

2004
Enterprise-Wide Transition Notebook on
Economic Vitality for



the state of
washington

Prepared by the
Department of Community, Trade and Economic Development

In Collaboration with the
Joint Economic Vitality Cabinet

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Content Overview

Economic vitality begins with leadership and collaboration, particularly in the current environment of interdependence. State resources must be tied together through strategic, cross-sector endeavors. In Washington State, agencies whose missions have a clear role in affecting the state's economic vitality collaborate through the **Joint Economic Vitality Cabinet (JEVC)**, created by Governor Locke in 1999 to coordinate the state's economic development strategies and activities. An overview of the JEVC can be found on [Page 2](#).

In 1999, the governor directed CTED to create a strategy intended to serve as a broad framework from which Washington's public sector could contribute to the state's economic vitality in the coming years. *The Statewide Strategic Plan for Economic Vitality* was completed in 2000. The plan was shaped with input from the JEVC, as well as from stakeholders and partners from around the state. [Pages 3 and 4](#) provide an overview of the statewide plan.

The goals and strategies contained in the statewide plan have been a focus of the JEVC and other state agencies since the plan was completed. Washington's public sector has completed a number of initiatives and activities that contribute to the state's vitality and relate directly to those goals and strategies. [Pages 5 through 16](#) provide highlights of key initiatives and pending activities of each of the broad areas of focus contained in the statewide plan.

In addition to creating the JEVC, the governor created by executive order and the 2003 Legislature codified a 7 to 9-member **Economic Development Commission** (Commission) to provide private-sector input to the state's economic development policies and strategies. The Commission has a statutory obligation to periodically update the state's economic development strategy state's economic development strategy including implementation steps and performance measures. An overview of the Commission is provided on [Page 17](#).

In August, 2004, the Commission met with the JEVC to discuss the **update of the statewide strategic plan**. Participants agreed to develop a process for updating the plan that would allow for ownership and engagement by the agencies of the JEVC, guide the agencies' individual strategic plans, include elements of accountability, and focus on a smaller, targeted, strategic set of priorities to determine the critical areas of focus for the state.

A draft **update process for the Statewide Strategic Plan for Economic Vitality** is presented on [Page 18](#).

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Overview of the Joint Economic Vitality Cabinet

Background

The Joint Economic Vitality Cabinet (JEVC) was created by executive order in 1999 to establish a focal point in state government for agencies to coordinate and communicate with each other on economic development strategies and actions. The goal of the cabinet is to achieve integrated policies and actions to attract, expand, retain, and support sustainable and environmentally responsible economic activity throughout the state.

Purpose

The cabinet performs the following activities:

- ❖ Reviews economic development issues and projects of statewide significance and advises the Governor on appropriate actions;
- ❖ Coordinates interagency actions and responses on projects with significant economic impacts
- ❖ Serves as a forum for agencies to establish economic development strategies
- ❖ Reviews and recommends to the Governor legislation and administrative actions

Composition

- ❖ Governor's Chief of Staff, chair
- ❖ Governor's Trade Representative
- ❖ Department of Community, Trade, and Economic Development (CTED)
- ❖ Washington State Department of Agriculture (WSDA)
- ❖ Department of Ecology (Ecology)
- ❖ Employment Security Department (ESD)
- ❖ Department of Labor and Industries (L&I)
- ❖ Department of Revenue (DOR)
- ❖ Department of Transportation (DOT)
- ❖ Department of Natural Resources (DNR)
- ❖ Department of Information Services (DIS)
- ❖ Department of Health (DOH)
- ❖ Washington Utilities and Transportation Commission (WUTC)
- ❖ Office of Financial Management (OFM)
- ❖ Workforce Training and Education Coordinating Board (WTECB)
- ❖ Higher Education Coordinating Board (HECB)
- ❖ State Board for Community and Technical Colleges (SBCTC)

Overview of the 2000 Statewide Strategic Plan for Economic Vitality

In 2000, Washington created a Strategic Plan for Economic Vitality to guide state efforts aimed at ensuring Washington's place in a globally competitive economy. The plan contains goals, strategies and performance measures associated with public services in both a lead and supporting capacity. The following paragraphs provide an overview of the Strategic Plan. A "pdf" version of the plan can be found on CTED's website, at <http://www.cted.wa.gov/uploads/strategicplan.pdf>.

