



# Competitiveness Council Recommendations

## Governor's Initiatives

March 19, 2003

The Washington Competitiveness Council issued a final report in January 2002 containing ninety-nine separate recommendations for improving the business climate in Washington State. The Economic Development Task Force also issued recommendations related to the state's direct role in economic development. Some recommendations can be implemented by executive order; others require legislation or changes in agency rules. Governor Gary Locke has initiated a long-term agenda to implement many of these recommendations.

The table below summarizes the status of legislative and administrative actions that advance this agenda. We will update this status report as we make progress toward implementing these recommendations and as we initiate new efforts directed toward improving Washington's competitiveness.

*NOTE: Changes from the December 11 status sheet are noted in italics.*

### 1.0 Taxes and Fees

Recommendation	Action	Status
Avoid general tax increases and protect existing exemptions.	Submitted supplemental budget with no general tax increases.	2002 operating budget passed without a general tax increase. <i>Governor's 2003-05 operating budget proposal has no general tax increases.</i>
Pay for transportation improvements with user fees. Consider regional taxes.	Supported regional funding bills in 2002 session. <i>Working with legislature to develop 2003 proposals</i>	ESSB 6140 passed and signed by the Governor in 2002. <i>Transportation proposals under development.</i>
Focus the efforts of the Tax Structure Study committee on modernization, equity, certainty, flexibility, and volatility	Commission briefed on Competitiveness Council recommendations.	Tax structure Study Commission report complete.

## 1.0 Taxes and Fees (Continued)

<b>Recommendation</b>	<b>Action</b>	<b>Status</b>
Review the manufacturing machinery and equipment exemption.	Governor directed DOR to review M&E.	DOR report submitted. At the request of industry, a stakeholder input process was completed. <i>Excise tax advisories addressing 12 issues are being reviewed by stakeholders and will be available and effective by the end of March 2003.</i>
Enact legislation for municipal tax simplification.	<i>Requested legislation: HB 2030 SB 5900</i>	<i>H 2<sup>nd</sup> Reading S 2<sup>nd</sup> Readings</i>
Enact legislation to clarify investment income.	Requested legislation (HB 2641; SB 6384).	HB 2641 signed by Governor Locke March 26.
Reform the Unemployment Insurance (UI) system to make it more fair, predictable, and stable.	Supported and signed legislation in 2002 (ESB 2901).	ESB 2901 overturned by Referendum 53. <i>HB 2152 provides vehicle for a new agreement.</i>
Explore the use of tax increment financing.	<i>Requested legislation SHB 1281; SSB 5364</i>	<i>H. Rules S. Ways &amp; Means</i>
Consider eliminating sales tax on construction contracts.	DOR to study policy issues.	<i>Issue paper available from DOR</i>
Change the taxation of startup businesses.	DOR to study policy issues.	<i>Issue paper available from DOR</i>
Consider providing some kind of incentives for capital intensive firms.	DOR to study policy issues.	<i>Issue paper available from DOR.</i>
Incorporate benchmarks into state's evaluation and review process.	Tax benchmarks to be incorporated into annual Economic Climate Study	Complete. See report at: <a href="http://www.wa.gov/ofc/pubs/clim0902.pdf">http://www.wa.gov/ofc/pubs/clim0902.pdf</a>

