

## Jay Inslee Approach to Job Creation

We are in a competition with states and countries that want to take the jobs we have and the jobs we want. To compete, we must nurture local industries, prepare our children and workers for a 21<sup>st</sup> Century economy, change the way government agencies do business with their boss, the taxpayer, and partner with health care providers to value quality over quantity and lessen the cost burden on workers and employers.

To Build a Working Washington and rebuild the middle class, we need to take control of our own destiny. We cannot rely on a series of blue ribbon commissions and one-off policy initiatives without a unifying strategy to create long-term prosperity. As part of an ongoing jobs agenda, Jay Inslee will be announcing a set of specific policy proposals focused on the following:

- **Building a New Economy for Washington**
- **Education and Workforce Development**
- **Lowering Health Care Costs**
- **Reforming Government**

### Guiding Principles

Rebuild the Middle Class – Efforts must target middle-class job creation and economic development that ensures sustained and economy-wide job creation.

Wake-Up Call – We are in an international race, falling behind in some respects, and the middle class is bearing the brunt of this impact. We cannot continue to rely on good luck to grow jobs.

Local and from the Ground Up – Jobs will come from the private sector, working with local leaders and industry. Solutions will be from the ground up, not top down. Opportunities in one area of the state may require a very different approach from other areas of the state; we must harness the unique strengths of local communities. There is no “one-size-fits-all” solution.

Washington Values – We will achieve long-term economic growth by protecting our core values, fostering innovation, protecting our environment, delivering quality education, and meeting infrastructure needs. We will not get there by undermining these values and scapegoating workers as has been done in other states.

Invest in Today and Tomorrow – Economic development and job-creation policies must include measures targeting near-term job creation, medium-term development, and long-term growth. This includes infrastructure projects that put Washingtonians to work immediately, policies that nurture key industries, and investments in education for sustained growth.

Ongoing Reforms – Make ongoing systemic changes to the way the state and Governor’s office facilitate job creation. By themselves, blue ribbon commissions and reactionary responses to the latest crises often fail to achieve ongoing results absent systems in the Governor’s office to drive constant change.

No Excuses from the Top – The Governor needs to be held accountable for success and failures of facilitating job creation. We must make government more efficient and effective, activating all agencies to align policies and remove barriers to job creation.

### **Building a New Economy for Washington**

Jay Inslee’s policies are designed to get Washington State in the game of 21<sup>st</sup> Century job creation, expansion, retention, and business recruitment by improving the business environment and targeting those industries upon which the future for Washington State’s economy hinges.

The world is more competitive today than in any other time in human history. We must adopt directed policies to nurture those industries in which Washington State has an economic edge—an inherent advantage that we can rely upon to grow more jobs. Those targeted industries are: Life Sciences, Aerospace, Military Bases, Clean Energy Technology, Agriculture, and Information Technology. It was once commonly said, “As goes Boeing, so goes Washington’s economy.” We now know that as goes these six industries, so goes Washington’s economy.

This job creation approach creates middle-class jobs in the targeted industries as well as multiplier middle-class jobs in ancillary industries—from construction and sales to supermarkets and restaurants. We also must foster the growth of small businesses and help them prosper in a global economy, while giving workers the tools they need to thrive in a rapidly evolving economy.

We need a governor who accepts no excuses in getting the job done, and who can institute a systemic plan—ongoing, coordinated, and dynamic—to ensure that we are always evaluating our competitiveness, making adjustments, and identifying new ideas. This also requires us to take a critical look at all tax incentives and loopholes, ensuring all that are on the books are proven methods of creating jobs.

## Chapter 1: Laying the Groundwork

Building a Working Washington starts with rebuilding the middle class, and it is the job of state government to adopt smart policies and regulations that foster the retention and creation of jobs. These policies include maintaining a high quality of life by providing the best public education, protecting our environment, making necessary investments in infrastructure, adopting high-quality and low-cost health care delivery, and providing efficient government services and reliable and expeditious permitting.

We also need to restructure our often ad hoc job creation and economic development capabilities to operate in a more consistent, systemic, and strategic manner. We need to replace reaction with proactivity.

### **Reform our Economic Development Capabilities**

We can create economic development and competitiveness capabilities that allow us to compete in a 21<sup>st</sup> Century economy and help facilitate private-sector job creation. For too long, our economic development efforts have lurched in fits and starts, responding to the latest crises without adequately addressing underlying problems.

Past attempts to reform the state's economic development structures have failed in many respects. Both the Department of Commerce and its predecessor have not been provided the needed focus on key industries; have been mixed with unrelated government agencies; have failed to incorporate a system to continuously evaluate and improve our competitiveness; and have been inadequately empowered to break through agency silos to streamline regulations and permitting rules.

Despite its name, only a small fraction of the staff and funding at the Department of Commerce are dedicated to economic development. Economic development and trade programs are primarily funded in the same budget that pays for vital safety net programs, such as children's health insurance and housing for disabled Washingtonians. This competition for funds and years of budget cuts has left only a small group of employees and contractors available to help facilitate private sector job creation.

At the same time, business recruitment by our state government is largely utilized only when opportunities "arise," whereas states like Pennsylvania, South Carolina, Texas, and Delaware have seen success from aggressive company-recruitment efforts. When it comes to marketing our state we have a great story to tell – a high quality of life, beautiful environment, and a highly trained workforce.

- **Establish a new Office of Economic Competitiveness and Development within the governor's office to provide economic development and trade execution and policy development. This small organization will be lead by the newly-created, a cabinet-level position who is directly accountable to the governor.**

Elevating these activities within government will enable this office to work smoothly across multiple agencies and levels of government because they are not connected to an existing department. Making the Director a cabinet-level position and locating it in the Office of Financial Management will give the group the mantle of the Governor, which will add credibility when working within both the private and public sectors. Finally, removing these functions from the Department of Commerce will leave behind

an agency with community, housing and infrastructure programs. Legislation passed in 2009 expressed the state Legislature's interest in creating such an agency.<sup>1</sup>

Responsibilities of the Office of Economic Competitiveness and Development:

- **Provide a direct link between industries key to our future prosperity, the Governor, and other parts of state and local government through newly created sector leads.**
- **Execute state-level business recruitment, retention and expansion opportunities, including targeting suppliers of our anchor companies and industries to tout the benefits of co-location and operating in our vigorous industry clusters.**
- **Establish an Ambassador Program made up of business recruitment teams in targeted industries to help recruit, retain and expand companies. Teams will include the governor, state agencies, members of the business community, labor representatives and where appropriate, spouses and community members such as education professionals who may help influence relocation decisions.**
- **Induce collaboration and cooperation among and between state agencies when considering site location, state permit requirements, and regulatory barriers.**
- **Consolidate economic development agency functions and create a single point-of-contact and one-stop shop for industry engagement.**
- **Work with state's Associate Development Organizations to synchronize and collaborate activities.**
- **Provide trade assistance to Washington companies, coordination of trade missions and international lead generation.**
- **Market the state domestically and internationally as a great place to visit and do business, using websites, social media, trade show presence, and collateral material.**
- **Coordinate the state's job creation strategies, such as our Innovation Partnership Zones, and Community Empowerment Zones.**

### **Improve P-12, Higher Education, and Workforce Training Systems to Provide Our Youth with Opportunity and to Meet Employer Needs**

It is impossible to overstate the integral role that education plays in short- and long-term job creation. In the coming weeks, Jay will be proposing a more comprehensive and specific plan on reforming and improving our state's education system to meet our state's future workforce needs. For the purposes of this document, it is important to note that a well-educated and highly-trained workforce facilitates company growth in industries across the board. As importantly, a high-quality public education system is essential to preparing our youth for tomorrow's jobs, and is a leading factor in our ability to attract and retain new businesses and educated, entrepreneurial talent to contribute to our state economy. Nobody wants to move across the country to put their children in sub-par schools.

