each county with the RTE ratio for each county from 1997, 1999, and 2000. Correlations did indicate multicollinearity exists between

these two variables ($r = .73$, $P < .01$). However, performing stepwise regression analyses first with income, and then with the RTE ratios as the predictors and the corresponding referendum/ initiative approval as the dependent variable did not significantly alter the pattern of the results reported for the multiple regression analyses. The same predictor that was significant in multiple regression, the RTE ratio in 1997 and income in 1999 and 2000, was significant in the stepwise regression. The effect on the model equations was to very slightly lower the R squared value and very slightly increase the t and F test statistic value. These results indicate that multicollinearity, while existing in the independent variables, does not have a significant effect on regression models and interpretation of the results.

King County Cities

Since King County tended to be an anomaly with regard to fiscal characteristics and on approval percentage for two of the initiatives, it was selected for closer examination. All of the incorporated cities within its boundaries were examined to determine if the research hypothesis is valid at the local level as well as the state level. The relationship between the RTE ratios and voter approval of the tax limiting referendum and initiatives was expected to be at least as strong as was found at the county level, and perhaps stronger. Unfortunately, per capita income data for all incorporated King County cities was not available for use during data analysis, and this affected the analysis.

Results of descriptive analysis and relationship testing for the King County cities are very similar to that of all Washington's counties. Mean RTE ratios were slightly higher than for all counties, and mean approval percentages for the referendum and

initiatives were slightly lower than for all counties. The distributional characteristics of these data sets were also similar to all counties (see Figures 5-8 – 5-13). Pearson Correlations also indicated a statistically significant relationship between the 1997 RTE ratio and R-47 approval ($r = .48, p < .05$). The 2000 RTE ratio also correlated with R-47 approval ($r = .49, p < .05$) (see Table 5-14). The 1997 and 1999 RTE ratios also correlated with R-47 approval ($r = .42, p < .05$; $r = .51, p < .05$ respectively) when outliers/extremes were excluded (see Table 5-15). Since income data were not available, regression analysis was conducted with one predictor, the RTE ratio, and one dependent, the corresponding approval percentage on the referendum and initiatives. As displayed in Table 5-16, the 1997 RTE ratio and R-47 approval produced the only significant model ($F = 10.5, p < .05$). Again, this model was successful in explaining 21 percent of the variation in the relationship.

Table 5-13: Descriptive statistics for King County cities - RTE ratio for 1997, 1999, and 2000; and voter approval percentage for Referendum 47, Initiative 695, and Initiative 722.

<u>1997 RTE ratio</u>		<u>1999 RTE ratio</u>		<u>2000 RTE ratio</u>	
Mean	1.42	Mean	1.52	Mean	1.70
Standard Error	0.11	Standard Error	0.13	Standard Error	0.12
Median	1.37	Median	1.33	Median	1.58
Standard Deviation	0.66	Standard Deviation	0.80	Standard Deviation	0.68
Minimum	0.30	Minimum	0.46	Minimum	0.66
Maximum	3.27	Maximum	4.74	Maximum	4.32
<u>Ref-47 Approval %</u>		<u>I-695 Approval %</u>		<u>I-722 Approval %</u>	
Mean	0.59	Mean	0.54	Mean	0.57
Standard Error	0.01	Standard Error	0.02	Standard Error	0.01
Median	0.59	Median	0.54	Median	0.57
Standard Deviation	0.05	Standard Deviation	0.10	Standard Deviation	0.07
Minimum	0.45	Minimum	0.30	Minimum	0.37
Maximum	0.75	Maximum	0.74	Maximum	0.68

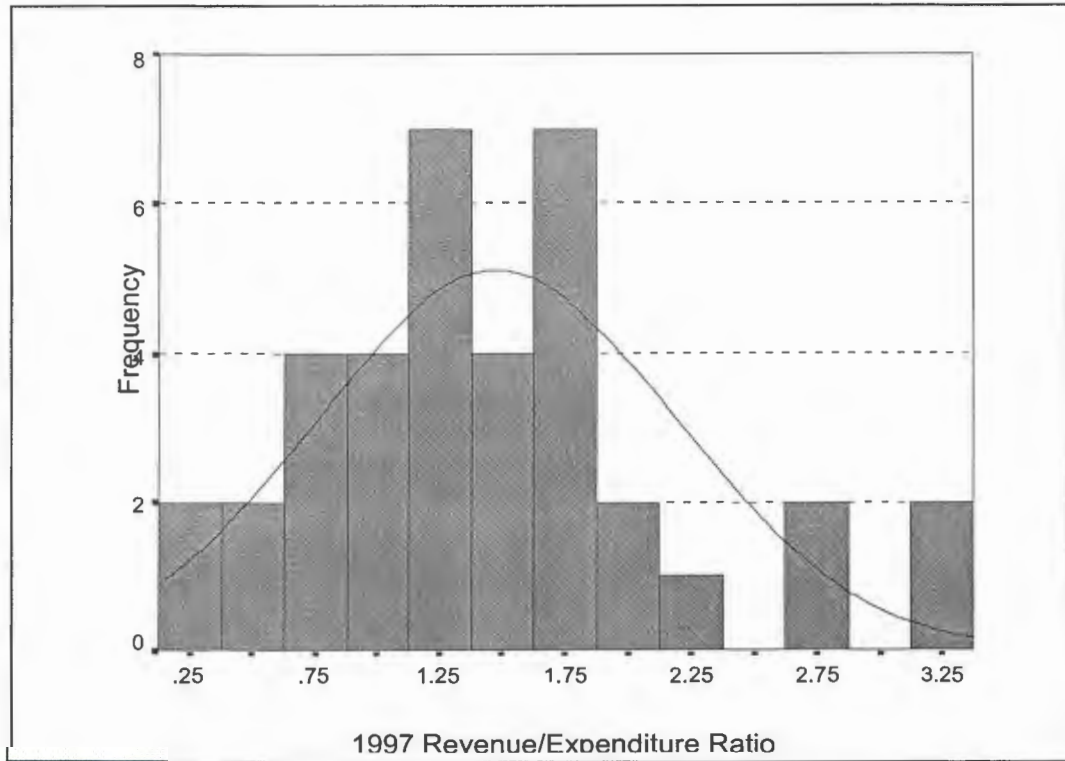


Figure 5-8: King County Cities, Frequency distribution of 1997 RTE ratio, N=36, Mean=1.42

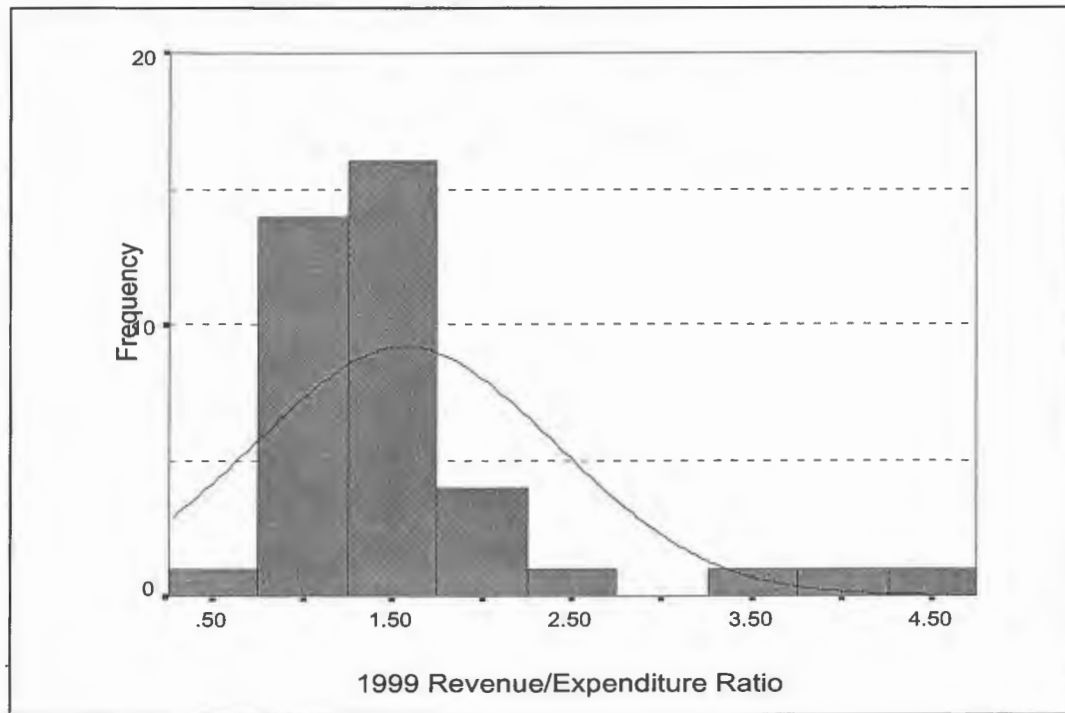


Figure 5-9: King County Cities, Frequency distributions of 1999 RTE ratios, N=38, Mean=1.52

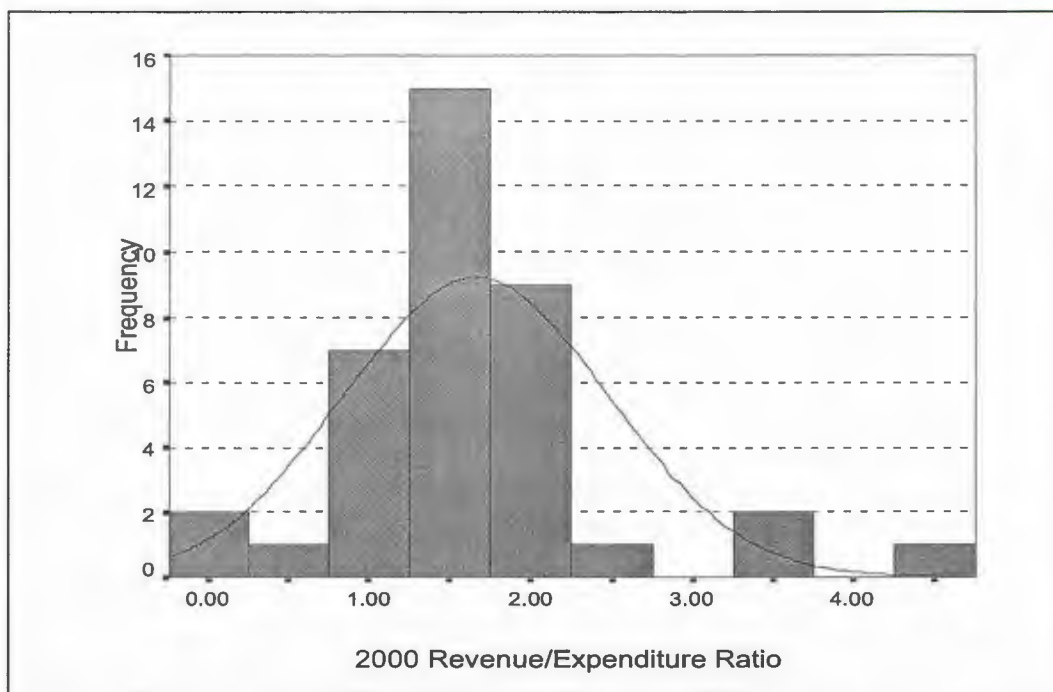


Figure 5-10: King County Cities, Frequency distribution of 2000 RTE ratio, N=35, Mean=1.70

