Unlock Our State’s Potential

2017 EDITION
Do you believe in business leadership, bipartisan problem-solving, and data-driven public policy?

Join us!

PLAN Washington is a collaborative strategic plan aimed at achieving transformative change in six key areas that affect our state: Economy, Education, Environment, Governance, Health, and Transportation.

Now in its third edition, the PLAN’s content is sourced from committees of subject matter experts whose recommendations provide actionable steps for maximum impact.

Measurable goals challenge us to become a top 5 state by the year 2025. All rankings are from best (1st) to worst (50th) from the perspective of businesses.

Visit us online to receive progress updates, dive into the data, and become a member of Washington Business Alliance.

Cover photo: Log raft through Deception Pass, by Robert J. Pennington.

Washington Business Alliance

Washington Business Alliance is a forward-leaning, issue-focused statewide business organization. Our mission is to help solve our state’s most critical issues. Collaboratively, we apply business leadership, bipartisan problem-solving, and data-driven strategies to get measurable results for the people of Washington.

Get involved.

www.planwashington.org
Too many Washington residents are left out of the Seattle metro region’s economic success. Outcomes are troubling among rural communities, veterans, ethnic minorities, and youth. To fuel economic growth, we must harness the potential of all our people. Public investments should be guided by a long-term strategic plan that links technology hubs, deepwater ports, natural resources, R&D spending, education providers, and the untapped potential of underserved groups.

A globally competitive business environment with policies tailored to the state’s diverse regions lays the foundation for an economy that works for everyone.

Economic growth generates public revenues that can be invested in services and infrastructure needed to support our state.
COMPETE GLOBALLY

Exports are central to a growing economy. In fact, 30% of the new jobs created in Washington State over the past 30 years are owed to exporting.\(^5\) Washington consistently ranks among the most export-intensive economies in the country due largely to our state’s massive aerospace sector. But more can be done to engage other industries, small and medium-sized firms, and rural communities. Investments in trade accelerators, Governor-led trade missions, and export vouchers reward Washington companies with sales protected from fluctuations in the local economy.

Believe it or not, lots of people outside our state don’t know anything about Washington. Effective branding of the state’s competitive advantages and natural beauty will provide value to existing businesses while attracting new companies, investors, and tourism.

RECOMMENDATIONS:


2. **Invest in the Innovation Economy.** Washington has abandoned tax incentives for high tech firms at a time when forty other states offer them.\(^6\) The state should reinstate tax abatements for R&D and the Sales & Use Tax Deferral Waiver. Foreign students who receive an education in the U.S. need a simpler and more accessible pathway to H1-B work visas.

3. **Harmonize Government Regulations Across Jurisdictions.** All layers of government should work together to streamline processes, lower compliance costs, and reduce delays. Update outdated regulations to keep pace with changing technologies. Transformations at the Department of Licensing are a good case study of government acting like a business to be more competitive in a budget-constrained environment.\(^7\)

4. **Rebuild Fishing Fleets.** The legislature should create a tax exemption program for vessel recapitalization to boost the competitiveness of Washington’s fishing and seafood processing industries.\(^8\)

5. **Strengthen Public-Private Partnerships.** Innovative partnerships can fill gaps, creating physical and social infrastructure that would otherwise go unfunded. Follow Canada’s lead by creating councils of highly-trained experts that can help local governments evaluate P-3 opportunities.\(^9\)
STATEWIDE GROWTH

To unlock our state’s potential, programs and policy must address the needs of underserved rural communities. The interdependence of urban and rural economies is measurable and significant. The state must identify ways to strengthen rural communities so job creation occurs organically.

Many rural Washington communities are experiencing demographic transformation as economies based on natural resources face greater regulatory challenges and slimmer margins. As opportunities shrink in these traditional industries, the younger generations move away from rural areas to find job opportunities in urban centers. Having the right education and training available helps people learn 21st century skills and stay in place. Vocational learning opportunities should start early in the K-12 system.

Community and technical colleges (CTCs) are critical resources for bringing more earning power into rural economies. They are broadly distributed across the state and accessible to underserved communities. Many participants are low-income and first-generation college students. Twenty eight percent are parents, 43 percent work full- or part-time while attending classes, and 42 percent are people of color. Recently CTCs have moved into an economic development role that includes contract training, small business development, and entrepreneurship programs.

RECOMMENDATIONS:

1. **Seize the Mass Timber Opportunity.** Create incentives for builders to use advanced wood products made in Washington. The state’s timber industry has been in decline for over 20 years. A sustainable wood product revolution will create economic opportunity for Washington’s struggling rural communities while providing environmental benefit through carbon sequestration. Take action to facilitate in-state production and use of cross-laminated timber.

2. **Broaden Tax Incentives for Distressed Regions.** Washington currently offers tax abatements for manufacturing and research expenses in qualifying regions. Expanding the incentives to include the service sector will further encourage job growth in high unemployment areas. By widening the sales tax “set aside” for rural areas, county governments can engage private investment opportunities.