Washington State ranks among the top 10 states for technology workforce, but has failed to provide the educational opportunities our citizens need to participate in their own state's economy. We rank 42<sup>nd</sup> in per-capita spending in education.<sup>2</sup> Less than half of our eighth grade students are proficient in math<sup>3</sup> and

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<sup>1</sup> <http://www.governor.wa.gov/news/news-view.asp?pressRelease=1355&newsType=1>

<sup>2</sup> <http://www.k12.wa.us/Communications/PressReleases2012/StatementQualityCountsReport.aspx>

<sup>2</sup> <http://www.k12.wa.us/Communications/PressReleases2012/StatementQualityCountsReport.aspx>

<sup>3</sup> <http://nces.ed.gov/nationsreportcard/pdf/main2011/2012458.pdf>

science.<sup>4</sup> In the 2010-2011 school year, only 76% of our students graduated high school on time.<sup>5</sup> We rank 37<sup>th</sup> in Bachelor's degree production per capita,<sup>6</sup> and we are the biggest importer of individuals with Bachelor's degrees or higher on a per-capita basis.<sup>7</sup> In short, we are underfunding our schools, our schools are underperforming for our children, and our four-year colleges and universities have insufficient support to meet the needs of students and employers.

In order to compete in the 21<sup>st</sup> Century, we must offer Washington's students a strong foundation at the P-12 level, and our commitment to developing a highly skilled, competitive workforce cannot end after graduation. In providing a solid background in P-12 Science, Technology, Engineering, and Mathematics (STEM) Education, we prepare our kids to excel in burgeoning fields with rapidly expanding workforces—fields like Information Technology, Clean Energy, and the Life Sciences—and empower them to build and grow the next generation of companies and industries that will fuel economic growth and prosperity in our state. We must follow a strong P-12 foundation with apprenticeships and technical education directed toward producing an excellent next-generation workforce, and with dramatically increased Bachelor's capacity in key fields.

- **Prioritize STEM degree production at our four-year colleges and universities so that as we restore our state's commitment to higher education, we expand student access to crucial fields like computer science, engineering, and biotechnology.**
- **Connect P-12 students with industry leaders and workers to introduce and inspire them into real world science and technology careers.**
- **Further develop relationships between emerging, job-creating industries and higher education – building partnerships in curricula and post-graduate requirements.**
- **Strengthen existing certification and apprenticeship programs to increase the production of skilled workers, with an emphasis on serving new high school graduates and military veterans.**

### **Invest in and Support Washington's Workers**

Washington's workers are our greatest asset. Giving Washingtonians more tools to improve their knowledge base and their skill sets helps them achieve their dreams while also powering our economy. A well-trained and well-educated workforce helps create an environment that feeds on innovation and competition. There is no greater investment the state can make than in its citizens, and the state has an important role to play in their empowerment.

- **Allow workers to create a lifelong learning account with matched support from their employers in order to save for future retraining needs.**
- **Ensure that tax incentives and loopholes designed to create jobs are benefiting workers. All tax incentives and loopholes should only be extended by demonstrating their job creation impacts.**

### **Increase the speed of our commerce by getting produce and goods to more markets faster through freight mobility improvements.**

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<sup>4</sup> <http://nces.ed.gov/nationsreportcard/pdf/main2009/2011451.pdf>

<sup>5</sup> <http://reportcard.ospi.k12.wa.us/summary.aspx?year=2010-11>

<sup>6</sup> [http://seattletimes.nwsourc.com/html/localnews/2011764312\\_bellevuecollege03m.html](http://seattletimes.nwsourc.com/html/localnews/2011764312_bellevuecollege03m.html)

<sup>7</sup> <http://lazowska.cs.washington.edu/STEM.pdf>

We must prioritize transportation projects that improve commerce and create jobs by finding funding solutions for needed rail and shipping projects. We can't allow delays in the delivery of our state's products and produce, whether it's apples to the local farmers' market or airplanes to markets across the ocean.

- **Prioritize infrastructure improvements and freight mobility projects that expedite commerce and trade throughout the state, through our ports and beyond, over the long-term.**
- **Streamline regulatory processes to reduce time delays in permitting significant infrastructural upgrades**

### **Lower the cost of doing business in Washington by bending the health care cost curve**

Any economic development plan would be incomplete without addressing one of our employers' top concerns: the rising cost of health care and coverage for their employees. Employers don't want to have to choose between laying workers off and eliminating health benefits. For too many Washington businesses, health care inflation is forcing that decision.

We need to improve the quality and cost efficiency of our health care system. By focusing on three pillars of health care reform: prevention, evidence-based medicine, and innovation, Washington can change the health care status quo and preserve the wellness of its citizens.

King County has shown how a preventative-based model saved them \$61 million<sup>8</sup>—expanding this idea to the entire state could result in savings of between \$300-\$455 million. Evidence-based care will help ensure our dollars are being spent on the treatments and care most proven to work. Finally, innovation at every stage of care, from cutting-edge science to patient-centered payment methods, is vital to sustaining our health care system.

After gathering input from doctors, physicians, and other health care professionals across the state, we must chart a new vision for our health care system that will build upon the best practices adopted by businesses and municipalities that have successfully reined in costs and improved outcomes for patients and their care providers. To start, we must:

- **Reward high-quality and efficient care through improved coordination.**
- **Fundamentally change the “fee-for-service” model by aligning payment incentives with the kind of care we want and the kind of quality outcomes Washingtonians expect.**
- **Foster a sense of collaboration among providers, to break down the silos that keep providers from more effectively collaborating and integrating. The Governor can play a central role in convening stakeholders in the system to improve patient care.**
- **Use innovations in Medicaid and the purchasing power of the state to set an example of the kind of collaboration we'd expect to see in Washington.**
- **Reduce medical errors.**
- **Support a robust health care exchange at the state level.**

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<sup>8</sup> [http://seattletimes.nwsourc.com/html/localnews/2016323871\\_countybudget27m.html](http://seattletimes.nwsourc.com/html/localnews/2016323871_countybudget27m.html)

## Chapter 2: Focus on Small Businesses

Our small businesses, companies of 50 people or less, employ about 41% of Washington’s workforce<sup>9</sup>. They sit at the forefront of economic cycles and are often the hardest hit during economic downturns. They are also key to pulling us into our economic recovery and were the foundation that pulled us out of our last recession.

Targeting the six industry clusters that will most likely dictate our prosperity – aerospace, life sciences, agriculture, military, information technology, and clean technology – will include many small businesses employing thousands of people. In addition, strong job creation in these industries will support thousands of small businesses from material suppliers, to dry cleaners, to restaurants.

Many of the policies outlined here – from workforce training in Renton to irrigation projects in Yakima - will impact our small businesses, either directly or indirectly. Investments by the state in our workforce and in our infrastructure, as well as procurement preferences and timely and predictable regulatory process all benefit our local businesses.

### Provide tax relief for small businesses

To harness the power of small businesses to Build a Working Washington, we can better align our tax policies in a manner that works for these job creators. The following tax incentives should be enacted in a manner to encourage job creation, while preventing overlap and “double dipping.” Further, each tax incentive should be finite, narrow in scope, and subject to review for job creation performance.

- **Establish a Job Creation Tax Credit, giving a B&O tax credit for small businesses adding workers to their payroll. Credit should be increased with the wages paid, and top out at \$4,000 for every job created and the program will be capped at \$8 million.**
- **Encourage small start-up businesses in high-growth, and often high-capital industries like biotechnology, biomedicine, clean energy technology and information technology by providing B&O tax relief for the first three years of the company’s existence.**
- **Encourage small start-up businesses in high-capital industries by allowing pre-revenue companies, within appropriate limits, accrue R&D credits for resale.**

### Make government work for small businesses

Interaction with government should be as easy, predictable, and timely as possible. State government needs to remove barriers to working with the state so our businesses can focus on success. When it comes to small businesses, Washington ranks among the top with its high number of startups.<sup>10</sup> But too often, these shops close their doors for good within their first few years. Running a small business can be a daunting task, with obstacles seemingly at every turn. Navigating overly complex government bureaucracies shouldn’t be one of them. This puts dollars back into the pockets of small business owners and allows them to reinvest in their companies and hire Washingtonians. Government can be a partner in the success of a business, not a hindrance to it.

