

**Washington State Department of Commerce**

# **Commerce Connections 2010:**

**An Annual Report & Policy Discussion  
with Director Rogers Weed**

**August 2010**



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# Agenda

## Updates

- Economy
- State Budget

## Creating Jobs

- Short-term: Session Highlights & ARRA
- Medium-term: Key Commerce Activities
- Long-term: Economy wide trends that favor our state

## Other Commerce Highlights

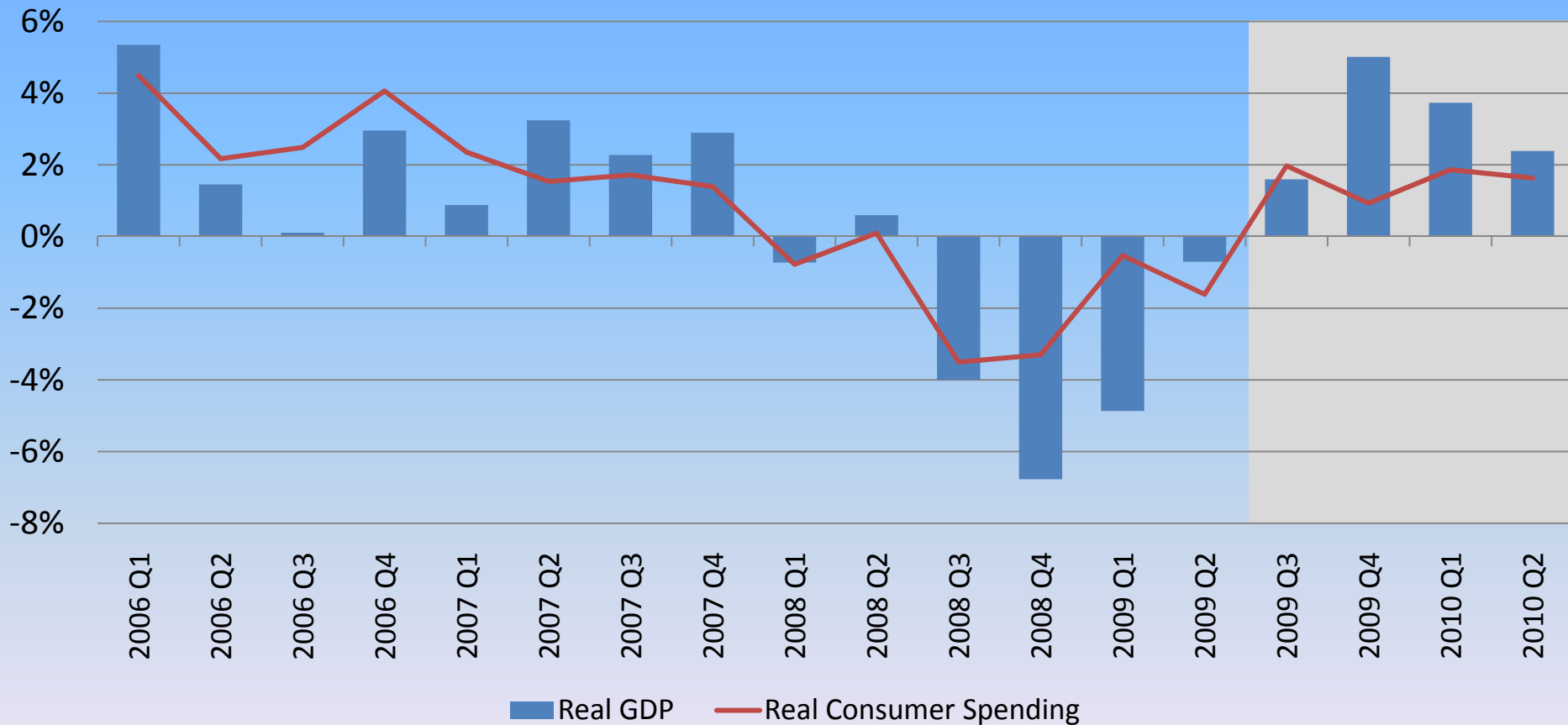
## Key Policy Questions

## Q&A



# We have had 4 consecutive quarters of GDP and consumer spending growth

Percent growth, seasonally adjusted annual rates (chained \$2005)

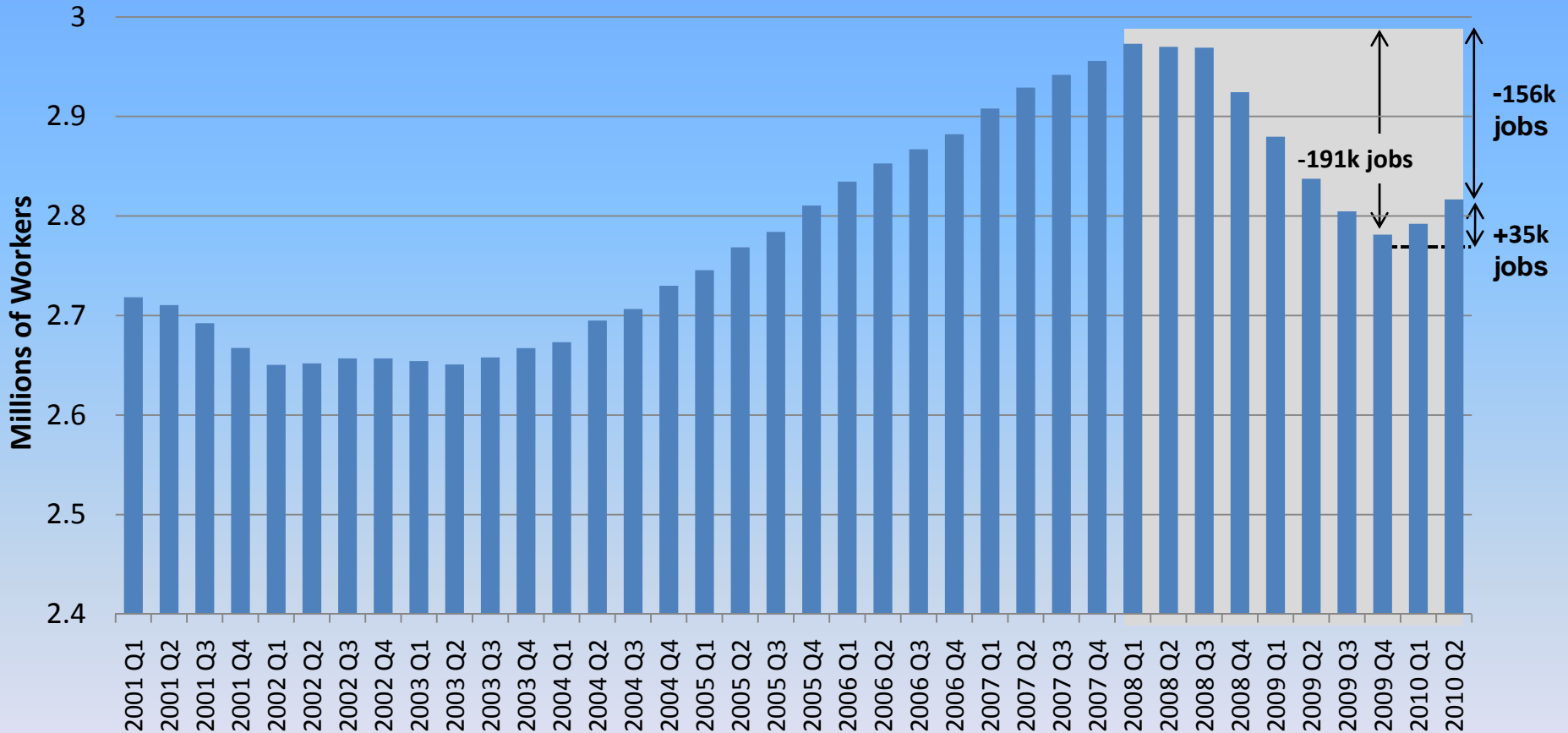


Source: BEA, data through 2010 Q2



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# Non-farm Workers, Washington State