3. **More Entrepreneurial Support.** Encourage participation in the state’s Startup 365 program, Score Business Mentors, Fund Local, Make It In Washington, and U.S. Department of Energy Small Business Vouchers. Legislators should consider an administratively simpler B&O tax, such as a Single Business Tax, with accommodations for startups and small businesses that create jobs. Fund export assistance vouchers which help small and medium-sized businesses enter foreign markets.

4. **Make Asset Maps Readily Available.** Many communities have created asset maps of which residents are unaware. Encouraging local communities to distribute these effectively will empower local entrepreneurs.

5. **Clear Barriers to Statewide 5G Internet.** Washington needs to upgrade its telecommunications infrastructure so that rural areas will become viable places to live and work with stronger internet connections. This requires counties, cities, and the state to minimize permitting delays and regulatory hurdles.
## Compete Globally

<table>
<thead>
<tr>
<th>Rank</th>
<th>Key Performance Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Exports per capita&lt;sup&gt;10&lt;/sup&gt;</td>
<td>U.S. Census Bureau, “2015 Small Area Income and Poverty Estimates” (Dec. 2016).</td>
</tr>
<tr>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Venture capital investment&lt;sup&gt;11&lt;/sup&gt;</td>
<td>U.S. Congress Joint Economic Committee, “Veterans Unemployment Rate by State” March 2016.</td>
</tr>
<tr>
<td>12&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Manufacturing worker productivity&lt;sup&gt;12&lt;/sup&gt;</td>
<td>Washington State Department of Commerce, “Exports,” Economic Development.</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Science and engineering patents&lt;sup&gt;13&lt;/sup&gt;</td>
<td>Washington Biomedical &amp; Biotechnology Association, “2016 State Policy Priorities,” Economic Development.</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>Private sector R&amp;D investment&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Washington State Legislature, House Bill 1154, “Ensuring the competitiveness of Washington state’s fishing and seafood processing industries...” (2017-2018).</td>
</tr>
</tbody>
</table>

## Statewide Growth

<table>
<thead>
<tr>
<th>Rank</th>
<th>Key Performance Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.8%</td>
<td>Rural poverty rate&lt;sup&gt;24&lt;/sup&gt;</td>
<td>United States Department of Agriculture, “State Fact Sheets,” Economic Research Service (November 30, 2016).</td>
</tr>
<tr>
<td>13.1%</td>
<td>Urban poverty rate&lt;sup&gt;25&lt;/sup&gt;</td>
<td>Ibid.</td>
</tr>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>Affordable business electricity&lt;sup&gt;27&lt;/sup&gt;</td>
<td>Economic and Revenue Forecast Council, “Electricity Prices,” Washington State Economic Climate Study, (December 2016) page 48.</td>
</tr>
<tr>
<td>42&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>Business tax burden&lt;sup&gt;28&lt;/sup&gt;</td>
<td>Ernst &amp; Young LLP, State Tax Research Institute, and the Council on State Taxation, Total State and Local Business Taxes, (December 2016) page 13.</td>
</tr>
</tbody>
</table>
EDUCATION

Washington’s education system is on a dangerous collision course that threatens the future of our kids and our economy. The state needs to address the achievement gap that divides student outcomes across incomes levels and ethnic backgrounds. Only five states have a larger gap in graduation rates for low-income vs non-low income students—65% and 87% respectively.

By 2018, over 68 percent of jobs in Washington State will require some level of postsecondary education. Only 31 percent of Washington’s high school students earn college degrees or other postsecondary credentials. The result is a majority of young people are unprepared for the workforce and unable to participate in its most highly compensated opportunities. Acute workforce shortages are limiting growth in advanced manufacturing, automotive service, clean energy, construction trades, information technology, logistics, maritime, and healthcare. Half of all STEM jobs are available to workers without a 4-year degree and these jobs pay an average of $53,000 per year.

Overview

Increasing educational attainment is crucial for the well-being and economic vitality of Washingtonians. However, lots of valuable postsecondary learning doesn’t involve degrees. Not graduating high school correlates strongly with chronic poverty and unemployment. This goal matches a national target set by the Grad Nation coalition. Strong math and reading skills are essential for competing in today’s workforce. Student success begins in the K-12 system.

<table>
<thead>
<tr>
<th>KEY METRIC</th>
<th>CHALLENGE GOAL</th>
<th>CURRENT STATUS</th>
<th>SOURCE</th>
<th>WHY IT MATTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WASHINGTON STUDENTS EARNING CERTIFICATES, CREDENTIALS, APPRENTICESHIPS AND DEGREES</td>
<td>HIGH SCHOOL GRADUATION RATE</td>
<td>4TH GRADE READING &amp; 8TH GRADE MATH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70%</td>
<td>90%</td>
<td>FIRST PLACE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31%</td>
<td>78.2%</td>
<td>13TH IN READING 9TH IN MATH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERDC</td>
<td>U.S. Dept. of Education</td>
<td>NAEP State Comparisons</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increasing educational attainment is crucial for the well-being and economic vitality of Washingtonians. However, lots of valuable postsecondary learning doesn’t involve degrees. Not graduating high school correlates strongly with chronic poverty and unemployment. This goal matches a national target set by the Grad Nation coalition. Strong math and reading skills are essential for competing in today’s workforce. Student success begins in the K-12 system.
FUND CAREER-CONNECTED EDUCATION

The growing disconnect between high school coursework and the skills required in today’s workplace is compromising Washington’s economic vitality. Career Technical Education (CTE) programs create opportunities for students to gain skills needed to earn a living wage jobs in Washington, but funding is in jeopardy.