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<sup>9</sup> <http://www.washingtonpolicy.org/publications/facts/snapshot-small-businesses-washington>

<sup>10</sup> <http://money.usnews.com/money/business-economy/small-business/articles/2009/01/06/the-7-best-states-to-start-a-business>

- **Invest in our regional procurement technical assistance centers (PTACs). PTACs are akin to the economic development councils of the private sector, providing the technical assistance and know-how to small businesses pursuing US Department of Defense contracting work.**
- **Expand the state’s online, open-bid procurement process to allow small businesses to compete for state contracts, increase competition for state purchases, and allow members of the public to review open and current bidding and contracts.**
- **Expand Lean Manufacturing techniques in all state agencies to empower state employees to improve operations, provide more certainty and timeliness in regulatory decisions, improve customer service, and deliver more service for each taxpayer dollar.**

### **Improve workforce training**

Every successful homegrown business in our state once started out as a one- or two-person operation. First, it takes an idea. Then it takes the know-how to get it off the ground. And that know-how comes from a trained and educated workforce. Our state must continue connecting our small businesses with the workers they need by training those entering the workforce with applied skill sets, and retraining those who seek out new skills and career paths.

- **Develop a program to rapidly train workers, similar to programs in Georgia and North Carolina, with a skill set specific to a business or industry’s needs, working in conjunction with existing assets at our regional workforce development councils. This will be a service we can provide businesses and serve as a recruitment and retention tool.**
- **Strengthen the bonds between our community and technical colleges and our employers, through applied curricula in high-demand fields developed with employer-input and technical assistance.**
- **Increase existing certification and apprenticeship programs to increase production of skilled workers, with an emphasis on serving new high school graduates and military veterans.**
- **Expand the successful small farm internship program from one region to the entire state, allowing opportunities for education and training to young farmers, and the farm assistance needed on today’s farms.**

### **Expand export opportunities**

Washington State is the closest state in the continental US to the fast growing economies of Asia, yet currently less than five percent of all Washington companies export.<sup>11</sup> By aggressively targeting these markets for Washington products, we can help insulate our state’s economy from the recessionary cycle of domestic markets.

- **Provide small- and medium-sized businesses market information, technical support, and access financial assistance that is available.**
- **Embrace President Obama’s Global Export Initiative and partner with the federal government to give more small and medium sized Washington companies access to global opportunities and markets.**

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<sup>11</sup> <http://www.governor.wa.gov/news/news-view.asp?pressRelease=1517&newsType=1>

## Chapter 3: Life Sciences

Continued growth and revolution in the life sciences meets growing health needs and provides new opportunities for innovation. Life sciences, including biotechnology, biomedical devices, global health, and personalized medicine is an industry in which the United States remains the unquestioned global leader. We need to ensure that Washington State is one of the top life sciences centers in the world. These businesses and non-profits currently account for over 22,000 direct jobs in Washington State, and may contribute to another 55,000 indirect jobs, according to the City of Bothell and the Washington Research Council.<sup>12</sup> Continued success will bring thousands of more direct and indirect jobs to our state.

While many innovators call Washington home, other states more aggressively court this growth industry. Earlier this month a respected biotech trade publication carried the following headline: “New Biotech Clusters in the U.S. are Scrambling to Challenge Established Regions.”<sup>13</sup> The article featured several other regions engaged in policy initiatives aimed at overtaking established clusters – including Seattle. Washington State cannot rely on continued ad hoc development to remain competitive—we need a concerted and intentional policy focus to help facilitate job creation.

Jay Inslee has worked for years to help the life sciences industry succeed in developing innovative biologics and creating jobs. Jay stood up to party politics by passing a bipartisan bill to get more affordable generic medications to consumers while ensuring that the life sciences industry retained the incentives needed for further innovation. Jay has been named the national “Legislator of the Year” by the Biotechnology Industry Organization (BIO) in recognition of his longstanding leadership.

### **A hands-on approach to recruitment and support for the industry**

Our state needs a hands-on approach to business recruitment, retention, and expansion opportunities. We also need to create a high-level policy position to work with the Governor and industry to achieve policy objectives.

- **Create a life sciences sector lead, charged with working with the Governor and industry to ensure the state’s ongoing support for the life sciences sectors and its workforce.**
- **Establish a “one-stop shop” for industry recruitment, to promote Washington’s healthy climate for industry development and assist industry leaders interested in locating in Washington with everything from inventory sourcing to site selection.**
- **Attract new businesses to Washington by personally leading recruiting efforts with life science businesses and urging them to locate in one of the world’s greatest life sciences industry clusters.**

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<sup>12</sup><http://www.ci.bothell.wa.us/Site/Content/Economic%20Development/Development%20Sites/IPZ/HealthLifeSciencesImpactReport.pdf>

<sup>13</sup> <http://www.genengnews.com/insight-and-intelligence/new-biotech-clusters-in-the-u-s-are-scrambling-to-challenge-established-regions/77899526/>

## **Align tax incentives to encourage investment in local life sciences startups**

Life sciences companies have huge potential to create many jobs, but are often cash-starved while in startup phase. They must raise capital and spend it on research and development. Such companies are in a race against time – they need to conduct research to validate their innovative ideas in order to grow. If they run out of capital too soon, the company fails and its innovative ideas often dissolve without coming to fruition.

The B&O tax can unfortunately accelerate the death rate for some life science start-ups. Many companies spend large sums of cash on research and development for years without generating revenue. These companies are unable to take advantage of the R&D tax credit during these zero-revenue years.

The following tax incentives should be enacted in a manner to encourage job creation, while preventing overlap and “double dipping.” Further, each of these tax incentives should be capped, finite, narrow in scope, and subject to review for job creation performance.

- **Provide a three-year B&O tax relief for start-up research-based companies with 50 or fewer employees.**
- **Allow pre-revenue research-based companies to, within limits, accrue and sell R&D tax credits.**

## **Facilitate technology commercialization activities at our research institutions and drive investments into local companies**

The vast majority of basic research in the United States is done in public research institutions, such as universities and national labs.<sup>14</sup> As the largest public university recipient of federal research dollars,<sup>15</sup> our public universities are one of our state’s greatest economic assets, having spun out such companies as Immunex, Sonosite, and Zymogenetics. These research institutions become engines of economic growth by spinning off job-creating companies formed around new inventions.

Our research institutions have made great strides in recent years to step up and improve commercialization efficacy. Finding ways to build upon these improvements can lead to long-term and sustained job creation in our state. We also must keep our promises to our R&D investments to grow promising technologies.

- **Enhance commercialization capabilities at our research institutions by giving them flexibility in taking equity positions in spinoff companies and using funds generated from patent and technology licensing to reinvest in other technologies. This may require a narrow constitutional amendment.**
- **Identify and remove additional regulatory, statutory, or cultural barriers to commercialization efforts and work with research institutions to remove them.**

## **Meet the Workforce Training Needs of the Life Sciences Industry**

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<sup>14</sup> <http://www.nsf.gov/statistics/nsb0803/nsb0803.pdf>

<sup>15</sup> <http://www.washington.edu/discover/academics>

Meeting the workforce needs of our life sciences industries is both a challenge and an opportunity. It is an opportunity because it represents well-paying jobs for Washington's workers and their families. It is a challenge because our current demand for engineers, technicians and biologists outstrips our universities' and community colleges' ability to produce degrees.

- **Prioritize STEM degree production at our four-year colleges and universities, so as we restore cuts to higher education, we increase our graduates in crucial fields like computer science, engineering, biotechnology, and math.**
- **Connect P-12 students and industry leaders and workers to introduce and inspire them into real world science and technology careers.**
- **Further develop relationships between emerging, job-creating industries and higher education—building partnerships in funding, curriculum, and post-graduate recruitment.**

## Chapter 4: Aerospace

It touches 28 counties<sup>16</sup> with over 600 businesses across the state. It employs around 84,000 workers<sup>17</sup>. And it's the best the world has ever seen.<sup>18</sup>

The aerospace industry and Washington State have enjoyed a unique partnership over the last century, but we must make smart decisions to leverage this relationship today and move toward more investments to keep the aerospace industry at home.

