GOVERNOR CHRIS GREGOIRE

THE NEXT WASHINGTON
GROWING JOBS AND INCOME IN A GLOBAL ECONOMY: 2007-2017

January 2007

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THE NEXT WASHINGTON

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Thank you for your interest in the economic vision of The Next Washington.

This vision is a response to the remarkable times we live in and the incredible opportunities that lie before us. Washington is a special place. It is home to some of the most innovative companies in the world, operating in some of the most rapidly changing industries in history.

Washington is more like a small nation than a large state. Every day, our scientists make progress toward eliminating deadly diseases around the world while our doctors, nurses and other health care professionals provide life-sustaining services here at home. Our construction crews make enduring contributions to architecture and transportation. Our engineers change the way we will travel, process information, produce food and perform an endless variety of other activities. Our ports move products that feed the globe and make Washington a world leader in trade. Our teachers train future generations to harness unknown potential. And, at the most personal level, we enjoy some of the most attractive natural beauty on the planet and some of the most exciting cultural diversity.

The Next Washington is a vision of the future, but it is a vision grounded in local realities. The strategies that follow represent literally hundreds of hours of discussion in Washington communities, insights from a statewide gathering of workforce and economic development activists, recommendations from the Global Competitiveness Council, recommendations from various Governor’s Summits and research on innovative policies around the world.

The Next Washington is a place we will build together, starting now. It is a place where economic success is a possibility for all of us, wherever we may be born and whoever our parents may be. It is a place where economic progress is not gained at the expense of a healthy environment. It is a place where skilled, creative people solve economic problems that transform the world.

I look forward to making The Next Washington a reality with you.

Sincerely,

Chris
Governor Chris Gregoire
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Washington Today, Washington Tomorrow
Workers and businesses in Washington have been experiencing a dramatic economic transformation.

Although the experience has been different in different areas, we have an overwhelming sense that today’s economy is not the economy of yesterday. All over the state, from the agricultural southeast to the industrial ports of the west, our businesses have faced new challenges, our workers have adapted to new technologies, and our future promises even more challenges as the global marketplace becomes more embedded in our lives and workplaces.

Washington’s regional economies have some common advantages. Washington enjoyed relatively inexpensive electric power, and many of our industries and regions were built on that basis. Our community and technical college system is a world leader. Our research institutions are among the best in the world and significant engines of economic change. Our forests are the envy of the world for their quality and diversity. Our ports give us unique access to world markets and are constantly shaping our economic future. Our

entrepreneurial spirit and innovative business practices have created whole industries where none existed, built on clever ideas and skilled workers, growing some of the world’s leading companies and farms. All of these advantages remain, but all are under pressure from increasing competition and changing technology.

We look different, too. Older workers are a growing portion of our workforce. In construction, particularly, but in other sectors, too, the anticipated retirement of vast numbers of skilled workers poses a significant management and policy dilemma — as well as an enormous opportunity for advancement for young people in the state.

People of color and recent immigrants are growing shares of our population. By 2030, people of color will be one-third of our population and many will speak English as a second language, creating new challenges for our education system and other aspects of our economy.

Our families are changing, too. We have more single-parent families, more varieties of households, we are living longer, and we have more adult children living at home. Our increasing diversity is an opportunity for new markets, new perspectives, new talents and an exciting cultural quality of life.

Our regional economies are changing. Twenty years ago in Spokane, the health care industry was an important part of the community,
but not a defining industry for the area. Since 1990, employment in hospitals, ambulatory health services, nursing and residential care facilities have made the Spokane health service industry a primary economic driver for the region, accounting for over 20% of regional payroll. Since 1990, employment in ambulatory care alone has grown by more than 70 percent. One of every five job openings in a recent survey was in the health care industry.

In Walla Walla, the thriving wine industry was just a bright idea for a few determined entrepreneurs not long ago. In the span of a few years’ time, wine has become a vital, statewide industry. The economic impact of the wine industry extends far beyond the direct production of wine or the agricultural employment of vineyards. Wine has become a tourist industry, a source of education demand, a force for transportation improvements, a source of manufacturing jobs associated with bottles and packaging, and an advertising employer.

In Grays Harbor, the thriving paper and wood products industries are struggling to stay ahead of lower cost competitors and the rising cost of materials. Yet they keep ahead of the competition, adopting newer, “greener” technologies and building on the skills and experience of an experienced workforce. Today’s children in Grays Harbor may be surprised to learn, looking back in 20 years, that Grays Harbor was once home to significant environmental conflict. If current events play out as they might, Grays Harbor is steadily becoming home to a cluster of low-emission energy producers, environmentally advanced manufacturers of recycled products, and biofuels production and distribution companies.

These are just a few examples. This story is being told in households and workplaces all over our state. New technologies are simultaneously creating new opportunities and threatening established work practices. New products are being invented by clever individuals or by networks of creative people and companies.

The question for all of us is...

How can we stay ahead of the global transformation of the economy so we all benefit from its potential?
1. **Washington is a force in the global economy.**

Our economic strategy has to start from a global understanding. We are more like a small nation, economically, than just another state. We simply will not compete successfully solely on the basis of low cost. Obviously, wherever possible, we should make it less expensive and easier to do business here. But we will compete and win based on high skills, creativity, innovation and high quality. We need to take this global understanding and competitive strategy and advance it on a regional basis and throughout the state. Washington’s global strategy rests on skills and innovation, built everywhere in the state through regional partnerships.

2. **Education is the single most important economic investment we can make.**

Investments in education—particularly early childhood education and lifelong learning—have significant economic implications, far into the future, and they are key to helping low-income families gain ground economically.

3. **The public sector should lay the foundation for private sector success.**

“Infrastructure” means more than the traditional sense of roads and sewers, though those are important. In a modern economy, the foundation for economic growth includes transportation, energy, water and digital connections to markets and suppliers.
4. Sometimes laying the foundation for success means providing information and getting out of the way.

Washington needs to be “open for business” in a serious way, using digital service delivery for easier access and to create economies of scale. We know we are making progress on permit timeliness and on-line licensing. We know that unemployed workers are finding jobs more quickly. But we need to make it as easy as possible to do business in Washington.

5. Government should actively support vital sectors of our economy.

Focused, targeted investments can leverage private activity and increase our competitive advantage. The Life Sciences Discovery Fund plays this role, promoting public research and leveraging federal and private investments. Washington’s biofuel strategy, particularly the recently created loan fund, is another key example of leveraging significant private activity with relatively modest public investment. Our major education and skill investments are additional examples. We need to ask ourselves as a state: what are the best 21st century investments for our future?

6. The modern, global economy is making some old trade-offs irrelevant.

We can create jobs without harming the environment. Indeed, clean technologies, renewable energy, tourism and other industries thrive because they are environmentally aware. We can promote victory in the global marketplace without having to choose between large and small firms. Some of our smallest companies are major players in the global economy. And the distinction between “sunset” industries and “new economy” industries breaks down when we see how much innovation, creativity and research knowledge are needed to spark the next generation of products and services in all industries.

**Our strategy is** to build the skills and talents of Washingtonians, support our world-class firms and industries, focus our resources on effective programs, and move the whole state forward while providing special attention to regions and people who are not advancing as quickly as the rest of the state.
How will we know we are succeeding?