The new Core 24 high school graduation requirements include one CTE course for every student, but there is much more to being “Career Ready” than a single required course. Increasing CTE funding allows career pathway exploration, work-based learning opportunities, and increased graduation rates. Washington students engaged in local CTE programs during high school graduate at 92%, compared to the state average of 78% graduation. During this time of new K-12 investments driven by the McCleary decision, career-connected learning should be a major priority for improving student outcomes.

To secure a living wage job in today’s economy, students need vocational skills that go beyond what a standard high school diploma provides. Changing technologies and shifts in global competition mean many workers will need to periodically retrain. Postsecondary institutions must align with industry and high school CTE programs to offer career pathways into well compensated fields.

RECOMMENDATIONS:

1. Increase Funding to Schools and Skills Centers for Supplies, Teacher Training, Industry Partnerships, and Equipment.
CTE needs to be addressed within the K-12 McCleary funding solution. It will take $68 million to merely maintain the status quo. $187 million matches the level articulated (but never funded) in the 2011-13 budget to expand CTE opportunities for students.

2. Define Allowable Expenditures for CTE Funding. Increasing funding will not be effective unless guard rails are put in place to ensure dollars allocated for CTE are spent on these vocational programs. Allowable expenditures should include materials and supplies for classrooms, work-based learning programs, career guidance advisors, and training for CTE teachers.

Clarify and expand credit equivalencies so students can earn academic credit for vocational education. Broaden Core 24 to allow for awarding work-based learning with high school credit.

4. Align Training to Employer Articulated Demand.
More robust reporting and marketing of employer hiring needs, industry-recognized skill standards, available training resources, training costs, location, and pay scales. Use credentials to link employers with qualified job candidates. Facilitate more input from small and medium-sized businesses.

5. Expand Apprenticeships. By partnering with community colleges, companies can reduce the costs of operating apprenticeship programs. Several states offer tax credits to small and medium-sized businesses who take on apprentices.

6. Empower Schools and Districts to Innovate. Enhance the Innovation Schools law by broadening the power of schools and districts to waive statutory requirements. Giving schools and districts more flexibility will enhance their ability to improve student achievement and close the educational opportunity gap.
Fund Career-Connected Education

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Washington Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>12th</strong></td>
<td>Manufacturing worker productivity</td>
</tr>
<tr>
<td><strong>9th</strong></td>
<td>Student debt burden ($24,600)</td>
</tr>
<tr>
<td><strong>30th</strong></td>
<td>Young people working and/or in school</td>
</tr>
<tr>
<td><strong>12th</strong></td>
<td>18-24 year olds with STEM associates</td>
</tr>
</tbody>
</table>

To secure a living wage job in today’s economy, students need vocational skills that go beyond what a standard high school diploma provides.

---

30. Everyone Graduates Center at the School of Education at Johns Hopkins University, Building a Grad Nation (2015).
37. House Bill 1282 and Senate Bill 5183 achieve this through a 1.54 WSOCE multiplier so that this funding level will “stick” moving forward.
39. Ibid.
40. Economic and Revenue Forecast Council, “Value Added per Hour of Labor in Manufacturing (Weighted),” Washington State Economic Climate Study (December 2016) page 46.
44. Everyone Graduates Center at the School of Education at Johns Hopkins University, Building a Grad Nation (2015).
More than 25% of our state’s total economy comes from industries directly dependent on natural resources, such as agriculture and food products, forestry, and maritime. Additionally, the state’s stunning natural environment drives tourism spending in hospitality and recreation.

Unlike the country as a whole, Washington’s largest source of greenhouse gas (GHG) emissions is the transportation sector. The state’s low-cost, hydro-based grid provides a unique and leverageable asset to reduce carbon emissions across all sectors. The clean grid supercharges the environmental benefits of electric vehicle adoption and other fuel-switching opportunities, while enabling energy-intensive industries to do business with a lower carbon footprint than in other states.
ACHIEVE LOW CARBON PROSPERITY

Current policy is leading Washington toward a cleaner grid, led by the elimination of in-state coal electricity and the announced shut down of coal-fired electricity delivered from out-of-state Colstrip Units 1 and 2. Through 2030, the state can meet all of its new electricity needs with conservation and efficiency investments. In the same way utilities help drive energy efficiency improvements like LED light bulbs, they can play a similar role in electrifying transportation and converting industrial processes to cleaner fuels.