In addition to traditional methods of industry recruitment such as tax incentives, competing states are making strategic investments in P-12 STEM education programs, and are integrating the aerospace industry into the curricula of their research universities—actions that threaten Washington State's skills advantage.

During this uncertain economic time, Washington's higher education system has suffered deeper cuts than other states', limiting our ability to produce the innovative, high quality engineering talent required to sustain Boeing and other aerospace firms.

Gathering input from aerospace engineers, manufacturers, educators, organized labor, and lawmakers, Jay has taken proven methods for securing the workforce needs of our industry and forged a new proactive vision for Washington. New partnerships and training support, and a new approach to recruitment and promotion of our aerospace industry will ensure a long future in airplane manufacturing throughout Washington, fueled by a homegrown, highly skilled workforce.

The aging incumbent aerospace workforce creates both a challenge and an opportunity for Washington State. Within the next decade nearly half of all current aerospace workers will be eligible to retire. This creates a time-critical window of opportunity to transfer the knowledge from those workers on factory floors and engineering cubicles to the next generation of aerospace workers. Maintaining our current competitive skilled workforce advantage will require growing the workforce-training pipeline. The payoff for these investments will be the growth of good aerospace manufacturing jobs for our citizens and our state.

### **Build the Foundation: STEM Education and Workforce Development**

The future of Washington's aerospace economy will be determined by our investment in fostering an educated, skilled workforce. The building blocks are in place: a strong industry presence and top-flight research institutions and technical colleges give us the tools necessary to cultivate the highest quality next generation of aerospace workers in Washington State. Jay Inslee is committed to building upon these assets to maintain and grow aerospace jobs.

- **Expand upon programs such as Launch Year to prepare high school students to meet the new demands of the 737 MAX workforce.**
- **Expose students in Washington's P-12 system to an early introduction to career possibilities in aerospace manufacturing and provide access to the relevant career and technical training classes in the P-12 system.**

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<sup>16</sup> [http://www.washington-aerospace.com/Email-Blast/aug-09\\_west.html](http://www.washington-aerospace.com/Email-Blast/aug-09_west.html)

<sup>17</sup> <http://www.choosewashington.com/industries/aerospace/Pages/default.aspx>

<sup>18</sup> <http://www.washington-aerospace.com/study/Washington%20State%20Aerospace%20Partnership%20Competitiveness%20Report%20FINAL.pdf>

- **Additionally, just as important to these students, the state must create a clearly articulated road map from high school diploma to college and/or apprenticeship credentials. Aerospace employers will benefit from a pipeline of highly-skilled young people entering the field well into the future.**
- **Include aerospace experts in P-12 curriculum development and in our classroom to expose young learners to the many job opportunities in our aerospace industry.**
- **Strengthen existing aerospace certification and apprenticeship programs, with an emphasis on serving new high school graduates and military veterans.**
- **Work to further develop relationships between the aerospace industry and higher education—building partnerships in curricula, and post-graduate recruitment, as well as expanding aerospace-relevant research at the University of Washington & Washington State University.**
- **Meet employers’ needs by measuring how many STEM graduates find work in their field against employer demand. This will allow the universities and state to be more dynamic, adjusting programs and training when necessary. Provide new levels of accountability and oversight to higher education programs, ensuring that we’re meeting employer’s needs and our students are receiving and keeping jobs in their respective fields. We’ll measure how many STEM graduates find work in their field against employer demand, allowing the state to dynamically adjust programs and training when necessary.**

### **An aerospace-friendly Washington through better business practices**

While Boeing may be a traditional engine of the state’s economy, Washington cannot afford to take the industry for granted. Other states and countries are vying hard for aerospace business, with stiff competition from Airbus, as well as emerging aerospace manufacturers in Asia and South America. To continue to retain and attract aerospace jobs, Washington State must be creative and proactive in its approach to industry support.

- **Provide long-term stability and security to the manufacturing base by extending state tax credits for investments in manufacturing and research.**
- **Improve coordination with Washington State’s Congressional delegation to maintain funding and support for aerospace-relevant education, workforce development and training, and research.**

### **A hands-on approach to recruitment and support for the industry**

Our state needs a hands-on approach to business recruitment, retention, and expansion opportunities. We also need to create a high-level policy position to work with the Governor and industry to achieve policy objectives.

- **Create an aerospace sector lead, charged with working with the Governor and industry to ensure the State’s ongoing support for the aerospace industry and its workforce.**
- **Establish a “one-stop shop” for industry recruitment, to promote Washington’s healthy climate for industry development and assist industry leaders interested in locating in Washington with everything from inventory sourcing to site selection.**
- **Bolster ties with our military installations, creating new partnerships, academic centers of excellence, and landing more defense contracts here in Washington, built with Washington workers.**

- **Attract new business to the state by personally leading recruiting efforts with aerospace manufacturers and suppliers across the country and the globe, urging them to co-locate here in the greatest aerospace cluster in the world.**

## Chapter 5: Military and Veteran Support

Spending \$12.2 billion in Washington State,<sup>19</sup> the military is a significant driver of the economy, and serves to recruit great minds, hard workers, and many new innovations and manufacturing partnerships.

Still, despite having one of the top-ten largest military populations, our state ranks 23<sup>rd</sup> in landing military procurement projects.<sup>20</sup> We can do better than that.

The Military sector represents a significant opportunity and natural resource that must be supported and partnered with, just as our state has done with aerospace. Currently, there is tremendous synergy between our aerospace industry and the Department of Defense, with countless military veterans currently working at Boeing and other industries throughout our state.

Too often, the economic importance of our military bases and the skill level of our veterans go unrecognized. We must do everything we can to bolster our bases and keep them relevant to the US military's mission now and well into the future, lest we lose an installation to a Base Realignment and Closure (BRAC) process.

Most importantly, our veterans returning home after overseas tours of duty face the prospect of looking for a new job during the worst economic recession and the highest unemployment in decades. Returning heroes are one of America's best resources for skilled labor and Jay Inslee is committed to connecting them with the training opportunities and jobs they need and deserve after their military careers have ended, building on the tremendous job by our state Department of Veterans Affairs.

Jay is committed to our service members, their families and the hundreds of thousands of veterans and retirees that call Washington State home. He is ready to bring an unprecedented level of attention to the important issues and opportunities facing our military and leverage toward greater outcomes. Washington State not only needs to be the best place to retire from the Military, we need to be the best place to work as well—and we must commit to having a strategic and robust defense sector economy. Washington State is the perfect place to merge a great workforce, second-to-none quality of life and a commitment to excellence as a leader in the new economy. We are not only a gateway to the East, but a gateway to the future.

### **Better connect our local businesses with the business of Defense**

Whether it's the new P-8 replacements at Whidbey, a cyber-warfare facility at JBLM, or a National Guard UAV school at the Army's Yakima facility, our state needs a high-level expert to drive projects, facilities, and equipment to Washington State bases. The US Corps of Engineers often bring in their approved list of contractors based in the South, leaving our local contractors shut out of the Multiple Award Task Order Contract (MATOC) or Single Award Task Order Contract (SATOC) procurement systems. This process has not provided greater access to our local providers and our state needs to be strategic with seeking Department of Defense work.

We must provide expert support to our contractors and workforce to ensure Washington workers are provided the greatest access to successfully securing Department of Defense work. We have one of the

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<sup>19</sup> <http://www.wedc.wa.gov/Download%20files/WADefenseEconomy-WhitePaperFinal.pdf>

<sup>20</sup> <http://www.wedc.wa.gov/Download%20files/WADefenseEconomy-WhitePaperFinal.pdf>

most skilled workforces in the nation and we must leverage their skills to ensure we are no longer middle of the pack of states when it comes to securing important job creating contracts.