Origination

In 1999, Governor Gary Locke directed CTED to develop a strategic plan on economic vitality for the state of Washington. The strategic plan was shaped over the course of a year with input from the state agencies that comprise the Joint Economic Vitality Cabinet (JEVC), created by the Governor in 1999 to coordinate the state's economic development strategies, as well as from stakeholders and partners from around the state. The plan is intended to provide a broad framework from which Washington's public sector can contribute to the state's economic vitality in the coming years.

Process and Design

The strategic plan was developed in two phases: first, the development of a vision and strategic framework, and second, the formulation of a more detailed action plan. Key priorities from each of the strategic plans of the agencies comprising the JEVC were extracted to produce specific goals and strategies aimed at implementing the concepts in the strategic framework. The plan is divided into the major areas where public investment plays a lead role in achieving economic vitality and the major areas where public investment plays a supporting role.

Stakeholders from around the state, including business leaders, community members, elected officials, and other economic development professionals, contributed critical input in refining the action plan criteria and finalizing the strategic plan.

Public Investment as a Lead Role

The public sector is expected to deliver an effective level of service that meets social needs and facilitates economic performance in the following areas:

❖ Education and Training

Goals address continuing education reform, closing the skills gap, and creating high-quality jobs for Washington's residents.

❖ Research and Development

Goals address increasing R&D expenditures and increasing the use of new technologies.

- ❖ **Physical Infrastructure**
Goals address reducing the travel time through congested corridors and reducing the gap between infrastructure needs and available funding.
- ❖ **Quality of Life**
Goals address environmental sustainability and ensuring that state-funded infrastructure priorities reinforcement of state and local land use policies.
- ❖ **Public Health and Safety**
Goals address expanding access to high-quality health care and increasing safety and security of Washington’s residents.
- ❖ **Business Climate**
Goals address improving state and local tax collection efficiency, increasing on-line government to business transactions, and reducing the time and cost associated with land use and environmental permitting.

Public Investment as a Supporting Role

The public sector is expected to play a supporting role in the following areas:

- ❖ **Workforce Development**
Goals address increasing the ability of workers to make smooth transitions to new positions, increasing awareness of job opportunities, and increasing the availability of one-stop workforce development service.
- ❖ **Balanced Statewide Prosperity**
Goal addresses providing greater economic opportunities in rural and distressed areas.
- ❖ **International Trade Assistance**
Goals address increasing export volume, increasing export capacity of small and medium sized businesses in non-metro areas, improving the cost effectiveness of trade promotion activities, and assisting in marketing and sales of food and agricultural products.
- ❖ **Telecommunications**
Goal addresses increased access and use of telecommunications infrastructure by residents and businesses.
- ❖ **Energy**
Goals address ensuring abundant, reliable and affordable energy resources, and increasing the availability of non-polluting and renewable resources.
- ❖ **Housing**
Goal addresses increasing the number of households that spend less than 30 percent of their income on housing and utilities.

Measurement and Evaluation

Each area of the statewide plan contains goals and strategies for implementing relevant economic vitality concepts. The goals identified in the strategic plan were created from measurable criteria. One or more strategy is associated with each goal. Each strategy identifies the “lead agencies”, agencies and organizations within Washington’s public sector, responsible for taking a leadership role in that strategy’s execution.

Education and Training

Overview

The role of education and learning, beginning with K-12, is crucial for the state's economic, social, and intellectual well-being and quality of life. In today's knowledge-driven economy, the economic future of our state depends on an accessible system of higher education. Washington employers rely on universities and community and technical colleges to educate and train the workers needed by their industries. Each year, the state system graduates between half and two-thirds of the trained persons sought by Washington firms. At the baccalaureate level and above, however, Washington lags behind demand in many technical fields offering less access than many other states, ranking 40th, for example, in engineering graduates relative to population.