Reducing emissions can align with improving profits and reducing cost of living. The critical question for the economy is the amount of carbon reduction that is technologically feasible, and the cost-effectiveness of making those investments.

Some emerging technology solutions will generate carbon reductions that result in net savings to the economy. However, realizing this potential requires overcoming persistent barriers to market efficiency. Less understood is the availability and cost effectiveness of carbon reduction investments at the state level. For example, given Washington’s unique energy profile the advantages of electrification are more pronounced than in other states.

RECOMMENDATIONS:

1. **Leverage Washington’s Natural Advantage in Clean, Affordable Electricity.** State law should recognize the ratepayer interest in shifting carbon-intensive activities, such as transportation and industrial activities, to cleaner electric power. Shifting more activity to electric power will increase demand for electricity, but the greater efficiency of electric motors will decrease overall energy use, wasted energy, and carbon pollution. Standards should fairly evaluate fuels and technologies for their carbon reduction benefits, including nuclear and natural gas, with incentives structured accordingly. Utility incentives, such as time-of-use electricity rates, will encourage adoption of electric vehicles and charging infrastructure.

2. **Price Carbon and Invest the Revenue.** As a pollution reduction mechanism, a carbon tax is significantly more effective when revenues are reinvested into carbon reduction projects. Investment decisions should be driven by a technology-neutral, market-based system that pays for verified reductions beyond what taxation would produce. Reinvestment should also target helping large commercial industrial energy users transition energy-intensive processes to more efficient, less carbon-intensive alternatives. This approach provides the surest pathway to a resilient and carbon competitive economy.

3. **Prevent GHG Emissions and Living Wage Jobs From Leaking Out of Washington.** Energy Intensive & Trade Exposed (EITE) industries are vulnerable to higher energy costs and both domestic and international competition. It’s essential to avoid the leakage of GHG emissions along with good-paying jobs to areas with less efficient manufacturing processes and more carbon-intensive electricity. When only in-state EITEs are taxed, their out-of-state competitors have an advantage.

4. **Support Low Carbon Procurement.** Government and businesses can apply purchasing power throughout supply chains and be proactive in making cost effective energy efficiency and carbon reduction investments.

5. **Require a Legislative Greenhouse Gas Note.** All legislation likely to have a significant impact on greenhouse gas emissions should be analyzed for its impact (i.e., a GHG equivalent to “fiscal notes”).
**STRENGTHEN NATURAL RESOURCES**

Every supply chain relies on the natural world for its existence. Improving our understanding of the value provided by natural resources can illuminate smarter choices for mitigating or eliminating environmental threats. Efforts to protect and restore Washington’s environment should follow a systems-based regional vision of well-managed ecological systems. Across the state, owners of timberland are thinning trees to make forests and communities more resilient to fire.58 Many builders and facilities managers in Washington are leading the way on implementing Low Impact Development practices to improve stormwater management. More sophisticated and locally-focused climate modeling will enable the state to plan for a more sustainable future.

Taking action can be beneficial on multiple fronts. There are methods of timber harvest consistent with forest management best practices that could be applied in Eastern Washington and the Olympic region to create jobs in rural Washington, generate revenue for local schools and municipalities, and put unhealthy forests on a track to offer wildlife habitat and reduced wildfire risk. Agriculture is an important element of Washington’s economy, but increasing droughts make it vulnerable to major losses.59

**RECOMMENDATIONS:**

1. **Strengthen Regional Disaster Preparedness and Climate Resiliency.** New best practices can be applied to forest management and agriculture to reduce the risk of fire and drought. Uncertain snowpack encourages investment in reservoir water storage for rain.60 Floodplains by Design projects offer needed protection for homes, businesses, and natural habitat.61

2. **Apply LEAN to the Stormwater Regulatory Process.** Foster a coordinated effort among ports and tenants in pursuit of a healthier Puget Sound. Redesign the stormwater regulatory process to be “complier-centric,” and harmonized across jurisdictions.62

3. **Sequester Carbon in Wood Products.** Washington State can leverage its substantial forestry assets to sequester carbon through enhanced forest management practices and advanced wood products. Carbon policy should provide financial incentives for sequestration on actively managed private timberlands and long-term carbon capture in wood products like cross-laminated timber.

“Washington’s environment should follow a systems-based regional vision of well-managed ecological systems.”