Government must be accountable for results. We need to have bold policies and specific measures of success. As this plan moves forward, state government and regional partners will need to develop concrete, measurable goals associated with the initiatives. Our efforts should represent a shared vision of the future and our measures should allow Washingtonians to gauge our progress as a state.

Under the Governor’s Government Management Accountability and Performance (GMAP) initiative, performance measures have to meet a six-point test:

1. The measures must be meaningful to Washingtonians.
2. They should align with state and regional priorities. They are budget and policy driven.
3. The measures should capture events that our actions can influence.
4. The measures should relate to a substantial effort or investment. We don’t want a vast number of measures that don’t add up to significant movement forward.
5. Progress in the measures should be possible over 90-day periods (rather than years or decades) so management decisions can, whenever possible, influence outcomes in shorter periods.
6. Data must be reliable and easily accessed.

We need a shared vision of success and continuous measurement of our progression toward it.
Global and Regional

Washington’s economy is global and it is regional. We are global because we are consistently among the top states for exports per person. We exported $38 billion of products in 2005 and will have exported more than that in 2006. Despite our smaller population, only California, New York and Texas exported more than Washington last year. And our economy is regional, with specific leading industries and firms making their mark on Washington’s regional labor markets, financial markets and cultural environment.

Recent trade missions by the Governor and industry leaders show how we can capitalize on Washington’s superb reputation for quality and innovation. At the Paris Airshow, the Washington trade delegation met with eleven world-class companies, six of whom are opening or expanding operations in the state. The back-to-back visits of President Hu of China and President Fox of Mexico show the world that Washington is like a small nation with unique, personal connections to global leaders. During the Australia trade mission, the state of Washington signed path-breaking agreements around life sciences collaboration, sending yet another signal to the world’s science community that Washington intends to build international networks that strengthen our leadership in global health and life sciences.

Trade missions are just one part of a general strategy to expand export markets and increase foreign investment in Washington.
Global Competitiveness Council

The Governor’s Global Competitiveness Council was chaired by Alan Mulally, President & CEO of Boeing Commercial Airplanes, and Judith Runstad, Attorney at Foster Pepper PLC. The Council’s initial report, “Rising to the Challenge of Global Competition,” was published in March 2006.

The Council formed five committees to make recommendations:

- The **Infrastructure** committee made recommendations around telecommunications, water, freight, energy and air transportation.

- The **Marketing** committee recommended a Global Business Attraction and Promotion Campaign, an inventory and expansion of marketing resources, and efforts to leverage additional activities.

- The **Political Environment** committee focused on the context for decision-making in the state and made recommendations around education and policy to reduce political conflict.

- The **Research and Innovation** committee recommended increased support for research and innovation; improved commercialization and technology transfer; broader distribution of technical knowledge; and better preparation and engagement of the workforce.

- The **Skills** committee recommended steps to improve seamlessness in the education system, raise the bar on performance, increase investment and prepare the workforce.

Many of the Global Competitiveness Council recommendations are incorporated into this strategic plan. The full report is available on-line at: http://www.governor.wa.gov/priorities/economy/council/default.asp.
The Governor convened the Global Competitiveness Council in response to Washington’s unique mix of globalism and regionalism. The Council was asked to “rise to the challenge of global competition” and provide recommendations and competitive strategies (see text box on Global Competitiveness Council). The Council’s report is an important document to read in its entirety, but within the recommendations is an essential, overall message:

*Washington is not going to compete successfully with a low cost strategy alone, though we need to keep business costs down. We’ll compete with quality products, innovation and a skilled, trained workforce.*

How will we compete and win? First, we have to be aware that the rules of economic strategy have changed forever. Our state plan has to build on a foundation of regional success. The Federal Reserve Bank of Kansas City recently described the new planning reality in a concise history of economic development:

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Washington is well-positioned for economic success in this new environment.

In a world where economic rewards are achieved through education, innovation and research, Washington can maintain our global lead through smart strategies and strong alliances across regions.

Our strategy has three components:

1. **Education and Skills** are the most important investment we can make in our economic future.

2. **The Foundation for Economic Success** is our strategy for traditional infrastructure investment, but also for the broader underpinnings of the modern economy; success in today’s global market requires more deliberate approaches to energy, telecommunications, water and transportation.

3. **Washington is Open for Business** is our approach to making Washington even more business-friendly by making it easier and less expensive to operate a business in Washington.

Our approach is based on regional organizations because our economy is regional, statewide and global.

Our plan, described in brief in the following table, is grounded in improved regional planning driving initiatives around skills, laying other foundations for success and being open for business in meaningful ways.
### THE NEXT WASHINGTON KEY INITIATIVES

Statewide and Regional Planning Improvements
(Economic Development Commission/Workforce Training and Education Coordinating Board)

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*Global Competitiveness Council recommendations*
1. Skills for the Changing Economy

“Washington Learns” Comprehensive Strategy

Washington Learns, a group of legislators, educators and business and community leaders, was convened by Governor Gregoire to review the state’s educational system – from early learning and K-12 through higher education. A final report was released on November 13, 2006, and is available at www.washingtonlearns.wa.gov.

The overarching recommendation from Washington Learns is to educate more people to higher levels. Our older workers are relatively well-educated, but our younger working age population is not. During the 1990’s, as the importance of an educated workforce in the global economy became clear, other nations invested heavily in their education systems while the United States invested little. As a result, the United States has dropped from first place to seventh in the educational attainment of our youth. Our older population is better educated than our younger population, a trend that is clearly moving in the wrong direction. This trend is made even more alarming when we consider two demographic trends. First is the impending retirement of the best educated population in U.S. history – the baby boomers. Second is the fact that an increasing proportion of the younger population are ethnic minorities and low-income groups, who have traditionally graduated from high school and completed college programs at sharply lower rates than the baby boomers who preceded them.

Unless we meet these educational disparities head-on, workers with the necessary knowledge and skills will be in short supply as the baby boomer generation retires.

Our state mirrors this alarming downward trend in the educational attainment of our youth. Essentially, we need to dramatically improve at three important educational transition points:

- More students must enter kindergarten ready for success. Currently, less than 50 percent of entering kindergarteners are considered ready to learn.
- More students must graduate from high school. Currently, only 74 of every 100 ninth graders graduate with their peers four years later. The graduation rate is far worse for students of color, averaging 54 percent for African-American and Hispanic/Latino students.
- More Washingtonians must complete higher education or workforce training.

Washington Learns recommends the Global Challenge States as our benchmark for improving education. These are the top eight states on the New Economy Index, which compares the fifty states on
21 indicators of ability to compete in the global economy (California, Colorado, Connecticut, Maryland, Massachusetts, New Jersey, Virginia, Washington). Washington ranks second on the New Economy Index, but when we compare educational statistics with these Global Challenge States, the news is sobering.

Among the eight Global Challenge States, Washington ranks:

- **Last** on the number of children enrolled in preschool,
- **7th** on K-12 expenditure per student,
- **6th** on funding per student at research universities,
- **First** on associate degrees per 1000 population,
- **6th** on baccalaureate degrees per 1000 population, and
- **Last** on advanced degrees per 1000 population.

Taking the lead among the Global Challenge States is an important long-term goal for Washington.

Washington Learns recommends five focused initiatives to increase the rigor and the relevance of educational programs at all levels.