Major Initiatives

- ❖ SBCTC developed 2-year college partnerships with high schools to allow dual credit through tech prep
- ❖ OSPI developed New Career and Technical Education curriculum
- ❖ SBCTC updated the Skill Standards Implementation Guide and issued skill standards implementation grants to 3 colleges
- ❖ OSPI developed partnerships with key industries to expand technical education
- ❖ SBCTC completed an Assessment Guide to assess instructors' skills against industry standards.
- ❖ DOH developed Project HOPE to pay summer interns who explore health care fields
- ❖ The Technology Institute was established at the UW-Tacoma. The Institute will rapidly increase the number of graduates from the University's computing and software systems program.
- ❖ The Legislature funded 2,908 additional higher education enrollments, including 858 high demand enrollments, in the 2004 supplemental operating budget.
- ❖ ESD launched its High School Labor Market Information Project in 2004 to allow labor market information to facilitate informed career decisionmaking by students.
- ❖ DOH provides the Health Professional Loan Repayment & Scholarship Program to promote providers in critical access areas of the state
- ❖ In 2003, the community and technical college system exceeded its target of 18,000 prepared for workforce training, sending 22,300 well-trained workers to the workplace.
- ❖ Colleges served over 64,000 students enrolled in ESL, literacy, GED, or high school completion programs in 2002-03.

Pending Activities

- ❖ ESD is working on a dedicated student portal on Workforce Explorer, an interactive instructional program, Handbook for the Student Economist, and a list serve newsletter for counselors/educators on useful labor market information and tools.
- ❖ Need to address the crisis in access to post-secondary education and job training by expanding student enrollments.
- ❖ Need to accelerate economic recovery by focusing resources on high-demand fields.

Research and Development

Overview

Washington is home to some of the most important companies in the technology economy. Technology strengths in the state include software, biotechnology, wireless communications, aerospace technology, energy, environmental technology and nanotechnology. In addition, successful research centers including the University of Washington, Washington State University, the Fred Hutchinson Cancer Research Center, and the Pacific Northwest National Laboratory are located here.

Washington's colleges and universities provide critical contributions to the innovation-driven economy through research, innovation, access to new technology and an educated workforce. The universities possess the ability to commercialize their research and to act as partners with industry in technology transfer.

In a technology-led economy, the key determinant of whether an industry is part of the "high technology" sector is the portion of revenues its firms spend on research and development. Washington's universities, federal labs and non-profit research institutions spend well over \$1 billion dollars on research and development (R&D) annually. Industry R&D in Washington totals more than \$7 billion per year, fourth among all states nationally. The University of Washington receives more federal research and development funding than any other public university in the nation. The state, however, spends far less on R&D relative to other states, ranking 46th in per capita R&D spending.

Major Initiatives

- ❖ Governor Locke completed a statewide Technology Strategy Framework in 2000.
- ❖ 2003 Legislature allocated \$250,000 for Bioinformatics Strategy (Bio 21)
- ❖ Washington Competitiveness Council completed recommendations in both Phase I and Phase II, related to research and development.
- ❖ \$5 million in faculty recruitment and retention money was provided in 2003.
- ❖ The WaFAST program was developed to help Washington companies be successful in obtaining SBIR grants.
- ❖ Legislature eliminated B&O tax on federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants to small businesses.
- ❖ 2003 Legislature supported continued funding of the WTC and SIRTII to work with Washington state companies and academic researchers to fund and facilitate market-driven, high technology focused, industry-university R&D partnerships to create economic development opportunities and enhance technology transfer statewide.

Pending Activities

- ❖ Bio 21 is completing its second year of developing recommendations on enhancing Bioinformatics in Washington
- ❖ The Economic Development Commission is working to prepare recommendations on enhancing technology transfer in the state.

Physical Infrastructure

Overview

Investments in infrastructure, the backbone of a vital economy, hold the key to development opportunities and economic growth for the future of Washington. Sound infrastructure is essential to ensure the efficient mobility of people, products and information within the state, and is critical to retaining existing businesses and attracting new ones.

In 2002, the Washington Competitiveness Council, a representative group of business, labor and government leaders convened by Governor Locke to address the state's ability to compete in the global economy, identified physical infrastructure as one of four key general competitiveness issues in Washington. Transportation was identified by the Council as the most important competitive investment the state can make. As one of the most trade-dependent states in the U.S., Washington's businesses, both in rural and urban areas, must be able to move their products efficiently both across the state and in and out of the ports. For many businesses, access to adequate water supply and infrastructure poses a more critical limit to growth than roads, particularly in rural Washington.