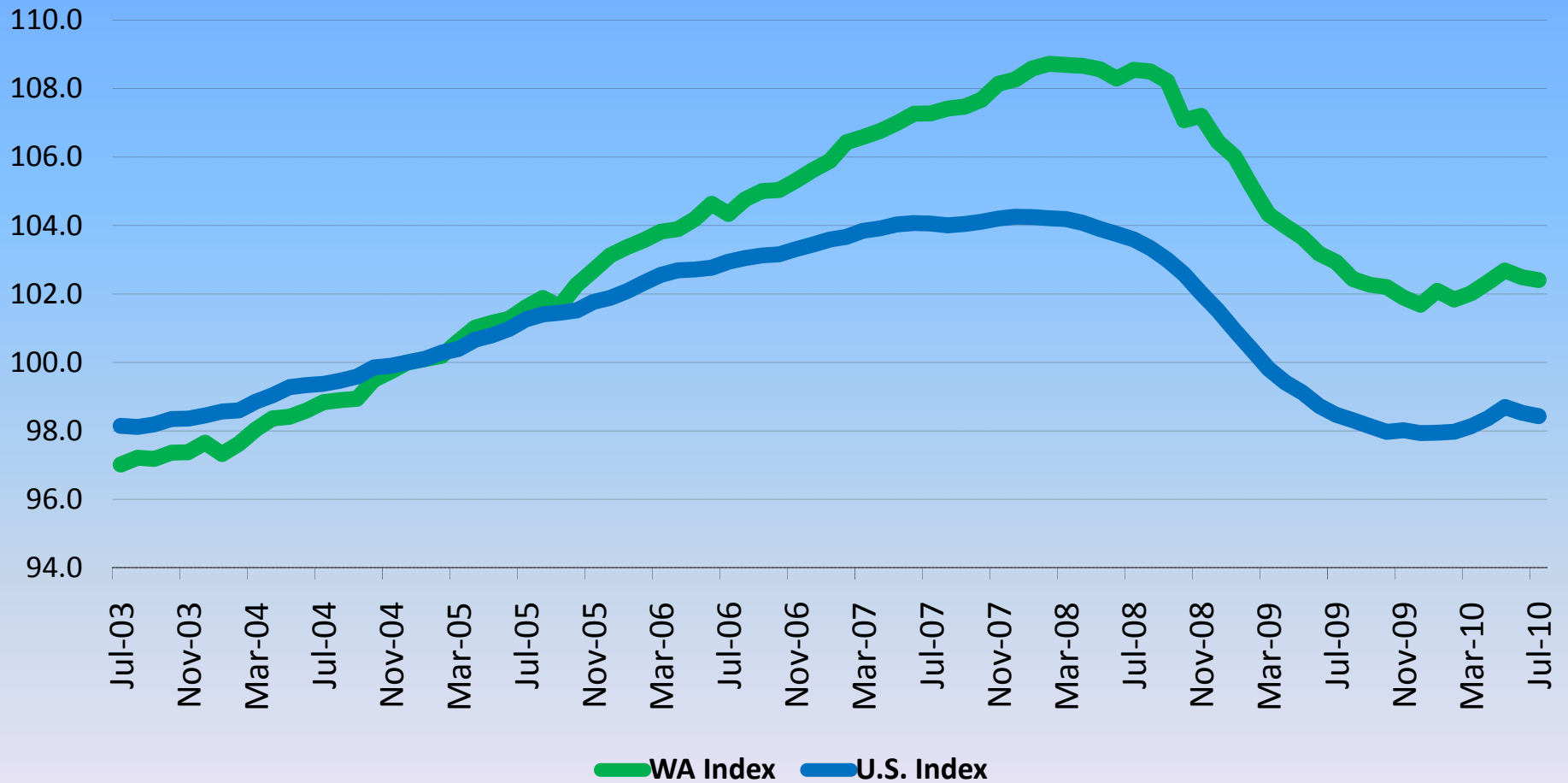
Data source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES); calculations by Washington State Department of Commerce



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# Non-farm Employment Indices

December 2004 = 100



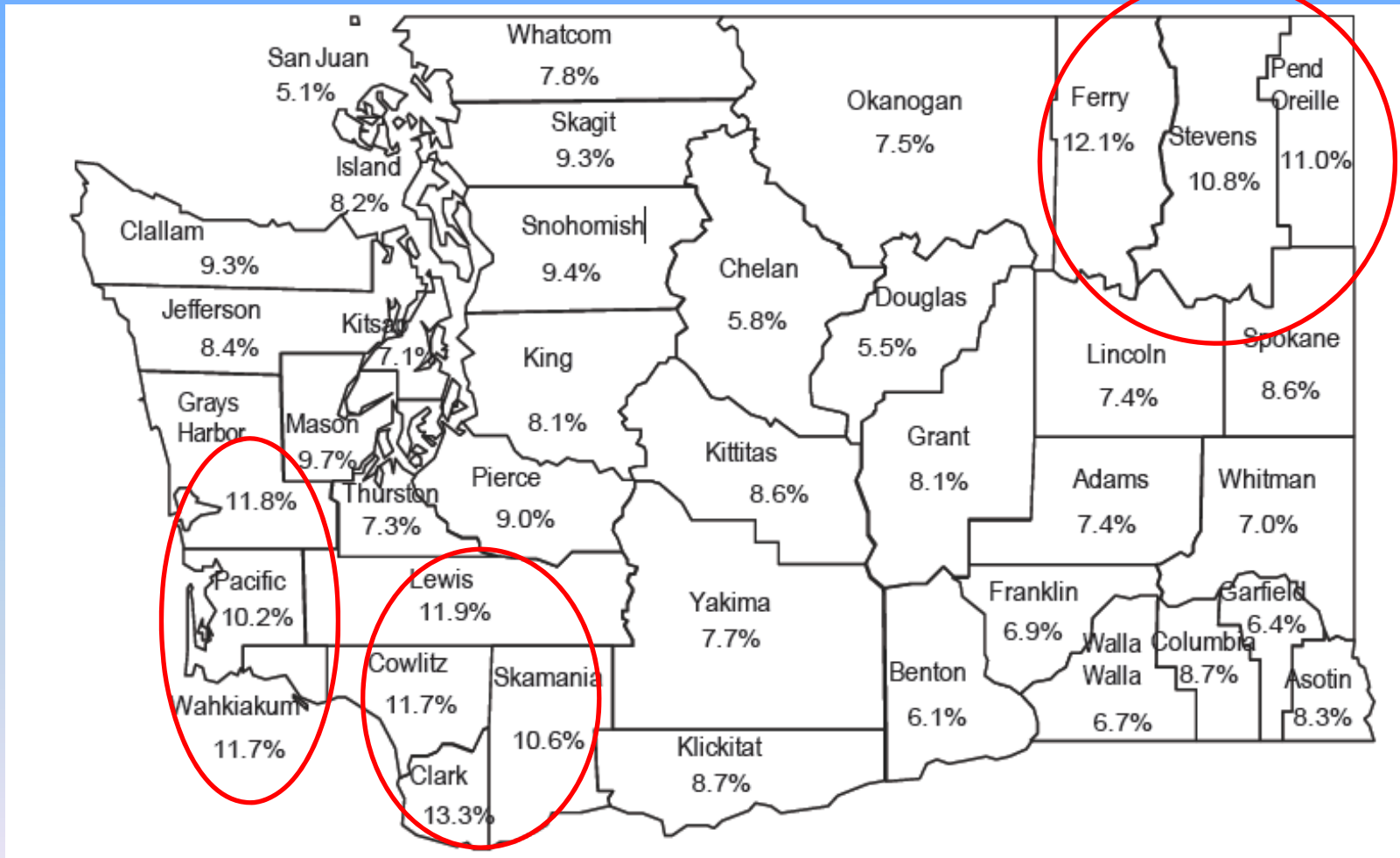
Source: Washington State Employee Security Department



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# Unemployment Rates by County

Not seasonally adjusted, July 2010



Source: Washington State Employment Security Department

Washington's statewide unemployment rate in July: 8.9% (down from 9.0% in June 2010)

U.S.: 9.5% (no change from June 2010)