**First**, we must invest in early learning. The new Department of Early Learning will provide new leadership for state efforts to address the needs of very young children. And the new Thrive by Five public-private partnership has pledged an investment of $100 million over the next 10 years to support quality early learning.

Through early experience, the basic architecture of a child’s brain is developed, and the quality of early experience lays the foundation for later success. Economists and educators agree that investments in high quality early learning, especially for at-risk children, yield significant benefits. For every dollar invested in quality early learning, eight dollars are saved through reduced need for special education and remediation, and through lower rates of abuse, neglect, teen pregnancy and crime.

**Second**, we must undertake a major redesign of math and science programs, curricula and instruction. Top jobs in the new economy require an understanding of math and science and our education system must prepare students to meet high standards. Jobs in the skilled trades from construction to automotive repair require sophisticated math
and science skills, and employers in fields from health care to high-tech are demanding more workers with science, engineering, math and logic skills.

**Third**, we need to personalize the delivery of education. We hold high expectations for all students, so we must redesign our schools to serve the different needs of all our students. Technology, both online and in the classroom, expands teaching options and learning opportunities for all students, whether they are struggling, average or exceptional.

**Fourth**, we must significantly expand opportunities for more Washingtonians to access college and workforce training, especially in degree and certificate programs in high demand by our economy. Apprenticeship programs, community and technical colleges and state colleges and universities provide a range of opportunities for citizens to develop the skills they need for family wage jobs. Opportunities to gain skills and upgrade skills are vital for thousands of Washington workers facing difficult economic transitions and for employers who must stay competitive in a constantly changing economy. Innovative approaches like skill panels, Centers of Excellence and targeted customized training efforts have helped Washington’s workers gain 21st century skills and meet the changing needs of employers. Our premier research universities — the University of Washington and Washington State University — are vital sources of knowledge, expertise and creativity. But they are also important vehicles for economic progress through research, innovation and commercially viable discoveries. Connecting these engines of economic progress to Washington business is a central mission in meeting the global challenge.

**Fifth**, we need to make a major investment in the overall quality of education programs and to hold ourselves accountable for clear results.
Streamline the workforce training system

As Washington Learns was making its recommendations, the Workforce Training and Education Coordinating Board completed a comprehensive review of the workforce development system in 2006. The review recommended to the Governor and to the Legislature steps to improve outcomes for workers and employers through efficiencies, closing service gaps and other strategies. The insights of this effort hold particular promise for Washingtonians who do not have postsecondary education or training and who face difficult career transitions.

The Board’s report addresses a wide range of topics and specific recommendations.

Three goals are shared among the Board’s recommendations for the future:

1. **Improve the partnership** among workforce and economic development efforts at the state and regional levels;

2. **Improve collaboration** among state workforce agencies and local partners;

3. **Improve the connection** between the Board’s performance accountability system and the Governor’s Government Management Accountability and Performance accountability process.
2. The Foundation for Success: Traditional “Infrastructure” and Beyond

Washington’s economic expansion has been tremendous compared to the national economic picture. We are gaining middle and high wage jobs. Manufacturing employment, for example, is expanding in Washington even as it declined nationwide.

We need to continue to grow in areas where progress is being made and extend our economic expansion to regions that are not gaining as quickly as the rest of the state. Washington needs to continue to expand our competitive edge in fast-growing counties and to provide additional support to struggling areas. We need to efficiently lay the groundwork for future success everywhere in the state. In particular, we need to ensure that the supplies we need and the products we export can enter and exit our state as readily as possible through some of our most important economic assets – Washington’s world class port system.

We make substantial investments in the water, sewers, roads and utilities that help make economic growth happen. Recent breakthroughs around water and transportation represent significant progress. Along with education, infrastructure investments are among the largest, most important direct investments that the state makes in promoting economic growth. Washington’s strategy for a world-class economy requires that infrastructure investment programs be less fragmented, with a sharper strategic focus, driven in partnership with regions and local areas.

The following initiatives will lay the foundation for our success:

**EDUCATION**

Education is the most important and largest investment we make in the foundation of our economy. The preceding section describes elements of that strategy.

**CONTAINER PORTS INITIATIVE AND PRODUCTS-TO-MARKETS TRANSPORTATION STRATEGY**

The Washington Legislature and Washington voters have taken profound steps to promote transportation expansions and improvements. These transportation investments show that Washington is well aware of the role that transportation plays in our economic success. Almost 100 years ago, Washington began creating port districts. Since then, these investments have grown far beyond docks and shipping terminals; they include airport, industrial, railroad and recreational facilities of all sizes.

The Governor’s Container Ports Initiative builds upon recommendations of the Global Competitiveness Council and the Prosperity Partnership of the Puget Sound Regional Council. The initiative encourages long-term planning involving two
of the state’s leading institutions for global commerce, the Ports of Seattle and of Tacoma. The Port of Seattle has been the fastest-growing port in the United States over the past two years, and the Port of Tacoma, with its larger, available land base, believes it can quadruple its current volume of more than 2 million container units. Growth of this speed and magnitude clearly would boost the overall economy of a state in which one out of every three jobs is supported in some way by payrolls and revenues stemming from international trade. Washington’s container ports are well positioned for continued growth from Asian trade. But at risk is the future of our container ports as logistics and distribution hubs able to attract international trade, services and investment. Our future success depends upon addressing two issues that could impair our competitive advantage: (1) deterioration of the general transportation system and (2) urban encroachment on maritime industrial areas.

Washington’s strategy for successful ports cannot be separated from our strategy for transportation in general. We cannot allow transportation to be organized in “silos” of specific modes or geographies. The Fast Corridor program identifies and funds projects to increase efficiency and mitigate freight transport on road and rail, enlisting ports, local, state and federal government, and rail partners in a flexible funding scheme for projects that are “ready to go.” This strategy points the way to a collaborative future, solving problems at all levels of government and across modes of transportation.

Key initiatives for improving the movement of products to markets and workers to jobs include:

**Rail.** About 70 percent of inbound cargo at the large Puget Sound ports is shipped to eastern markets by rail. The success of this cargo flow is tightly tied to rail capacity. Washington needs to:

1. **Increase State’s Mainline Rail Capacity.** The first step towards increasing the State’s Mainline Rail Capacity is the crowning of the Stampede Pass Rail Tunnel. This project was identified as a top priority in the recent rail capacity study produced by Washington Public Ports Association.

2. **Establish a public-private “Express Freight Rail Action Team”** sponsored by the Governor, port chief executives and Rail Company CEO’s for
the purpose of developing a multi-year Rail Capacity Action Plan and an investment timeline. Increasing the capacity of rail main lines benefits ports, shippers, manufacturers and agricultural producers, shortline rail operators and the large, Class I railroads.

3. **Designate a single entity to coordinate and direct the state’s participation** in the preservation and improvement of the rail transportation system.

4. **Work with Washington’s Congressional Delegation to establish a multi state effort** for facility improvements along the Northern Tier between Washington and Chicago.

**Roads.** The safety and efficiency of Washington’s road system has enormous implications for our competitive position in the world. Our road strategy has to:

1. **Advance key road projects for regional freight mobility and port access.** Shipping containers moving more than 500 or 600 miles generally are transported by train, but trucks and roads are key for local and regional distribution. Our road projects need to account for these uses and future demands.