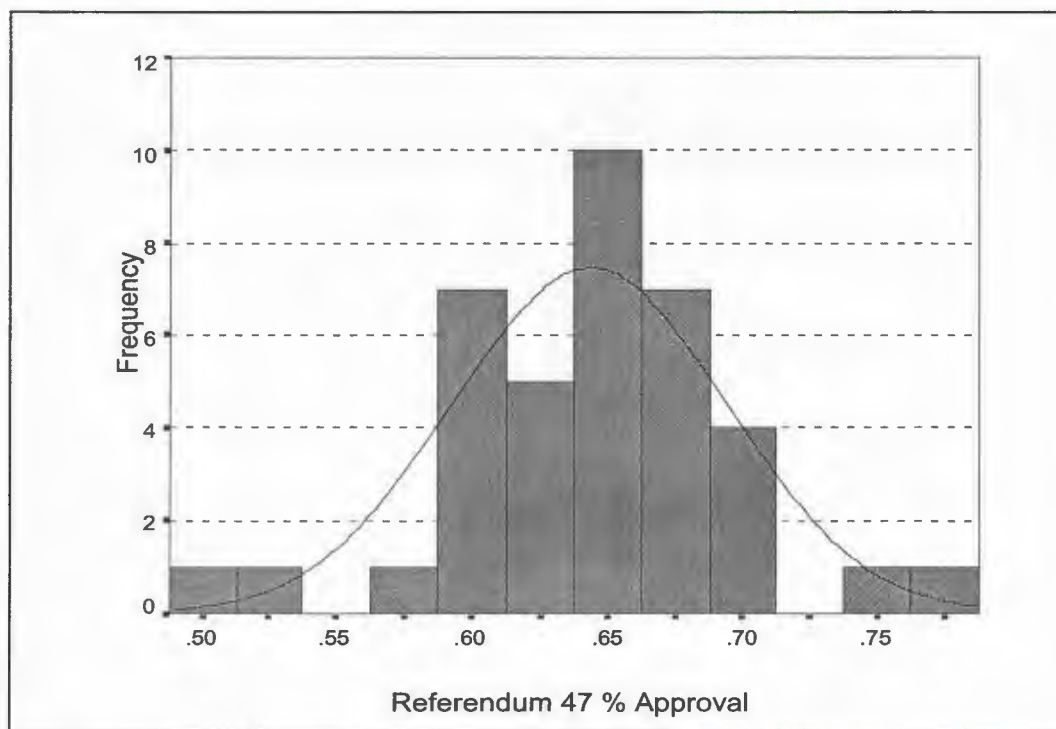


Figure 5-11: King County Cities – Frequency distribution of Referendum 47 approval percentage, N=38, Mean= .59

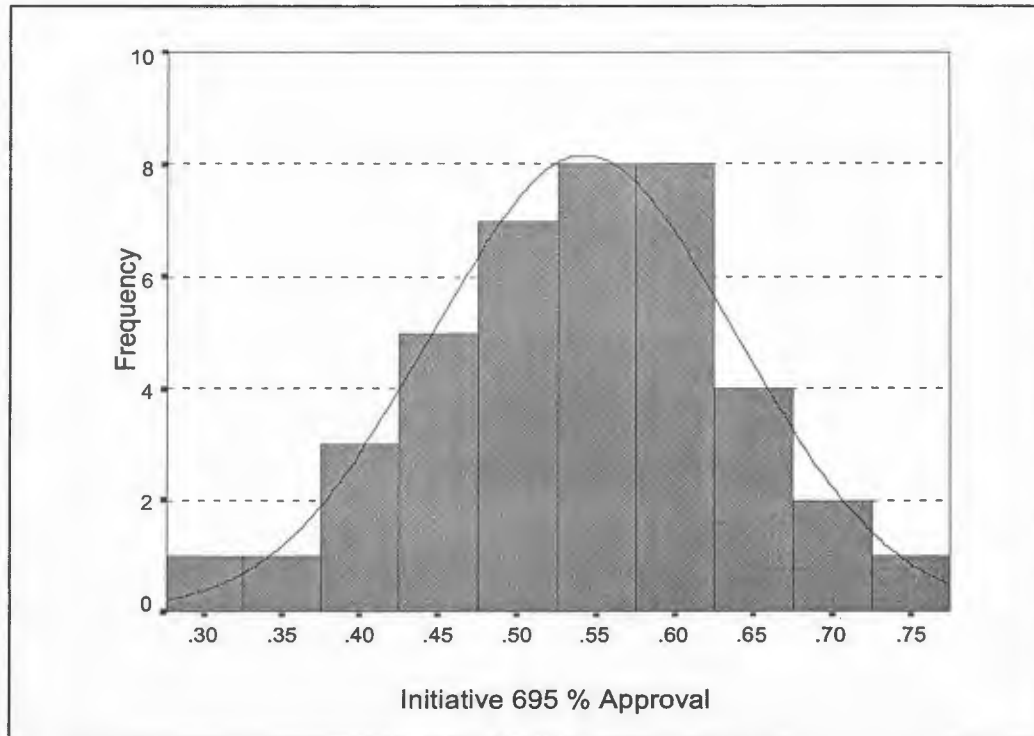


Figure 5-12: King County Cities – Frequency distribution of Initiative 695 approval percentage, N=40, Mean= .54

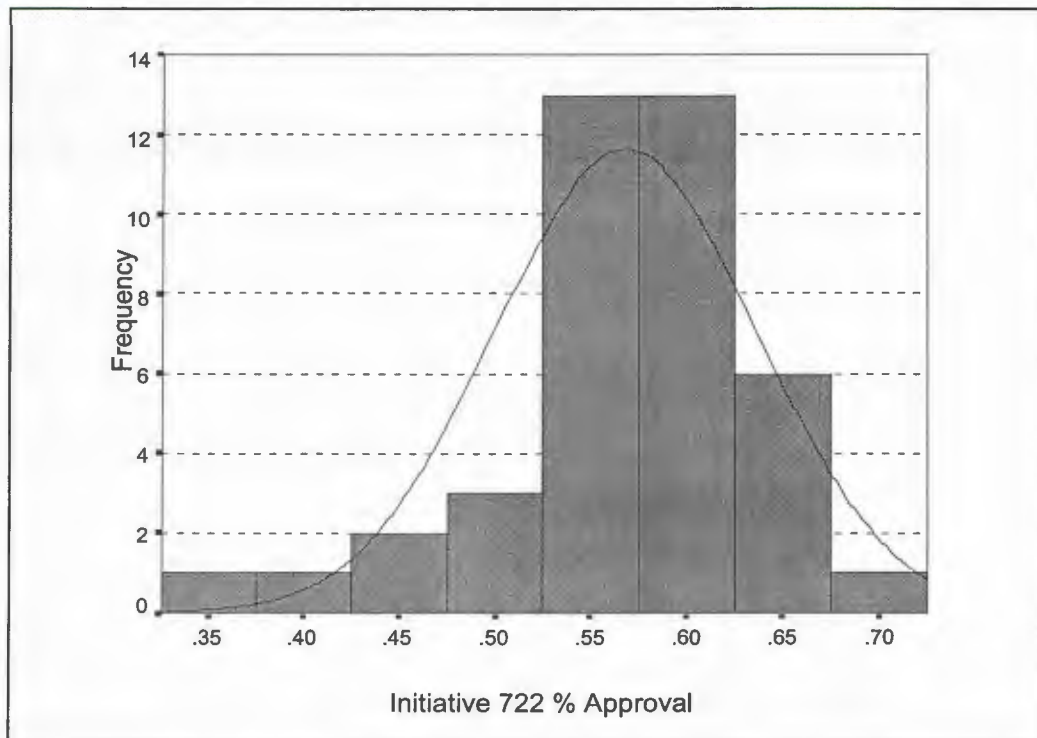


Figure 5-13: King County Cities – Frequency distribution of Initiative 722 approval percentage, N=40, Mean= .57

Table 5-14: King County Cities – Correlations between 1997, 1999, and 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, and Initiative 722.

Correlations		1997 RTE ratio	1999 RTE ratio	2000 RTE ratio	R - 47 % Apprv	I-695 % Apprv	I-722 % Apprv
1997 RTE ratio	Pearson Correlation						
	Sig. (2-tailed)						
	N						
1999 RTE ratio	Pearson Correlation	.318					
	Sig. (2-tailed)	.059					
	N	36					
2000 RTE ratio	Pearson Correlation	.415	.666				
	Sig. (2-tailed)	.013	.000				
	N	35	38				
R-47 % Apprv	Pearson Correlation	.480**	.162	.490**			
	Sig. (2-tailed)	.003	.338	.002			
	N	37	37	36			
I-695 % Apprv	Pearson Correlation	.044	-.188	.002	-.004		
	Sig. (2-tailed)	.796	.253	.989	.981		
	N	37	39	38	38		
I-722 % Apprv	Pearson Correlation	.018	-.094	-.038	.040	.896	
	Sig. (2-tailed)	.916	.570	.820	.809	.000	
	N	37	39	38	38	40	

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

Table 5-15: King County Cities - Correlations between 1997, 1999, and 2000 RTE ratios and voting patterns on Referendum 47, Initiative 695, and Initiative 722 – with outliers and extremes observations removed.

Correlations – With Outliers/Extremes Removed		1997 RTE ratio	1999 RTE ratio	2000 RTE ratio	R-47 % Apprv	I-695 % Apprv	I-722 % Apprv
1997 RTE ratio	Pearson Correlation						
	Sig. (2-tailed)						
	N						
1999 RTE ratio	Pearson Correlation	.883					
	Sig. (2-tailed)	.000					
	N	29					
2000 RTE ratio	Pearson Correlation	.515	.614				
	Sig. (2-tailed)	.004	.000				
	N	30	32				
R-47 % Apprv	Pearson Correlation	.420*	.513**	.311			
	Sig. (2-tailed)	.019	.002	.084			
	N	31	33	32			
I-695 % Apprv	Pearson Correlation	-.243	-.201	.153	.038		
	Sig. (2-tailed)	.172	.247	.387	.826		
	N	33	35	34	36		
I-722 % Apprv	Pearson Correlation	-.299	-.118	.318	.095	.896	
	Sig. (2-tailed)	.090	.500	.066	.583	.000	
	N	33	35	34	36	40	

*Correlation is significant at the 0.05 level (2-tailed). **Correlation is significant at the 0.01 level (2-tailed).