## 2.0 Regulatory and Permitting Issues

Recommendation	Action	Status
<p>Appoint a secretary of regulatory reform.</p>	<p>Appointed Paul Isaki as Special Assistant for Business and Regulatory Reform.</p> <p><i>Support legislation creating the Office of Regulatory Assistance (HB 1550).</i></p>	<p>Paul Isaki is implementing a regulatory reform workplan.</p> <p><i>S. Gov Op &amp; El</i></p>
<p>Establish benchmarks for timely permit decision making.</p>	<p>Department of Ecology is developing a permit benchmarking and diagnostic process.</p> <p><i>Support SHB 1007, which establishes a permitting bill of rights.</i></p>	<p>Department of Ecology is benchmarking permits. Baseline data are available targets have been set, and performance is being tracked quarterly. See Progress Report #3.</p> <p><i>SHB 1007 is in H. Appropriations committee</i></p>
<p><i>Provide positive and negative incentives to state agencies and local governments that issue permits in a timely manner.</i></p>	<p><i>Governor Locke issued Executive Order 03-01 directing agencies to enhance service delivery. See <a href="http://www.governor.wa.gov/eo/eo_03-01.htm">http://www.governor.wa.gov/eo/eo_03-01.htm</a></i></p> <p><i>Support HB 1007, which establishes a permitting bill of rights.</i></p> <p><i>Support HB 1526 to extend the deadline for establishment of voluntary cost-reimbursement agreements.</i></p>	<p><i>First progress reports are due from agencies January 31, 2004.</i></p> <p><i>SHB 1007 is in H. Appropriations committee</i></p> <p><i>HB 1526: S NatRes/En/W</i></p>
<p><i>Eliminate the practice of changing previous regulation through permitting processes.</i></p>	<p><i>Support 1007, which establishes a permitting bill of rights.</i></p>	<p><i>H Appropriations</i></p>
<p><i>Enter into binding contracts with federal agencies.</i></p>	<p><i>Ecology is negotiating with the EPA and the U.S. Army Corps of Engineers to obtain more specific delineation of state and federal roles in permitting processes.</i></p>	<p><i>Regulatory oversight of some Nationwide Permit activities has been reduced. See Progress Report #3.</i></p>

Recommendation	Action	Status
<p>Institute regulatory reform at the Department of Ecology.</p>	<p>Paul Isaki is overseeing reforms at DOE.   <i>Paul Trause and Paul Isaki are implementing similar reforms at L&amp;I.</i></p>	<p>Ecology is implementing a “Transformation” plan under the guidance of the Regulatory Performance Advisors’ Group. See Progress Report #3.</p>
<p>Require DOE to formally promulgate its 401 certification rules.</p>	<p>Ecology is working with an advisory group to develop procedures that will provide greater certainty to applicants.</p>	<p>Pilot project underway in the NW region July 1. See progress report #3.</p>
<p>Obtain full delegation of Clean Air Act Permitting.</p>	<p>Obtain federal delegation of Prevention of Significant Deterioration (PSD) permit.           Develop agreement with EPA on insignificant emissions units and develop rule.</p>	<p>Agreement signed Feb 7, 2002.           Agreement with EPA signed February 7, 2002. Notice of Intent to Initiate Rulemaking filed Feb 8, 2002.</p>
<p>Create a pilot program for permit streamlining.</p>	<p>Explore various permit streamlining models (e.g. California, WA Transportation) and identify pilot projects to test them.   <i>Support 2SSB 5694, SSB 5761, and SSB 5776, which provide for permit and appeal streamlining.</i></p>	<p>Pilot projects are being pursued with several large landowners that are pursuing multiple projects with complicated environmental issues.   <i>2SSB 5694 – H State Govt          SSB 5761 – H Trade/Ec Dev          SSB 5776 – H State Govt</i></p>
<p>Administratively adopt permit streamlining approaches.</p>	<p>Will implement changes as lessons are learned from pilot projects.   <i>Office of Archeology and Historic Preservation has also implemented permit streamlining procedures.</i></p>	<p>Strategies for coordinated and expedited review of environmental permits are being implemented within current program guidelines.   <i>Ecology has tripled the rate of water right transfers/changes since 2001.          OAHP permits usually issued within 30 to 45 days--Emergency permits within 48 hours.</i></p>