Major Initiatives

- ❖ In 2003, the Legislature passed a 10-year transportation improvement plan providing \$4.2 billion in new transportation investments across the state, clarifying regional transportation authority, and including improvements in transportation efficiency.
- ❖ The 2002 Legislature authorized the Regional Transportation Investment District (RTID)
- ❖ I-776 was passed and was a significant fiscal hit to state and local governments
- ❖ 15 projects of the Freight Action Strategy (FAST) Corridor, a partnership of transportation agencies, ports, cities, economic development organizations, trucking, rail and business interests working to streamline the movement of freight through the central Puget Sound region of Washington State, were completed or are currently underway.
- ❖ The "Accelerated Loan" model was adopted by Public Works Trust Fund based on anticipated loan repayments and other innovations.

Pending Activities

- ❖ 2003 Legislature directed the Congestion Relief Analysis study to look at congestion, implications of growth plans on congestions and how to resolve the issues. The study began in 2003 and is expected to be completed in 2004.
- ❖ WSU and DOT are engaged in the Strategic Freight Transportation Analysis (SFTA) study to assess the operation of selected portions of ports, roadways, rail systems, and barges of the current transportation system, evaluate infrastructure adequacy, and identify deficiencies and investment needs.
- ❖ DOT's Washington Transportation Plan Update is underway and will be complete by Fall 2005.

Quality of Life

Overview

Washington's beautiful natural environment and the recreational opportunities it provides has always been a key factor for the quality of life of its citizens. Protecting air and water quality are important values for our state. Our economic value depends on attracting and holding key talent whose skills and knowledge enable them to live where they want to. Protecting and enhancing the quality of life is a key to the sustainability of future economic growth. Government plays a lead role in environmental protection, land conservation, development regulation, and provision of public facilities for support of arts and culture. Balanced growth, environmental preservation and livable cities that offer affordable housing and transportation alternatives are consistent with the goal of family-wage jobs and are essential ingredients in quality of life. They are no longer attractive add-ons but have become an integral part of any strategy for economic vitality. There are challenges we face in maintaining a clean environment and in addressing the critical infrastructure resource needs of small/rural communities.

Major Initiatives

- ❖ Incentives for the development of biodeisel and alcohol fuels (2SHB 1240 and 1241).
- ❖ CTED is participating in NW Energy Collaborative and Community Economic Revitalization Board.
- ❖ Economic development was added as an element of local comprehensive plans.
- ❖ Ecology is developing key indicators to measure the health of Washington's environment.
- ❖ Ecology provides several million dollars in grants and loans for wastewater treatment upgrades and ensures that the appropriate GMA consistency determination linkage is made. CTED provides funding and technical assistance for public infrastructure projects that protect public health and the environment.

Pending Activities

- ❖ Continue to maximize both the environmental health and the state's economic vitality at the same time, by integrating sustainability principles into economic strategies.
- ❖ Ensure that state-funded infrastructure priorities reinforce state/local land use policies.

Public Health and Safety

Overview

Worldwide, the physical aspects of personal security, from safe water to safe streets, are generally a public sector responsibility and in most countries have replaced military defense as the most basic measure of national security. In the U.S., federal, state, local and tribal governments each bear large costs for public health and safety. In Washington, criminal justice alone consumes two-thirds or more of most county budgets. In both distressed urban and rural areas of this state, health care infrastructure needs to be in place to make communities economically viable.

Major Initiatives

- ❖ Qwest settlement money funded the Inland NW Health Services (INHS) project for Eastern Washington and supported the University of Washington in developing a network in Western Washington. INHS brings high quality, cost effective health care to Spokane and the region through innovative and successful collaborations of health care services. INHS oversees a variety of health care companies and services including: Northwest Telehealth, a unique telemedicine network (video conferencing) that allows a patient in need of a specialist's treatment to access this care from a distant location. The UW is developing the network through the K-12 connection. It supports Forks along with 6 Critical Access Hospitals. Northwest Telehealth sites use video monitors, specialized cameras, microphones, and diagnostic equipment that permit live interaction between patients and their specialists who are miles apart using secure, two-way, real-time, communication complete with quality images and sound. From patient consultations to medical education to staff training, Northwest Telehealth provides cost-effective services that can be used to fulfill a variety of health care, education and business needs.
- ❖ Passage of HB 2460, which redefines the small group health insurance market.