Without a guide and a strong voice in the procurement process, trying to win a Department of Defense contract is a daunting challenge for our locally-owned businesses and the assistance they need is stretched too thin. We must close the procurement gap and land Department of Defense contracts with local contractors. States with active and aggressive military affairs offices have seen significant gains to their states' economies from focused attention on the defense industry.<sup>21</sup>

- **Create a military liaison and ambassador for Washington, answerable directly to the Governor. A key component of the position's mission will be strengthening the relationship between military installations and their host communities.**
- **Invest in our state's procurement technical assistance centers (PTACs). PTAC counselors assist Washington firms in creating a road map to successfully compete on federal, state and local government contracts, including Department of Defense opportunities. This technical assistance results in more government contracts being awarded to local firms.**

### **Create and attract new Centers of Excellence in burgeoning military technology**

Co-locating suppliers, manufacturers, and the engineering workforce in Washington makes sense and ensures a long military presence in Washington. Just as we invest in the workforce and technological advances at our centers of excellence in aerospace and agriculture, we can build the same kind of training partnerships with our bases. We know that Washington State is the second most requested final duty station in the nation,<sup>22</sup> so we have an inherent advantage to keep these highly skilled service members providing positively to our state's economic future.

- **Secure a National Guard UAV (unmanned aerial vehicle) training school located at the Yakima Training Facility. The next generation of aerospace vehicles, and their workforce, should be located in Washington State. We have the workers and the know-how to build, maintain, and train this burgeoning field in our national defense.**

### **Support for the military's energy independence movement**

The technological innovations created by the military often drive innovation in other sectors of our economy. This holds true for alternative energy technologies. Joint Base Lewis-McChord has its sights set on an initiative to generate zero waste and consume zero-energy from the grid by 2020.<sup>23</sup> Through the Army's Net-Zero program, the Navy's Green Fleet, and Air Force's exploration of biofuels driving an energy independence movement, there are ample opportunities to secure Washington businesses as the provider of those alternative fuels and energy-generating equipment.

- **Incentivize alternative energy producers and forge new partnerships and opportunities, connecting local producers, manufacturers and contractors with our military installations in order to fulfill our military's mission and foster nation-leading technologies here in Washington.**

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<sup>21</sup> The Latest Trends in State-Level Military Affairs Offices, <http://www.defensecommunities.org>.

<sup>22</sup> <http://community.seattletimes.nwsourc.com/archive/?date=19940904&slug=1928742>.

<sup>23</sup> <http://www.army.mil/article/55370/joint-base-lewis-mcchord-wins--three-environmental-honors/>

- **Partner with the proposed WSU advanced biofuels center with the Department of Defense in a “Field to Flight” program, focused on research and development of locally grown fuels.**

### **Expand opportunities and support for our returning veterans**

With more than 45,000 active military personnel, 65,000 military dependents, and over 640,000 veterans, almost every life in Washington is connected directly or indirectly to the military.<sup>24</sup> There are, in fact, over 44,000 employees on JBLM alone,<sup>25</sup> making the base the state’s third largest employer by itself.<sup>26</sup>

Many of our returning veterans come home only to face high unemployment rates and difficulty transitioning back into civilian life. Our current system throws up roadblocks to veterans looking to enter trades similar to their service in the military. The state needs to do better.

- **Expand the Helmets to Hardhats program, a successful model that helps veterans connect with the trades through apprenticeships. This program should be expanded and assisted by:**
  - Expanding veteran apprenticeship utilization on capital projects
  - Increasing access to mid-size projects around state
  - Providing a revenue stream for outreach/liasing with vets and contractors
  - Providing a vet’s ombudsman at each state community and technical college
- **Build upon the success of military family employment programs within the state and across the nation, by partnering with them and providing one central online hub for all services available. We’ll be helping military family members find employment, as well as helping local employers tap into a well-qualified workforce pool.**

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<sup>24</sup> <http://psrc.org/assets/5613/MilitaryStrategy.pdf>

<sup>25</sup> [http://seattletimes.nwsource.com/html/localnews/2014632121\\_scaparrotti30m.html](http://seattletimes.nwsource.com/html/localnews/2014632121_scaparrotti30m.html)

<sup>26</sup> [http://www.army.mil/article/71905/Federal\\_grant\\_to\\_help\\_ease\\_JBLM\\_traffic\\_congestion/](http://www.army.mil/article/71905/Federal_grant_to_help_ease_JBLM_traffic_congestion/)

## Chapter 6: Clean Technology

Rising gasoline prices, dependence on fossil fuels, and climate change realities have driven world demand for clean energy technology. As this demand continues to grow, job creation follows.

When it comes to clean energy, Washington State is one of the most innovative places on the planet.<sup>27</sup> According to the Washington State Employment Security Department, Washington's clean technology economy employs around 61,775 people in our state.<sup>28</sup> During the down economy, Puget Sound's Prosperity Partnership estimates that the sector would still outperform the rest of the economy.<sup>29</sup>

Jay Inslee has worked for years to help build a clean energy industry in our state. He championed Washington's Energy Independence Act, which has changed our energy landscape while creating thousands of jobs and generating millions in tax revenue to fund rural schools and first responders.<sup>30</sup> To help create jobs across the state, he championed advanced sustainable bio-jet fuels by partnering with the Department of Defense and securing local funding. Jay also co-authored a book on clean energy job creation, *Apollo's Fire: Igniting America's Clean Energy Economy*.

### **Promote Our Energy Independence**

Energy is the lifeblood of our state's economy. Affordable electricity has helped industries grow across our state, and clean energy is attracting new businesses today. Washingtonians spend over \$20 billion each year on energy,<sup>31</sup> with a significant amount being purchased from out of state.<sup>32</sup> If we reduce that economic leakage, we can invest our dollars into more job creating energy sources in Washington communities.

Jay Inslee's proposals will build on the state's competitive advantage of affordable and clean energy to position Washington State for success in a national, low-pollution energy future. By leading the region and the country in clean energy initiatives, Washington will grow local jobs by exporting our technologies and expertise.

### **Lead the country in development and production of advanced sustainable biofuels**

Of the \$20 billion that Washington State spends on energy, over \$15 billion per year goes to oil and gas companies for transportation fuels.<sup>33</sup> We can lessen that economic hit by seizing the opportunity to create jobs in Washington by growing, processing, refining and deploying advanced biofuels at a commercial scale.

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<sup>27</sup> [http://www.brookings.edu/reports/2011/0713\\_clean\\_economy.aspx](http://www.brookings.edu/reports/2011/0713_clean_economy.aspx)

<sup>28</sup> <https://fortress.wa.gov/esd/employmentdata/docs/occupational-reports/green-economy-jobs-report-2009.pdf>

<sup>29</sup> [http://www.washingtoncelc.org/filestore/Navigant\\_CELC\\_Leadership%20Final%20Report\\_FINAL\\_Dec-9--2010.pdf](http://www.washingtoncelc.org/filestore/Navigant_CELC_Leadership%20Final%20Report_FINAL_Dec-9--2010.pdf)

<sup>30</sup> <http://www.nwenergy.org/news/washingtons-clean-energy-future-at-risk/>

<sup>31</sup> <http://www.commerce.wa.gov/site/526/default.aspx>

<sup>32</sup> <http://www.commerce.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=10206&MIId=863&wversion=Staging>

<sup>33</sup> <http://www.commerce.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=10206&MIId=863&wversion=Staging>

This is an area where industry, environmental leaders, and communities have identified vast need and as much opportunity. It addresses a key strategic challenge for one of our state's greatest economic sectors, aerospace, and draws on the full range of our capabilities, from high-tech companies to workers in forestry and agriculture.

Alaska Airlines, Boeing, Port of Seattle, and Spokane Airport are working with Washington State University and environmental leaders to facilitate the commercialization of locally produced fuels to power the aviation industry.<sup>34</sup> Local companies have already made drop-in bio-jet fuel to power U.S. military aircraft like the U.S. Navy's F/A-18 Super Hornet and Boeing jets.<sup>35</sup> Homegrown feedstocks can be produced in all corners of the state and include agriculture-based crops, wood wastes, solid wastes, and even algae.<sup>36</sup>

We can build on this work and put Washington State on the map as an industry leader in advanced biofuels.

- **Create an Advanced Sustainable Biofuels Center of Excellence, led by Washington State University, to partner with private industry, local, state, and federal government. The Center will facilitate research, feedstock growth, sourcing, processing, and the deployment of commercial scale production.**

The Biofuels Center of Excellence can help create conditions for industry leadership in producing advanced renewable fuels, including production scale refinery by leading efforts to:

- Coordinate, support, and accelerate proposals for research and technology development.
- Advocate for private, non-profit, and federal funds.
- Support production and pilot scale refineries to produce advanced renewable fuels at scale.
- Work with the Department of Defense and local bases in order to maximize opportunities around supplying sustainable fuels for aviation and local job creation.