2. **Regional Transportation Solutions.** The state is a partner — not the sole provider — in many transportation projects. Our success statewide depends upon both state and regional decisions and funding. A sustainable, efficient regional transportation strategy needs to be a priority.

3. **Intermodal Yards Capacity.** Trucks are both affected by and a source of congestion. The container terminals at the ports of Tacoma and Seattle have close proximity to I-5. Compared to the 22 miles or more between terminals and intermodal yards in Los Angeles, Washington’s large container ports have a clear advantage. Other Washington ports have similar advantages. Washington needs long term strategies to maintain our competitive advantage through intermodal yard capacity.
THE ENVIRONMENT, PUGET SOUND AND THE NEXT WASHINGTON

The natural environment of Washington is one of our most important economic assets. Clean air, water and land are essential to personal health, but they are also essential to our economic success. Washington’s image as an environmentally aware state is important to our “branding” of current and future Washington products. Our timber, farm and recreational lands depend on wise stewardship and long-term planning. And for thousands of visitors each year, Washington’s natural beauty and cultural diversity make Washington a premier destination. Washington’s unique environmental amenities are a powerful economic advantage, providing special status for our products while contributing to our ability to draw the best talent to live, work and grow businesses here.

The rich environmental diversity of Washington is important to protect in all areas of the state. But the challenge for our future is particularly pressing in the highly populated Puget Sound region. For thousands of years, people have enjoyed the bounty and the beauty of Puget Sound. But the fish and wildlife, such as orca whales, rockfish, marine birds and salmon that were once abundant are now sharply declining.

Washington residents depend on the Sound for seafood, recreation, transportation, fishing and tourism. The state leads the United States in shellfish production with average annual sales totaling more than $100 million. Half of Washington’s recreational salmon are caught in Puget Sound which fuels many related businesses. Every year, over 600,000 sport fishing trips embark for salmon and steelhead, spending $35 million in the process. On the commercial side, over 20 million pounds of salmon a year are brought in to Puget Sound harbors. Combined, the Ports of Seattle and Tacoma are the second largest U.S. port for container traffic. When it comes to tourism, nearly 80 percent of the state’s revenues for tourism and travel are generated in the Puget Sound region, along with 75 percent of all tourism-related jobs.

Governor Gregoire is determined to save the Sound for future generations and has made it a top priority to restore its health by 2020. To achieve this goal, she brought together business, government and community leaders to form the Puget Sound Partnership.

The priorities of the Partnership are clear and powerful.

First, protect habitat and restore damaged shorelines.

Second, clean up and prevent toxics pollution.

Third, clean up areas with failing septic tanks and wastewater systems.

Fourth, reduce polluted stormwater runoff.

To achieve these goals, the Partnership is determined to ensure that all levels of government and non-profit groups are working collaboratively and are accountable for actions and outcomes.
E-COMMERCE INITIATIVE

Telecommuting and e-business strategies could be essential to Washington’s economic development strategy if we extend digital telecommunications to new areas. For the most part, market forces are bridging the digital divide. But there is a clear public purpose to expanding telecommunications access in some areas where it is not currently available or affordable. In areas of the state where telecommuting by workers or electronic transmittal of services are options, expanded telecommunications access could be at the heart of economic strategy. Where there are not enough companies, where commute distances or conditions are prohibitive or where labor supply is an issue, telecommunications strategies could hold the key to jobs and income. Washington’s strategy will be based on solid information: which areas are candidates for improved telecommunications access and what can be done to create that access?

MOVING WASHINGTON INFRASTRUCTURE FORWARD INITIATIVE

A recent study by Berk and Associates describes Washington’s infrastructure programs as fragmented and lacking a unifying direction. In recent years, in an effort to address gaps in the economic development portion of the state’s infrastructure funding, additional programs for job creation have been created. This has occurred even as one of the most significant job creation funds — the Community Economic Revitalization Board — has functioned without a sustained funding source. We need to broadly engage communities, constituencies and existing programs to rethink our infrastructure funding strategy to:

1. Address governance issues so that our funds have an integrated, targeted mission and clear measures of success,

2. Explore opportunities for increased efficiency through program consolidation, and

3. Identify options to increase the positive impact of public funds on private economic activities.

Also, the creation of the Local Infrastructure Financing Tools program was an important step forward for Washington. The competitive portion of that program should be strengthened and expanded as broader infrastructure strategies are considered.

RESEARCH-TO-PRODUCTS INITIATIVE

Research institutions play an increasingly important and complex role in economic change. Some university research leads directly to new products, procedures or companies. Other research leads to new production methods or new ways of organizing work. Whether it is direct or indirect, university research is constantly changing our companies, workplaces and products. Washington is home to premier research institutions and harnessing their
creative power has to be central to our strategy for the economic future.

Our research institutions are increasingly aware of the value of commercial applications of basic research. In 2005, the Governor and the Legislature made important changes to the rules that apply to public researchers, encouraging greater collaboration between public and private sectors. New alliances are forming among the Pacific Northwest National Laboratory, Washington State University, the University of Washington and private companies. The next generation of Washington industries – from biofuels to global health to advanced manufacturing to clean technologies – is being shaped in our research institutions.

To move the state forward, the Economic Development Commission of Washington recently sponsored a report, “Enhancing Washington’s Economic Future,” with several recommendations. The Global Competitiveness Council endorsed the direction of this report.

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**The Research-Based Economy: A Strong Advantage for Washington**

Most Washingtonians realize that our research universities, federal laboratories, and high-tech companies are leading the world in innovation and research. But the full effect of our research-based companies and industries may not be fully appreciated. The Global Competitiveness Council’s Committee on Research and Innovation developed the following flow chart to illustrate how research ideas flow through workplaces and into markets around the world:

**The Cycle of Innovation, Productivity and Economic Growth**

- Research → Technology Commercialization → Technological Literacy and Competence
- Employment, Wages, Tax Revenue → Increased Global Market Share → Increased Productivity

Although we may not see it every day, Washington’s economy is constantly growing and changing as a result of our world leadership in innovation and research. To keep this engine of economic expansion moving forward, we need state and regional efforts that promote each step of the research-to-products process.
Reflecting these recommendations and other initiatives, our plan for expanding the commercialization of university technologies includes five initiatives:

1. **Support for Life Sciences Discovery Fund.** The most significant state investment in research is the Life Sciences Discovery Fund. This fund, based on the portion of the tobacco settlement that was paid to Washington as a bonus for our leadership in settling the lawsuit, has a mission to advance Washington’s life sciences research by investing in and leveraging additional federal and private funds. The fund is central to our global health and life sciences strategy. Their activities can be supported through additional linkages to commercialization efforts at universities, connections to federal funding opportunities and marketing efforts. The fund’s emphasis on cost-saving strategies makes their work particularly important to our future.

2. **International Collaboration for Technology Commercialization.** The Governor’s trade mission to Australia included some unique agreements around life sciences research. In a path breaking dialogue in 2006, the Premier of British Columbia and the Governor addressed regional social issues, public safety issues and economic strategies. These examples suggest a potentially important strategy for technology commercialization. Given Washington’s global connections, our trade missions and international summits should incorporate discussion, comparisons and collaborative agreements around moving research into commercial products.