Recommendation	Action	Status
Create an executive director for coordination of multiple agency permits.	Move the leadership of the Office of Permit Assistance to the Governor's office.  <i>Support HB 1550, establishing the Office of Regulatory Assistance</i>	Move complete June 30. Executive Director with responsibility for coordination to be named.  <i>HB 1550 - S. Gov Op &amp; El</i>
<i>Create a business ombudsman and business sector managers.</i>	<i>Some of these functions can be covered by Office of Regulatory Assistance (HB 1550)</i>	<i>S. Gov Op &amp; El</i>
Continue making progress on reform of water law.	<i>Submitted water reform package to the legislature to address watershed plans municipal water rights, trust water rights, and replacement wells.</i>	<i>Most proposals are making progress through the legislature.</i>
<i>Fund the infrastructure required to make GMA workable.</i>	<i>Support SHB 1063 to fund public works projects.</i>	<i>S Passed 3rd</i>
<i>Provide local governments with procedural and substantive guidance for the environmental review of comprehensive plans and development regulations.</i>	<i>GMA planning staff provide technical and financial assistance to local governments to incorporate per-permitting environmental review and to develop clear policies and regulations to ensure more certainty to businesses wanting to expand.</i>  <i>Supporting HB 1707</i>	<i>Using study results and experience to provide best practices and cost/benefit information. A best practices publication is anticipated</i>  <i>HB 1707 - S. LandUse &amp; Pln..</i>
Include an economic development element in the GMA.	Support HB 2697.	ESHB 2697 signed March 26, 2002.

Recommendation	Action	Status
Expand the Master business license program to cities.	Department of Licensing is developing systems needed to extend the program to cities.	<i>City of Sammamish went live with MLS on Feb 3, 2003. Kent, Tumwater, Bellevue, Everett, Federal Way, Kirkland, Lacey, Lynnwood, Olympia, Redmond, Renton, Seattle, Shoreline, are all in some stage of MLS development with DOL.</i>
Delay implementation of the ergonomics rule.	Governor Locke delayed enforcement until July 2004.  <i>Governor Locke directed L&amp;I to assist businesses in implementing the rule, including an ergonomics resource center; clearinghouse; checklists; small business task force; and ombudsman.</i>	Enforcement delayed until July 2004.  <i>L&amp;I has conducted 150 business assessments and 50 demonstration projects</i>
<i>Establish model ordinances and best practices for municipal development</i>	<i>CTED has developed a housing pilot program to demonstrate commercially viable affordable housing for low and middle-income residents inside urban growth areas.</i>	<i>Web site inventory of existing completed projects will be completed June 30, 2003. Demonstration projects are also underway.</i>
Search for and support a remedy to legal issues facing condominium developers.	Worked with supporters of legislation last session	SB 6409 signed April 2.

### 3.0 Physical Infrastructure

Recommendation	Action	Status
Pass a long-term comprehensive transportation solution that includes regional funding and accountability.	Submit HB 2304, transportation reform bill. Support regional funding authority. Submit statewide transportation funding plan and budget. <i>Working closely with legislature to develop new package for 2003 session</i>	HB 2304 signed Jan 30. ESSB 6140 signed March 21. ESHB 2451 signed April 3. SSB 6347 signed March 27. Referendum 51 failed on the November ballot. <i>Legislative proposals under development.</i>
Secure long-term predictable funding for CERB.	Submitted HB 2425; SB 6543. <i>Legislation requested to provide additional, permanent funding (HB 1032; SB 5363)</i>	SHB 2425 signed March 28. Provides \$19 million over 5 years. <i>Request legislation passed the House; held in Senate pending budget proposal</i>
Support bipartisan solution for water storage.	Work with legislature on a proposal last session. <i>Governor's capital budget includes \$12 million in new grant funds.</i>	HB 2993 signed April 3. <i>Capital budget awaiting legislative action.</i>
<i>Invest in water infrastructure to match local, federal, and private sources to assure affordable, safe drinking water</i>	<i>Governor's capital budget includes \$4 million for drinking water grants to assist failing water systems and \$28 million in federal funding for drinking water assistance for loans.</i>	<i>Capital budget awaiting legislative action.</i>
Establish processes for handling request for placement of energy and telecommunication facilities on public lands.	Supported HB 1005 in 2002 and assisted in perfecting the bill. <i>Support SB 5977 and SB 5959 to improve access to highway rights of way for wireless companies.</i>	HB 1005 signed March 26; took effect June 12. DNR has developed guidelines with input of stakeholders. SB 5977: S Passed 3rd SB 5959: S 2 <sup>nd</sup> Reading