Table 5-16: King County Cities – Linear regression model and ANOVA, 1997

Linear Regression Model Summary									
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
Model					R Square Change	F Change	df1	df2	Sig. F Change
1	.480	.230	.208	4.558E-02	.230	10.479	1	35	.003

a. Predictors: (Constant), 1997 RTE ratio
b. Dependent Variable: Referendum 47 % Yes

Linear Regression Model ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.177E-02	1	2.177E-02	10.479	.003
	Residual	7.272E-02	35	2.078E-03		
	Total	9.449E-02	36			

a. Predictors: (Constant), 1997 RTE ratio
b. Dependent Variable: Referendum 47 % Yes

RTE Ratio Trends

Table 5-17 displays the per capita tax revenue, per capita expenditure, and RTE ratio trends from 1997 through 2000. Notwithstanding the fact that these data only cover three years, the trend appears to be a gradual increase in the RTE ratios, due to the gradual increase in the revenue end of the ratio. The RTE ratio is higher and the increase slightly greater for King County cities than for all counties, which may make sense given the urbanizing character of King County. While not capturing a significant place in this analysis, it is an interesting finding that could benefit from future study. Is this part of a long-term trend? Is this trend dependent upon disparities in jurisdictions' per capita revenue and expenditure? Is it related to the increasing restrictions being placed on Washington governments' revenue and expenditures? These questions cannot, of course, be answered through this study, but may be an important departure for future research.

Table 5-17: Per capita tax revenue and per capita expenditure trends, 1997 - 2000, for Washington counties and King County cities

Washington Counties	1997	1999	2000
Mean per capita tax revenue Index	6.14	6.73	7.39
Median per capita tax revenue Index	5.67	6.26	6.74
Mean per capita expenditure Index	6.80	7.15	6.74
Median per capita expenditure Index	4.97	5.95	5.85
Mean RTE ratio	1.22	1.25	1.39
Median RTE ratio	1.16	1.11	1.22
King County Cities	1997	1999	2000
Mean per capita tax revenue Index	11.60	12.85	15.26
Median per capita tax revenue Index	10.44	10.28	11.44
Mean per capita expenditure Index	9.49	9.04	9.00
Median per capita expenditure Index	8.03	8.29	7.82
Mean RTE ratio	1.42	1.52	1.70
Median RTE ratio	1.37	1.33	1.58

Given the divergence of the 1997 results from the 1999 and 2000 findings, further examination and discussion is clearly warranted. The next chapter will address these issues and their potential implications for public policy.

Chapter Six

Discussion:

Toward Harmonizing Fiscal and Civic Health

The mixed results of this research are not entirely surprising, given the complexity of the problems facing Washington's public finance system. Research studies by others reveal that pinning down the factors influencing voter decisions proves to be an elusive goal, and relationships that may exist are not necessarily linear. It is likely that individuals consider many variables as they make decisions about public finances, some conscious, and some such as personal or ideological values may in fact be unconscious. This chapter discusses the research findings, paying special attention to the significant relationships that begin to point to Washington's public finance system as one such influence on voter approval of recent tax-limiting initiatives. In order to organize and understand these findings, several themes are raised in this chapter. A search for *stability* and *balance* in the face of "runaway taxes" arises from the 1997 data. A rising call for *balance* and *fairness* is identified in the 1999 – 2000 findings. Finally, understanding these results in the current political and ultimately humanistic context, *widespread civic distrust*, may well point the way toward achieving civic and fiscal health in Washington State.

1997: Voters Seek Stability and Balance

Relationship testing between the key variables indicates a connection between taxes, spending, and voter behavior in 1997. The relationship between the RTE ratio and

voter approval of Referendum 47 is positive, running counter to the research hypothesis, which presumed that a negative relationship would exist. Generally, increasing approval of R-47 corresponds to an increasing RTE ratio in 1997. In other words, as a jurisdiction's per capita tax revenue becomes greater than their per capita public expenditures, the likelihood that citizens within the area will approve tax-limiting initiatives becomes stronger. In fact, nearly 25 percent of voter behavior on tax-limiting ballot measures can be explained by this imbalance in the 1997 RTE ratio. The remaining 75 percent of voter behavior is influenced by other factors. While the relationship is not overwhelmingly strong, its significance is cause for reflection.

What does this mean? It seems fairly intuitive that citizens would be less likely to pay more for the same or lesser quality service. If an individual is able to pay for a higher quality product, they will usually be happy to do so. However, the same individual is likely to be dismayed at having to pay more for the same product even if they are aware that annual rises in the price of some goods is commonplace in a modern market-driven economic system. Furthermore, if the product is a basic need such as food or clothing, people may feel powerless to change the cost of the product and will accept the increase, albeit begrudgingly. This mentality would seem likely to hold true even in terms of paying for public goods and services. However, citizens *do* have the power, or at least the perceived power to affect the price of some *public* goods and services via ballot measures. Findings indicate that as citizens pay a greater amount in per capita taxes than government is spending on core services, they may increasingly become disgruntled, and thus more likely to use the initiative process as a means of reducing the size of their tax bill.

Perhaps this is a display of the general public being attentive to taxation and exacting political retribution for perceived tax injustice (Bowler and Donovan, 1995, p. 96). While Bowler and Donovan (1995) simply identify tax increases as possible causes of such political retribution, it would appear that this retribution has something to do with an imbalance in the relationship between tax revenue and public expenditures, at least in 1997. A regression model of the relationship between taxes, spending, income, and R-47 approval respectively are significant. Thus policymakers can predict that citizens will be more inclined to approve tax-limiting ballot measures as their tax bills increase out of proportion with the public benefits they receive. This situation influences roughly one-quarter of their decision-making process.

At first glance, this appears to follow Hopps' (2000) notion of an over-burdened and under-benefited citizenry trying to achieve fairness in the public finance system via the initiative process. However, the Washington jurisdictions Hopps initially identified as over-burdened and under-benefited are not the same as have been identified here. This diversion can be better explained by analyzing which jurisdictions traditionally generate high revenue, while spending less on a per capita basis.

During the 1990's economic boom period, the counties with the highest RTE ratios were virtually all in urban or rapidly urbanizing regions. As a result, assessed property values increased substantially, significantly impacting the total property tax bill for residents of these areas. While property tax rates were not necessarily increasing, the bills certainly were, due almost entirely to increasing assessed valuations of property. This situation is a function of the real estate market intersecting with the manner in which

property taxes are structured. People living in urbanizing areas with rising property values were thus facing rapid increases in their tax bills, especially in wealthier areas.

Does per capita income play a role in these outcomes? How does controlling for income affect the relationship between the RTE ratio and voter approval of tax-limiting initiatives? Controlling for income produces little effect in the 1997 results, tending to have a minor enhancing effect, at most. The strength of the relationship between voter approval of Referendum 47 and the 1997 RTE ratio increases slightly when per capita income is factored into the test on Washington counties. Of course, personal income and public finance are presumably related, to some degree. Because of this fact, a test was run to check for multicollinearity (redundancy between independent variables). The results, as stated in the previous chapter, do indicate that multicollinearity exists, but it does not have a significant effect on regression models and interpretation of the results. Furthermore, since a similar relationship pattern holds true for King County cities, absent the income variable, there would appear to be a generally widespread dissatisfaction with property taxes, in comparison to the services those taxes finance, across the spectrum of fiscal and income characteristics in 1997. However, areas benefiting most from the 1990's economic boom tend to be wealthier in general and to have higher property values, thus there is a slightly higher likelihood that residents of those areas would be more inclined to limit the growth of their property tax bills. This helps to explain why there is a slightly strengthened correlation between voter behavior and the RTE ratio when income is considered.

Essentially, what may be evident here is a highly rational pocketbook issue coming to the fore. Voters may have responded to perceived excessive increases in their

property tax bills and exercised their power accordingly to keep those bills in check in the only manner they could, short of moving to a less prosperous area. Of course, Referendum 47 did nothing to limit the acceleration of property values, but it did limit government's ability to make the situation worse for property owners (Tax Shift, Oct. 13, 1997).

The scenario in 1997 bears a strong resemblance to California's Proposition 13 and the widespread support for that tax-limiting ballot proposal. Previous studies of Proposition 13 showed that voters were motivated by the size of their property taxes, especially in light of large state surpluses (Zisk, 1987, and Cronin, 1989). Washington was also experiencing a large and expanding surplus, due in part to the passage of Initiative 601, a measure limiting and capping state budgets and expenditures. In 1993, I-601 mandated that revenues in excess of the budget caps be set aside, providing a surplus 'rainy-day' fund. Ironically, the backers of the recent tax-limiting initiatives cited these reserves "as a sign of greedy government hoarding taxpayer's money" (Postman, March 7, 2002). While these trends generally remained true for 1999 and 2000 results, it is possible that the dissatisfaction with rising property tax bills were largely ameliorated for the wealthier and more urban areas of Washington, as property tax bills were somewhat stabilized and more balance could be felt.

1999-2000: Voters Seek Balance and Fairness

In 1999 and 2000, the pattern reversed. There is a negative relationship between 1999 and 2000 RTE ratios and approval of Initiatives 695 and 722, supporting the research hypothesis for these years. However, the RTE ratio has a less powerful influence on voter behavior in these years than does per capita income for Washington

counties. When considered independently from the RTE ratios, a statistically significant relationship exists between per capita income and initiative approval in 1999 and 2000, explaining roughly one-fifth (17% in 1999 and 22% in 2000) of voter decision-making on tax-limiting initiatives. Again, regression analysis indicates other variables are effecting a majority of the variation within this relationship.

Interpretation of these results is not easy. Initiatives 695 and 722 were perhaps not as important to the higher income counties because their RTE ratios achieved some balance after 1997. This cannot be directly inferred from the results, but it can be seen that the 1997 results have been reversed and appear to be growing stronger in the opposite direction. Thus, less prosperous areas appear to be increasingly seeking more balance in the effort and productivity of their tax dollars. The fact that income is a stronger indicator of voter behavior than the RTE ratios for these years reinforces the importance of this phenomenon.