Pending Activities

- ❖ HB 2780 would have created a legislative work group to make recommendations regarding early learning programs. Although the bill did not pass, the Legislature is planning public discussion forums this spring.

Business Climate

Overview

The economic impact of Washington's business climate has been hotly debated during the recession. The phrase "business climate" has been used to advocate for two dramatically different approaches to economic development. For some, business climate means state activities that are a drag on business profitability, including workers' compensation, unemployment insurance, various taxes, and regulatory standards and their associated administrative burdens. For others, business climate relates to transportation, availability of skilled workers, quality of life indicators, and other factors that boost living standards while improving business profitability. By either perspective, Washington has made major changes in recent years, particularly during the effort to attract the Boeing 7e7.

The federal Bureau of Economic Analysis reported that Washington had the largest percentage increase in personal income in the country between the first and second quarters of 2004. The Forecast Council's September 2004 report on Economic Climate found stability or improvement in 23 indicators and declines in 12 since last year.

Major Initiatives

- ❖ Creation and completion of the Washington Competitiveness Council.
- ❖ UI changes to improve tax equity and reduce benefit levels.
- ❖ Simplified municipal B&O taxation and eliminated taxation of the same revenue by multiple cities.
- ❖ Office of Regulatory Assistance established in the Governor's Office.
- ❖ Executive Order 02-04 created the Washington State Economic Development Commission that was confirmed in statute.
- ❖ Renewal of Research & Development tax credits and inclusion of universities as eligible entities.
- ❖ Elimination of B&O tax on federal SBIR and STTR grants to small businesses.
- ❖ Renewal of rural tax incentives for manufacturing, Research & Development, software development, and help-desk services.
- ❖ Won the competition for the Boeing 7e7 aircraft.

Pending Activities

- ❖ Develop strategies and funding for next generation of industrial leaders, particularly biotechnology.
- ❖ Enhance marketing of state businesses including tourism, agriculture, and international trade.
- ❖ Stabilize funding for infrastructure investments related to economic development.
- ❖ Further streamline regulatory processes and reduce administrative burdens on business through enhanced technical assistance and coordination.

Workforce Development

Overview

Workforce development refers to programs and services that prepare people for jobs that do not require a baccalaureate degree—approximately 80 percent of all jobs in Washington. The workforce development system, as defined by statute, includes 18 programs administered by 7 different agencies, with the Workforce Training and Education Coordinating Board performing a coordinating role. The biennial budget for the programs total \$1.772 billion. The largest programs are workforce education at the community and technical colleges; secondary career and technical education in high schools and skill centers; the federally-funded Workforce Investment Act Title I programs for youth, disadvantaged adults and dislocated workers; adult basic skills education; and vocational rehabilitation administered by DSHS.

The programs are the subject of regular evaluations, including net impact and benefit-cost evaluations that show the system has a positive net impact on participant earnings, generating more tax revenues than the programs cost. The programs, however, do not produce as many newly prepared workers each year as there are job openings at the sub-baccalaureate level. Only about 80 percent of employer demand for new workers with post-secondary vocational training is being met. This skill gap curtails economic development.

Major Initiatives

- ❖ The community and technical colleges have successfully piloted efforts to integrate adult basic skills education with occupational skills training in order to improve student results and prepare more trained workers.
- ❖ The Workforce Board has facilitated the formation of Skill Panels—regional partnerships of business, labor, and education and training providers—that assess skill shortages in economic clusters and devise solutions to fill the gaps.
- ❖ The Office of the Superintendent of Public Instruction and the Workforce Board have partnered to leverage Basic Education Act dollars with Workforce Investment Act funds to implement high school drop-out prevention and retrieval programs.
- ❖ The Franklin-Pierce School District has implemented a new model of career guidance, “Navigation,” that involves all school faculty with students and parents in planning how to achieve future education and career goals.

Pending Activities

- ❖ Expand capacity at community and technical colleges for workforce education in order to close the gap in meeting employer demand.
- ❖ Expand the integration of adult basic skills ed with occupational skills training.
- ❖ Expand customized skills training for employers. (Washington is last among all the states in per capita expenditures on customized training.)
- ❖ Spread the “Navigation” model to more school districts.
- ❖ Increase the state goal for the on-time graduation rate for high school students.
- ❖ Expand skill panels to more industries and more areas of the state.