Recommendation	Action	Status
<p>Press Congress and the administration to increase BPA’s borrowing authority.</p>	<p>Governor Locke has expressed support via letter to Secretary Abraham, meetings with Federal Energy Regulatory Commission and congressional delegation, public speeches, and congressional testimony.</p>	<p><i>Congress passed and the president signed authorization for \$700 million in new BPA borrowing authority.</i></p>
<p>Ensure that the state’s updated energy strategy focuses on maintaining Washington’s competitive advantage in supplying low-cost reliable electricity to the region’s energy dependent businesses.</p>	<p>OTED updated energy strategy with input from an advisory committee.</p>	<p><i>Revised report available at <a href="http://www.energy.cted.wa.gov">www.energy.cted.wa.gov</a></i></p>

## 4.0 Human Capital and Innovation

Recommendation	Action	Status
Identify and support industry clusters that are strategically important to the state's economic future.	Conduct a cluster study; provide grants to regional coalitions to develop workforce and infrastructure.	Cluster study funded by OTED completed; additional work is being funded by Workforce Board, SBCTC and Employment Security. Regional workforce development proposals funded.  <i>Cluster strategy and best practices being developed.</i>
Provide universities with greater flexibility in setting tuition.	<i>Submitted bills to provide flexibility to set tuition for all but resident undergrads : SHB 1437; SSB 5448</i>	<i>HB 1437 – H. Approp SB 5448 – S Passed 3rd</i>
Authorize universities to finance research facilities with revenue bonds.	Supporting UW/WSU bill, HB 2736 in 2002 session.	SHB 2736 signed March 26 2002.
Authorize purchase of land by universities through real estate contracts.	Supported UW/WSU provisions included in HB 2736 in 2002 session.  <i>Supporting HB 1280</i>	<i>HB 1280 signed 3/19</i>
More vigorously market the federal Small Business Innovations Research (SBIR) grant program to Washington businesses.	Support the WAFAST Program led by WTC.	First year WAFAST program completed. <i>Plans in place for program continuation and application for new federal grant. See <a href="http://wafast.org/index.html">http://wafast.org/index.html</a>.</i>
Systematically examine the impact of taxes on public and private R&D.	Department of Revenue is conducting study.	Briefing paper in progress.
Exempt SBIR grants from the B&O tax.	Examine potential and budget implications over the interim.	<i>Briefing paper available from DOR</i>

<b>Recommendation</b>	<b>Action</b>	<b>Status</b>
<i>Allocate university enrollment increases to high demand fields.</i>	<i>Governor's budget includes approximately \$21 million for 1,550 high demand FTEs</i>	<i>Budget pending legislative action.</i>
Expand the Worker Retraining Program.	Fund 1,500 additional community college FTEs.	Operating budget for FY 01-03 included 1,320 of the 1,500 FTE enrollments requested by the Governor.
Increase the capacity to provide customized training for business recruitment or expansion.	Allocated \$750,000 in Governor's discretionary WIA funds to offset worker training costs for newly located and expanding businesses.	Funds are currently available.
Deploy federal and state workforce training dollars more strategically, with priority to local training partnerships aimed at preparing people to meet high demand occupations and the workforce needs of local industry clusters.	Fund Regional workforce development cluster proposals.	Regional workforce development cluster proposals funded through Community Colleges, Workforce Board, and Employment Security.
Increase the role of registered apprenticeship in expanding and renewing the pool of skilled workers.	Continued establishment of apprenticeship program with J.R. Simplot in Pasco and Quincy. Program develops apprentices in three occupations: industrial maintenance electrician, industrial refrigeration technician, and industrial maintenance mechanic.	Four-year apprenticeships are underway for 24 apprenticeships. Most will complete the program in 2003.
Require workforce development councils to demonstrate that their strategic plans address current workforce needs.	Encourage workforce development councils to address workforce needs through regional funding incentives.	Regional workforce development cluster proposals funded through Community Colleges, Workforce Board, and Employment Security