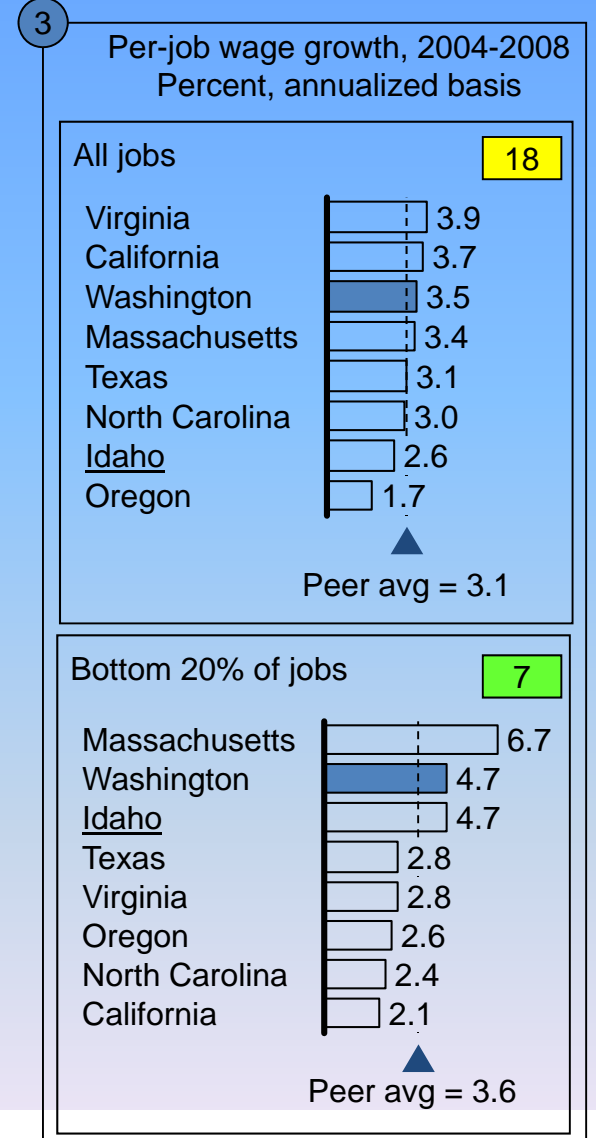
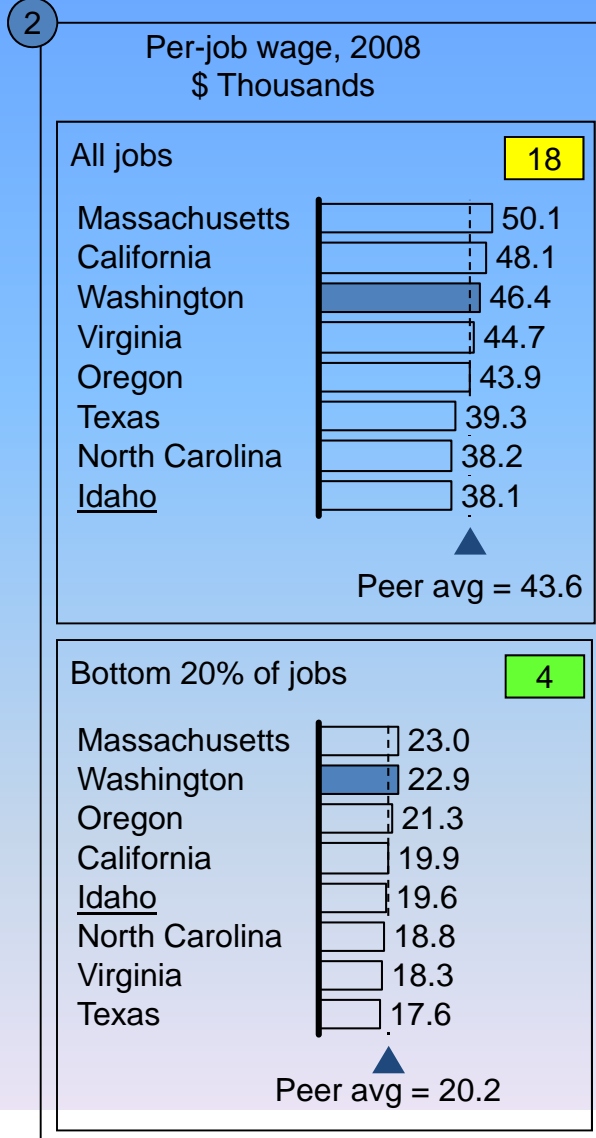
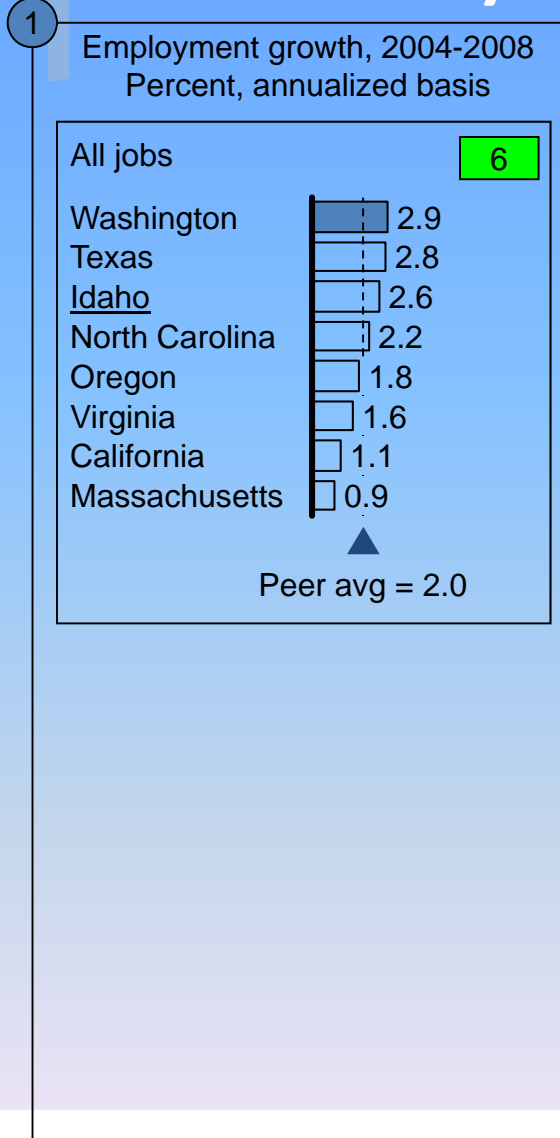


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Washington's rank  
 1-10  
 11-25  
 26-50 or bottom half

# WA Economy Performance – Pre Recession

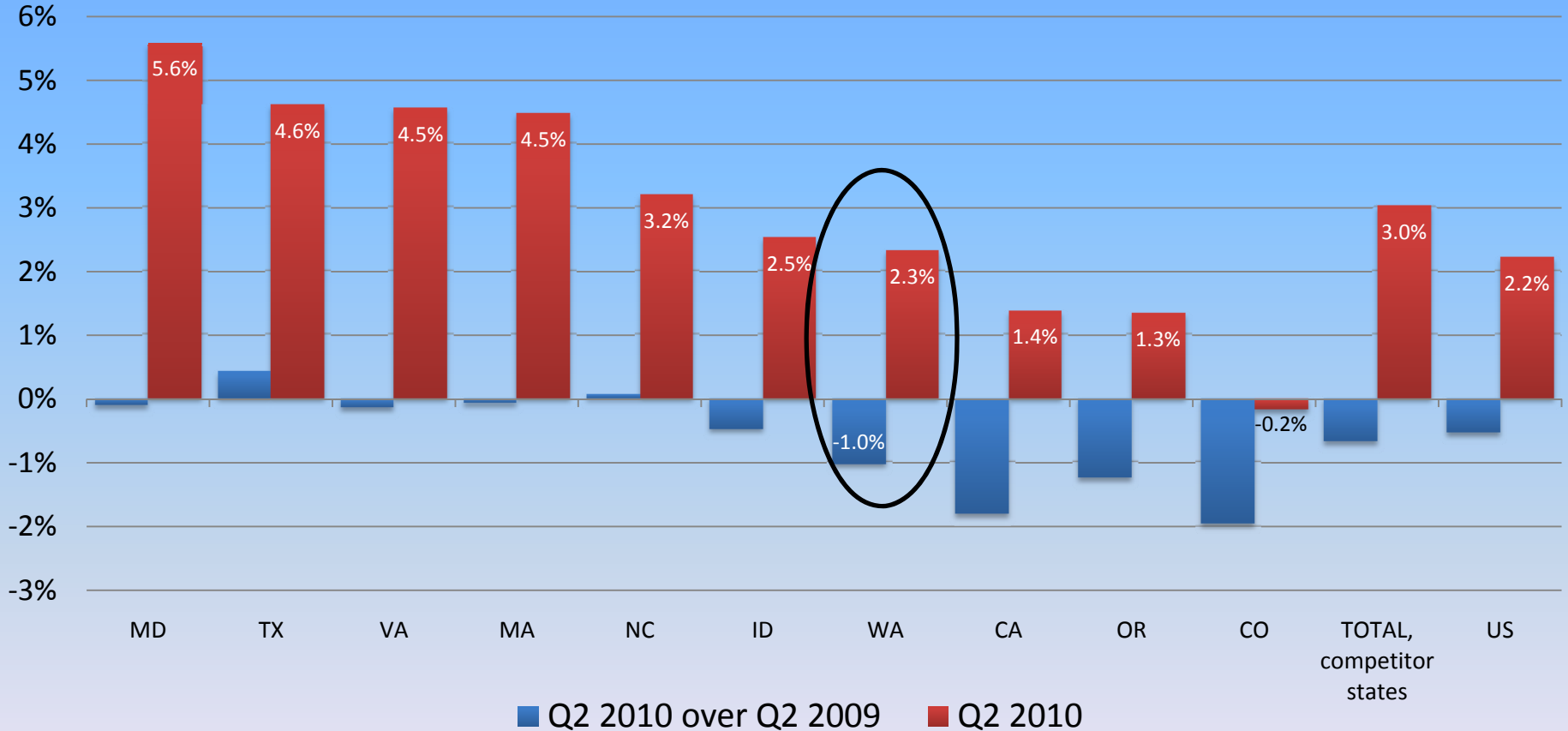


SOURCE: BLS, 2008 American community survey, WEDC, CFED; manyeyes.com; team analysis



# State Non-farm Employment Growth Rates

Seasonally Adjusted Annual Rates (SAAR)



Data source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES); calculations by Washington State Department of Commerce



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# States with Higher Q2 Growth: Recent Trends

## Massachusetts

- Largest private sector job gains in June were in: Leisure & Hospitality; Construction & Trade, Transportation & Utilities.
- “Massachusetts Works” initiative is a series of investments totaling over \$4 billion that will put an estimated 20,000 people to work across the state during the spring/summer construction season.
- Private sector jobs in MA increased at a 4 percent annual rate in the second quarter - fastest growth in at least 20 yrs.