Balanced Statewide Prosperity

Overview

Washington strives to promote balanced, inclusive economic opportunity across all parts of the state. Balanced growth can ease urban development pressures in high-growth areas while stimulating growth in less prosperous parts of the state. State government can promote balanced statewide economic vitality by promoting and enabling economic opportunities for rural residents and residents of distressed urban areas. Among the strategies identified to do this are technical assistance and access to financing for rural and disadvantaged areas, infrastructure investment to promote development in low-growth areas, linking entrepreneurs to capital and technical assistance, improving workforce skills in rural and distressed urban areas, and assisting Washington businesses that face growth constraints due to labor shortages, costs, or lack of land.

Major Initiatives

- ❖ Legislation extended the deferral of retail sales and use taxes on qualified construction and equipment costs for manufacturing, computer programming, software manufacturing, other computer-related services, and activities related to research and development laboratories and commercial testing laboratories in rural counties or counties with community empowerment zones to 2010.
- ❖ Legislation extended to the Business & Occupation tax credits for new jobs in rural counties engaged in programming or manufacturing of computer software or information technology help desk services to 2011.
- ❖ Five million dollars in Qwest settlement money was allocated to rural counties in Washington to build telecommunications infrastructure.
- ❖ CTED created a sixth community empowerment zone.
- ❖ Legislature passed a community renewal bill that modernizes the urban renewal statutes and gives cities more tools for fighting blight
- ❖ New CERB funding secured by 2002 legislature at the Governor's request to provide \$19 million over 5 years.
- ❖ New CERB funding secured by 2003 legislature at the Governor's request provides an additional \$900,000 per year ongoing.
- ❖ CERB was opened to Indian tribes and funding for the program was increased.

Pending Activities

- ❖ CTED is creating an Entrepreneurship web portal to link entrepreneurs with resources throughout the state. The portal will be available at the end of 2004.

International Trade Assistance

Overview

International trade is essential to Washington's economy. In 2003, combined imports and exports exceeded \$97 billion, of which \$34 billion were exports. Washington is the fourth largest exporting state in the country and one of every three jobs depends directly or indirectly on trade.

Aerospace-related parts and equipment comprise about 60 percent of our exports, followed by food and agriculture, comprising 16 percent. Over half of Washington's exports are to markets in Asia and Oceania. Washington's geographical proximity to the growing Asian markets and good ports is a major strategic advantage in attracting trade and also provides a gateway for inland states to Asia.

Washington, however, is located far from the major population centers of the US, necessitating expensive inland transportation for domestically produced products and imported products. While Washington's major companies are aggressively challenging international markets, small and medium companies often have limited resources and need assistance to identify market opportunities, meet potential buyers and raise the awareness of their products among potential buyers.

Major Initiatives

- ❖ CTED added trade offices in Germany, China and Mexico, in addition to offices in Japan, Taiwan and Korea, and WSDA's representatives in Japan, Taiwan, China and Southeast Asia.
- ❖ CTED launched an integrated marketing campaign with foreign language websites and collateral material. WSDA has hired a trade specialist in the Tri-Cities to better service clients.
- ❖ CTED is actively pursuing opportunities associated with the Olympic Games in 2008 (Beijing) and 2010 (Vancouver); 2010 World Expo (Shanghai).
- ❖ Washington State will host 2005 Korea Pac-5, a joint conference of business and government leaders from Korea and the five pacific U.S. states.

Pending Activities

- ❖ Further foreign office expansion to increase capacity in existing and new markets.
- ❖ Better integrate software tools for managing data and customer relationships.
- ❖ Conduct trade shows and in-store food promotions in Japan, Taiwan, China, Southeast Asia, Latin America and Europe during FY'04-05.

Telecommunications

Overview

High-capacity network (“bandwidth”) is essential infrastructure for Washington’s new economy growth, and is particularly important in rural areas to ensure that *all* of Washington’s residents share in that growth. According to the Federal Communications Commission (FCC), 95% of Washington’s zip codes currently have access to high-speed lines, up from 80% in 1999. In addition to continuing the trend to deliver high speed capability to every resident of Washington, an even more urgent challenge is ensuring communities have the knowledge and ability to apply that technology to create economic opportunities for their businesses and residents.