The fact that lower income citizens and those living in more depressed areas are increasingly supporting tax-limiting initiatives is consistent with previous indications that the majority of tax burden tends to fall on low-income residents of the State of Washington (CTJ, 1996). The absence of a graduated income tax and a heavy reliance upon sales and property taxes results in low-income earners paying considerably more in taxes as a percent of income than high-income earners (CTJ, 1996). An over-reliance on a regressive tax structure may indeed be generating significant anti-tax sentiment within the poorer areas of the state.

Since tax *rates*, which are more closely related to income than per capita revenue, were not used in this analysis, the influence of income and RTE ratios on voter behavior

can be better understood in terms of a jurisdiction's tax capacity. Data reveal that rural, less wealthy jurisdictions are generating less revenue per capita, while having to pay more for services on a per capita basis. This is consistent with Orfield's (1999) findings that some of these areas voting for tax-limiting initiatives in Washington tend to have higher social needs and lower resources. More than half of all Washington counties had RTE ratios of less than 1.5 in 2000, and approximately 13 of those 23 counties had ratios of less than 1.0. Furthermore, many of these counties had an income per capita slightly less than the mean for all counties combined. Thus, even though tax limitations are decreasing the burden for citizens overall, lower income citizens remain dissatisfied because they continue to be over-burdened compared to citizens in other more prosperous areas. Meanwhile, the local governments in these areas are forced to find other ways of generating revenue, perhaps even more regressive means, in order to maintain funding of mandated services.

This part of the study's findings directly reflects Orfield's (1999) determinations, and when combined with the fact that income has a stronger, negative relationship to the increasing approval of these initiatives, it should be cause for policymakers to pay attention. However, another economic boom time may also raise the ire of the wealthier sectors of the state as property tax bills skyrocket, as indicated by the 1997 data. Considering these divergent results in light of the current political context may help to understand what they suggest for achieving positive reformation of the Washington public finance system.

Political Context of Major Findings

Clearly there are many other intervening variables in the relationship between taxes, spending, and voter behavior that are not controlled for in this study. It is worthwhile to take note of these conditions as possible explanations for the change in direction from 1997 to 2000.

First, the diminishing relationship between RTE ratios and voter approval of tax-limiting initiatives for 1999 and 2000 may be indicative of government response to a tightening revenue stream since the passage of R-47. Previous research has shown that governments may supplant one diminished revenue source with another, effectively neutralizing or running counter to the spirit of a given tax-limiting initiative. There may also be some carry-over effect from the successful passage of one of the first tax limiting ballot measures in recent years. In Washington, successive campaigns have focused significantly on the suggestion that governments will find any way they can to get more money out of voters and are being disingenuous if they state otherwise (Ashton, Jan. 25, 2002,). Letters to the editor of local newspapers reflect a serious concern about this issue among voters (Westwood, Nov. 19, 2001), and the November/December 1999 *Elway Poll* found widespread distrust of public officials, and a belief that Washington governments would likely raise revenue from other sources without a public vote. Washington voters may be expressing their dissatisfaction with government by either voting for tax-limiting initiatives or not voting altogether. According to Elway (2002), "Non-voters magnify the impact of the angry, anti-tax voters." Given that some past studies have indicated a history of significantly less distrust of government among lower income citizens (Beck et al, 1990, and Lipsitz, 1970), an expansion of the current distrustful climate may be growing with each passing initiative, possibly influencing the

shift in results, especially the rise in the influence of personal income levels on voter behavior.

This sense of frustration and distrust relates directly to another potentially viable intervening variable: a general feeling of powerlessness amongst the voters. Some recent studies have demonstrated a desire by citizens to have a say in the public sphere (Bennett, 1998), yet even when they do try to get involved in the most accessible ways, many continue to feel powerless or impotent in the public decision-making process (King, Feltey and Susel, 1998, and King and Stivers, 1998). Where there are few real opportunities for citizens to have an impact on public policy, the initiative process gives citizens the power to make a *direct* impact on the issue presented to them. Where there is dissatisfaction with the public finance system and increasing distrust of government, especially among disadvantaged citizens, the use of the initiative as punishment for government may also increase.

However, in some cases voters are not simply trying to punish government, but are demanding more communication and accountability (Stiffler, Nov. 7, 2001). Whitman County demonstrates that addressing this issue may have significant results. They managed to buck the trend that has seen a pattern of communities with low RTE ratios approving tax-limiting initiatives by wide margins. Perhaps the county's active efforts to engage the citizenry in budget decision-making processes had some role in these results. Effectively communicating with citizens and actively involving them in their governing institutions may go a long way toward resolving many lingering resentments and tensions.

Toward Achieving Fiscal Health and Overcoming Civic Distrust

Reforming the public finance system in Washington State is not an easy task; simple solutions do not apply. It should be pointed out that the formula for doing so cannot be found in the results of this study. However, the findings do indicate that citizens across jurisdictions and income levels would make the system more balanced, stable and fair, if only they knew how. These indications are consistent with Hopps' (2000) and Arnett's (Niskanen et al, 1997) guidelines for a sound public finance system. Indications from a variety of ideological persuasions appear to be pointing to a genuine need to reform Washington's public finance system. Unfortunately, the options currently available to policymakers are limited due to the constraints of the state constitution and the division of taxing authorities, so the solutions some jurisdictions are currently attempting amount to band-aid efforts that will likely serve to exacerbate an already troublesome situation in the long run. For example, some jurisdictions are seeking to create new taxing and service districts to relieve strain on current jurisdictional responsibilities. This increases the complexity of the system, creates need for more revenues to support the added bureaucracy and may actually increase the burden on citizens in those areas. Clearly, this will not alleviate any perception of imbalance or unfairness in the public finance system.

Citizens, if indeed they are seeking greater balance, stability and fairness, have also been misguided in their efforts. Rather than actually achieving these results, they have succeeded in creating *greater* disparities between jurisdictions. This is likely due to the fact that citizens have been presented limited options on the ballot, and as a result, they have made collective decisions that are forcing a greater reform effort by virtue of

the restricted options for policymakers to achieve fiscal health at all levels of government in Washington.

The Washington State Tax Structure Study committee is exploring similar issues and should take these indications to heart as their work proceeds. This does not mean that they should come up with a single solution to be passed on to the legislature then implemented by public administrators. Rather, their work presents a ready opportunity for engaging the public in meaningful civic dialogue about options for reform.

Together with indications that there may also be some influence of an impotent voter backlash, the push for reform cries out for genuine collaboration between state and local governments and citizens in defining what government services are necessary and how they should be funded. The complicated nature of implementing a balanced, fair and stable tax structure, one capable of functioning well within an overall economic system that is dynamically unstable and prone to cyclical downturns, should be made apparent in public discourse. A collaborative effort that takes place at this level of exchange will help citizens across the state to understand trade-offs better as conflicting issues arise (King and Stivers, 1998).

In an era of increasing public scrutiny of government spending, coupled with ever-tightening revenue streams, perhaps now more than ever public services will be driven by need. Needs are different for each community, and some services required by state and federal mandates cannot simply be set aside. Still, the focus on dynamic community needs should be at the forefront of government agendas. This is especially true at the local level where public administrators have the opportunity to truly engage with their citizens in an honest and deliberate fashion regarding the needs of each

community as a whole. The next chapter concludes the research and findings, placing this more humanistic conception of the problem in the driving force of next steps and potential solutions.

Chapter Seven

Conclusion:

Call for Research & Policy Action

Resolving the budget crisis in Washington State will require a renewed analysis of the entire public finance system and its disparate impacts upon citizens throughout the state. A public finance system is not just a mechanism by which revenue is collected and services are funded. The manner in which taxes are assessed and collected, the services they fund, and how these resources are distributed ultimately affects the organization and quality of life within communities. These factors contribute to or limit the options and decisions of the individual members of those communities. This is perhaps the most important lesson to learn, or re-learn, from this study.

Previously, the authors stated that a quantitative design was the first step in approaching the fiscal problems facing the state because the problems hinge upon the quantitative flow of dollars and cents. Though this is how policymakers have been approaching the issue, a quantitative conception of the problem falls far short of the whole truth. The problem can be more accurately understood by seeing how the collection and distribution of those dollars and cents affect the lives of real people and the circumstances with which they must contend. Indeed, Washington's public finance system has been set up in a fashion that limits the options of citizens in direct relationship to their geographic location and their economic status. As a result, they have taken actions that also limit the options available to their local policy makers.

Two kinds of scholarly inquiry would be useful to further understand these complicated phenomena. The following next steps are recommended for studying the relationship between the Washington public finance system and Washington citizens' tax backlash.

Assess long-range patterns: A long-term study is needed in order to determine long-range patterns. This study can be replicated for multiple years, though it should include a few modifications. First, the study should focus on municipal and unincorporated county jurisdictions. Significant averaging occurs in larger jurisdictions, such as counties, which tends to dilute the results. Second, tax *rates* should be substituted for per capita revenue. This measure, though not an appropriate measure over a larger geographic region due to the problems with averaging, can help to illuminate burdens on citizens more distinctly. Finally, researchers should utilize media documentation of citizen unrest (e.g. initiative activities, editorial commentary, etc.), documenting trends to compare to revenue to expenditure ratios over time.

Direct inquiry, including qualitative assessment: A triangulated study using qualitative and quantitative methods would be helpful to directly study citizens voting for and against these initiatives, including the impact of non-voters on the process. A two-phase study, beginning with a statewide survey and followed by focus groups based on initial findings may be an appropriate strategy. Both phases should be organized to control for geographic location, income and party affiliation, presumably key influential factors as demonstrated by this study and other previous research.

These academic approaches to the problems raised within this study are needed for longer-term education and analysis, but in the interim there are 'real world' institutional and procedural approaches requiring more immediate implementation. The researchers identify two related areas of immediate concern to policy makers, recommending the following action steps.

Stop supplanting revenue; identify core services: First, state and local policy makers should stop making fiscal adjustments to compensate for the voters' actions on these initiatives, as this appears to aggravate the voters. Instead, policy makers should let the impacts expose the real quid pro quo consequences of voter decisions. They should also begin communicating with citizens about what they identify as core services and how these should be prioritized within overall budgets. This recommendation is a first step leading to the second, which primarily concerns policy processes, in addition to some specific actions.

Collaborative approach to fiscal reform: Fiscal policy needs to be formulated in a collaborative approach, bringing citizens into the process while seeking sound fiscal and healthy civic solutions. The Legislature's ongoing Washington State Tax Structure Study should work alongside a trusted non-partisan civic organization such as the League of Women Voters to engage citizens in discussions of the various options for reform available to state and local municipalities. These groups should examine the volatile nature of the current assessed property valuation mechanisms, paying particular attention to the heavy reliance upon property taxes and whether it will remain viable given the widespread unpopularity of this approach. The groups must also address the regressive nature of the tax structure, bringing citizens into the discussion so that they can be

assured that any solutions do not increase the overall tax burden borne by the state's citizens as a whole.

