

Liberty State

A Financial Profile
of Eastern Washington

by

David H. Isakson II

Table of Contents

Acknowledgments.....	2
Introduction.....	3
Revenues.....	4
Sales Tax.....	5
Property Tax.....	6
Revenue V Expenditures.....	7
East Vs West Sides.....	9
Industry.....	10
Conclusion.....	12
Sources.....	13

Acknowledgments

I would like to thank

Dani Bolyard for her professionalism and candor.

State Representative Matt Shea for his patience and interest in this booklet even though it took way longer that it probably should have.

Introduction

This booklet is intended to answer some of the financial aspects of forming a new State. When I joined the Liberty State Movement I felt that there was very little information available particularly on the financial side of things. Though Matt Shea, a legislator for the Fourth Legislative District of Washington State, did a wonderful job of summarizing and comparing financial and population information. I felt that it was lacking substance, though to be fair that was beyond the scope of the summary.

However, if the idea of a new State was to be sold to the masses and garner support from financial backers, politics is an expensive business, more than just a summary would be necessary to sell it. Since Matt and his team are busy with their jobs at the Legislative level it would be up to individuals involved with the cause to come up with the required information. Thus I took it upon myself to begin collecting data to build a financial profile of Eastern Washington. This booklet is the result of that work, all of the information contained herein comes from official Washington State Sources, DOR (Department of Revenue), OFM (Office of Financial Management), etc.

I have deliberately avoided third party/non-government websites so as not to raise any suspicion of bias or other suspicions for inaccuracy. The only exception being the National Association of State Budget Officers for comparison of State Expenditures and certain estimates. Owing to the act that I am only human inevitably there maybe some errors that have crept into the data due to inaccurate data obtained, rounding, or just plain human error. But I have striven to be as accurate as possible in my collection and presentation of the data. Some of the data I obtained was in PDF(Portable Document Format) format and thus I had to copy and paste the data into a text editor then delimit said data in order to convert it into a spread sheet. All totals and other calculations were done using a spread sheet to avoid data entry errors such as transposing numbers.

This booklet is not intended to be all inclusive but to show the financial viability in as much detail as possible whilst not overloading the reader with an orgy of information. But it is my intent to package all the raw data I have used and make it publicly available on-line. You the reader should make your own conclusions of the information presented in this booklet.

It is my sincere hope that you find the information herein to be informative as well as persuasive. Whether you believe that Eastern Washington should break off from Western Washington and form its own state or not. This booklet here should lay to rest any argument against financial viability.

Revenue

Eastern Washington’s Revenue generation is comparable to Idaho.

Year	State	Actual Revenues
2017	Idaho	\$8,859,627,905
2017	Eastern WA	\$9,146,389,082

Year	State	Est. Revenues
2018	Idaho	\$9,586,117,393
2018	Eastern WA	\$10,042,735,212

Note: All revenues include federal revenue distributions to the states

Revenue Sources			
Eastern Washington		Idaho	
Sales Tax	\$1,897,504,960	Property	\$1,798,181,187
State Levy	\$299,862,636	Sales, Income Tax, Etc	\$4,352,272,718
Other Levies	\$1,516,604,115	Federal Funding	\$2,709,174,000
Real Estate State	\$959,292,466		
Real Estate Local	\$353,981,241		
B\$O + Put Est	\$871,837,600		
Other Tax Est.	\$676,391		
Federal Funding Est.	\$3,246,629,673		

Note on Federal Funding: Federal funds are distributed on a Per Capita basis, that is for each person living within the state. The federal funding estimate is based upon the 2015 Per Capita payment of \$2,037 and an East Side population of 1,593,829 persons.

Sales Tax

One of the first objections to forming a new State on the East Side of Washington is that we would be broke. But this objection has no basis in fact and is purely conjecture. Source documents from the Washington Department of Revenue and the Idaho Tax Commission bear out a different story:

- Sales Tax Eastern Washington **\$1.8 Billion**
- Sales Tax State of Idaho **\$1.6 Billion**

Both Washington and Idaho have comparable State Collected Sales Tax with 6.5% and 6% respectively and each State also has a Local Sales Tax on top of the State imposed Sales Tax. Additionally the distributions of State Sales Tax to local governments is different, 11.5% in Idaho compared to 1.26% of the total Washington Sales Tax of **\$10 Billion** went to the East Side. If you compare only the East Side's **\$1.8 Billion** that percentage goes up to 7% but that is just distributions to County Governments.

See Chart 1.