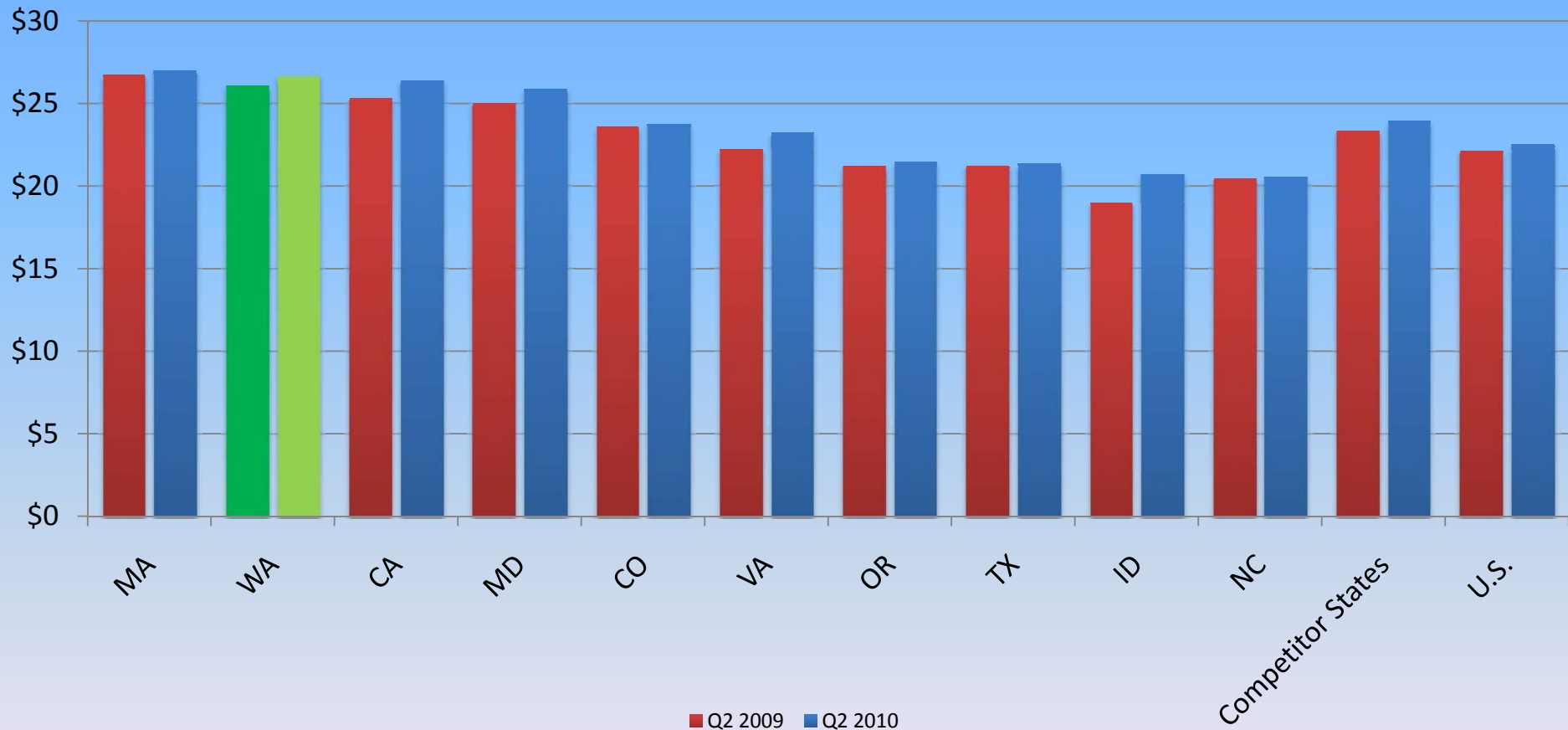
## North Carolina

- Still heavily dependent on manufacturing, the state was hit much harder than most with the decline in household consumption in 2009. Fastest job growth from Q1 to Q2 was in government sector.

## Idaho

- Despite 2.5% quarter-over-quarter growth, year-over-year growth was -0.5%. Idaho’s non-farm employment in Q2 was 7.5% below a recent peak in Q4 2007.

# Average (Nominal) Private Earnings per Hour, Q2 2009 and Q2 2010

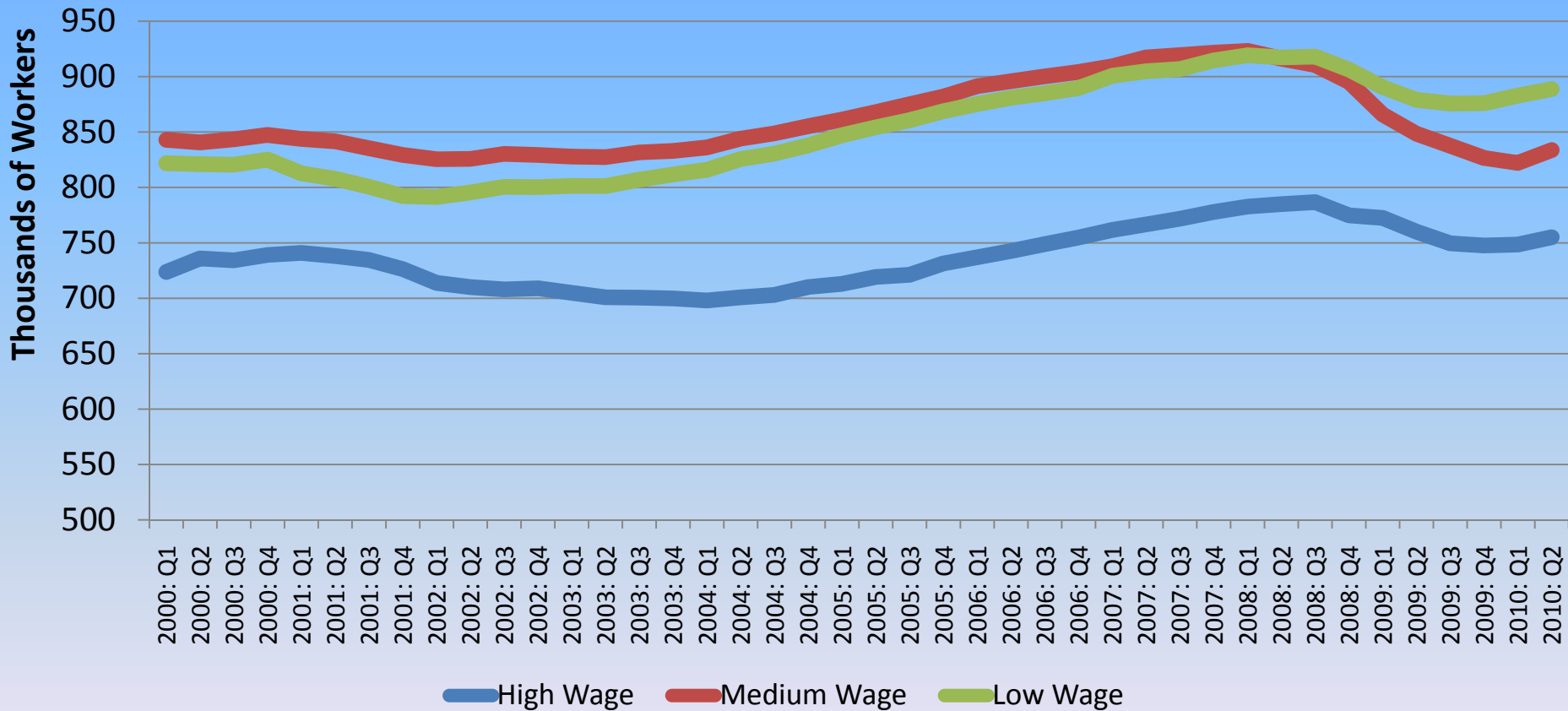


Data source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES); calculations by Washington State Department of Commerce



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# Employment by High, Medium, and Low Wage Jobs for Non-farm, Non-military Sector in Washington State



Note: 2010 Q2 estimates based on preliminary June 2010 data, and is subject to revision.