Some policymakers may balk at these ideas, continuing to believe that citizens will not participate due to lack of interest or time. It is true that citizens have multiple pressures and constraints on their time, but there are ways around this fact. Businesses could be recruited to participate, allowing their employees to engage in monthly roundtable discussions during work hours. Policymakers and civic leaders could attend meetings or conferences of already formed groups to reflect on these issues. Indeed, policymakers should not wait for citizens to conform to their schedules; they should go to citizens in their own environments and under their schedules.

Processes such as these could help to restore the eroded trust in Washington's public leaders and institutions. Authentic collaboration and communication that leaves aside propaganda and manipulation, could allow the greater public to bear witness to effective, responsive and accountable public representatives actively engaged with their constituents.

This study hopefully furthers an understanding of this state's need for a collaborative approach toward a more deliberate civic dialogue regarding issues of fairness, equity and stability in Washington's public finance system. This approach is needed now more than ever if policymakers wish to avoid the negative patterns repeated so often in this state's past. Some key factors, if openly and effectively addressed, may help to reduce the likelihood of a continual trend toward voters feeling the need to revert to the initiative process as a means of tinkering with the tax structure. There clearly is a

need for more balance and stability in the public finance system, as well as a need for citizens to have a more authentic role and influence in the shaping of public policy, their communities and the conditions under which they live. Policymakers should not wait to begin engaging citizens on these issues until their own solutions are formed. The fiscal crisis has opened a policy window, and the time to act is now.

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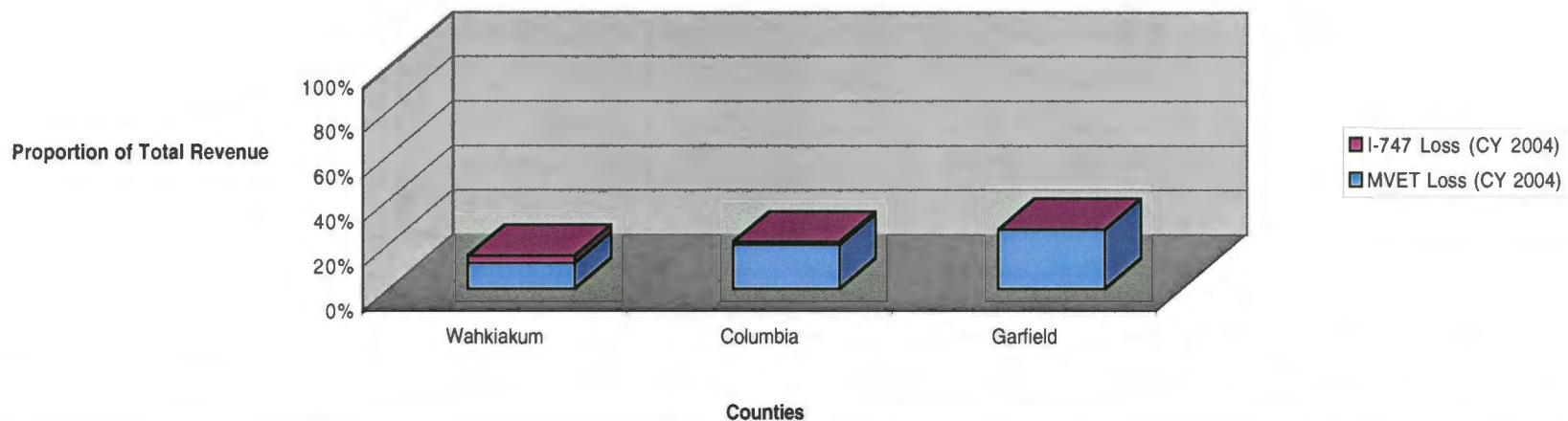
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Appendix A:
**Selected Initiative Impacts on Washington
Cities and Counties**

**Figure A-1
Counties Most Impacted by MVET Repeal
Comparison with I-747 Impacts**



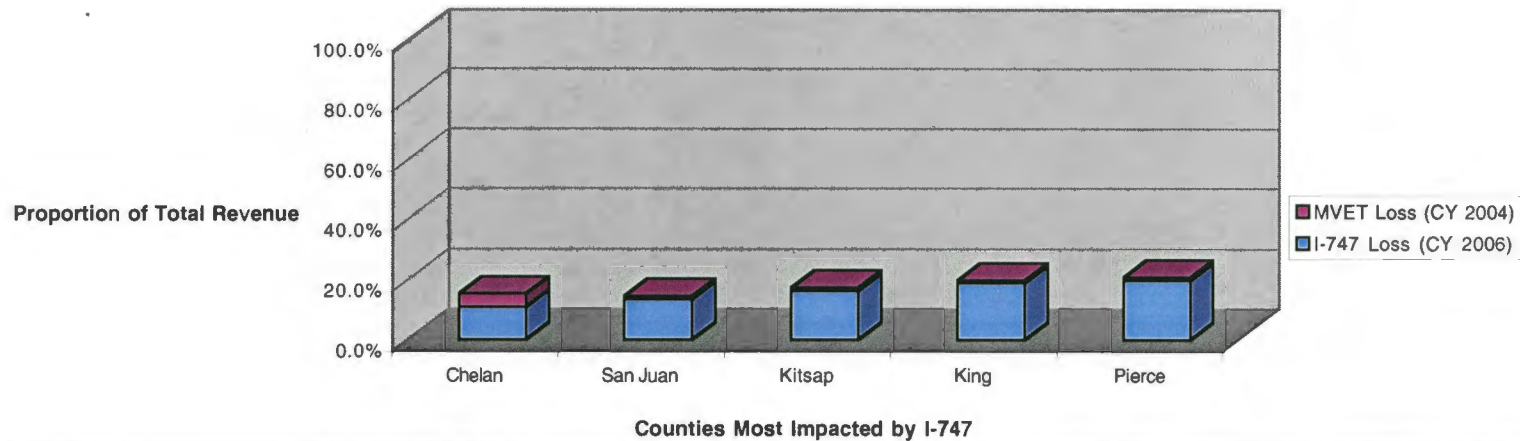
Findings: Counties that are most impacted by MVET repeal are among the least impacted by I-747. The least impacted among the three is more impacted by I-747.

Analysis: Counties were not hit as hard by the MVET repeal as cities were. However, the pattern still follows that the MVET supported jurisdictions of one set of characteristics, while property taxes seem to be of minimal consequence to them. As with the cities most impacted by the MVET repeal, these counties' property taxes are a low percentage of their total revenue.

Notes: 2000 revenues (restricted and unrestricted in the General and Special Revenue funds) is held constant for this analysis. Impacts as proportion of total revenue are calculated using dollar impacted data from the Department of Revenue and CY 2000 revenue data from the State Auditor's Office Local Government Finance Reporting System.

Sources: Washington State Auditor's Office and Department of Revenue

Figure A-2
Counties Most Impacted by I-747, CY 2006
Comparison with MVET Impacts, CY 2004



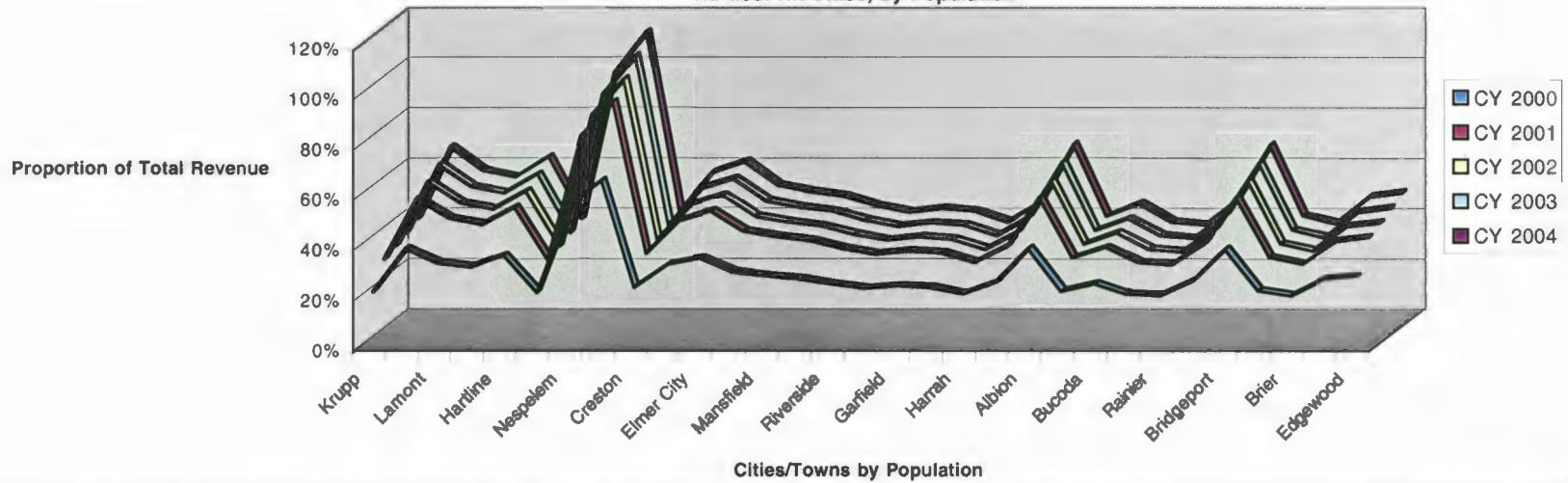
Findings: Counties most impacted by I-747 are among the least impacted by the MVET repeal. Four out of five are located in metropolitan areas and the most dense of these sustain the greatest impacts. Four out of five are in western Washington. The one county in central Washington is the least impacted by I-747 and most impacted by the MVET repeal amongst these counties.

Analysis: In general, counties appear to be impacted by I-747 to a greater degree than cities. However, their losses are minimal from the MVET repeal. This is, of course, due to the sales tax equalization fund that provided more balanced revenue for cities. As with cities, their impacts will grow exponentially over the years, and they will face difficulty in providing for the service demands of their metropolitan populations.

Notes: 2000 revenues (restricted and unrestricted in the General and Special Revenue funds) is held constant for this analysis. Impacts as proportion of total revenue are calculated using dollar impacted data from the Department of Revenue and CY 2000 revenue data from the State Auditor's Office Local Government Finance Reporting System.