3. **Expand Research Capacity.** Lab space and other physical capacity is important to our success in the research-based economy. The Higher Education Coordinating Board and other institutions that design and implement capital purchase plans should include a research component in their statewide strategic planning. Depending on budget pressures, the state can either specify research buildings within existing funds or add funding targeted at key research areas. We also need personnel capacity. Studies show that “star” researchers are among the most cost-effective ways to lure out-of-state funds, increase research output and improve educational opportunities. The Advanced Technology Initiative was a Washington strategy to lure star researchers. We need to reflect on the lessons of that effort and develop a long term approach to recruiting and retaining key research personnel.

4. **Technology Commercialization Information.** Washington’s strategies and assets can only lead to products and innovation if entrepreneurs
and companies know they exist. Small investments in communication around patents and programs can go a long way toward expanding access to next-generation technologies and programs. The Economic Development Commission report highlighted several areas where additional information could be created at low cost.

5. **Measure our progress.**

Various private efforts rank the state on “innovation” and other measures associated with the research-based economy. The Governor’s office, in consultation with university technology transfer offices, should recommend a measure or measures to add to the quarterly Economic Vitality GMAP meeting.

**REGIONAL RESPONSE TEAMS INITIATIVE**

Much of Washington’s strategy is designed to keep our leading edge companies ahead of the global competition. We also need an approach to keep pace with the changing economy in less successful areas. Unfortunately, Washington’s current “distressed area” definition is too broad, the measure does not link directly enough to the resources that will be used to respond and our approach to helping designated areas is not focused enough. In addition to support for specific areas, increased investment in local economic development partners is essential to our success in all areas of the state. Funding for local partners and for small business development centers as part of “Team Washington” provides a foundation for growing jobs and income in struggling areas.

Our general strategy of rebuilding local partnerships can be combined with specific efforts around Regional Response Teams.

The Regional Response Teams Initiative includes four steps:

1. **Create a trigger measure** that signals the need for greater engagement around fiscal and economic support for a distressed region.

2. **Engage a joint state-local response team** to identify problems and opportunities in the region.

3. **Identify resources for public works** (particularly through the Moving Washington Infrastructure Forward Initiative discussed elsewhere in this plan) and private activity to promote economic growth.

4. **Link Regional Response Teams to Team Washington recruitment** effort to bring private companies to these areas and to grow new small businesses.
3. Open for Business

The Open for Business approach of our state plan is the final set of initiatives to generate jobs and income. Our Education and Skills strategy will provide Washingtonians with the knowledge they need to keep Washington businesses competitive in the world. Our Foundation for Success strategy will create or strengthen other prerequisites of success for workers and businesses. The initiatives we call Open for Business are to make Washington an affordable and efficient place to do business.

Washington’s workers and businesses need to have clear, concise guidelines to navigate state and local procedures. We need to deepen the on-going dialogue around the state about fair and sufficient tax policy. State resources should support regional efforts as much as possible, to be closer to customers and to be informed by local needs. Our efforts to recruit new companies, expand existing companies and retain employment at companies that face financial difficulties need to be based on smart use of limited resources, building on federal, state, local and private resources. As we take these steps, we need to ensure that our natural and cultural environments are consistently supported and promoted as legacies for our children and as unique economic assets.

Washington’s approach to being “open for business” includes support for regional planning and for action to build on local competitive advantages. We will grow Washington employment with recruitment, retention and expansion strategies that reflect these regional plans.

Specific initiatives include:

ALIGN ECONOMIC DEVELOPMENT AND WORKFORCE DEVELOPMENT AT THE REGIONAL LEVEL

Washington is regularly cited as home to one of the best workforce development systems in the country. We are frequent winners of national awards, we find work for unemployed workers quickly, and the re-employment wages of displaced workers are among the best in the country. We also have extensive experience with economic development councils promoting economic activity at the local level. In some areas, our Workforce Development Councils and our Economic Development Councils work together very effectively. In others, the full promise of aligning workforce development and economic development goals is not realized. Washington should pursue a two-step strategy toward improving these joint efforts.

1. At the state level, improve coordination between the Economic Development Commission and the Workforce Training and Education Coordinating Board. A first step will be for these boards to take stock of local and regional planning efforts and to make recommendations about what works and what doesn’t. Their review should look at existing boundaries among the organizations in the two systems and best practices around joint planning. These two institutions should “walk-the-
The best state plan is only as effective as the regional plans that build into it.

talk” in terms of joint strategizing around workforce and economic development investments.

2. The Commission and the Board should recommend new organization boundaries if necessary, new funding options to improve the alignment of workforce and economic development policies at the regional level, and new initiatives to promote regional activity based on these plans and policies.

These activities have a specific goal: every region in the state should have a widely understood, broadly shared and powerfully motivating economic strategy that links workforce and economic development efforts. The best state plan is only as effective as the regional plans that build into it.

INTERNATIONAL TRADE AND THE NEXT WASHINGTON

Washington is often cited as the most trade-dependent state in the country. Washington exports more than twice as much, per worker, as any other state in the country ($16,800 compared to $8,100 nationwide in 2005). The Global Competitiveness Council, the Governor’s Council of Economic Advisors, the Economic Development Commission, ports and other key organizations are constantly looking beyond Washington’s borders to advance our economic position.

The Next Washington is a global Washington. Although we need specific responses to the global economy, all of the recommendations in this document have international implications.

Our specific international strategy has three broad components. First, promote Washington exports. Second, encourage foreign companies to locate in Washington. Economists call this “foreign direct investment” and it is an important tool for reducing the national trade deficit while creating good jobs in Washington. Third, promote cultural exchanges, particularly through educational institutions. The global future demands that Washington establish strong, often personal ties with other countries. International educational outreach is a good source of lifelong international connections. It also makes good sense financially.

These strategies need to be implemented in creative ways. The Governor’s trade missions have proven enormously successful, given the importance that so many countries place in direct leader-to-leader contact. The Governor should continue to lead at least one trade mission a year. Second, Washington needs to strengthen and take full advantage of the network of foreign offices that represent the state in key trading countries. Third, our global strategy must be linked to our regional economic strategies. Recruitment of foreign direct investment, pursuit of export opportunities and educational outreach efforts will bear the greatest fruit if they are part of a well-planned effort including state and local partners.
STATE RESOURCES FOR REGIONAL STRATEGIES

In Town Hall meetings, in discussions with business leaders and in conversations around the state, time and again the message is delivered that Washington needs a regional approach to economic development. Washington’s economy is global, but it is regional, too. To succeed, Washington’s lead agency, the Department of Community, Trade and Economic Development, needs to move resources from state offices in Olympia to regional partnerships around the state. Washington’s state strategy for employment growth must be built on regional activity.

Two strategies are key to our state and regional activities.

First, the Legislature recently enacted legislation that included several efforts to promote industry clusters. It confirmed the Department of Community, Trade and Economic Development list of industries that should receive special attention and resources due to their state-wide impact on the economy. The Legislature singled out: aerospace, agriculture, food processing, forest products, marine services, health and biomedical, software, digital and interactive media, transportation and distribution, and microelectronics. In each industry, the Department of Community, Trade and Economic Development will develop recruitment, retention and expansion strategies in regional settings. The Legislature also created a program of competitive grants to promote regional activity around industry clusters.