Data sources: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES); and Quarterly Census of Employment and Wages (QCEW, for wage data) calculations by Washington State Employment Security Department (ESD) and Washington State Department of Commerce



# Sectors with Largest Losses

## Q2 2009 to Q2 2010

Wage Group	NAICS Code	Industry Description	Change in Employment (# jobs)	Change in Employment (%)	Contribution to Total (Gross) Job Losses
High Wage	336	Transportation Equipment Manufacturing	-3,300	-3.6%	8.1%
	522	Credit Intermediation and Related Activities	-2,733	-5.9%	6.7%
	423	Merchant Wholesalers, Durable Goods	-2,033	-3.2%	5.0%
	541	Professional, Scientific and Technical Services	-1,267	-0.8%	3.1%
Medium Wage	238	Specialty Trade Contractors	-9,567	-9.3%	23.4%
	236	Construction of Buildings	-4,567	-11.2%	11.2%
	531	Real Estate and Rental Leasing	-2,500	-5.2%	6.1%
	333	Machinery Manufacturing	-1,033	-8.2%	2.5%
Low Wage	722	Food Services and Drinking Places	-2,200	-1.1%	5.4%
	624	Social Assistance	-1,033	-1.7%	2.5%
	446	Clothing and Clothing Accessories Stores	-367	-1.6%	0.9%
	813	Membership Associations and Organizations	-200	-0.4%	0.5%

Note: 2010 Q2 estimates based on preliminary June 2010 data, and is subject to revision.

Data sources: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES); and Quarterly Census of Employment and Wages (QCEW, for wage data) calculations by Washington State Employment Security Department (ESD) and Washington State Department of Commerce

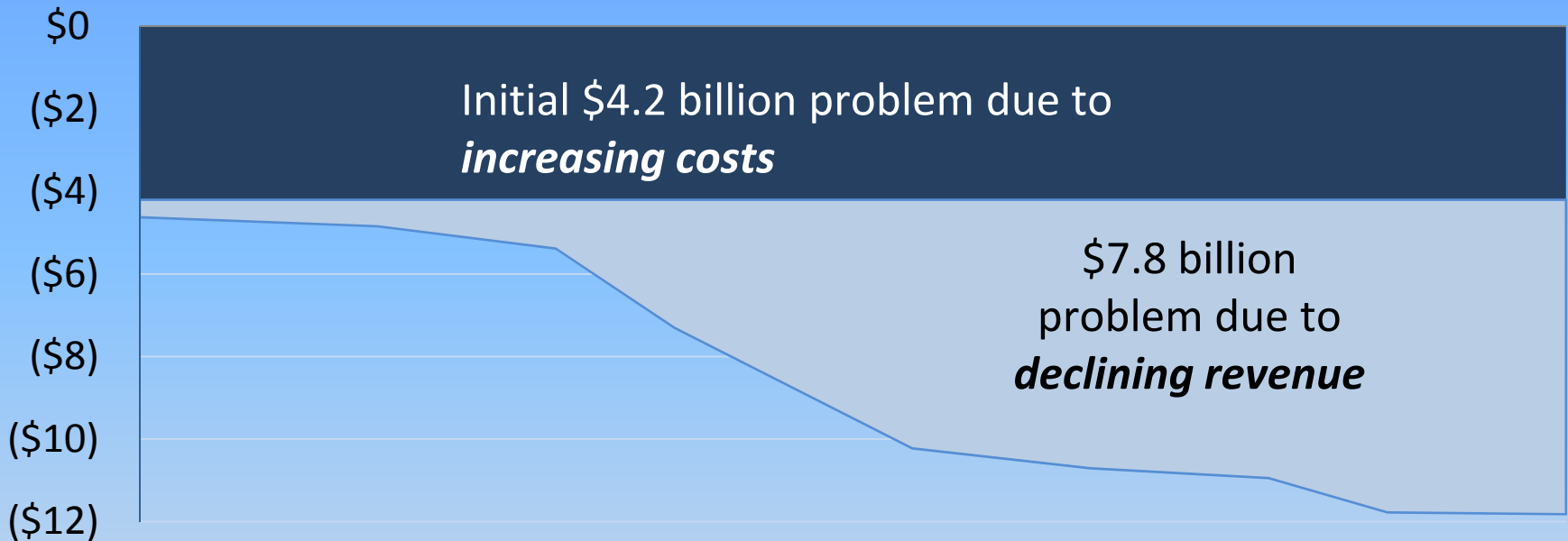


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# Update on the state budget

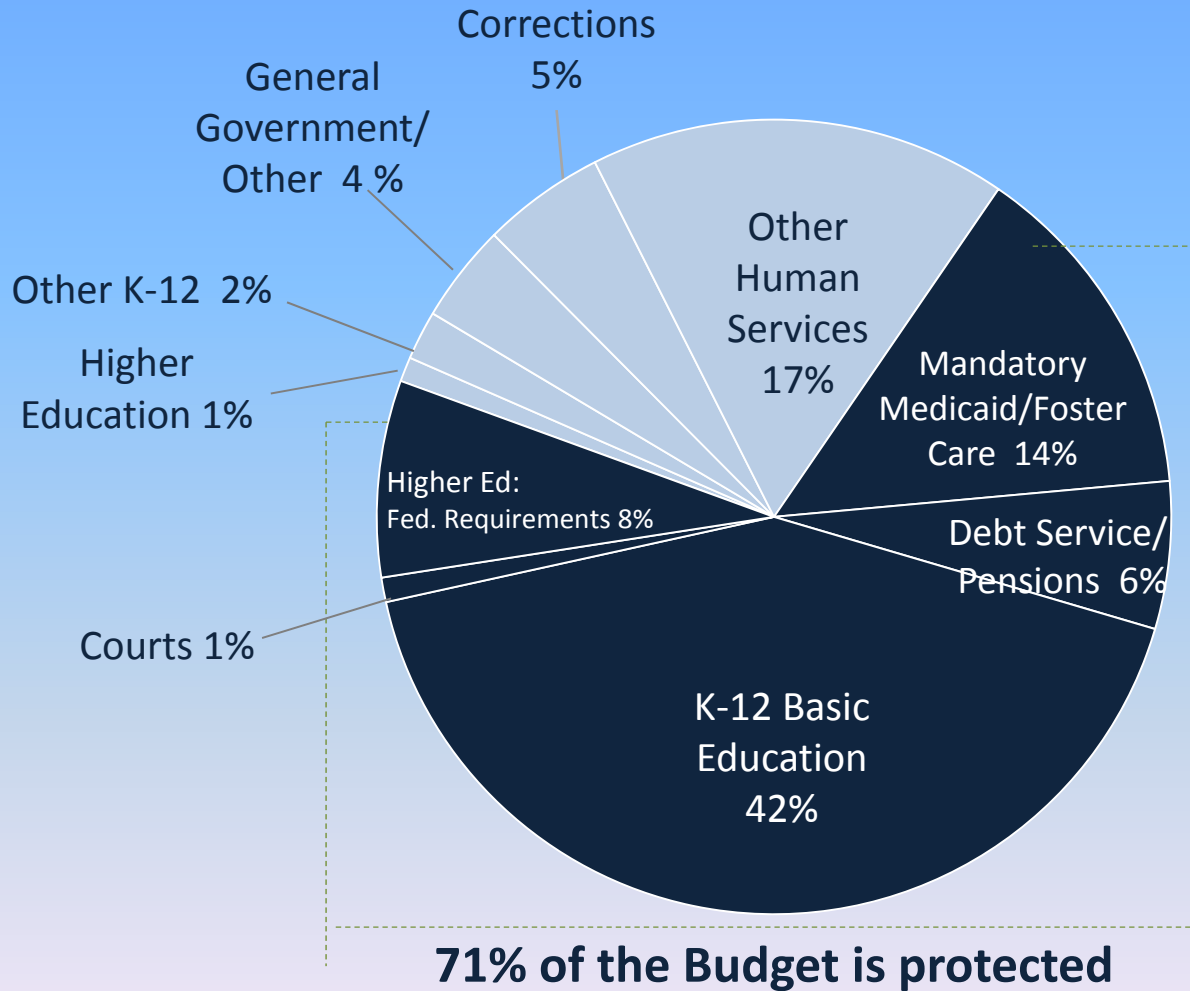


# State Budget Update: \$12 Billion Problem for 2009-11 Budget



- Budget problems pre-date the recession
- Recession compounded the problem with a \$7.8 billion loss in state revenues
- Forecast is not recovering rapidly enough to offset ongoing costs and commitments