Sources: Washington State Auditor's office and Department of Revenue

Figure A-3
MVET Impacts as Proportion of Total Revenue, CY 2000 - 2004
Hardest Hit Cities, by Population



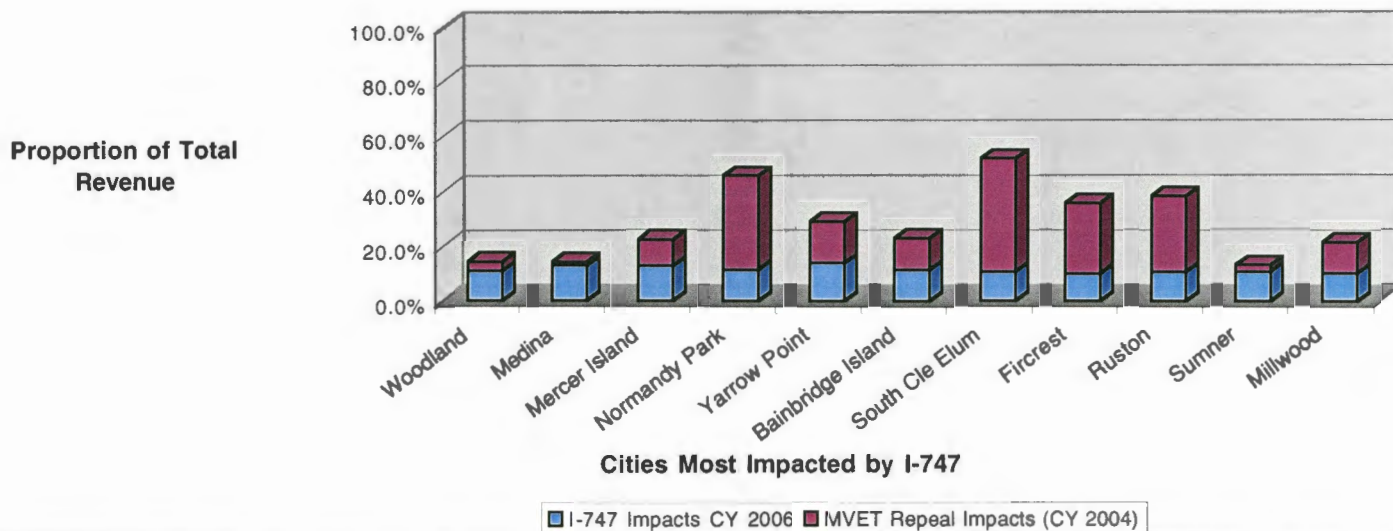
Findings: 31 cities and towns will lose more than 1/3 of the total restricted and unrestricted revenue in their General and Special Revenue Funds by CY 2004. Only four of these jurisdictions had populations greater than 1000 in CY 2000. Two of the smallest towns' revenue will be completely or almost completely depleted.

Analysis: Small cities have been and continue to be disproportionately impacted by the repeal of the Motor Vehicle Excise Tax. With the expectation that MVET backfill funds from the state will not continue after 2003 (possibly earlier), many of these cities will either have to provide city services at less than half their 2000 level of revenue. At least two of these towns will not survive the coming years without an alternative revenue source.

Notes: CY 2000 restricted and unrestricted revenues held constant in this analysis; "Total" is revenue in the General & Special Revenue Funds.

Source: Washington State Auditor's Office and Department of Revenue

**Figure A-4
 Cities Most Impacted by I-747, CY 2006
 Comparison with MVET Repeal Impacts, CY 2004**



Findings: Cities most impacted by I-747 are typically wealthier, bedroom communities. Nine out of the eleven are western Washington cities. The less wealthy areas are more substantially impacted by the MVET repeal than the wealthier communities. Overall, these cities are amongst the least impacted by the MVET repeal. However, combined with impacts of the MVET repeal, four of these cities will experience losses of 1/3 to nearly 50% of total revenue.

Analysis: While these cities may be able to compensate for their losses more easily in early years, all cities will experience increased impacts each year as growth continues and cost of providing city services increase. The cities that are hit the hardest in combination with the MVET repeal all have lower per capita income amongst their residents.

Notes: 2000 revenue (restricted and unrestricted revenues in the General and Special Revenue Funds) is held constant in this analysis.

Source: Washington State Auditor's Office and Department of Revenue.

Appendix B:
Washington Counties Data Table

Washington Counties - Tax Revenue per Capita Indices 1997, 1999, and 2000

County	1997 Prop Tax per Capita	1997 Sales/Use per Capita	1997 Other Local Tax per Capita	1997 Tax Revenue per Capita Index	1999 Prop Tax per Capita	1999 Sales/Use per Capita	1999 Other Local Tax per Capita	1999 Tax Revenue per Capita Index
Adams	\$180	\$40	\$18	\$6	\$202	\$41	\$16	\$7
Asotin	\$108	\$12	\$4	\$3	\$126	\$14	\$9	\$4
Benton	\$85	\$42	\$6	\$3	\$100	\$52	\$7	\$4
Chelan	\$85	\$40	\$8	\$3	\$158	\$75	\$16	\$6
Clallam	\$147	\$46	\$34	\$6	\$162	\$62	\$33	\$7
Clark	\$138	\$54	\$21	\$5	\$165	\$57	\$22	\$6
Columbia	\$173	\$23	\$21	\$6	\$185	\$30	\$15	\$6
Cowlitz	\$178	\$28	\$36	\$6	\$180	\$36	\$30	\$6
Douglas	\$173	\$35	\$11	\$6	\$198	\$43	\$20	\$7
Ferry	\$173	\$52	\$21	\$6	\$172	\$42	\$28	\$6
Franklin	\$124	\$53	\$7	\$5	\$128	\$53	\$8	\$5
Garfield	\$179	\$32	\$16	\$6	\$196	\$18	\$17	\$6
Grant	\$137	\$42	\$11	\$5	\$153	\$49	\$13	\$6
Grays Harbor	\$112	\$30	\$79	\$6	\$128	\$51	\$50	\$6
Island	\$123	\$39	\$22	\$5	\$148	\$53	\$29	\$6
Jefferson	\$211	\$60	\$38	\$8	\$270	\$78	\$38	\$10
King	\$194	\$168	\$76	\$11	\$193	\$190	\$85	\$12
Kitsap	\$147	\$57	\$17	\$6	\$165	\$70	\$23	\$7
Kittitas	\$147	\$63	\$36	\$6	\$160	\$64	\$45	\$7
Klickitat	\$122	\$26	\$36	\$5	\$158	\$26	\$40	\$6
Lewis	\$147	\$64	\$61	\$7	\$165	\$73	\$52	\$7
Lincoln	\$231	\$38	\$25	\$8	\$233	\$44	\$28	\$8
Mason	\$192	\$51	\$53	\$8	\$219	\$54	\$45	\$8
Okanogan	\$127	\$34	\$21	\$5	\$138	\$38	\$25	\$5
Pacific	\$178	\$38	\$138	\$9	\$212	\$44	\$89	\$9
Pend Oreille	\$214	\$81	\$50	\$9	\$200	\$32	\$49	\$7
Pierce	\$118	\$44	\$17	\$5	\$133	\$52	\$20	\$5
San Juan	\$314	\$158	\$232	\$18	\$308	\$186	\$240	\$19
Skagit	\$192	\$48	\$21	\$7	\$219	\$62	\$20	\$8
Skamania	\$178	\$18	\$6	\$5	\$199	\$26	\$11	\$6
Snohomish	\$136	\$42	\$35	\$5	\$151	\$45	\$41	\$6
Spokane	\$108	\$78	\$15	\$5	\$117	\$85	\$17	\$6
Stevens	\$143	\$29	\$25	\$5	\$166	\$30	\$33	\$6
Thurston	\$164	\$48	\$21	\$6	\$173	\$53	\$22	\$6
Wahkiakum	\$158	\$32	\$156	\$9	\$175	\$31	\$128	\$9
Walla Walla	\$141	\$34	\$6	\$5	\$160	\$38	\$5	\$5
Whatcom	\$158	\$38	\$24	\$6	\$171	\$41	\$52	\$6
Whitman	\$91	\$23	\$5	\$3	\$108	\$22	\$6	\$3
Yakima	\$98	\$33	\$9	\$4	\$115	\$33	\$11	\$4

Washington Counties - Tax Revenue per Capita Indices 1997, 1999, and 2000

County	2000 Prop Tax per Capita	2000 Sales/Use per Capita	2000 Other Local Tax per Capita	2000 Tax Revenue per Capita Index
Adams	\$229	\$50	\$18	\$8
Asotin	\$141	\$23	\$8	\$4
Benton	\$106	\$58	\$8	\$4
Chelan	\$180	\$85	\$23	\$7
Ciallam	\$159	\$68	\$30	\$7
Clark	\$190	\$66	\$24	\$7
Columbia	\$192	\$36	\$14	\$6
Cowlitz	\$190	\$45	\$24	\$7
Douglas	\$210	\$52	\$20	\$7
Ferry	\$175	\$41	\$29	\$6
Franklin	\$149	\$70	\$8	\$6
Garfield	\$201	\$28	\$16	\$6
Grant	\$178	\$55	\$20	\$6
Grays Harbor	\$136	\$48	\$60	\$6
Island	\$156	\$59	\$31	\$6
Jefferson	\$264	\$81	\$53	\$10
King	\$211	\$213	\$31	\$12
Kitsap	\$181	\$81	\$21	\$7
Kittitas	\$172	\$76	\$34	\$7
Klickitat	\$165	\$27	\$47	\$6
Lewis	\$170	\$85	\$59	\$8
Lincoln	\$250	\$43	\$31	\$8
Mason	\$241	\$66	\$44	\$9
Okanogan	\$157	\$42	\$27	\$6
Pacific	\$226	\$47	\$103	\$10
Pend Oreille	\$215	\$30	\$44	\$7
Pierce	\$151	\$57	\$21	\$6
San Juan	\$359	\$251	\$267	\$22
Skagit	\$244	\$75	\$24	\$9
Skamania	\$210	\$6	\$25	\$6
Snohomish	\$176	\$52	\$47	\$7
Spokane	\$123	\$83	\$20	\$6
Stevens	\$183	\$39	\$42	\$7
Thurston	\$200	\$58	\$25	\$7
Wahkiakum	\$177	\$33	\$198	\$10
Walla Walla	\$169	\$54	\$5	\$6
Whatcom	\$189	\$58	\$35	\$7
Whitman	\$114	\$32	\$7	\$4
Yakima	\$130	\$42	\$11	\$5