We can help to create “market pull” to encourage local demand for biofuels that will help create local jobs for farmers, haulers, and manufacturers.

- **Partner with the Department of Defense and WSU in a “Fields to Fuels” effort help the department meet its biofuels goals while creating jobs from the farmer growing crops, to the trucker hauling it and the technician refining it into fuel.**
- **Provide a technology-neutral market mechanism to spur development of local and regional alternative transportation fuels, including advanced sustainable biofuels, electric vehicles, and natural gas.**
- **Identify and pursue opportunities to increase the use of advanced fuels in state and local operations.**

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<sup>34</sup> <http://www.safnw.com/about-safn/>

<sup>35</sup> <http://www.businesswire.com/news/home/20091215005518/en/14-Airlines-Sign-Landmark-MOU-Camelina-based-Renewable>

<sup>36</sup> [http://www.safnw.com/wp-content/uploads/2011/06/SAFN\\_2011Report.pdf](http://www.safnw.com/wp-content/uploads/2011/06/SAFN_2011Report.pdf)

## **Update our Energy Independence Act and help electrify the transportation sector**

The Clean Energy Independence Act has already generated over \$7 billion in new, clean energy investment, providing thousands of jobs and helping rural communities build stronger local economies.<sup>37</sup> Still, more can be done to make it work better and continue to create jobs for the entire state.

We can aim higher and do better, at lower cost, if local utilities are provided more flexibility to be part of the solution in a way that works best for their communities. We can also leverage our clean, low cost hydropower and wind resources to lead the country in the move toward vehicle electrification while decreasing the \$15 billion Washington's economy loses annually to pay for oil and gas imports.

- **Grow and diversify Washington's clean energy commitment by accelerating the development of hydro efficiencies, safe and sustainable biomass, combined heat and power systems, and electrification of the transportation system. With increased flexibility, the Energy Independence Act can accomplish more and work better for all Washington citizens and utilities, including low-load growth utilities.**
- **Expand opportunities for communities to achieve clean energy goals while advancing critical local priorities such as clean air, reducing oil dependence, and local economic development.**
- **Build a clean energy economy to last in Washington by increasing long-term renewable energy goals and better aligning clean energy growth with utilities' power requirements.**

## **Remove barriers for renewable energy projects**

Renewable energy projects have created jobs in every corner of Washington State. Eastern Washington farmers benefit from increased land revenues from wind developments, and port workers in Vancouver move hundreds of turbines per year. In other rural areas, anaerobic digesters convert animal waste into energy. Yet, barriers remain to create a more robust deployment and job creation. As Washington positions itself to lead in the clean energy sector, it is vital to develop clean energy facilities, like wind turbines, solar collectors, combined heat and power generators, district energy projects and next generation alternative energy systems.

- **Drive a stakeholder process to address high wind / high water events in a manner that does not require shutting down renewable power generation by considering the deployment of low-cost, innovative solutions such as virtual batteries, scheduled transmission improvements, and power swaps.**
- **Extend the time frame and increase the limits for Washington's current production tax credit for renewable energy development.**

## **Foster the growth of Clean Energy/Technology Companies**

Clean energy technology is a sector in which Washington State has an opportunity to flourish. With Washington's rich history in agriculture and natural resources, in conjunction with a legacy of innovation and leadership in information technology, our state is well positioned to create jobs by promoting the

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<sup>37</sup> <http://www.nwenergy.org/news/washingtons-clean-energy-future-at-risk/>

development of clean energy businesses. According to the state’s Clean Energy Leadership Plan, with the right policies we could produce 25,000 direct clean energy jobs by 2020.<sup>38</sup>

### **Align tax incentives to encourage investment in clean technology startups**

Many clean technology start-up companies have the potential to create a large number of jobs if their technology is proven in the marketplace. Not all will succeed – that’s the price of innovation. Despite the challenge, it is in our state’s best interest to give these technologies a chance by taking steps to improve the tax environment at critical stages of development.

The following tax incentives should be enacted in a manner to encourage job creation, while preventing overlap and “double dipping.” Further, each of these tax incentive should be capped, finite, narrow in scope, and subject to review for job creation performance.

- **Provide a short-term B&O tax relief for start-up research-based companies with 50 or fewer employees.**
- **Allow pre-revenue research-based companies to, within limits, accrue and sell R&D tax credits.**
- **Establish a Job Creation Tax credit, giving a B&O tax credit for small businesses adding workers to their payroll. Credit should be increased with the wages paid, and top out at \$4,000 for every job created and the program capped at \$8 million.**

### **Facilitate technology commercialization activities at our research institutions and drive investment into local companies**

The vast majority of basic research in the United States is done in public research institutions, such as universities and national labs<sup>39</sup>. As our country’s largest public university recipient of federal research dollars<sup>40</sup>, the University of Washington is one of our state’s greatest economic assets, having spun out such companies as Energy2 and Immunex. These research institutions become engines of economic growth by spinning off job-creating companies formed around new inventions.

Our research institutions have made great strides in recent years to step up and improve commercialization efficacy. Finding ways to build upon these improvements can lead to long-term and sustained job creation in our state. We also must keep our promises to our R&D investments to grow promising technologies.

Clean energy technology companies face significant financing hurdles to overcome research and development expenses and significant scale up costs. State policies must be aligned to help overcome these challenges, not hinder them.

- **Give investor-owned utilities more flexibility to invest in the demonstration and deployment of clean energy technologies while including durable ratepayer protections.**
- **Enhance commercialization capabilities at our research institutions by giving them flexibility to take equity positions in their spinoff companies and to use funds generated from patent and**

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<sup>38</sup> [http://www.washingtoncelc.org/filestore/CELC\\_Navigant%20Final%20Report\\_Final.pdf](http://www.washingtoncelc.org/filestore/CELC_Navigant%20Final%20Report_Final.pdf)

<sup>39</sup> <http://www.nsf.gov/statistics/nsb0803/nsb0803.pdf>

<sup>40</sup> <http://www.choosewashington.com/industries/sciences/Pages/default.aspx>

**technology licensing to reinvest in other technologies. This may require a narrow constitutional amendment.**

- **Identify and remove additional regulatory, statutory, or cultural barriers to commercialization efforts and work with research institutions to remove them.**

### **Job creation through home and building efficiencies**

Washington State residents spend over \$5 billion each year to heat, cool and light our homes and workplaces. According to the 2009 McKinsey Report, an average of 30% of this energy is wasted through inefficiencies.<sup>41</sup> This results in the waste of millions of dollars of potential job-creating capital.

Jay Inslee’s proposals will get Washington working by reinvesting these wasted resources into the building energy efficiency industry while saving consumers money. Energy efficiency is the most cost-effective resource to power our economy and it becomes even more attractive as we look at the air pollution and environmental consequences of many other energy sources. The energy efficiency industry already employs almost 25,000 workers in the state,<sup>42</sup> but our policy is lagging behind other regions in its commitment to creating efficient buildings.

### **Align utility and customer interests in energy efficiency**

Currently, Washington regulations for investor-owned utilities create a disincentive for them to fully invest in energy efficiency programs for all their customers. We can unlock these investments by:

- **Update UTC policies and ratemaking approaches to better align utility business interests with the interests of their customers. Such changes will enhance energy efficiency services for the customers of the state's five investor-owned electric and natural gas utilities and ensure consumer and industrial customer protections.**

### **Attract and leverage public- and private-sector capital**

Although being cost-effective over a period of time, energy efficiency retrofits are often stymied by the upfront cost of efficiency measures. This condition provides an opportunity to attract third-party funders to provide financing options to property owners. Public policies can reduce the risk of these investors by providing reliable re-payment mechanisms and by enhancing the credit of energy efficiency loan pools.