# Majority of \$30 Billion Budget Is Protected: Tied to state constitutional or federal requirements

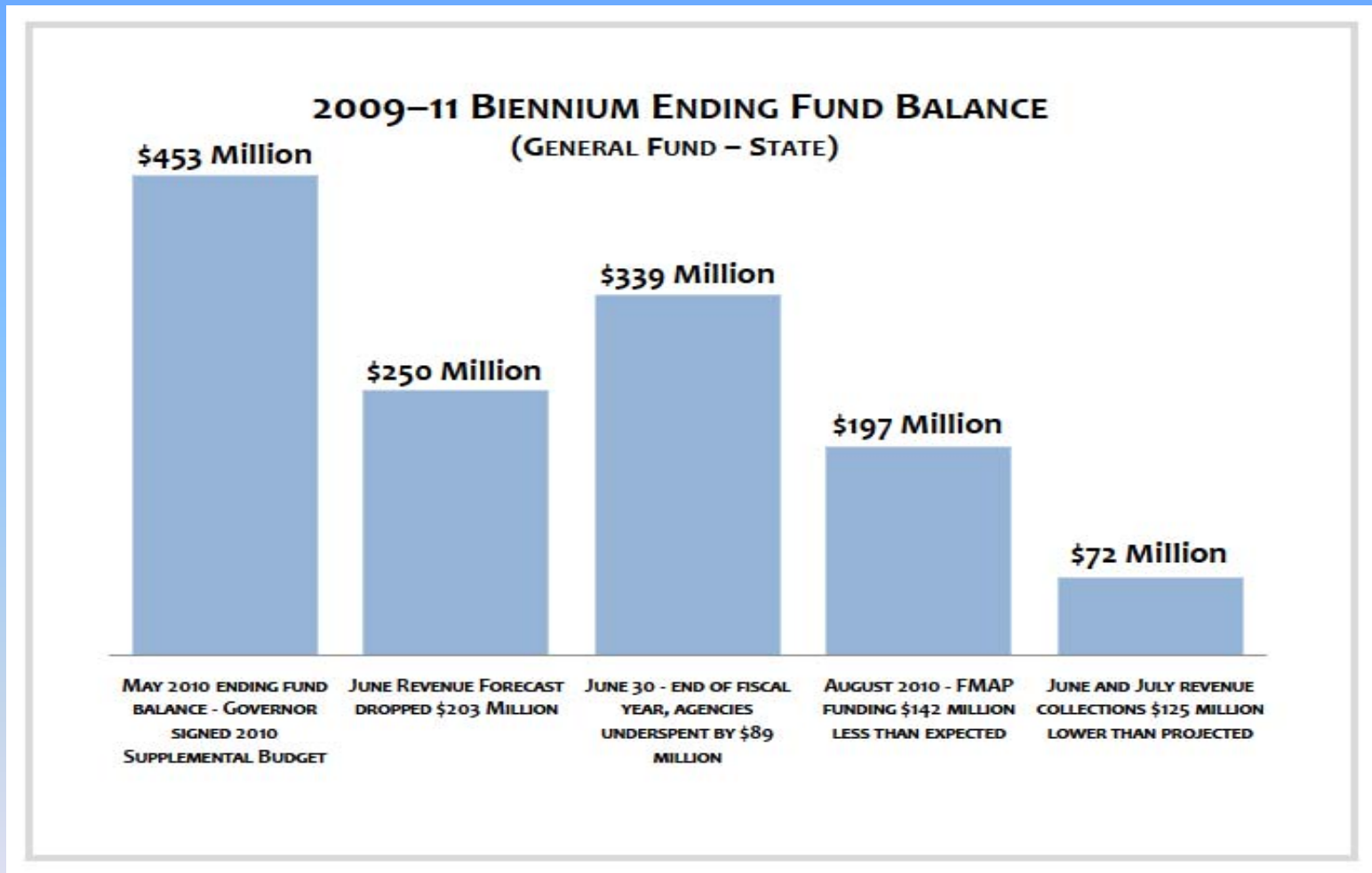


**Not protected  
\$9.0 billion**

**Protected  
\$21.4 billion**

**71% of the Budget is protected**

# Governor's Aug 12 Budget Press Conference



**Agencies asked to prepare for 4-7% across-the-board cuts to be effective Oct. 1, 2010**



# What are we doing about job creation?



# Short-Term Job Creation

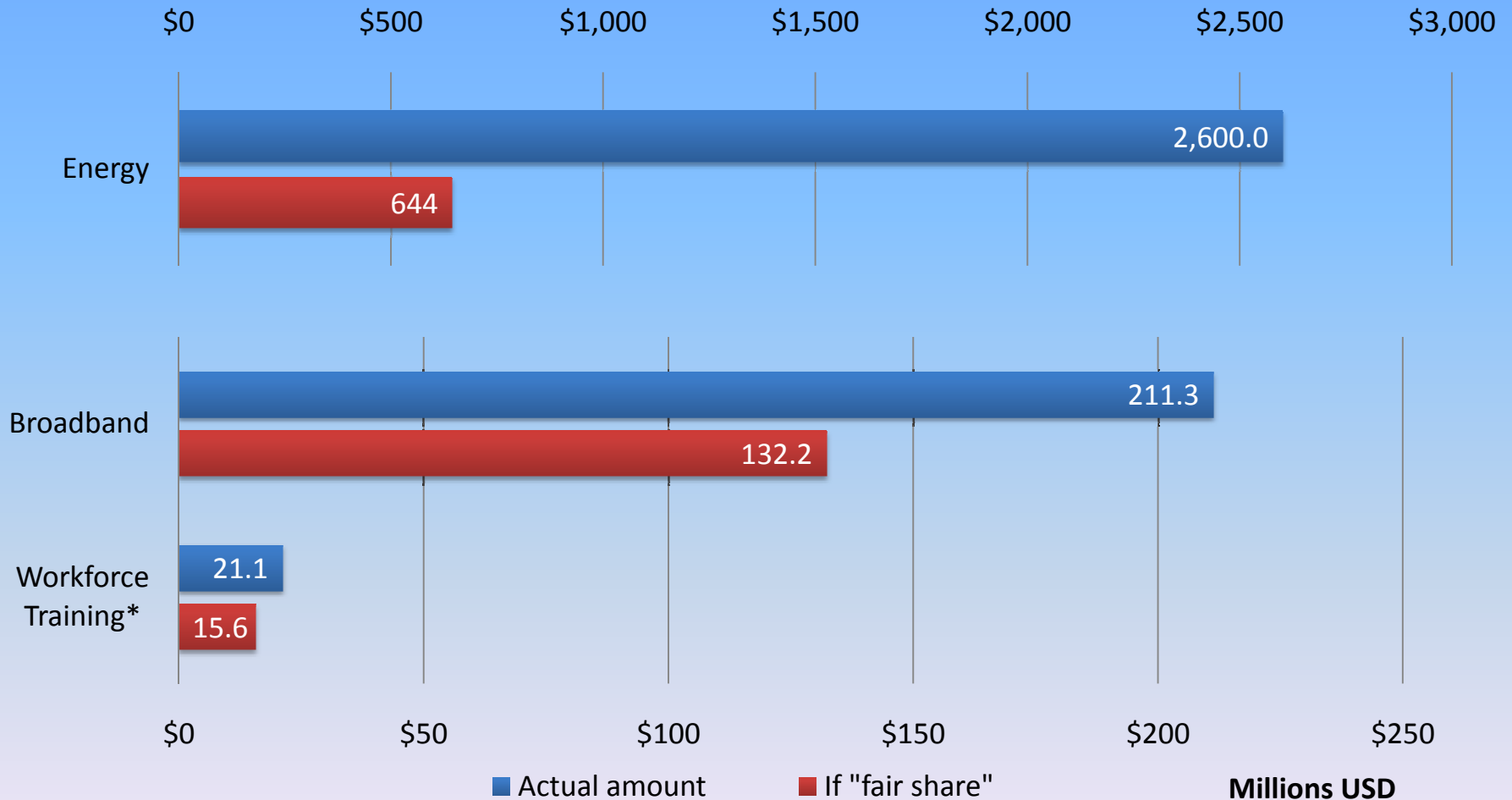
## Highlights of 2010 Session

1. **“Jobs Act” investment in energy efficiency in public schools & higher ed facilities**
  - \$100M in capital budget; \$500M as ballot initiative
  - Goal: 3x leverage of non-state funds
  - Estimated to create 36,000 jobs over five years
2. **Transportation Budget:** 1,535 projects statewide that will support an estimated 24,000 jobs at peak of construction cycle
3. **Washington Works Housing Program:** 1,100 jobs over four years
4. **Opportunity Express:** Worker retraining for high demand fields
5. **Tax incentives to hire in rural & distressed counties:** HB 3014 establishes sales and use tax deferral/waiver program for manufacturing and R&D in distressed counties. Estimated 270 jobs
6. **Local Revitalization Fund (LRF):** Funding increased. Estimated 700 jobs
7. **Tax incentives created/extended:** Data center, aluminum smelting and airline repair. Estimated >3,500 jobs



# Recovery Funds to Washington

Actual awards and "fair share" based on state population  
(As of August 18, 2010)