At the state level, more and more of Washington’s services are available through on-line applications, simplifying access to both citizens and businesses. Currently more than 450 on-line state government services are available to the public.

Major Initiatives

- ❖ Legislation in 2002 allows public utility districts (PUD) and port districts to provide wholesale telecommunications services, ensuring a greater chance for new facilities and services to locate in rural areas.
- ❖ Alternative forms of regulation allowed telecommunications companies to afford to bring services to rural Washington.
- ❖ State of Washington Integrated Network (SWIN) created with redundant internet connectivity and Ethernet services to enable high speed voice, data and video throughout the state.
- ❖ Washington State University formed the Center to Bridge the Digital Divide in 2000 to help rural and underserved communities learn to apply available internet telecommunications technology to achieve socio-economic development objectives and support sustainable development initiatives.
- ❖ Five million dollars in Qwest settlement money was allocated to rural counties in Washington to build telecommunications infrastructure.

Pending Activities

- ❖ Ongoing education needed to ensure rural counties can apply high speed technology.
- ❖ Accurate determination of areas without high speed access and steps to deliver technology to all residents and businesses of the state needed.
- ❖ Architectural changes to SWIN are needed to meet long-term business requirements of state customers.

Energy

Overview

Historically Washington State has enjoyed a national competitive advantage with among the lowest electricity rates in the U.S. As a result, electricity intensive industries such as aluminum smelters located in Washington. The 2000-2001 West Coast electricity crisis eroded much of that advantage so that today more than a dozen states have lower average electric rates. Many energy-dependent businesses were forced to temporarily or permanently shut down as a result of the high market prices. CTED estimates that state energy expenditures have increased from 5.2 to 6.3 percent of Gross State Product (GSP): \$10.8 billion in 1999 to \$14.6 billion in 2003.

While some utilities have recently seen modest price declines, major price reductions in the next 2 or 3 years are unlikely and utilities that are dependant on fossil fuel generation are expected to see prices continue to rise. In addition to adequate supply, upgrades and new investments in electrical transmission lines are needed to meet expected growth in energy demand. However, Washington has a unique mix of 60 consumer-owned electric utilities and three state-regulated investor-owned utilities, creating significant policy challenges for state and regional decision making on transmission planning and governance issues.

Despite these trends, Washington has been a 20 year leader nation leader in energy efficiency investment and non-hydro renewables, especially wind resources.

Major Initiatives

- ❖ Washington has joined with Oregon and California in the West Coast Governors Global Warming Initiative (WCGGWI).
- ❖ Washington has been a national leader in opposition to the imposition of federally mandated competitive electricity requirements by the Federal Energy Regulatory Commission (FERC).

Pending Activities

- ❖ The Northwest Power Planning Council's 5th Regional Power Plan will be adopted in early 2005. The plan notes that all of our near term electricity needs can be met with cost-effective, low risk energy efficiency investments and little or no new fossil fuel generation.

Housing

Overview

The lack of affordable housing for entry-level and other employees can be a barrier to economic development. Employers often factor the cost of living into their decisions to relocate or expand operations. Housing affordability impacts and influences commute times between housing markets as well as work force stability.

A widely accepted standard for housing affordability is holding the cost of housing, including utilities, at or below 35 percent of a family's income. In keeping with this standard, a full time (40 hour a week) worker in Washington State must earn \$15.15 per hour, or 216 percent of minimum wage, in order to afford a two-bedroom unit at the state's Fair Market Rent. A wage/rent cost ratio at this level often forces low-income families to hold two or even three jobs in order to pay rent. Declining affordability is also impacting Washington State's homeownership rate, which is below the national average. Housing affordability issues are increasingly impacting moderate-wage workers, elevating the need for creating affordable "work-force" housing for teachers, firefighters and clerical occupations.

One sector of Washington's State's economy that is highly affected by housing affordability issues is the agriculture industry. Farm workers generally do not make enough money to afford market-rate housing. Lack of housing options for farm workers has a dramatic impact upon the ability of farmers to sustain their business operations.

CTED's Housing Trust Fund, which is one of state's most important resources for creating and sustaining affordable housing, continues to be oversubscribed and causes a bottleneck in the leveraging and financing of low-income housing projects throughout the state. Demand exceeded available resources in 2004 by \$67 million or 37.3 percent.