""
### Achieve Low Carbon Prosperity

<table>
<thead>
<tr>
<th>Rank</th>
<th>Indicator</th>
<th>Source</th>
</tr>
</thead>
</table>

### Strengthen Natural Resources

<table>
<thead>
<tr>
<th>Rank</th>
<th>Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>17th</td>
<td>Industrial toxins released</td>
<td>Washington State Economic Climate Study, (December 2016) page 93.</td>
</tr>
</tbody>
</table>

---

48 Washington Dept. of Agriculture, “Top Crops & Food Processing Industries.”
50 Economic Development Council of Seattle and King County, Workforce Development Council of Seattle and King County, Washington State Maritime Cluster (Nov. 2013).
52 Matt Brown, “Puget Sound to close Colstrip Units 1, 2 by 2022,” Billings Gazette (July 12, 2016).
54 Nike Inc., FY 14/15 Sustainable Business Report, Corporate Responsibility Unit (May 2016).
59 Hal Bernton, “Farms in state lost more than $335 million to drought in 2015,” The Seattle Times (Jan. 1, 2016).
Across the country a bipartisan movement of public servants is growing. They have resolved to eliminate waste, improve responsiveness, elevate transparency, build in accountability, and deliver results that will win back people’s trust in government. Borrowing best practices from business, these reforms aim at improving everything from the waiting time for a driver’s license to addressing our most complex social issues including education, the shocking rise in accidental opioid deaths, the constant increase in recidivism, and our failing infrastructure. The National Governors Association’s Deliver Results, the Brookings Institute’s Global Cities Initiative, Bloomberg Philanthropies’ What Works Cities, and Governing Institute’s best practices are examples of national initiatives to identify and promote effective execution across all areas of government.

There are many excellent examples of this type of leadership in Washington State. Results Washington is the body tasked with setting common goals for state agencies and encouraging system-wide strategic planning and Lean implementation. New performance standards for tax preferences and a four-year balanced budget requirement have raised the bar for legislative decision-making. Data portals like those offered by Spokane Community Indicators set the stage for collective problem-solving. But there’s a lot more work to be done.
Spending decisions in Washington State should be prioritized using a comprehensive strategic plan that takes our toughest issues head-on. Interplay over the budget is to be expected between the governor and the four legislative caucuses, but the process can be better structured and create more clear connections to our challenges. Past leaders have built consensus by establishing shared governing priorities. The table below describes an approach to budgeting that both political parties can embrace.74

### Recommendations:

1. **Add to the Governor’s Senior Staff the Role of Chief Operating Officer.** COOs have been added to governor’s offices in Oregon, Tennessee, Arizona and Rhode Island. The state’s COO would be responsible for the achievement of the Governor’s Goals and the efficient and effective operations of the Executive Branch of state government. A governor’s Chief of Staff focuses on the political aspects of the office, but with billions of dollars at stake someone needs to focus on breaking down the silos and making accountability and transparency realities of daily life for our dedicated public leaders.

2. **Implement a Comprehensive Approach to Manage Government Performance.** While Results Washington is an admirable foundation, the vision its architects had for it was not fulfilled. Agency performance needs to operate under a common management model and logic to enable credible accountability. Legislation should be passed to require a standard set of best-practice management methods be deployed and that state executives be held accountable to report results in terms that are meaningful and visible to Washingtonians. The approach should include much more active central oversight though agency business reviews with a State COO and automated performance scorecards that focus on agency budgets, outcomes, and process effectiveness. Reviews must be open to the legislature.

3. **Pass the SMART Act (State Money Accountability, Review or Termination).** The bill would require all state expenditures to include a performance measure of the societal impact wherein the Joint Legislative Audit & Review Committee would recommend continuing, modifying, or terminating the program, as is currently done for tax preferences.75

4. **Better Connect Spending to Outcomes.** Create a state version of the federal evidence-based policymaking commission proposed by Senator Patty Murray and Representative Paul Ryan.76 The implementation of management systems across state agencies will support a culture of continuous improvement leading to better results. A zero-based budget review process allows better prioritization of state expenditures.77

---

(continued)
WHERE WASHINGTON RANKS

KEY PERFORMANCE INDICATORS

RECOMMENDATIONS:

5. **Launch Open Data and Digital Leadership Initiative.**
   Getting more datasets online supports an economy of businesses and nonprofits, watchdog groups and journalists, and software application developers. Look to leading states like Utah, and encourage the participation of the local computing employer base in bringing the talent and knowledge to transition state agencies to digital service delivery. Adopt a useful measure of Data Openness.

6. **Authorize Pay for Success Bonds.** Pay-for-success contracts (a.k.a. social impact bonds) leverage private capital to create better public outcomes by compensating private investors if their investments reduce state liabilities or generate revenue. The legislature should authorize a pilot project related to health & social services.

7. **Mandate Budget Transparency.** Require every state agency, municipality, and special district government to post their budget online.

8. **Establish a Citizens’ Review of Initiatives.** A Citizen Review Committee, like that established by Oregon’s legislature, can assure a fair assessment of ballot initiatives.