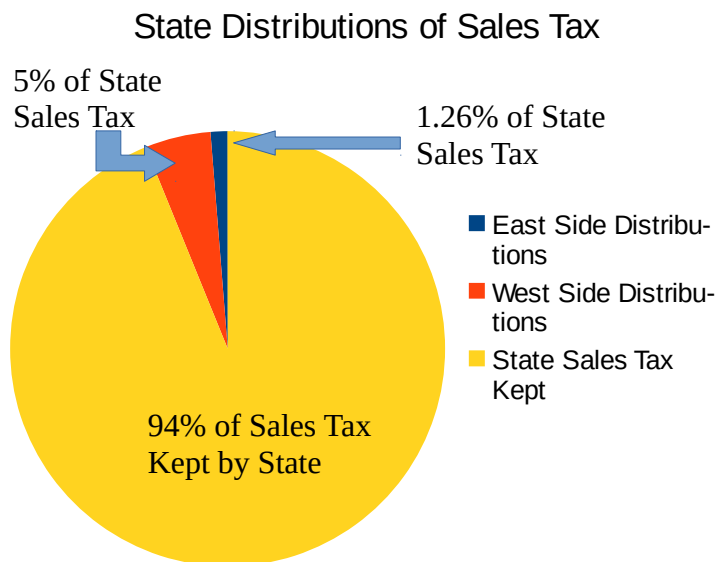


Chart 1 above illustrates the Distributions of State Collected Sales Tax to the County Governments. The total Sales Tax collected by the State of Washington in 2017 is **\$10 Billion** of that less than 6.5% overall is Distributed to the Counties. Compared to Idaho which generates only \$100 Thousand less than Eastern Washington that distributes 11.5% of the State Collected Sales Tax to Counties and Cities. There are some who have conjectured that the East Side takes more than it contributes, just these facts presented here disproves that conjecture.

Property Tax

There are a number of Property Tax Levies in the State of Washington the following table represents the total levies collected for 2017.

Levi Type	Collected
State	\$299,862,636
General	\$210,498,543
Roads	\$103,931,384
Cities	\$207,579,811
Local School	\$652,745,235
Library	\$41,986,506
Hospital	\$27,380,239
Fire Protection	\$123,893,996
Port	\$21,085,297
Emergency Services	\$28,956,072
Other	\$8,688,928
Totals	\$1,726,608,647

This is on par with Idaho's Property Taxes of \$1,798,181,187 for 2017 which does not have the same levy structure as Washington State.

Revenue Vs. Expenditures

The following tables show a comparison of revenues to expenses between Idaho and both East and West Washington. It should be noted that the difference column does not necessarily mean that a budget surplus exists.

2017 Actual			
State	Rev	Exp	Dif
Idaho	\$8,859,627,905	\$7,471,000,000	\$1,388,627,905
E. WA	\$9,146,389,082	\$9,591,738,052	(\$445,348,970)
W. WA	\$35,235,964,765	\$35,092,261,948	\$143,702,817

2018 Estimated			
State	Rev	Exp	Dif
Idaho	\$9,586,117,393	\$7,931,000,000	\$1,655,117,393
E. WA	\$10,042,735,212	\$9,827,216,895	\$215,518,317
W. WA	\$38,689,089,312	\$35,953,783,105	\$2,735,306,207

A County by County look at Education in Eastern Washington

County	Revenue	Expenditures
Adams	\$57,368,079	\$37,820,969
Asotin	\$38,474,371	\$26,973,068
Benton	\$394,615,988	\$280,496,985
Chelan	\$154,472,441	\$106,220,052
Columbia	\$6,183,183	\$4,408,505
Douglas	\$84,694,818	\$57,363,399
Ferry	\$14,401,617	\$8,836,089
Franklin	\$220,849,430	\$164,106,305
Garfield	\$4,987,566	\$3,414,294
Grant	\$241,384,835	\$159,597,615
Klickitat	\$44,198,264	\$29,857,284
Kitittitas	\$59,531,559	\$39,488,458
Lincoln	\$31,641,814	\$22,094,566
Okanogan	\$112,049,948	\$79,386,147
Pend Oreille	\$21,506,911	\$13,780,748
Spokane	\$865,218,789	\$622,515,687
Stevens	\$79,279,373	\$53,897,491
Walla Walla	\$108,896,779	\$73,920,919
Whitman	\$61,078,350	\$40,680,535
Yakima	\$619,889,782	\$384,781,547

A Comparative of East Vs West Sides

The following represent a breakdown of 2017 taxes of the East and West Sides of Washington State

West Side		East Side	
Tax	Amount	Tax	Amount
Sales Tax	\$8,199,893,585	Sales Tax	\$1,897,504,960
Sate Levy	\$1,813,324,690	Sate Levy	\$299,862,636
Other Levies	\$8,419,923,666	Other Levies	\$1,516,604,115
Real Estate State	\$959,292,466	Real Estate State	\$959,292,466
Real Estate Local	\$353,981,241	Real Estate Local	\$353,981,241
B&O + PUT est.	\$3,413,170,182	B&O + PUT est.	\$871,837,600
Other Tax est.	\$4,154,974	Other Tax est.	\$676,391
Federal Funding Est	\$11,336,305,327	Federal Funding Est	\$3,246,629,673
Total	\$34,500,046,131	Total	\$9,146,389,082

B&O + PUT Estimate: Estimated B&O and Public Utility Tax is based upon a percentage of the state wide total. Percentage is the ratio of East and West side Employers to total employers.

Other Tax Estimate: Other taxes refer to several miscellaneous taxes which did not have a county by county breakdown of tax revenue generated within the public records, and is a conservative estimate of 14% of the state wide total.