A second area of state support for regional activity is the Innovation Partnership Zones Initiative. The Innovation Partnership Zones Initiative complements our regional industry clusters by encouraging high concentrations of research-based employers. This initiative builds on the success around the world of “research parks” or “science parks” and national leading examples like the Research Triangle in North Carolina and Torrey Pines in California. These examples lead to Innovation Partnership Zones as a Global Competitiveness Council recommendation. Though they may cover a small geographic area, innovation partnership zones combine powerful economic drivers in concentrated areas. These concentrations of research, innovation and economic activity can be a dominant force in regional economies. To develop this initiative, the Governor sponsored six competitive grants to local areas to seek advice about how to draw the boundaries of potential innovation zones, which resources could help build future zones and what skills workers would need to help zones succeed.

The findings from these initial grants suggested several components of a state Innovation Partnership Zones strategy. First, the Director of the Department of Community, Trade and Economic Development should designate local areas as “Innovation Partnership Zones” and seek nominations for those designations from areas around the state. Second,
the state should promote the success of these zones and the creation of additional zones around the state. Possibilities for providing resources include new funds, earmarking of existing funds in existing programs and proposals for unique funding streams for specific zone activities. Third, the state should convene an annual gathering of Innovation Partnership Zones leaders to share information and strategy about helping these zones to thrive.

By focusing on key industries in regional economies, state resources can have a larger economic impact. Through Innovation Partnership Zones, we can build companies and research institutions into concentrated areas of economic innovation and growth.

TEAM WASHINGTON RECRUITMENT STRATEGY

Sixteen years ago, “Team Washington” was launched as a statewide effort to mobilize state and local resources around shared economic goals. In reaching out across the state for advice about economic strategy, Governor Gregoire heard from economic development councils and local elected officials that “Team Washington” was a fondly remembered mobilization effort, uniting diverse areas of the state in a common goal. Team Washington is a cost-effective, tested approach to recruitment and is consistent with a Global Competitiveness Council recommendation around marketing. We need to re-launch that effort and make it global. The original Team Washington effort included creation of local organizations and state-level coordination of activity. To a large extent, the local organizations are still in place. We need to build on the lessons we learned and capacity that we built during that effort.

The Team Washington business recruitment effort requires broad collaboration with a particularly strong partnership among state economic development councils and the Department of Community, Trade and Economic Development.

At the state level, a coordinator will:

1. Research companies that add important inputs to Washington products or otherwise advance Washington’s global position,

2. Mobilize local partnerships to promote company location decisions, and

3. Coordinate outreach efforts to international and other out-of-state companies to encourage location in Washington.

This effort can take advantage of another new project, the Business Ambassador program, that is being created by the Economic Development Commission.

At the local level, more resources need to be directed to the foundation of our economic development partnership, the local organizations under contract with the Department of Community, Trade and Economic Development for business services. Three related things need to be done in the years ahead. First, local organizations need more resources – both state and local
contributions — to advance their work. Second, the legislation that created these institutions needs to be updated to reflect the changing partnership that is “Team Washington.” And, finally, we need to realize the full potential of an economic development strategy based on collaboration and strategic planning. The vision of the “Next Washington” is a vision of thoughtful planning, targeted resources, innovation and global economic success. “Team Washington” is a concept that captures the best of “Next Washington.”

**SMALL BUSINESS STRATEGY**

Small business is a vital economic driver, but it is difficult to create programs that meet their literally thousands of different needs. In the broadest terms, there are two kinds of support for small business. Some services are delivered one business at a time with face-to-face business plan development and problem solving. This happens in Small Business Development Centers, incubators and other direct service provider offices. Other services are provided electronically through web sites or on-line curricula. At the retail, face-to-face level, the state should support existing, local efforts to help small business instead of creating new state programs. The federally funded Small Business Development Centers are a good example of existing efforts that the state can support. When combined with greater support for other parts of the statewide system of economic development organizations, these Centers can play an extremely important role in a revitalized “Team Washington.” Small Business Development Centers are key places for businesses to tap another great resource, the Service Corps of Retired Executives (SCORE).

Experience with small business suggests that availability of capital — including very small loans — can be a vital factor in success or failure. The state can be helpful in expanding microlending options even without directly funding companies. Organizations that provide small loans play two important roles. They are sources of funds. But they are also important as a source of financial advice to businesses that are struggling or may be able to avoid difficulties through prior planning.

We need to make additional efforts to make government accessible and effective for small business. To efficiently serve thousands of small businesses, the Integrated On-Line Business Service improvements in information, licensing and permitting are a big step forward. Important additional changes are developing in state agencies. For example, the Department of Revenue is launching an outreach effort to get direct feedback from small business on publications, forms, web site content and usability. They are also designing new e-filing systems and on-line video workshops and tutorials (including multilingual services) to help small businesses be efficient. The Department of Labor and Industries, with a newly created Small Business Liaison position, is devising customized responses to small business needs and “safety alliances.” Employment Security is exploring opportunities to co-locate tax offices with Labor and Industries.
to promote information sharing and improve business accessibility. The Employment Security Department’s transition from random to targeted tax audits will be important progress for small business by reducing the likelihood of inappropriate audits while increasing the efficiency of audits. Efforts like those of Revenue, Labor and Industries and Employment Security will be shared across agencies, expanded, monitored and replicated throughout state government.

On the cost side, health care remains among the highest cost factors facing small businesses that choose to provide health care. Increasingly, small business simply cannot afford the coverage that they would like to offer their employees. State efforts to address health care cost are described elsewhere in “The Next Washington,” but these efforts are particularly important to small business.

WASHINGTON ANGEL INVESTOR INITIATIVE
Washington is home to some of the most progressive, well-funded venture capital funds in the world. We are also home to some of the most visionary, potentially successful entrepreneurs in the world. To a large extent, funds with money to invest and entrepreneurs with good ideas are able to find each other and make deals happen. But there is a small, important role for a program to facilitate the private investment process by connecting investors and entrepreneurs, helping entrepreneurs prepare for meetings with investors and sponsoring gatherings of investors and entrepreneurs.

MAKING IT EASIER TO DO BUSINESS IN WASHINGTON
Washington has been a leader worldwide in e-government activity. At the heart of our effort is the Integrated On-Line Business Services Initiative. We need to build on our success by providing greater access to government services and business requirements through electronic options. Among other advances, we will develop online systems to align and integrate licensing, permitting, tax payment and other business requirements. These on-line systems will make it easier to conduct business with multiple state, local and federal agencies and will help ensure that businesses and permit applicants can “get it right the first time” when they deal with government.

In 2006, Governor Gregoire issued an executive order on regulatory improvement, directing the Office of Regulatory Assistance to break down permitting and licensing barriers between state agencies, local and federal partners. The Office of Regulatory Assistance will continue to provide accurate, personalized information to citizens and businesses about regulations and requirements. The office will also provide needed coordination for major development projects. Significant new activities will include developing integrated permits to collapse multiple required permits into a single process, and enhancing online tools for business licensing and environmental permitting.

Another Executive Order, requiring “Plain Talk,” may have even more far-reaching benefits. Cumbersome
and confusing legal language is more than just a headache for businesses, taxpayers and customers — it is expensive. By requiring state agencies to use “plain talk” in official publications, Washington is at the forefront of making government more efficient and accessible. Plain talk is well-underway, but extending plain talk to all publications is an important goal for the state.