Government that Works

<table>
<thead>
<tr>
<th>B+/24th</th>
<th>Budget transparency</th>
<th>A-</th>
<th>Digital government leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.5%</td>
<td>Business taxes as a share of GDP</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KEY PERFORMANCE INDICATORS WHERE WASHINGTON RANKS**

69 Brookings Institute, “Global Cities Initiative,” Website.
71 Governing Institute, “Governing the States and Localities,” Website.
72 Results Washington, Website.
73 EWU Institute for Public Policy and Economic Analysis, Spokane Community Indicators (2015).
78 Michael Grass, “Why Utah’s State Government Leads the Nation in Offering Services Online,” Route Fifty (October 13, 2013).
79 Urban Institute, “Understanding Social Impact Bonds and Pay for Success,”
81 Center for Digital Government, “Digital States Survey 2016 Results” (September 19, 2016).
82 Ernst & Young LLP, State Tax Research Institute, and the Council on State Taxation, *Joint State and Local Business Taxes* (December 2016) page 13.
Overview

In 2015, the Washington Health Alliance and the Washington State Health Care Authority partnered to develop the Washington State Common Measure Set for Health Care Quality and Cost. The Common Measure Set is a collection of indicators which provide greater understanding of areas that should be targeted for improvement and a common way of tracking how well the health care system is performing. Washington has a long way to go to consistently rank in the top 10 percent of performance nationally.

The State Health Care Innovation Plan is an opportunity for unified action toward health system transformation. The federal government has awarded Washington $65 million to implement the plan—with the potential to generate at least $1 billion in savings across all payers.
PAY FOR VALUE, NOT VOLUME

It’s time to improve the way providers are paid. Patients achieve better outcomes at less cost when purchasing arrangements reward value and care coordination rather than volume and care duplication. The long dominant fee-for-service approach creates incentives for over-provision of services, which balloon costs but doesn’t necessarily improve health. The Healthier Washington initiative is a promising vehicle for achieving the needed transformation. The state is leveraging its market purchasing power of almost 2 million combined public employees and Apple Health (Medicaid) clients in order to accelerate adoption of value-based reimbursement.

In 2017, the state plans to launch its All-Payer Claims Database (APCD) to bring greater transparency to the healthcare market. The Washington Health Alliance will continue its voluntary APCD that has existed in our state since 2008. APCDs pools information about the costs and quality of health care, providing a resource that enables patients and purchasers to more easily choose high-value care. Providers and purchasers can use the data to identify variation in procedure rates across the state. Variation is a persistent problem in the delivery of health care. Excessive variation is a signal of either insufficient or medically unnecessary service levels.

RECOMMENDATIONS:

1. Focus on Value. With the state acting as “first-mover,” businesses and local governments should follow behind, using the Common Measure Set to drive value-based benefit designs and shape contracts that measure performance.

2. Build a Culture of Robust Quality and Price Transparency. Demand transparency, benchmark performance, enable value-based purchasing, and promote competition. Build upon the foundation of an APCD by pooling more types of data in real-time and strengthening the analytical capacity of the health system. Washington health systems should implement ongoing procedural reforms and innovations targeting healthcare mishaps such as hospital-acquired infections, medication errors, and all “never events.” Improve the APCD by adding data on the self-insured.

3. Emphasize Prevention and Chronic Disease Management. Modest investments in chronic disease prevention have been shown to yield dramatic health impacts and cost savings. Research indicates that a set of preventions costing $3 billion could result in a national savings of $16.5 billion dollars over five years. Medicaid and Medicare recipients suffer disproportionately from chronic disease.

4. Address the Opioid Epidemic. In Washington State and across the nation, overdoses have surpassed traffic crashes as the leading cause of accidental death. In 2015 alone, 718 people died from opioid overdoses in Washington. There are no easy fixes to this problem. Reaching those affected will require persistent action from state and local governments, health care providers, families, and nonprofit organizations. On the prevention side opioid prescriptions quadrupled from 1999 to 2014, and a new study has revealed tremendous variation in opioid prescription rates by location. This indicates overprescription that must be addressed immediately.

5. Expand Access to Primary Care. State law can be modified to expand the role of mid-level practitioners to fully perform work for which they are trained. The reach of primary care doctors can be extended through team-based care that enables providers to “practice at the top of their license.”
Patients achieve better outcomes at less cost when purchasing arrangements reward value and care coordination rather than volume and care duplication.

---

**Where Washington Ranks**

**Key Performance Indicators**

**Pay for Value, Not Volume**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th</td>
<td>Rate of preventable hospitalizations</td>
</tr>
<tr>
<td>20th</td>
<td>Prevalence of primary care doctors</td>
</tr>
<tr>
<td>14th</td>
<td>Obesity</td>
</tr>
<tr>
<td>17th</td>
<td>Health insurance coverage</td>
</tr>
<tr>
<td>9th</td>
<td>Diabetes</td>
</tr>
</tbody>
</table>

---

90 Center for Medicare & Medicaid Services, “Chronic Conditions Among Medicare Beneficiaries” (2012); Kaiser Family Foundation, “Illness” (Nov. 16, 2012).
93 Washington Health Alliance, “Different Regions, Different Care” (August 2016).
95 United Health Foundation, “Rate of Preventable Hospitalization,” America’s Health Rankings (2015).
96 United Health Foundation, “Prevalence of Primary Care Physicians,” America’s Health Rankings (2016).
Transportation congestion remains the number one Puget Sound regional problem, and it is growing worse. It has a statewide impact because Eastern Washington depends on a free flow of traffic to get its products into and out of port. The 2015 Connecting Washington funding package will direct $16 billion of investments over 16 years. Central Puget Sound voters recently approved the $54 billion Sound Transit 3 (ST3) package. Neither one is a complete or near-term solution to regional mobility problems.