- **Allow homeowners and building owners the option of paying for energy efficiency upgrades over time on their utility bills by requiring regulated energy utilities to provide meter-based financing options for customers.**
- **Allow commercial building owners the option of paying for energy efficiency upgrades over time on their property bills by creating a Property Assessed Clean Energy (PACE) program.<sup>43</sup>**

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<sup>41</sup>[http://www.mckinsey.com/Client\\_Service/Electric\\_Power\\_and\\_Natural\\_Gas/Latest\\_thinking/Unlocking\\_energy\\_efficiency\\_in\\_the\\_US\\_economy](http://www.mckinsey.com/Client_Service/Electric_Power_and_Natural_Gas/Latest_thinking/Unlocking_energy_efficiency_in_the_US_economy)

<sup>42</sup> [http://www.energy.wsu.edu/Documents/Energy\\_Efficiency\\_Workforce\\_Study.pdf](http://www.energy.wsu.edu/Documents/Energy_Efficiency_Workforce_Study.pdf)

<sup>43</sup> A Commercial PACE program will provide county auditors with a mechanism to collect payments on property tax bills as a fee service.

- **Establish a bonding program that uses existing revenue streams to invest in state infrastructure and efficiency investments that can spur job creation now and realize environmental benefits sooner. The bonding level must not be set at level that jeopardizes state’s credit rating.**

### **Adopt a hands-on approach to recruitment and support for the industry**

Our state needs a hands-on approach to businesses recruitment, retention, and expansion opportunities. We also need industry sector experts to work directly with the Governor and key industry sectors to achieve policy objectives.

- **Create a Clean Energy sector lead, working with the Governor to ensure the State’s ongoing support for the clean energy sectors and its workforce.**
- **Establish a “one-stop shop” for industry recruitment, to promote Washington’s healthy climate for industry development and assist industry leaders interested in locating in Washington with everything from inventory sourcing to site selection.**
- **Attract new businesses to the state by personally leading recruiting efforts with clean energy businesses across the country and the globe, urging them to co-locate here in one of the greatest life sciences industry clusters in the world.**

## Chapter 7: Agriculture

At 160,000<sup>44</sup> strong, agriculture is Washington's biggest employer. The \$40 billion industry<sup>45</sup> is the second most diverse agriculturally,<sup>46</sup> growing everything from potatoes to peppermint, to raspberries, hops, wheat and apples. Nearly \$13 billion of agricultural products are exported through Washington ports in 2010.<sup>47</sup>

Despite the industry's success, however, our farmers and growers are facing difficult challenges ranging from water to workforce, and from pests to ports.

We need a governor who understands both sides of the state, and how this industry drives the economy of many cities and towns outside the shadow of the Space Needle.

As a State Representative and Congressman from Yakima Valley, Jay Inslee worked closely with this industry to expand markets and secure more water for irrigated agriculture. Jay worked with the Clinton Administration to get US apples into the Japanese markets and helped pass into law the Yakima River Basin Enhancement Act to balance water supplies for growers with increased in-stream flows for salmon.

We need an advocate for this industry in the Governor's office to promote our products throughout the world, and help our industry deliver goods to more markets faster, cheaper, and more effectively.

### **Address the water needs for Washington's growers**

For years, the Yakima, Columbia, and Walla Walla basins have suffered from a scarcity of its most precious resource: water. The problem is exacerbated in drought years, with growers locked in a perennial battle over water rights and riverbeds unable to support wild fish runs.

Development of these long-term projects will address the water resource and ecosystem problems affecting our agricultural, municipal and domestic water supplies, and fish stocks. Without progress on the water supply, huge swaths of once-productive land will wither and farms will go bankrupt. We must forge a path ahead on these projects, and work with all parties involved to find solutions and shared funding sources from the state, municipal, and federal level.

- **Work with local, state and federal partners to find funding solutions and move forward on the Yakima River Basin Water Enhancement Project for the survivability of our natural fish stocks, our agricultural lands, and those who live and work in the region.**
- **Work with local, state and federal partners to find funding solutions and move forward on the Columbia-Odesa Subarea Aquifer Project, to supply the agriculture industry with the water it needs.**
- **Build on the progress made in the Walla Walla Basin to find funding solutions to fully fund a needed pump exchange project that will replenish dry riverbeds and sustain our state's wine grape growers in the region.**

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<sup>44</sup> <http://agr.wa.gov/AgInWa>

<sup>45</sup> <http://agr.wa.gov/AgInWa>

<sup>46</sup> <http://foundation.wsu.edu/campaign/bigideas/index.html>

<sup>47</sup> <http://agr.wa.gov/AgInWa>

## **Help meet our growers' workforce needs**

When it comes to harvest season, there's no time to waste. That's why providing a solid, stable agriculture workforce is key to our growers' success. The agriculture business in Washington can be very volatile. Seasons get cut short, the weather becomes unpredictable, and the window for picking can close suddenly.

A stable and skilled workforce is crucial to the success of this industry.

- **Re-establish the Farmworker Housing Infrastructure Loan Program, funded in the Capital Budget, to provide farmers with low- and no-interest loans to construct housing for seasonal and migrant workers. Such loans must be used for on-site infrastructure improvements or new construction to provide quality housing for farmworkers. This housing must be operated on a not-for-profit basis; rent and fees cannot exceed operating expenses.**
- **Provide more recruitment opportunities, outreach, and assistance to farmers navigating employment opportunities, guest-workers programs, and state regulations, through the state's agricultural services program and regional Worksource centers.**
- **Expand the successful small farm internship program to the entire state, allowing opportunities for education and training to young farmers, and the farm assistance needed on today's farms.**

## **Make Washington the nation's leader in quality grapes and wines**

**Although California's wine industry may be larger by volume, Washington's wine industry is set to become the preeminent source** of the nation's highest quality and value wines. Our industry has gone from nearly non-existent only a few short decades ago to growing over 400% over the past twelve years.<sup>48</sup> We now boast over 700 wineries and more than 40,000 acres of grapes planted statewide. The Washington wine industry is a \$3+ billion industry annually, the second largest in the country.<sup>49</sup>

The only way to sustain that kind of growth and continue our success is having a governor who will partner with the industry. We must help market our homegrown wines across the globe, and provide the technical and academic resources needed to ensure Washington wines take their rightful place next to the world's greatest.

- **Re-establish a partnership with existing organizations to promote tourism in our state. Working with our local grape growers and wineries, our state will be poised to benefit greatly from wine country tourism.**
- **Usher in a renaissance in Washington wines through new science and research with full support for the WSU Wine Science Center, which will one day house a state-of-the-art research and teaching facility through the state's Viticulture and Enology program.**
- **Modernize state Liquor Control Board's regulations, emphasizing flexibility and a customer-focused approach while still maintaining public safety standards. Many older regulations on the books established in the Post-Prohibition era fail to reflect current needs of the wine industry, and limit our state's wineries' ability to promote their product.**

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<sup>48</sup> [http://www.wawgg.org/index.php?page\\_id=103](http://www.wawgg.org/index.php?page_id=103)

<sup>49</sup> <http://washingtonwine.org/wine-101/state-facts/>

## **Support our growers in the military's energy independence movement**

The technological innovations created by the military often drive innovation in other sectors of our economy. This stands true for alternative energy technologies and biofuels in particular. Coupled with efforts in the private sector, led by such companies as Boeing and Alaska Airlines, we are uniquely positioned to lead and grow new agriculture jobs by growing biofuel corps. Joint Base Lewis-McChord has its sights set on an initiative to generate zero waste, water, and consume zero-energy from the grid by 2020.<sup>50</sup> Through the Army's Net-Zero program, the Navy's Green Fleet, and Air Force's exploration of biofuels driving an energy independence movement, there are ample opportunities to secure Washington businesses as the provider of those alternative fuels and energy-generating equipment.