Washington Counties - Public Expenditure per Capita Indices, 1997 1999, and 2000

County	1997 Police Ops per capita	1997 Road/Street O&M per capita	1997 Natural Resources per Capita	1997 Expenditure Index	1999 Police Ops per capita	1999 Road/Street O&M per capita	1999 Natural Resources per Capita	1999 Expenditure Index
Adams	\$61	\$288	\$35	\$10	\$69	\$269	\$28	\$9
Asotin	\$37	\$81	\$22	\$4	\$42	\$81	\$14	\$4
Benton	\$22	\$28	\$22	\$2	\$25	\$32	\$26	\$3
Chelan	\$27	\$51	\$23	\$3	\$45	\$94	\$44	\$5
Clallam	\$51	\$111	\$51	\$5	\$55	\$112	\$64	\$6
Clark	\$29	\$58	\$49	\$3	\$29	\$60	\$49	\$6
Columbia	\$120	\$974	\$117	\$31	\$139	\$466	\$131	\$16
Cowlitz	\$39	\$93	\$29	\$4	\$56	\$92	\$30	\$5
Douglas	\$8	\$124	\$54	\$5	\$9	\$178	\$51	\$7
Ferry	\$36	\$277	\$88	\$10	\$17	\$310	\$95	\$11
Franklin	\$25	\$66	\$63	\$4	\$28	\$117	\$111	\$5
Garfield	\$139	\$693	\$79	\$23	\$86	\$514	\$68	\$16
Grant	\$52	\$115	\$27	\$5	\$57	\$124	\$36	\$6
Grays Harbor	\$43	\$160	\$52	\$7	\$44	\$113	\$45	\$5
Island	\$35	\$92	\$39	\$4	\$48	\$84	\$41	\$5
Jefferson	\$30	\$170	\$68	\$7	\$29	\$194	\$74	\$8
King	\$31	\$22	\$77	\$3	\$36	\$21	\$79	\$3
Kitsap	\$25	\$62	\$41	\$3	\$32	\$67	\$43	\$3
Kittitas	\$36	\$90	\$45	\$4	\$36	\$107	\$33	\$6
Klickitat	\$42	\$199	\$72	\$8	\$55	\$236	\$100	\$9
Lewis	\$36	\$134	\$59	\$6	\$36	\$130	\$70	\$6
Lincoln	\$58	\$484	\$50	\$15	\$61	\$758	\$76	\$22
Mason	\$51	\$86	\$36	\$4	\$55	\$78	\$41	\$5
Okanogan	\$36	\$136	\$34	\$5	\$40	\$160	\$45	\$7
Pacific	\$57	\$168	\$79	\$8	\$18	\$172	\$81	\$6
Pend Oreille	\$1	\$250	\$48	\$8	\$4	\$252	\$52	\$8
Pierce	\$32	\$48	\$39	\$3	\$37	\$42	\$38	\$6
San Juan	\$78	\$188	\$120	\$10	\$81	\$207	\$153	\$9
Skagit	\$31	\$102	\$74	\$5	\$32	\$100	\$67	\$7
Skamania	\$0	\$337	\$136	\$12	\$1	\$333	\$132	\$9
Snohomish	\$20	\$45	\$31	\$2	\$23	\$46	\$35	\$2
Spokane	\$26	\$43	\$22	\$2	\$35	\$44	\$17	\$3
Stevens	\$59	\$137	\$43	\$6	\$66	\$157	\$27	\$7
Thurston	\$26	\$64	\$37	\$3	\$28	\$70	\$32	\$17
Wahkiakum	\$0	\$408	\$93	\$13	\$0	\$475	\$580	\$13
Walla Walla	\$17	\$167	\$38	\$6	\$17	\$103	\$47	\$4
Whatcom	\$28	\$68	\$43	\$4	\$32	\$69	\$37	\$3
Whitman	\$24	\$127	\$18	\$4	\$26	\$120	\$21	\$4
Yakima	\$6	\$55	\$19	\$2	\$6	\$54	\$14	\$2

Washington Counties - Public Expenditure per Capita Indices, 1997 1999, and 2000

County	2000 Police Ops per capita	2000 Road/Street O&M per capita	2000 Natural Respources per Capita	2000 Expenditure Index
Adams	\$70	\$284	\$38	\$10
Asotin	\$42	\$78	\$22	\$4
Benton	\$26	\$27	\$37	\$2
Chelan	\$42	\$105	\$45	\$5
Clallam	\$57	\$106	\$65	\$6
Clark	\$33	\$46	\$44	\$3
Columbia	\$111	\$351	\$138	\$15
Cowlitz	\$53	\$86	\$73	\$5
Douglas	\$8	\$175	\$53	\$6
Ferry	\$13	\$312	\$114	\$11
Franklin	\$26	\$138	\$70	\$6
Garfield	\$89	\$642	\$68	\$20
Grant	\$57	\$95	\$41	\$5
Grays Harbor	\$43	\$140	\$127	\$8
Island	\$52	\$89	\$39	\$5
Jefferson	\$32	\$248	\$85	\$9
King	\$35	\$21	\$63	\$3
Kitsap	\$34	\$74	\$45	\$4
Kittitas	\$37	\$111	\$36	\$5
Klickitat	\$56	\$180	\$115	\$9
Lewis	\$38	\$138	\$71	\$6
Lincoln	\$54	\$470	\$73	\$15
Mason	\$54	\$94	\$47	\$5
Okanogan	\$43	\$154	\$71	\$7
Pacific	\$10	\$169	\$49	\$6
Pend Oreille	\$5	\$217	\$54	\$7
Pierce	\$39	\$42	\$41	\$3
San Juan	\$77	\$197	\$143	\$11
Skagit	\$32	\$97	\$86	\$6
Skamania	\$1	\$291	\$129	\$11
Snohomish	\$24	\$44	\$24	\$2
Spokane	\$34	\$48	\$24	\$3
Stevens	\$52	\$156	\$39	\$6
Thurston	\$29	\$72	\$33	\$3
Wahkiakum	\$0	\$346	\$132	\$12
Walla Walla	\$20	\$199	\$41	\$7
Whatcom	\$31	\$77	\$49	\$4
Whitman	\$33	\$115	\$20	\$4
Yakima	\$6	\$49	\$19	\$2

Appendix C:
King County Cities Data Table

King County Cities - Tax Revenue per Capita Indices, 1997, 1999, and 2000

City	1997 Prop Tax per Capita	1997 Sales/Use Tax per Capita	1997 Other Local Tax per Capita	1997 Tax Revenue Index	1999 Prop Tax per Capita	1999 Sales/Use Tax per Capita	1999 Other Local Tax per Capita	1999 Tax Revenue Index
Algona	\$169	\$101	\$79	\$9	\$174	\$98	\$42	\$8
Auburn	\$225	\$258	\$56	\$14	\$214	\$288	\$64	\$15
Beaux Arts Vllg	\$284	\$70	\$31	\$10	\$171	\$207	\$18	\$10
Bellevue	\$234	\$314	\$101	\$17	\$226	\$369	\$125	\$18
Black Diamond	\$34	\$49	\$27	\$3	\$109	\$63	\$42	\$5
Bothell	\$156	\$197	\$76	\$11	\$184	\$247	\$54	\$12
Burien	\$87	\$122	\$39	\$6	\$102	\$128	\$51	\$7
Carnation	\$120	\$106	\$55	\$7	\$143	\$162	\$39	\$9
Clyde Hill	\$184	\$59	\$81	\$8	\$207	\$74	\$125	\$10
Covington	\$36	\$14	\$22	\$2	\$83	\$78	\$45	\$5
Des Moines	\$90	\$53	\$44	\$5	\$91	\$65	\$42	\$5
Duvall	\$89	\$80	\$64	\$6	\$104	\$111	\$71	\$7
Enumclaw	\$133	\$143	\$32	\$8	\$138	\$164	\$39	\$9
Federal Way	\$80	\$125	\$38	\$6	\$79	\$135	\$56	\$7
Hunts Point	\$298	\$172	\$88	\$14	\$408	\$182	\$290	\$23
Issaquah	\$230	\$543	\$93	\$22	\$239	\$656	\$127	\$26
Kenmore					\$148	\$60	\$63	\$7
Kent	\$221	\$267	\$30	\$13	\$237	\$255	\$58	\$14
Kirkland	\$195	\$244	\$65	\$13	\$203	\$280	\$81	\$14
Lake Frst Park	\$135	\$38	\$33	\$5	\$157	\$49	\$46	\$6
Maple Valley	\$41	\$15	\$15	\$2	\$86	\$87	\$51	\$6
Medina	\$432	\$518	\$69	\$26	\$431	\$312	\$120	\$22
Mercer Island	\$324	\$87	\$63	\$12	\$350	\$103	\$101	\$14
Milton	\$134	\$143	\$34	\$8	\$138	\$145	\$44	\$8
Newcastle	\$186	\$67	\$69	\$8	\$218	\$96	\$59	\$10
Normandy Prk	\$155	\$43	\$20	\$6	\$160	\$58	\$48	\$7
North Bend	\$141	\$267	\$303	\$18	\$146	\$293	\$213	\$17
Pacific					\$103	\$127	\$18	\$6
Redmond	\$241	\$336	\$63	\$16	\$263	\$394	\$107	\$20
Renton	\$296	\$282	\$121	\$18	\$317	\$303	\$114	\$19
Sammamish					\$0	\$13	\$31	\$1
Seatac	\$295	\$258	\$155	\$18	\$298	\$291	\$259	\$22
Seattle	\$291	\$198	\$67	\$14	\$323	\$227	\$77	\$16
Shoreline	\$89	\$91	\$44	\$6	\$103	\$103	\$80	\$7
Skykomish	\$133	\$146	\$17	\$8	\$192	\$436	\$17	\$17
Snoqualmie	\$172	\$302	\$50	\$13				
Tukwila	\$481	\$947	\$90	\$39	\$460	\$939	\$207	\$41
Woodinville	\$149	\$317	\$69	\$14	\$209	\$464	\$110	\$20
Yarrow Point	\$288	\$68	\$92	\$11	\$319	\$91	\$221	\$16