The efficiency of Washington’s supply chains are threatened by bottlenecks in urban areas where passenger vehicles compete with commercial freight. Congestion generates more pollution, lowers productivity, and diminishes quality of life. Technology is expanding near-term solutions to help increase mobility, prevent accidents, reduce emissions, and improve livability. The question is how to accelerate these emerging technology solutions and integrate them into pre-existing plans.

Pressure to make additional investments in state transportation infrastructure will continue for years to come with a projected 26% population growth from 2014 to 2040. Better vehicle fuel efficiency and a leveling-off of vehicle miles traveled threatens the long term viability of the gas tax as the primary funding source. Meeting future needs will require rethinking how the state funds and manages its transportation system: roads, rail, marine, and transit.

## Overview

People and goods move through the state best when roads are well maintained and have adequate peak-hour capacity. Public transit can offer choice and convenience while controlling congestion and emissions. Longer commutes result in lost productivity and added pollution. Extended commutes are often the result of congestion and urban sprawl. Puget Sound ports have lost traffic while those in British Columbia are growing rapidly. Heavy trade volumes create high paying jobs and insulate the economy from downturns.

<table>
<thead>
<tr>
<th>KEY METRIC</th>
<th>CHALLENGE GOAL</th>
<th>CURRENT STATUS</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONDITION OF INFRASTRUCTURE</td>
<td>AVERAGE COMMUTE TIME</td>
<td>CONTAINER VOLUME FOR SEATTLE–TACOMA ALLIANCE PORTS</td>
<td></td>
</tr>
<tr>
<td><strong>TOP 5</strong></td>
<td><strong>UNDER 20 MINUTES</strong></td>
<td><strong>6 MILLION TEUs</strong>&lt;sup&gt;100&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td><strong>39&lt;sup&gt;TH&lt;/sup&gt;</strong></td>
<td><strong>40&lt;sup&gt;TH&lt;/sup&gt; SHORTEST (27.1 MINUTES)</strong></td>
<td><strong>3.6 MILLION TEUs</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CNBC Top States for Business: Infrastructure Assessment</th>
<th>U.S. Census Bureau</th>
<th>American Association of Port Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>People and goods move through the state best when roads are well maintained and have adequate peak-hour capacity. Public transit can offer choice and convenience while controlling congestion and emissions.</td>
<td>Longer commutes result in lost productivity and added pollution. Extended commutes are often the result of congestion and urban sprawl.</td>
<td>Puget Sound ports have lost traffic while those in British Columbia are growing rapidly. Heavy trade volumes create high paying jobs and insulate the economy from downturns.</td>
</tr>
</tbody>
</table>
ACCELERATE NEW VEHICLE TECHNOLOGY: AUTOMATED, CONNECTED, ELECTRIC, SHARED (ACES)

New transportation technologies can get us moving safer, faster, greener, and cheaper with ACES technology: vehicles that are Automated, Connected, Electric and Shared. Automated vehicles improve traffic flow and facilitate ride sharing. Uber is now testing driverless car service in Pittsburgh, which will eventually make ridesharing even more affordable. Connected vehicles communicate with other vehicles and infrastructure to reduce accidents and congestion. Electric vehicles plug into our clean low cost power grid, decreasing pollution and fuel costs. Shared vehicles mean more people in fewer cars.

ACES technologies are arriving rapidly. They have the potential to transform how we move around the region, but only if we integrate them into our planning. Washington is poised to take the lead with our high-tech companies, major universities and forward-thinking, motivated, and tech-friendly population.

ST3 will establish massive transit expansions across the Central Puget Sound, but for transit to be most effective in decreasing congestion, local governments and private industry must work together to overcome “the first mile/last mile challenge.” ACES vehicles will provide key solutions to connect transit hubs with individual origins/destinations.

RECOMMENDATIONS:

1. Expand and Transform Park-and-Rides. Current park-and-ride lots are a resounding success—most are full by 7 am. The region needs five to ten times the number of current lots to serve as centers for the flexible vanpools, carpools, and other transportation options. Picking up commuters at a central place saves the time and expense of going from house to house. Build new facilities to utilize the rapidly emerging “self-valeting” function.

2. Update the Commute Trip Reduction Act. CTR provides incentives for companies with over 100 employees to use carpools, vanpools, and transit. As a result, Washington has one of the largest vanpool programs in the country. But the state could have four times the current number by setting up flexible vanpools in addition to the current fixed fleet.