**EXPAND BUSINESS OPPORTUNITIES FOR MINORITY- AND WOMEN-OWNED BUSINESS**

Washington’s diversity is a source of economic strength. We need to embrace our diversity as a global competitive advantage. Yet in the last six years, state contracts with certified minority businesses have dropped from five percent of total expenditures to less than one percent. Governor Gregoire, in her July 10, 2006 letter to state agency directors, called on agencies to work with the Office of Minority and Women’s Business Enterprises (OMWBE) to turn this record around. Each agency will appoint a Supplier Diversity Change Agent to identify opportunities and develop new supplier diversity plans and goals. The challenge is to recommit, add accountability and use existing laws and regulations to increase access to and contracts with certified minority and women-owned businesses. Washington also needs to directly help minority and women-owned business be competitive. The OMWBE will provide certified firms with access to comprehensive integrated entrepreneurial, financial, technical and technology services customized to their individual development and growth plans. Services include development of performance capacity profiles for certified firms. The OMWBE will continue to market and improve access to the linked deposit program (a program which was literally doubled by the Governor and the Legislature) to provide affordable capital. Finally, OMWBE programs and services are a key component of the Integrated On-Line Business Services initiative described elsewhere in this plan, particularly marketing and sales tools.

**FOOD, AGRICULTURE AND FORESTRY**

Farming and forestry play a significant role in the history, culture and economy of Washington State. The landowners, workers and businesses in these industries have raised food for our tables, produced essential wood products and supported the growth of rural economies in Washington. Washington has the 8th largest lumber and 16th largest paper employment in the U.S. Eleven percent of our manufacturing jobs are in the forest and paper industries. We have the highest per acre forest yields in the nation and jobs in this sector are family-wage jobs employing about 50,000 people at an average salary of $46,000 a year. Agricultural and the food industry employ more people than any other business or industrial sector in Washington and the products of these sectors are key to our balance of trade with the country and the rest of the world. Washington sets a global standard for quality, safe agricultural products and maintaining that global lead is essential to The Next Washington.
**Keeping our farms and forests working.** Where farm and forest lands are next to growing communities, there is increasing pressure to convert farms and forests to development. With our population expected to double by 2050, some land conversion is inevitable. But, given the social economic and environmental values these working lands provide, it is a priority for the state to focus attention, provide options and explore ways we can grow while preserving our working agricultural and forest economies.

The Governor has proposed a Working Lands Initiative that includes innovative ways to help keep farm and forest lands profitable and productive. It improves planning and information. The long-term strategy for the future of the agricultural industry in Washington depends upon accurate, shared assessment of the strengths, weaknesses, threats and opportunities facing our food and agricultural sectors. They will need technical assistance for farm and forest management plans to provide much-needed regulatory certainty for landowners through long-term plans and permits. Farm and forest landowners also need options that include the ability to keep working their lands and benefiting from their rising real estate values. Governor Gregoire continues to support the landmark Forest and Fish Agreement and is implementing a long-term funding strategy to support this key element in the Washington’s salmon recovery plan. Recognizing that our wood products sector competes in an increasingly global timber economy, the Governor signed legislation that provided significant tax relief for this sector, which has spurred investments in additional processing facilities.

**Innovation: Crops, Practices, Markets.** Agricultural crop research may hold the key to Washington’s agricultural future. The state Energy Freedom Fund, the Alternative Fuel Standards relating to biodiesel and ethanol and the national interest in reducing our dependence on foreign oil are creating significant opportunities to link agricultural innovation and energy options.

In addition, the Governor and the Legislature have enacted significant tax relief to the wood products and farming sectors to spur re-investments in our rural communities. Washington needs to make targeted state research investments that link agricultural products and practices to make Washington a leader in the expanding opportunities in bioenergy.

Washington promotes innovation through development of creative farm practices that ensure Washington’s growers are competitive in an increasingly global economy. We will do this by investing in university, state and private sector research and through extension programs.
that provide the latest information for farmers. Similarly, Washington, Oregon and Idaho are collaborating to assist innovation in the food processing industry by supporting development of new products, new processes and higher skills.

Finally, our innovations must include promoting sales and exports. Three activities are essential. First, Governor Gregoire’s trade missions have been remarkably successful and important to Washington agriculture. In foreign markets, the importance of face-to-face contact between political leaders can be essential to trade relationships. These missions send a consistent message that Washington products are among the safest, freshest, finest quality products in the world. Second, the state should increase support for the “From the Heart of Washington” campaign to allow promotional activities throughout the year to continue to increase public awareness of the importance of farmers, ranchers and the food industry to our state and to boost purchases of Washington food products. Third, we need to fully develop our “Buy Washington” strategy for improved consumer awareness of Washington products.

Agriculture Workers. We need a national and a state strategy to make sure that employers have the workers they need. In Washington, D.C., we must continue to press for federal immigration changes to reform our broken immigration system, keeping our borders secure while meeting the labor needs of our state’s agricultural industry. Here at home, we need to build on the success of the multi-agency strategy around farm labor supply. The Departments of Employment Security, Labor and Industries and Agriculture have been working all over the state to improve the connection between workers who need jobs and agriculture employers who have openings. We need to build on that success and make plans for future harvesting seasons. We also need to ensure that agricultural workers and communities have available, safe and affordable housing.

Water. As all farmers know, water is an indispensable part of the agricultural process. To manage this key resource, we need to find better ways to meet current water needs, while making sure future water will be available for fish, farms, people and the natural environment. The Columbia River Water Management Program is developing new storage and conservation projects to make more water available for new out-of-stream water uses, such as farming, industry and municipal growth, as well as support stream flows for fish. Next steps toward implementation of the Columbia River Basin water supply initiative include additional storage capacity, accelerated instream flow rates and advances in reclaimed water use.
MILITARY INSTALLATIONS

Washington’s military installations are a powerful economic force throughout the state, generating $7.2 billion of economic activity and 200,000 jobs. Our strategy for this activity focuses on enhancing the military value of our bases, by providing capacity for new missions and promoting compatible land use in collaboration with neighboring landowners, businesses and residents. Our capital budget strategy needs to acknowledge these important assets. Given the key role of the federal government, Washington state government and Congressional representatives form a strong alliance to support Washington’s position in the Base Realignment And Closure (BRAC) Commission process and ongoing federal reviews.

Currently, veterans make up ten percent of our population, and that number keeps growing. The Spokane region alone is home to over 17,000 military retirees. We want to continue to make Washington State an attractive place for our military retirees to settle. Military retirees bring with them skills and training vital to our economies.

TOURISM

The tourism industry touches every community in Washington. International tourists come to Washington to experience our natural beauty, our vibrant urban settings and our diverse cultures. From major events like the 2010 Olympics to regional events like wine tours, Washington is a premier tourist destination for thousands of visitors every year. We need to capitalize on this economic resource in several ways. First, we need to deepen the connection between the leaders of this industry and the state agencies that support it. The redesign of the Tourism Advisory Committee for the state is an important first step toward other activities. Second, like other states, we need to explore opportunities to leverage additional private spending on tourism promotion by using state resources more effectively in combination with private resources. Third, we need to leverage additional regional spending by working in concert with Montana, Idaho, Oregon and British Columbia on tourism promotion. Fourth, we need to make special efforts to promote eco- and geo-tourism in Washington. Washington’s abundant environmental assets are a significant pull for tourists from other states and other countries. Our tourism strategy needs to make the most of our unique cultures, geography, agriculture, wildlife and wild water. Finally, we need to continue our effort statewide and in concert with British Columbia to maximize the state return on the 2010 Olympics in Vancouver, B.C. The lesson from other states suggests that careful planning can lead to enormous tourist activity related to Olympic games. We need to make the Olympics a big win for Washington and British Columbia.
Right now, Washington is taking important steps toward reducing health care costs, improving quality of care and expanding access. These efforts suggest a dramatic goal to mobilize state activity: by 2017, Washington’s health care can be a recruitment tool for national and international business. Businesses will be attracted to Washington for its visionary approach to health and health care and Washington will be a model for other states.