Major Initiatives

- ❖ The Washington State Housing Finance Commission (HFC) provides critical support for homeownership and multi family rental housing through tax credits and tax-exempt private activity bonds. The HFC does not use state revenue for its programs.
- ❖ The Housing Trust Fund Program (HTF) has created over 25,000 units of affordable housing since 1989. The HTF is supported by the state's Capital Budget.
- ❖ Since 1999, a total of \$29.6 million in state Capital Funds has been committed to farm worker housing, including multi-family housing, homeownership assistance, seasonal camps, and on-farm housing. These investments have created 780 units of permanent housing and 3,953 seasonal beds.

Pending Activities

- ❖ The Affordable Housing Advisory Board is recommending an increase of the Housing Trust Fund's Biennial Appropriation to \$100 million for the next Biennium.

Overview of the Washington Economic Development Commission

Background

In September 2002, Governor Locke formed the Washington Economic Development Commission (Commission) to engage the business community in improving and developing the state's economy. Acting on the advice of his Competitiveness Council, the Governor created the Commission by executive order and appointed private-sector business leaders to provide policy oversight and long-term guidance on the best ways for the state to develop its economy.

The Commission was codified by the Legislature in its 2003 session. Following a period of transition including a reduction in size, the Commission consists of 9 members representing the state's geographic regions and ethnic diversity. More information about the Commission can be found at <http://www.cted.wa.gov/edcommission>.

Purpose

The legislation directs the Commission to provide policy, strategic and programmatic direction to the Department of Community Trade and Economic Development (CTED), and to review and update Washington State's current economic development strategy and its performance measures. The Commission is also directed to assist CTED on the procurement and deployment of private funds for business development, recruitment and promotion as well as seek input from community and other business leaders throughout the state.

Membership

The Commission is currently comprised of nine private sector and labor representatives. Five additional members ended their terms in June, 2004, when the Commission was reduced in size consistent with the statute.

Strategic Planning

The Commission drafted a 2004 Strategic Workplan, intended to provide a broad framework from which its members can contribute to the state's economic vitality in the current year. The strategies provided in the plan are intended to position the Commission in a key role in strengthening the state's overall economic development infrastructure.

Recognizing that it cannot successfully confront all facets of economic development simultaneously, the Commission identified four priorities around which it will focus its strategies in the near term. The Commission's four near-term priorities are: (1) Business and investment recruitment; (2) Business retention and expansion; (3) Continuum from research enterprise to successful commercialization; and (4) Local/regional/statewide economic development capacity building. The Commission expects to confront other areas over time, including entrepreneurship; industry clusters; workforce training, international trade, tourism and value-added natural resources.

Statewide Strategic Plan for Economic Vitality Draft Update Process

Phase I

Timeframe: January, 2005

- ❖ Each agency of the Joint Economic Vitality Cabinet prepares a **short issue paper** addressing its specific areas related to the state's economic vitality. Each paper will include:
 - Highlights of the state of Washington in that area
 - Relevant data and statistics
 - Areas where Washington is strong
 - Areas where Washington needs focus

Phase II

Timeframe: February, 2005

- ❖ The Commission will engage in dialogue with agencies to explore connections between economic vitality and the agency missions.
- ❖ Based on dialogue with the JEVN and the agency issue papers, the Commission will develop a targeted, strategic set of priorities to determine the critical areas of focus for the state.
- ❖ The targeted set of priorities will be used to revise the framework of the statewide strategic plan.

Phase III

Timeframe: March-April 2005

- ❖ Based on the revised framework, the Commission and JEVN will identify a list of challenges and develop an action agenda for the state to accomplish. For each challenge identified, the document will specify the following:
 - Specific strategies or initiatives for the state that one or two agencies can assume the lead for.
 - Performance measures to gauge the success of the action agenda.
- ❖ The challenges and action agenda will be developed with input from key stakeholders around the state.

Phase IV

Timeframe: May 2005

- ❖ Agencies will prioritize their strategic plans around the statewide strategy.

Phase V

Timeframe: December 2005

- ❖ The Commission will develop a report to the Legislature on the status of the Statewide Strategic Plan's implementation.