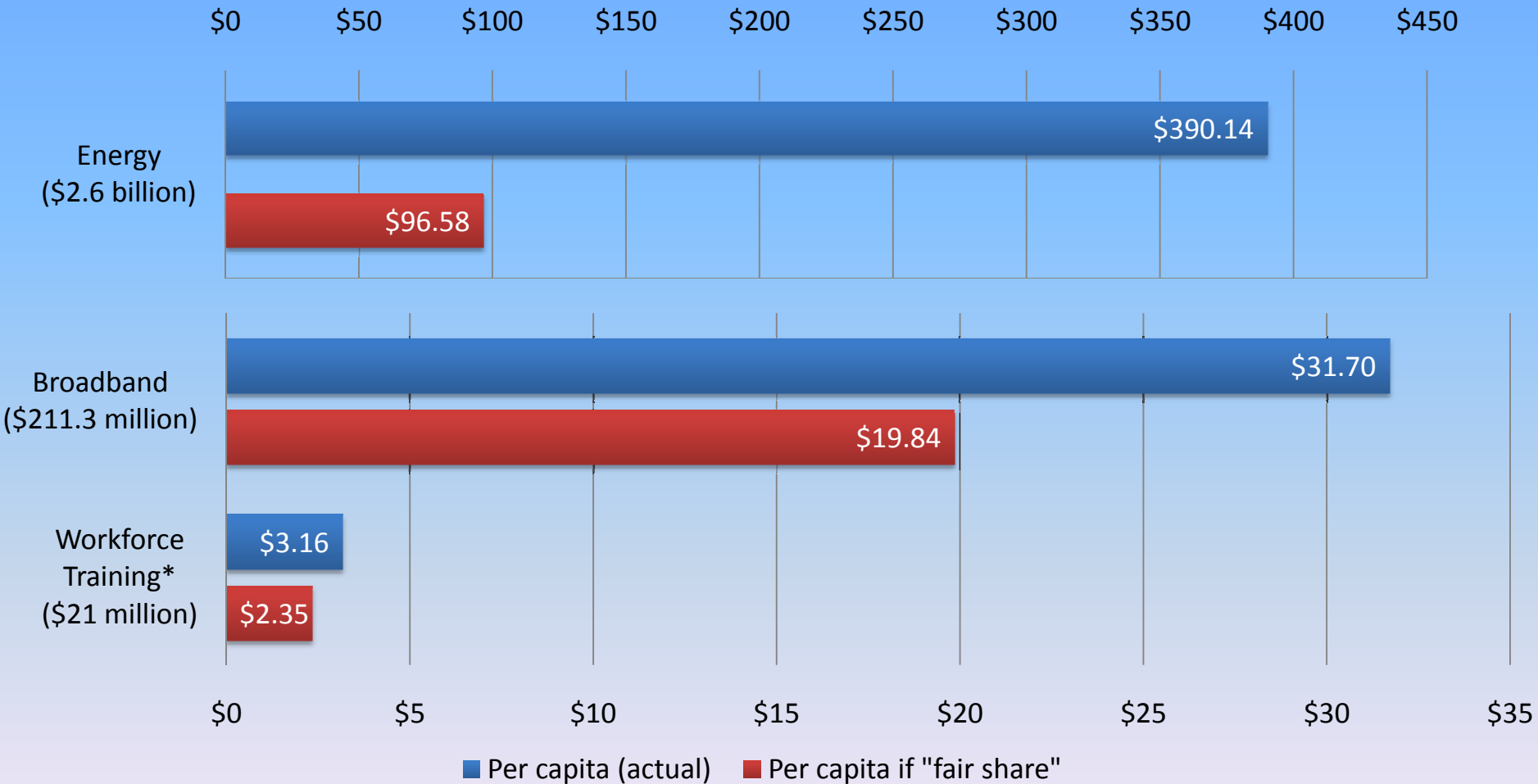


\*Note: workforce training amount is for competitive grants, only—does not include formulaic-based allocations to Washington.



# Recovery Funds to Washington

Actual awards per capita and “fair share” based on state population  
(As of August 18, 2010)



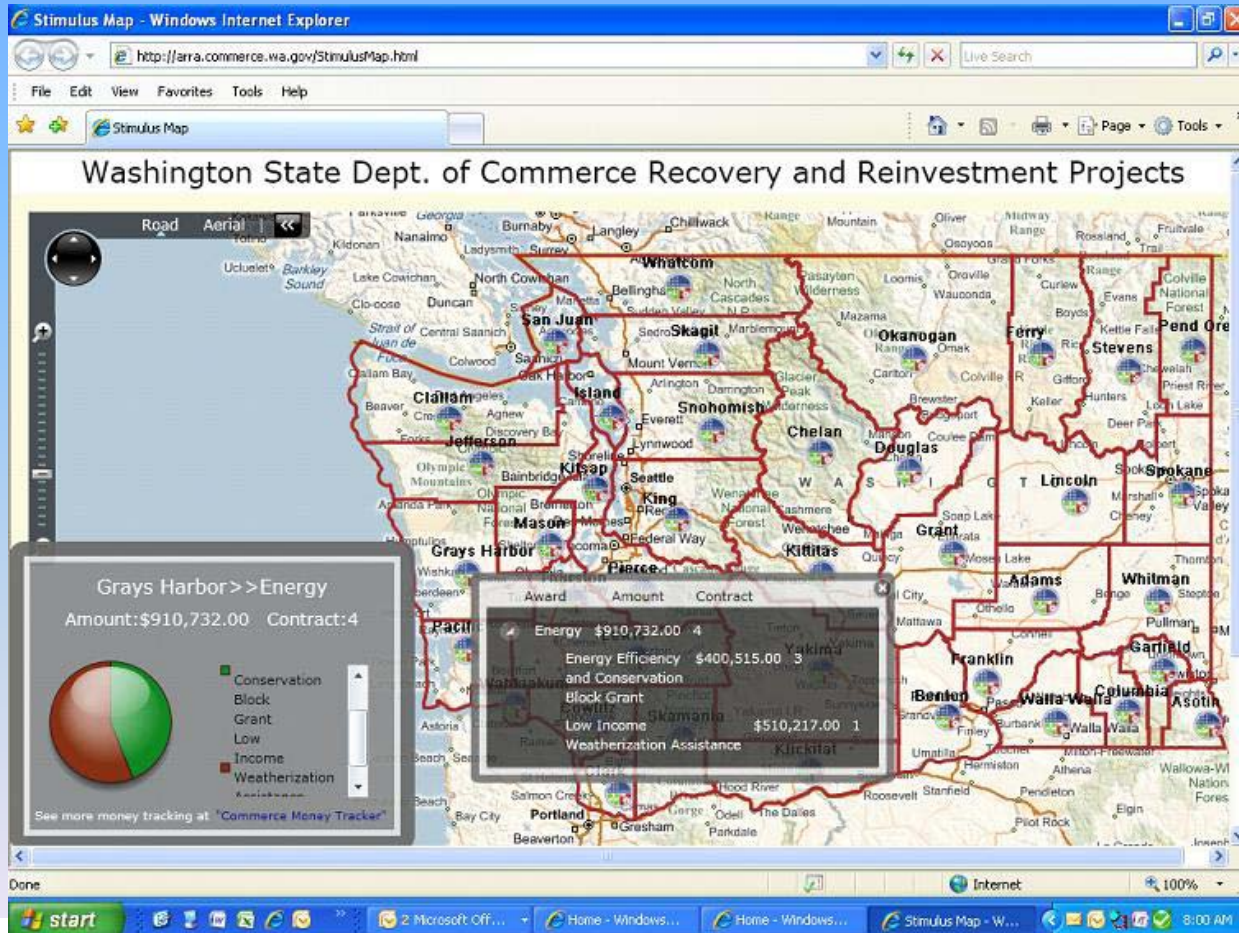
\*Note: workforce training amount is for competitive grants, only—does not include formulaic-based allocations to Washington.



# Recovery Act Investments Map:

Click to see what's come to your county

<http://arra.commerce.wa.gov/stimulusmap.html>



# Medium-Term Job Creation

## Key Commerce Activities

1. **Defining the Department of Commerce:** Aligning behind a new mission to grow and improve jobs
2. **Washington State Export Initiative:** Increase number of companies exporting by 30% in next five years
3. **Aerospace Council:** Driving activity and policy recommendations to ensure Washington remains the best place in the world for aerospace
4. **Clean Energy Leadership Council:** Advising the state on how to use the clean energy transition to drive economic growth
5. **State Energy Strategy:** Updating our state's 17 year old view



# Washington Export Initiative

## Statewide Goals/Actions

### Goals:

- Increase the number of exporters by 30% to 10,500 firms within five years
- Deliver \$600M in directly assisted export sales over the next five years
- Grow statewide exports by ~35% to over \$100B per year by 2015

### Key Actions:

1. Partner with U.S. Dept. of Commerce, SBA and our statewide network of Small Business Development Centers
2. \$3 million direct state export assistance to new exporters through CERB
3. WSDA Farm-to-Market Initiative targets agriculture enterprise competitiveness
4. Enhance and encourage student exchange
5. Strengthen & expand key trading partner relationships
6. Seek fully-funded federal transportation reauthorization act that includes national freight program (Ex: Match state funding for Columbia River Crossing, North Spokane Corridor into Canada, SR 519 serving Port of Seattle)