To achieve this vision, between 2007 and 2017, Washington needs some bold goals:

- **Reverse a 25 year trend of health care taking a growing share of the state budget.**
  In 2007, the state will begin a decade of reducing health care’s impact on the state budget, freeing resources for education and infrastructure.

- **Develop a nationally-recognized global health and life sciences strategy that improves health technologies, improves health care delivery, increases efficiency and lowers costs.**

- **Pioneer health insurance programs that extend coverage to every child in the state,** and takes important steps toward providing coverage for all adults.

- **Be recognized as the healthiest state in the nation** by continually reducing smoking, obesity and other health-risk factors, while instituting a work and school-related fitness program that becomes a national model.

These goals are significant enough to make Washington a magnet for businesses and to provide a stronger foundation for the state budget. Businesses will be attracted by the state’s focus on affordable coverage and care. A high quality and efficient health care system helps businesses attract the best employees. More affordable health care also helps the state’s budget, allowing greater attention to education, safety and the other aspects of strong families and strong infrastructure. Increased emphasis on education has a strong effect on health care outcomes. Washington recognizes this both in budgeting and in holding the education and health systems accountable for results.

The foundation for the future is being put in place right now, based on straightforward strategies to cover all children, to improve insurance offerings and to use state purchasing power to change the health care delivery system. The state, in its own purchasing, is leading the way in improving the health care system through five key strategies:

1. **An emphasis on evidence-based health care.** The state only pays for treatments that are proven to be effective.

2. **Better management of chronic care.** Ensuring those with the most costly illnesses receive the most effective treatment.
3. **Transparency and accountability in the health care system.** Health care payers and consumers gain performance reporting on the quality and efficiency of providers.

4. **Better use of health information technology** to reduce errors and redundant, unnecessary services, while reducing variations in the delivery of care and improving health outcomes.

5. **Promotion of prevention, healthy lifestyles and healthy choices.**

These changes will create a world class health care system that provides quality, reliable, safe and efficient care. Looking back from 2017, Washington should be proud of the steps we have taken to make health care an essential part of creating The Next Washington.

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### MOVING TOWARD ENERGY INDEPENDENCE

Washington has some unique opportunities to produce energy within the state, benefiting our farmers and rural communities, keeping money in the state economy and improving our environment. Already, Washington farmers are benefiting by growing crops that can be used to make fuel, or by allowing wind farms to share land with other crops. Our rural communities are similarly benefiting from renewable energy, as bio refineries, solar manufacturing and wind farms bring jobs and strengthen communities. Governor Gregoire has supported policies and provided incentives to foster these industries, but there is more to be done. On biofuels, we need research and demonstration projects that assist our farmers in growing crops and developing products other than fuels from those crops. Additional research and demonstration projects around the potential to use wheat and wood waste to produce ethanol will be an important next step for the state.

### GLOBAL HEALTH AND LIFE SCIENCES

Washington is a world leader in global health and the life sciences. The insights and innovations from global health activities in Washington hold the promise of dramatic cures, significant cost savings and improved quality of life everywhere in the world — including here at home. We have a special perspective on promoting human wellness through agriculture. Our researchers, philanthropies and universities play a remarkable role around the world in reducing crippling and life-threatening diseases through investments, partnerships, outreach and research.

Washington is uniquely positioned to change the future of health care. Washington’s global health community exists in all regions of the state and touches lives in all corners of the globe. In philanthropies, laboratories and class rooms, the global health and life sciences community has a sense of energy and urgency that is driving the next century of innovation. The creation...
of the Life Sciences Discovery Fund, a series of Governor’s Summits on life sciences issues, the Pacific Health Summit and the celebration of Life Sciences Research Week have been important milestones in the journey toward the Next Washington.

As a road map to the future, the strategic plan for life sciences, “The Future of Life Sciences in Washington,” is a vital contribution to moving forward. In addition to the specific proposals, the plan embodies the collaborative, creative energy of literally hundreds of individuals and organizations who developed the strategy. As the Governor said in announcing the plan, “There may be disagreements about the scale and timing of some of these recommendations, but there can be no doubt that the direction forward is here.”

The plan is a helpful guide to the future because it includes both public policy direction and direction to non-profit supporters of global health and life sciences. The plan includes five areas for work:

**Research.** Washington’s premier research institutions have been extremely successful at drawing funding to the state. We need to add to the state’s financial participation in research, paying special attention to the needs of our two research universities. In addition, we need to leverage our unique role in global health and attract top scientists from around the world.

**Technology Commercialization.** Washington needs increased effort and increased creativity around converting laboratory research into new medicines, new devices, new treatments. These efforts can only thrive through public-private collaboration.

**Capital Formation.** Washington needs increased public and private investment in life sciences enterprises, particularly for early stage companies. The plan calls for increased networking of investors and companies, including increased attention from retirement funds.

**Business Climate.** Tax incentives for long term growth and commitment to Washington, reduced health care cost and expanded coverage and specific attention to manufacturing are key recommendations.

**Workforce/Education/Public Understanding.** Washington’s education and training system must be responsive to the great opportunities that are being created by life sciences employers. Our future depends upon broader public understanding of the opportunities and economic value of the pursuit of better health for everyone, everywhere.
MANUFACTURING

Manufacturing is experiencing an economic recovery in Washington, despite national trends, but the industry faces enormous challenges in the years ahead. Washington’s strategy in the world economy is based on quality and innovation. We need to send a strong signal that Washington manufacturing quality is second to none. We need to look at options to make Washington the state with the highest certification rate for the global International Standards Organization (ISO) quality measures. Our approach to education, to moving innovation from research institutions to companies, and toward more coordinated regional activity will be particularly important for manufacturing. We need to learn and extend the lessons from the “Lean and Green” pilot program for manufacturing. This is a unique effort by the Department of Ecology, the Association of Washington Business and the Washington Manufacturing Service to implement plant-level changes that both increase efficiency and reduce environmental impacts. The potential for a Governor’s Aerospace Summit should be explored. Like Governor’s summits in other industries, this might provide an opportunity to address the larger issues facing this industry in all corners of the state.
Washington faces some tough decisions. We are leading the world in health research, alternative fuels, aerospace, software, manufacturing, agriculture, tourism and other industries. The next few years will be important ones for our long-term future. The strategies we implement to maintain and extend our lead in the marketplace must be carefully chosen, monitored through performance data and modified as our environment and experience change. As we move forward, we must extend our economic success to individuals and areas that are not yet enjoying the full benefit of our economic progress.

Washington’s future will be built by investing in skills and innovation. We’ll keep making it easier to do business in Washington. We’ll keep growing our economy while protecting the natural environment and cultural diversity that make Washington a wonderful place to live and work. Across the state and around the world, our workers, products and companies will keep us moving toward The Next Washington.
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