Federal Funding Estimate: Federal funding is apportioned on a per capita basis (per individual based on population estimates). Further more these federal dollars are from 2015 as the number for 2017 were unavailable.

While the East Side generates approximately 21% of the total state revenue when compared to Idaho whose 2017 revenue generation is \$8,859,627,905 including federal revenue disbursements.

Data Not Included: This table does not include revenues generated from state gambling sales. While this data was made available via a freedom of information request the net revenue was statistically insignificant. The gambling act allows for taxation of gambling sales from taverns and clubs, the state it self does not impose a gambling tax.

Industry Strengths and Weaknesses

Each side of the state has its own unique strengths and weaknesses in Industry but the potential for strengthening industry exists with proper incentives. Below is a side by side comparison of the top tree industries from both East and West.

West Industry	Rank	East Industry	Rank
Government	1	Agric., Forestry, Fishing & Hunting * Not Elsewhere Classified	1
Professional & Tech. Services	2	Mining	2
Educational Services Information	3	Utilities	3

* Small Business

In contrast Government ranks dead last on the East side and the exact same industries tied for the number one spot here in the East are tied for last place in the West. These rankings are based solely on the number of employers as listed in the county by county profiles for 2017 as provided by the Office of Financial Management. It should be worth noting that the reason for some of these Industries on the West side is stronger than the East side is due to the bulk of the infrastructure to support those industries is on the West side. But this also coincides with the fact that the West side has a higher population density with fewer rural areas where on the East side the opposite is true.

If you look at the table below it shows the rankings of all the industries for Eastern Washington but I have no doubt that the lower ranking industries could benefit and increase their profitability with the right incentives. In order to figure out which incentives are needed I would recommend that we contact the industry leaders in the state and find out what challenges they would face in order to bring their business to the East side.

One challenge that I am certain of which was brought to my attention while I was working at a Liberty State booth in Grant County was the Issue of Licensing. A business owner said that if he needed to pay for new licenses for his business it would cost him around \$27,000. But this was just one issue that I was made aware of and should be addressed. Other issues need to be identified and the best way that I know of is to get out there and talk to the business owners and industry leaders.

There is ample opportunity to strengthen other industries we just need to identify areas of contention with the industry leaders that would inhibit them from moving or setting up shop on the east side. Then address those issues. One aspect, taxation is addressed in the Revenues portion of this report.

East Side Industry Rankings for the State

Industry	Rank
Agric., Forestry, Fishing & Hunting/Not Elsewhere Classified	1
Mining	2
Utilities	3
Transp. & Warehousing	4
Health Care & Social Assistance	5
Construction Manufacturing Accommodation & Food Services	6
Wholesale/Retail Trade Arts, Entertainment,& Recreation Fin., Ins., & Real Estate	7
Administrative & Waste Services	8
Mgmt of Companies & Enterprises Other Svcs, except Public Admin.	9
Information Educational Services	10
Professional & Tech. Services	11
Government	12

Conclusion

It is clear from the data that a separation from Western Washington and the formation of a New State would not significantly impact Eastern Washington from a tax revenue stand point. There are a whole lot of unknowns and concerns; however, the fiscal viability is confirmed. Eastern Washington can survive without Western Washington, how well it can survive is dependent upon those of us on the Eastern Side of the Cascades.

Clarifications and My Opinion

The first thing that I would like to stress is that this entire work was done on my own and completely independent of the Liberty State Movement Team. I was not asked to compile this information nor was I paid for it. Yes, I have attended Liberty State events and even volunteered at these events. But I have not by any means been influenced by Matt Shea, the founder and state representative for the 4th legislative district.

I mention this not because I wish to distance myself from Matt Shea, **I DO NOT**, but because I want to make absolutely clear that this work is as objective as I can possibly make it. Politics is a fickle business and I refuse to play the political game of character assassination as it is completely irrelevant to the topic of this booklet and an irrational argument against the Liberty State Movement.

That been said, I wish express that I support the idea of forming a new state because I do not feel that Olympia has taken Eastern Washington seriously, nor do I believe they have our best interest at heart. Politically I consider myself independent with a moderate leaning toward the conservative side and some liberal leanings as well, I will not elaborate further on this. I feel that the East Side despite the nay Sayers would best be served if we governed ourselves free of the West Side's influence as there is a clear cultural difference between the two sides of the state.

Final Note

I submit this booklet in its entirety to the Liberty State Movement free of charge or copyright and grant them exclusive right to distribute this work in whole or in part by any means they see fit. I attest that I have taken great care to represent the data herein in as accurate manner as possible and have not deliberately tried to misrepresent anything, any inaccuracies are purely coincidental.

David H Isakson II
Author

Sources

County Profiles from the Office of Financial Management for the State of Washington

Website: <https://www.ofm.wa.gov/>

Tax information source comes from the Washington Department of Revenue

Website: <https://dor.wa.gov/>

Idaho Tax information comes from the Idaho Tax Commission

Website: <https://tax.idaho.gov/>

Federal Revenue sources comes from State & Local Government Finance Data Query System

Website: <http://slfdqs.taxpolicycenter.org/pages.cfm>