* Blank cells indicate no data available

King County Cities - Tax Revenue per Capita Indices, 1997, 1999, and 2000

City	2000 Prop Tax per Capita	2000 Sales/Use Tax per Capita	2000 Other Local Tax per Capita	2000 Tax Revenue Index
Algona	\$215	\$125	\$106	\$11
Auburn	\$278	\$364	\$95	\$19
Beaux Arts Vllg	\$174	\$139	\$50	\$9
Bellevue	\$245	\$422	\$132	\$20
Black Diamond	\$332	\$124	\$99	\$14
Bothell	\$223	\$300	\$55	\$15
Burien	\$114	\$160	\$68	\$9
Carnation	\$118	\$197	\$53	\$9
Clyde Hill	\$218	\$80	\$94	\$10
Covington	\$85	\$81	\$46	\$5
Des Moines	\$107	\$77	\$42	\$6
Duvall	\$144	\$143	\$117	\$10
Enumclaw	\$149	\$203	\$35	\$10
Federal Way	\$92	\$158	\$62	\$8
Hunts Point	\$391	\$936	\$79	\$36
Issaquah				
Kenmore				
Kent	\$332	\$355	\$66	\$19
Kirkland	\$214	\$313	\$85	\$16
Lake Frst Park	\$180	\$59	\$40	\$7
Maple Valley	\$126	\$131	\$76	\$9
Medina	\$453	\$387	\$84	\$24
Mercer Island	\$370	\$155	\$89	\$16
Milton	\$161	\$148	\$55	\$9
Newcastle	\$230	\$98	\$99	\$11
Normandy Prk	\$151	\$53	\$45	\$6
North Bend	\$242	\$429	\$142	\$21
Pacific	\$100	\$142	\$13	\$7
Redmond	\$290	\$432	\$73	\$20
Renton	\$365	\$358	\$131	\$22
Sammamish				
Seatac	\$335	\$358	\$324	\$26
Seattle	\$397	\$253	\$84	\$19
Shoreline	\$119	\$113	\$92	\$8
Skykomish	\$167	\$202	\$15	\$10
Snoqualmie				
Tukwila	\$561	\$1,259	\$260	\$53
Woodinville	\$206	\$483	\$92	\$20
Yarrow Point	\$332	\$158	\$224	\$18

* Blank cells indicate no data available

King County Cities - Public Expenditure per Capita Indices, 1997, 1999, and 2000

City	1997 Law Enf per Capita	1997 Road/Street O&M per Capita	1997 Nat Resources per Capita	1997 Exp Index	1999 Law Enf per Capita	1999 Road/Street O&M per Capita	1999 Nat Resources per Capita	1999 Exp Index
Algona	\$201	\$70	\$59	\$8	\$248	\$76	\$35	\$9
Auburn	\$207	\$26	\$163	\$10	\$215	\$27	\$153	\$10
Beaux Arts Vllg	\$34	\$27	\$114	\$4	\$45	\$49	\$1	\$2
Bellevue	\$164	\$126	\$288	\$15	\$190	\$126	\$333	\$17
Black Diamond	\$286	\$11	\$72	\$9	\$170	-\$26	\$69	\$5
Bothell	\$171	\$27	\$102	\$8	\$197	\$29	\$142	\$9
Burien	\$138	\$25	\$61	\$6	\$142	\$28	\$75	\$6
Carnation	\$171	\$23	\$40	\$6	\$219	\$17	\$51	\$7
Clyde Hill	\$138	\$21	\$32	\$5	\$153	\$10	\$38	\$5
Covington	\$13	\$1	\$8	\$1	\$97	\$27	\$54	\$5
Des Moines	\$151	\$33	\$207	\$10	\$179	\$27	\$223	\$11
Duvall	\$132	\$59	\$87	\$7	\$140	\$57	\$113	\$8
Enumclaw	\$130	\$37	\$111	\$7	\$139	\$37	\$139	\$8
Federal Way	\$106	\$31	\$68	\$5	\$136	\$29	\$80	\$6
Hunts Point	\$196	\$19	\$120	\$9	\$223	\$48	\$95	\$9
Issaquah	\$171	\$55	\$432	\$17	\$197	\$55	\$471	\$19
Kenmore					\$114	\$40	\$34	\$5
Kent	\$185	\$46	\$193	\$11	\$195	\$44	\$183	\$11
Kirkland	\$110	\$42	\$133	\$7	\$139	\$35	\$162	\$9
Lake Frst Park	\$145	\$49	\$46	\$6	\$134	\$13	\$64	\$5
Maple Valley	\$19	\$2	\$4	\$1	\$104	\$18	\$51	\$4
Medina	\$188	\$81	\$102	\$10	\$234	\$117	\$185	\$14
Mercer Island	\$111	\$41	\$139	\$7	\$131	\$40	\$172	\$9
Milton	\$135	\$35	\$57	\$6	\$143	\$37	\$71	\$6
Newcastle	\$63	\$21	\$130	\$5	\$85	\$26	\$152	\$7
Normandy Pk	\$138	\$21	\$121	\$7	\$141	\$27	\$97	\$7
North Bend	\$180	\$68	\$165	\$11	\$195	\$59	\$196	\$12
Pacific					\$117	\$47	\$73	\$6
Redmond	\$151	\$44	\$214	\$10	\$160	\$46	\$279	\$12
Renton	\$196	\$76	\$199	\$12	\$211	\$77	\$228	\$13
Sammamish					\$14	\$6	\$13	\$1
Seatac	\$200	\$10	\$144	\$9	\$225	\$13	\$174	\$11
Seattle	\$250	\$51	\$361	\$17	\$270	\$74	\$443	\$20
Shoreline	\$101	\$19	\$74	\$5	\$108	\$36	\$109	\$6
Skykomish	\$105	\$182	\$200	\$12	\$36	\$71	\$29	\$3
Snoqualmie	\$545	\$81	\$968	\$41				
Tukwila	\$428	\$72	\$366	\$22	\$486	\$80	\$443	\$26
Woodinville	\$98	\$62	\$166	\$8	\$120	\$85	\$180	\$10
Yarrow Point	\$175	\$13	\$37	\$6	\$199	\$47	\$86	\$9

*Blank cells indicate no data available

King County Cities - Public Expenditure per Capita Indices, 1997, 1999, and 2000

City	2000 Law Enf per Capita	2000 Road/Street O&M per Capita	2000 Nat Resources per Capita	2000 Exp Index
Algona	\$204	\$52	\$31	\$7
Auburn	\$203	\$33	\$152	\$10
Beaux Arts Vllg	\$39	\$41	\$4	\$2
Bellevue	\$192	\$56	\$345	\$15
Black Diamond	\$199	\$6	\$73	\$7
Bothell	\$205	\$30	\$152	\$10
Burien	\$138	\$29	\$68	\$6
Carnation	\$128	\$13	\$46	\$5
Clyde Hill	\$168	\$8	\$49	\$6
Covington	\$108	\$35	\$46	\$5
Des Moines	\$154	\$3	\$188	\$9
Duvall	\$151	\$49	\$105	\$8
Enumclaw	\$148	\$35	\$132	\$8
Federal Way	\$131	\$9	\$76	\$6
Hunts Point	\$201	\$23	\$202	\$11
Issaquah				
Kenmore	\$87	\$48	\$77	\$5
Kent	\$186	\$42	\$160	\$10
Kirkland	\$154	\$37	\$167	\$9
Lake Frst Park	\$144	\$11	\$53	\$5
Maple Valley	\$98	\$21	\$39	\$4
Medina	\$273	\$345	\$242	\$22
Mercer Island	\$134	\$42	\$180	\$9
Milton	\$158	\$55	\$65	\$7
Newcastle	\$96	\$32	\$170	\$8
Normandy Pk	\$171	\$28	\$59	\$7
North Bend	\$171	\$47	\$148	\$9
Pacific	\$124	\$44	\$70	\$6
Redmond	\$164	\$49	\$289	\$13
Renton	\$212	\$61	\$237	\$13
Sammamish	\$55	\$36	\$37	\$3
Seatac	\$210	\$10	\$178	\$10
Seattle	\$266	\$57	\$416	\$19
Shoreline	\$112	\$34	\$134	\$7
Skykomish	\$48	\$83	\$57	\$5
Snoqualmie				
Tukwila	\$446	\$76	\$439	\$25
Woodinville	\$141	\$116	\$231	\$13
Yarrow Point	\$198	\$39	\$113	\$9

*Blank cells indicate no data available

King County Cities - RTE ratios, 1997, 1999, and 2000

City	1997 RTE	Ref-47 %	1999 RTE	I-695 %	2000 RTE	I-722 %
		Yes		Yes		Yes
Algona	1.06	0.62	0.87	0.74	1.55	0.64
Auburn	1.36	0.58	1.43	0.65	1.90	0.62
Beaux Arts Village	2.20	0.69	4.17	0.37	4.32	0.39
Bellevue	1.12	0.61	1.11	0.47	1.35	0.52
Black Diamond	0.30	0.60	1.00	0.67	2.00	0.68
Bothell	1.43	0.60	1.32	0.52	1.49	0.54
Burien	1.11	0.55	1.15	0.55	1.46	0.55
Carnation	1.20	0.55	1.20	0.55	1.97	0.62
Clyde Hill	1.70	0.65	2.02	0.45	1.74	0.53
Covington	3.27	0.64	1.16	0.67	1.12	0.65
Des Moines	0.48	0.57	0.46	0.56	0.66	0.57
Duvall	0.84	0.59	0.92	0.61	1.32	0.65
Enumclaw	1.11	0.58	1.08	0.66	1.23	0.65
Federal Way	1.19	0.59	1.10	0.62	1.44	0.59
Hunts Point	1.67	0.75	2.40	0.51	3.30	0.62
Issaquah	1.32	0.58	1.41	0.50		0.55
Kenmore			1.44	0.47		0.54
Kent	1.22	0.59	1.30	0.62	1.94	0.60
Kirkland	1.77	0.61	1.68	0.49	1.71	0.54
Lake Forest Park	0.86	0.54	1.19	0.38	1.34	0.46
Maple Valley	2.84	0.62	1.29	0.69	2.11	0.67
Medina	2.75	0.65	1.61	0.45	1.07	0.55
Mercer Island	1.63	0.60	1.62	0.40	1.72	0.47
Milton	1.37	0.51	1.30	0.56	1.31	0.56
Newcastle	1.50	0.60	1.42	0.52	1.43	0.55
Normandy Park	0.78	0.54	1.00	0.49	0.97	0.54
North Bend	1.72	0.62	1.45	0.54	2.22	0.59
Pacific		0.58	1.05	0.70	1.07	0.62
Redmond	1.56	0.59	1.58	0.49	1.58	0.54
Renton	1.48	0.57	1.42	0.58	1.67	0.58
Sammamish			1.33	0.54	0.00	0.60
Seatac	2.00	0.57	2.06	0.61	2.56	0.59
Seattle	0.84	0.46	0.80	0.30	0.99	0.37
Shoreline	1.15	0.55	1.13	0.42	1.16	0.48
Skykomish	0.61	0.45	4.74	0.56	2.04	0.65
Snoqualmie	0.33	0.65		0.59		0.59
Tukwila	1.75	0.60	1.59	0.60	2.16	0.57
Woodinville	1.64	0.61	2.03	0.53	1.60	0.58
Yarrow Point	1.99	0.64	1.90	0.46	2.04	0.51

*Blank cells indicate no data available