## 4.0 Human Capital and Innovation (continued)

Recommendation	Action	Status
Encourage regional partnerships among community and technical colleges and industries in strategically important clusters to better match curriculum with industry need.	Encourage coordination between workforce development councils and the private sector through regional funding incentives.	Regional workforce development cluster proposals funded through Community Colleges, Workforce Board, and Employment Security.
Increase funding for vocationally oriented English as a Second Language and Adult Basic Education programs at community colleges.	SBCTC funded pre-nursing program at Olympic Community College. Eastern Washington Agriculture-Food Processing Partnership created.	Ag partnership project complete; trained over 750 incumbent workers for higher skilled jobs and provided ESL where necessary. Pre-nursing program begins this fall.
<i>Maintain focus and accountability for K-12 educational reform.</i>	<i>Support HB 2124, which implements the requirement of passing state assessments in reading, writing, mathematics in 2008 to receive a high school diploma. In 2010 science is added to the test requirement.</i>	<i>S. Education</i>
<i>Develop a long-term strategy for enabling all students to achieve high academic standards, including those who speak English as a second language.</i>	<i>The Governor's budget request adds \$23 million to the Learning Assistance Program to assist underachieving children in basic skills areas. Offers a new funding model that directs resources to needy children and eliminates the current disincentive which rewards improving test scores with fewer program dollars.</i>	<i>Budget is pending legislative action</i>
<i>Extend the school day and school year to leverage assets.</i>	<i>Request legislation providing additional learning time by extending the school day and Saturday school. SHB 1989; SB 5877</i>	<i>SHB 1989 - H Approp SB 5877 - S. Education</i>

Recommendation	Action	Status
<i>Increase professional development support for teachers to obtain advanced credentials in science and math.</i>	<i>Request legislation that guarantees bonuses for math and science teachers achieving certification from National Board for Professional Teaching for ten years. HB 1244; SB 5483</i>	<i>HB 1244; H Approp SB 5483, S Education</i>
Create options for expanding the pool of qualified math and science teachers.	Startup funding for Central Washington University “Career Switcher” program to retrain displaced engineers to obtain teaching certificate in Secondary Math.	Will train 30 dislocated workers this year beginning this fall.

## 5.0 Benchmarking and Performance Measures

Recommendation	Action	Status
Reconvene the Economic Climate Study Advisory Board to revisit the benchmarks published in the Economic Climate Study.	Convened advisory board to make recommendations.	Recommendations made to the Forecast Council June 18. Recommendations accepted. Benchmarks are incorporated in Fall 2002 report. <a href="http://www.wa.gov/ofc/pubs/clim0902.pdf">http://www.wa.gov/ofc/pubs/clim0902.pdf</a>
Reconvene the Economic and Revenue Forecast Council annually to discuss the benchmarks.	Convening Economic and Revenue Forecast Council to make recommendations.	Recommendations made to the Forecast Council June 18. Recommendations accepted. Benchmarks are incorporated in Fall 2002 report. <a href="http://www.wa.gov/ofc/pubs/clim0902.pdf">http://www.wa.gov/ofc/pubs/clim0902.pdf</a>
Employ the resulting list of performance measures for state and policy analysis and agency performance reviews.	Will integrate benchmarks into formal processes.	Reviewing Governor's scorecard to identify potential for Competitiveness Council Benchmarks. Directing agency directors to incorporate into performance agreements.

## 6.0 Recommendations of the Economic Development Task Force

Recommendation	Action	Status
Establish and Economic Development Commission	Commission established by Executive Order September 24, 2002.	Commission is meeting. Legislation to put commission in statute is pending.