3. Electrify Transportation. Expand the use of electric vehicles that draw power from one of the least carbon-intensive grids in the county. Expand and replicate King County Metro’s all-electric vanpools. Compared to a standard Metro bus that gets 45 miles per gallon per passenger, a Metro all-electric Nissan Leaf gets the equivalent of 500 miles per gallon per passenger. Larger all-electric and hybrid-electric vans will get the equivalent of 1,000 miles per gallon per passenger. Employers can provide inexpensive supplemental charging during the 8-hour workday with a standard household socket.
PRIVATE-PUBLIC COLLABORATION TO DESIGN AND FUND THE FUTURE OF TRANSPORTATION

Washington State has raised transportation taxes three times in the last 13 years. By 2027, 77% of state gas tax revenues will go to debt service payments. Meanwhile, fuel efficiency is rising fast. Forecasts indicate Washington drivers will average 35 MPG by 2035, resulting in a potential 45% reduction in gas tax revenue. This undercuts Washington’s ability to maintain fundamental programs like highway and bridge maintenance and preservation.

Faced with project risk and constrained revenue, many states in the U.S. and provinces of Canada have found workable solutions through public-private partnerships. However, the Transportation Innovations Partnerships Act of 2005 has effectively discouraged new financing models within the state. The Act requires a complicated approval process involving six state agencies and restricts the use of private capital for even smaller, non-tolled highway projects. Public-private partnerships must expand beyond the traditional construct to include cooperatives, co-developments, and operations to ensure continual mobility.

RECOMMENDATIONS:

1. Expand Public-Private Financing. Share risk and expedite improvements by modifying the Transportation Innovations Partnerships Act to enable public-private partnership models for non-tolled highway projects such as park-and-ride lots (mobility hubs), ferry terminals, and partnerships for utilities and rail.

2. Leverage Private Partnerships. Example: Set aside a third of current park-and-ride spaces where commuters who need a guaranteed place to park would pay a small fee with the fee revenue used to help finance more mobility hubs.

3. Support Maritime. A state-level commitment to the maritime industry on the scale afforded aerospace would boost the long term competitiveness of the port system. Support the priorities of Washington Maritime Federation to advance the needs of the industry.

4. Direct Unanticipated Revenue to Local Roads. The old split of 66% for state highways and 34% for all local transportation projects, including transit, was established in 1991. State leaders are advocating a new policy that recognizes the growing needs of local governments. New state transportation revenue forecasts show $2.5 billion more available to the state over the next 10 years than when Connecting Washington was enacted, providing an opportunity to change policy while supporting state projects that are already counting on future funds.

5. Revive the Mosquito Fleet. Puget Sound ferries date back over 100 years, beginning with a ragtag collection of private services known as the Mosquito Fleet. Private operators should gauge the feasibility of building a broad network of small high speed passenger ferries. The state can facilitate successful partnerships between local governments and private operators, both of whom have demonstrated ongoing interest in expanding passenger-only ferry routes.
**WHERE WASHINGTON RANKS**

**KEY PERFORMANCE INDICATORS**

Public-Private Collaboration to Design and Fund the Future of Transportation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>Exports per capita</td>
<td>NAFTA 7.4%</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>Electric vehicle conversion</td>
<td></td>
</tr>
<tr>
<td>53&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>Smart growth index</td>
<td>Seattle Metro Region (out of Top 221 largest MSAs)</td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Public transit use</td>
<td></td>
</tr>
</tbody>
</table>

Accelerate New Vehicle Technology: Automated, Connected, Electric, Shared (ACES)

- NAFTA 7.4%
- U.S. 6%
- Road conditions 39<sup>th</sup>

**ACES technologies are arriving rapidly. They have the potential to transform how we move around the region, but only if we integrate them into our planning.**

---

100 A TEU is a Standard unit for describing a ship’s cargo carrying capacity, or a shipping terminal’s cargo handling capacity.


102 Texas A&M University Transportation Institute and INRIX, 2015 Urban Mobility Scorecard (Aug. 2015).


105 Washington State Transportation Commission, “Transportation Innovation Partnerships.”

106 Puget Sound Regional Council, Regional Passenger-Only Ferry Study (November 2008); Ed Friedrich, “Top Story of the Year: Fast Ferries Coming Back,” Kitsap Sun (December 27, 2016).

107 Puget Sound Regional Council, Regional Passenger-Only Ferry Study (November 2008); Ed Friedrich, “Top Story of the Year: Fast Ferries Coming Back,” Kitsap Sun (December 27, 2016).

108 U.S. Census Bureau, State Trade Data, Foreign Trade (2016).


Business members include:

- PMI
- trueblue
- Port of Seattle
- L’ORÉAL
- Regence
- Morgan Stanley
- HomeStreet Bank
- Kaiser Aluminum
- Overlake Medical Center
- Inland Power
- Franklin PUD
- Mosier McCann
- Berntson Porter & Company PLLC
- Point Inside
- CSR Marine
- Volt Athletics
- Tutta Bella Neapolitan Pizza

Partners include:

- CAMPS
- Master Builders Association of King and Snohomish Counties
- RTC Renton Technical Colleges
- AGC Education Foundation
- The Nature Conservancy

Add your name to our directory by becoming a member today!

Get Involved

Our Office:
2401 Elliott Ave. Suite 375
Seattle, WA 98121
info@wabusinessalliance.org
206.441.5101