



## Seeking Inclusive Policy Solutions for Greater Seattle

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In October 2015, the University of Washington and the City of Seattle launched the MetroLab Network, a partnership program that will work on “smart city” solutions, as part of a new White House Smart Cities initiative. In his introductory speech, Seattle Mayor Ed Murray emphasized the program goals of “data-driven, inclusive innovations for urban health, equity, and resilience.”

As the MetroLab Network seeks an equitable city, it should encourage discussion of factors that exacerbate inequalities and exclusion. City and state policymakers, researchers, and citizens can only foster genuine progress if they acknowledge and address the key obstacles – including an inadequate and regressive tax structure.

### Insufficient and Unequal Taxes

Washington’s state tax system is the most regressive in the nation. According to a 2015 *Seattle Times* article, in the absence of a state income tax poor residents “pay 16.8 percent of family income in state and local taxes while the wealthiest 1 percent pay only 2.4 percent.” In recent years, the state economy has been one of the fastest growing in the nation with a quickly increasing population of millionaires, but the lack of an income tax constrains budgets for many public services, such as education. A 2014 report by Standard & Poor’s found that states like Washington with overreliance on sales taxes have seen declining tax revenues and increases in inequality. This helps explain why Washington was one of only two states that saw increases in both poverty and inequality in 2013, despite record economic growth.

The volatility of Washington’s regressive tax system created significant declines in public revenues during the Great Recession from 2008 to 2013. Declining public revenues exacerbated the economic slowdown by inhibiting public investment in businesses and education. Even during the recent economic resurgence, gains have flowed mainly to the top one percent of income earners.

A dysfunctional tax system persists in part because Washington relies on voter approval for tax and budget measures. Analysts ranging from State Supreme Court Justices to academic economists have pointed to voter initiatives as an obstacle to tax reforms that could help to close budget gaps. An academic study of voter initiatives in 24 states found that the reliance on direct voter approval for specific tax and budget measures tends to increase expenditures, limit taxes, and cause major budget shortfalls.

There may be little that the Seattle MetroLab Network could do to change the state’s voter initiative process. However, advocates could continue to highlight the problems caused by regressive taxes, and support a new capital gains tax and the implementation of the recently proposed Working Families Tax Rebate.

### The Challenge of Countering Racial and Economic Inequalities

As Seattle’s leaders celebrate progressive achievements, the Greater Seattle area is home to some of the greatest economic and racial inequality in the nation. Between 2009 and 2012, all income growth within Washington went to the top one percent of earners, while the average income of the bottom 99 percent fell by 3.5 percent. In addition, although King County as a whole has become more racially diverse in recent years, the city of Seattle has become less diverse and is currently the 5th whitest major city in the nation. As the white population grows, minorities are increasingly pushed to the city’s edges, partially due to sharply increased costs of living in the city core. In addition, the city’s increasing inequality disproportionately affects its dwindling Black population. According to U.S. Census data, while “Seattle’s median household income soared to an all-time high of \$70,200 last year, wages for Blacks nose-dived to \$25,700 – a 13.5 percent drop from 2012.” Among the 50 largest cities, Seattle has the ninth poorest Black population, with Black households

earning a median income 35% below the national average.

Researchers have highlighted South King County as a prime example of a trend called the “suburbanization of poverty,” where suburban areas see both growth in low-income residents and declining wages and job opportunities. When lower-income minorities are forced further from the city core, their commutes to jobs increase without access to convenient public transit. As was the case nationally, lower-income Seattle suburbs were more likely to see a loss of close-by jobs between 2009 and 2012.

Many inequality-increasing developments such as lack of convenient public transportation can be directly attributed to regressive city and state tax structures, budget shortfalls, and a lack of political representation and will. From 2009 to 2014, the state legislature cut over \$10 billion from the budget, leading to cutbacks in core health and human services, education, and transit programs. A report from the Washington State Budget & Policy Center highlights how budget shortfalls have disproportionately affected minority, low-income, and vulnerable populations. For example, recent state budget cuts have resulted in reduced food assistance for 15,000 children, disappearing assistance to 20,000 disabled people, sharp tuition increases at public colleges and universities, and cuts to school funding that the State Supreme Court found to be in violation of a constitutional mandate. All of these funding cuts disproportionately burden low-income and minority populations, obstructing pathways to inclusive, equitable development.

## Furthering Inclusiveness

Increasing racial and economic inequalities have happened nationwide, but Seattle and Washington are experiencing racial inequalities significantly worse than many national averages. Amid record economic growth and unprecedented increases in population, median incomes, and employment in Seattle and King County, worsening patterns of racial and economic inequality are particularly alarming. Addressing such patterns will take more than “inclusive, data-driven” public policy or technical solutions. Economic solutions depend on new sources of revenue and enhanced funding for public services. In turn, such inclusive policymaking depends on stronger representation and political voice for minority populations. In Washington, people of color comprise 29 percent of the total population, but make up less than ten percent of the state legislature. If policy agendas are to more fully include the needs of disadvantaged and minority populations, minority representation and voice will have to grow within the public sphere. Washingtonians of all backgrounds will benefit by working to ensure more equality in politics and governance as well as economic life chances.