- **Create an Advanced Sustainable Biofuels Center of Excellence, led by Washington State University, to partner with private industry, local, state, and federal government. The Center should facilitate industry progress on all aspects of sustainable biofuels development; including research, feedstock growth, sourcing, processing, and the deployment of commercial scale production.**
- **Partner with the Department of Defense and WSU in a "Field to Flight" effort to help the department meet its biofuels goals while creating jobs from the farmer growing crops, to the trucker hauling it, and the technician refining it into fuel.**
- **Partner with Department of Defense to help the department achieve its renewable fuel goals while growing jobs across the state.**

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<sup>50</sup> <http://www.army.mil/article/55370/joint-base-lewis-mcchord-wins--three-environmental-honors/>

## Chapter 8: Information Technology

Washington State is home to an active, broad information technology cluster. In addition to anchors such as Microsoft, Valve, and Amazon, Washington is a leading innovator in energy efficiency and cloud computing. Washington's information and communication technology workforce is nearly 120,000 strong,<sup>51</sup> which places it at the forefront of the country in this respect.

Major out-of-state and overseas businesses are attracted to the state's highly skilled IT workforce. In addition to software development, Washington's IT industry is a vanguard in interactive media, telecommunication, and e-commerce. In game development and publishing alone, more than a third of the \$10 billion industry nationwide is generated in the greater Seattle area.<sup>52</sup>

Jay Inslee has been a long time champion of Washington State's high tech industry and has been the go-to leader for Washington's information technology industry. Jay has fought to save Internet radio, to protect intellectual property rights and to combat software piracy. He has also helped local industry grow in other ways, including helping to secure funding for the Washington Interactive Media Accelerator to help grow that industry cluster.

It is critical to have a governor who understands this industry and its needs, and who is willing to enact policies that help maintain our edge in generating the middle class IT jobs.

### **Improve P-12, Higher Education, and Workforce Training systems to provide our youth with opportunity and to meet employer needs**

It is impossible to overstate the integral role that education plays in short- and long-term job creation. In the coming weeks, Jay will be proposing a more comprehensive and specific plan on reforming and improving our state's education system to meet our state's future workforce needs. For the purposes of this document, it is important to note that a well-educated and highly trained workforce facilitates company growth in industries across the board. As importantly, a high-quality public education system is essential to preparing our youth for tomorrow's jobs, and is a leading factor in our ability to attract and retain new businesses and educated, entrepreneurial talent to contribute to our state economy. Nobody wants to move across the country to put their children in sub-par schools.

Washington State ranks among the top 10 states for technology workforce, but has failed to provide the educational opportunities our citizens need to participate in their own state's economy. We rank 42<sup>nd</sup> in per-capita spending in education.<sup>53</sup> Less than half of our eighth grade students are proficient in math<sup>54</sup> and science.<sup>55</sup> In the 2010-2011 school year, only 76% of our students graduated high school on time.<sup>56</sup> We rank 37<sup>th</sup> in Bachelor's degree production per capita,<sup>57</sup> and we are the biggest importer of individuals with Bachelor's degrees or higher on a per-capita basis.<sup>58</sup> In short, we are underfunding our schools, our schools are underperforming for our children, and our four-year colleges and universities have insufficient support to meet the needs of students and employers.

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<sup>51</sup> <http://www.choosewashington.com/industries/tech/Pages/default.aspx>

<sup>52</sup> <http://www.choosewashington.com/industries/tech/Pages/default.aspx>

<sup>53</sup> <http://www.k12.wa.us/Communications/PressReleases2012/StatementQualityCountsReport.aspx>

<sup>54</sup> <http://nces.ed.gov/nationsreportcard/pdf/main2011/2012458.pdf>

<sup>55</sup> <http://nces.ed.gov/nationsreportcard/pdf/main2009/2011451.pdf>

<sup>56</sup> <http://reportcard.ospi.k12.wa.us/summary.aspx?year=2010-11>

<sup>57</sup> [http://seattletimes.nwsource.com/html/localnews/2011764312\\_bellevuecollege03m.html](http://seattletimes.nwsource.com/html/localnews/2011764312_bellevuecollege03m.html)

<sup>58</sup> <http://lazowska.cs.washington.edu/STEM.pdf>

In order to compete in the 21<sup>st</sup> Century, we must offer Washington’s students a strong foundation at the P-12 level, and our commitment to developing a highly skilled, competitive workforce cannot end after graduation. In providing a solid background in P-12 Science, Technology, Engineering, and Mathematics (STEM) Education, we prepare our kids to excel in burgeoning fields with rapidly expanding workforces—fields like Information Technology, Clean Energy, and the Life Sciences –and empower them to build and grow the next generation of companies and industries that will fuel economic growth and prosperity in our state. We must follow a strong P-12 foundation with apprenticeships and technical education directed toward producing an excellent next-generation workforce, and with dramatically increased Bachelor’s capacity in key fields.

- **Prioritize STEM degree production at our four-year colleges and universities, so as we restore our state’s commitment to higher education, we expand student access to crucial fields like computer science, engineering, and biotechnology.**
- **Connect P-12 students and industry leaders and workers to introduce and inspire them into real world science and technology careers.**
- **Further develop relationships between emerging, job-creating industries and higher education – building partnerships in curricula and post-graduate recruitment.**

### **Piracy and state procurement**

Theft of information technology is an epidemic, and is costing Washington state jobs. In some countries, over 80 percent of all packaged software is stolen.<sup>59</sup> Reducing global software piracy would create almost a half a million jobs,<sup>60</sup> thousands right here in Washington. As a society, we have a very low tolerance for people and businesses that use stolen physical property, such as cars, desks, and computers. Yet when it comes to software and other digital products and services, tolerance of theft is unacceptably high. Washington State has taken a first and very important step to change this unfortunate reality by creating a private right of action against piracy, but more can be done.

- **Incorporate into the state’s procurement process assurances that manufactures have adopted best practices to minimize piracy in their supply chains.**

### **Facilitate technology commercialization activities at our research institutions and drive investments into local companies**

The vast majority of basic research in the United States is done in public research institutions, such as universities and national labs<sup>61</sup>, including the University of Washington and Washington State University that are world leaders in research. These research institutions become engines of economic growth by spinning off job creating companies formed around new inventions.

Our research institutions have made great strides in recent years to step up and improve commercialization efficacy. Finding ways to build upon these improvements can lead to long-term and

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<sup>59</sup> <http://portal.bsa.org/globalpiracy2010/>

<sup>60</sup> <http://portal.bsa.org/globalpiracy2010/index.html>

<sup>61</sup> <http://www.nsf.gov/statistics/nsb0803/nsb0803.pdf>

sustained job creation in our state. We also must keep our promises to our R&D investments to grow promising technologies.

- **Enhance commercialization capabilities at our research institutions by giving them more flexibility in taking equity position in spinoff companies and using funds generated from patent and technology licensing to reinvest in other technologies.**
- **Identify and remove additional regulatory, statutory, or cultural barriers to commercialization efforts and work with research institutions to remove them.**

### **Align tax incentives to encourage investment in local IT startups**

For many IT startup companies, it can take a long time before businesses become profitable. In the interim, companies invest heavily in product development, and marketing and distribution. While these companies have high job-growth potential, they can easily run out of funding and end up failing before having the chance to reach their potential. As a tax on gross revenue and not profits, the B&O tax can be a contributor to some companies prematurely running out of funding.

The following tax incentives should be enacted in a manner to encourage job creation, while preventing overlap and “double dipping.” Further, each tax incentive should be capped, finite in time, narrow in scope, and subject to review for job creation performance.

- **Provide a short-term B&O tax exemption for research-based companies’ start-up with 50 or fewer employees.**
- **Allow pre-revenue research-based companies to, within limits, accrue and sell R&D tax credits.**

### **Adopt a hands-on approach to recruitment and support for the industry**

Our state needs a hands-on approach to businesses recruitment, retention, and expansion opportunities. We also need industry sector experts to work directly with the Governor and key industry sectors to achieve policy objectives.

- **Create an Information Technology sector lead, working with the Governor to ensure the State’s ongoing support for the sector and its workforce.**
- **Establish a “one-stop shop” for industry recruitment, to promote Washington’s healthy climate for industry development and assist industry leaders interested in locating in Washington with everything from inventory sourcing to site selection.**
- **Attract new businesses to the state by personally leading recruiting efforts with information technology businesses across the country and the globe, urging them to co-locate here in the one of the greatest industry clusters in the world.**