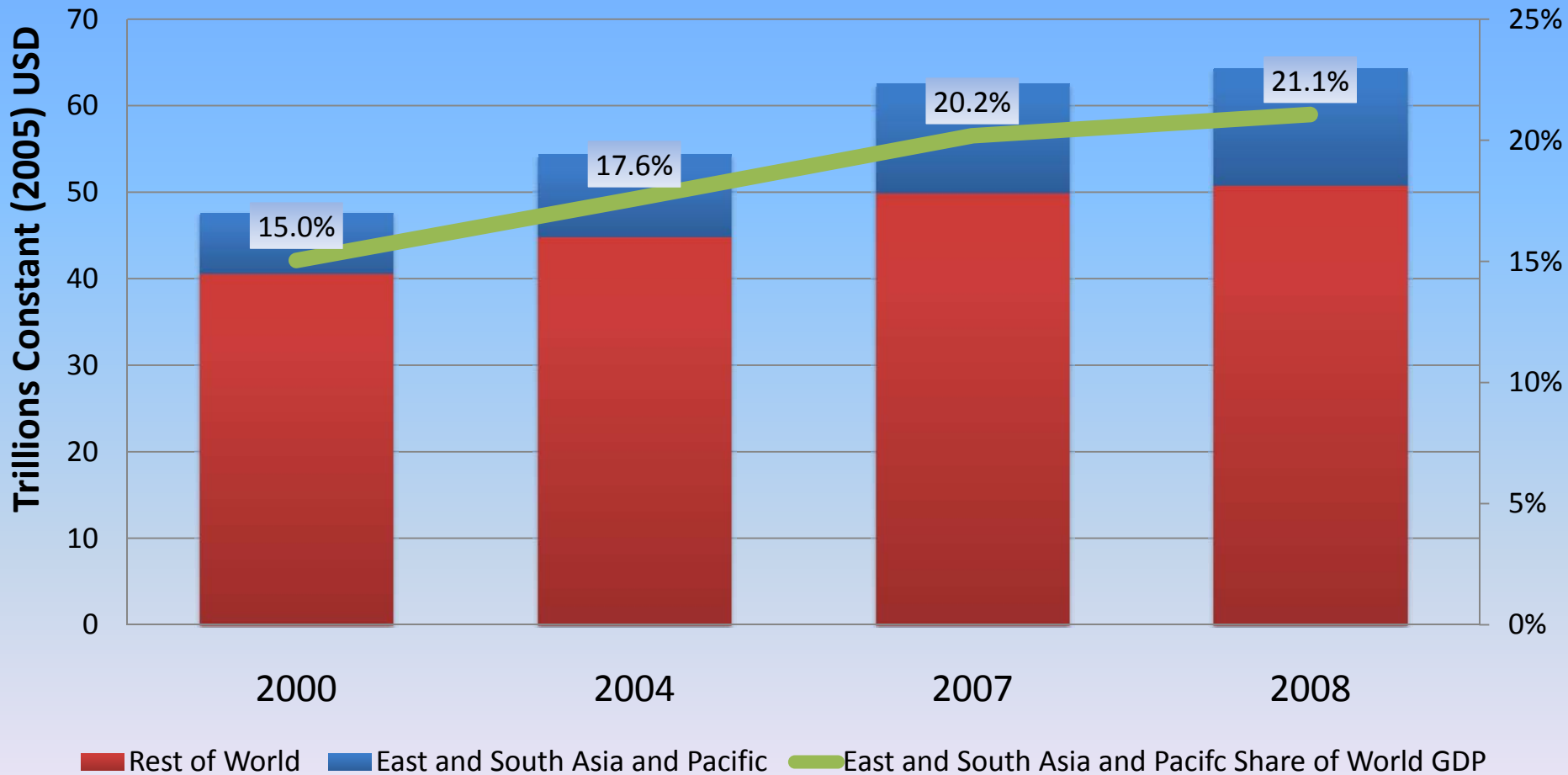
# Long-term Economy-wide Trends

- Rise of Asia
- Clean energy transition
- Prevalence of software



# Combined GDP: East Asia, South Asia, Pacific Regions

Adjusted for Purchased Power Parity (PPP)



Data source: World Bank



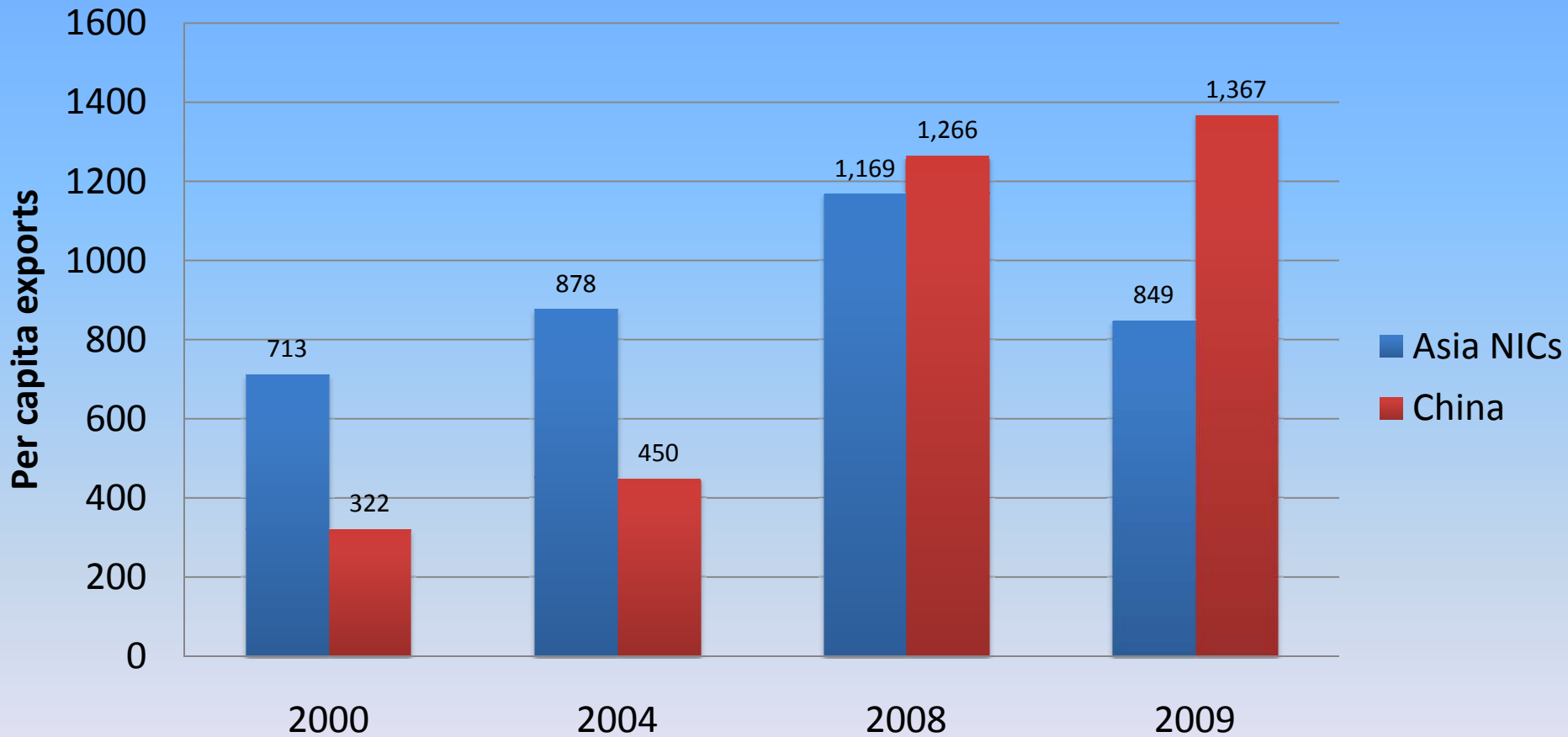
# *The Economist* on Asia-Pacific

- Since 1995, Asia's economy (real GDP) has grown more than twice as fast as that of America or Western Europe
- Adjusting for currency differences, three of the world's four biggest economies (China, Japan and India) are in Asia
- Asian stock markets now account for 34% of global market capitalization, ahead of the US (33%) and Europe (27%)
- Asia was the world's biggest market for automobiles (35%) and mobile phones (43%) last year
- Asia has accounted for 2/3 of world increase in energy demand since 2000
- In 2009, 40% of global capital investment took place in Asia, more than in the US and Europe combined
- 8 of the top 10 IPOs in 2009 were Asian firms – more than twice as much IPO capital was raised in China/Hong Kong last year as in the US
- Asia accounted for over half of world output in 18 of the last 20 centuries.



# Washington Goods Exports to Asia

Per Capita goods exports, 2000-2009



Data source: [www.wisertrade.org](http://www.wisertrade.org)

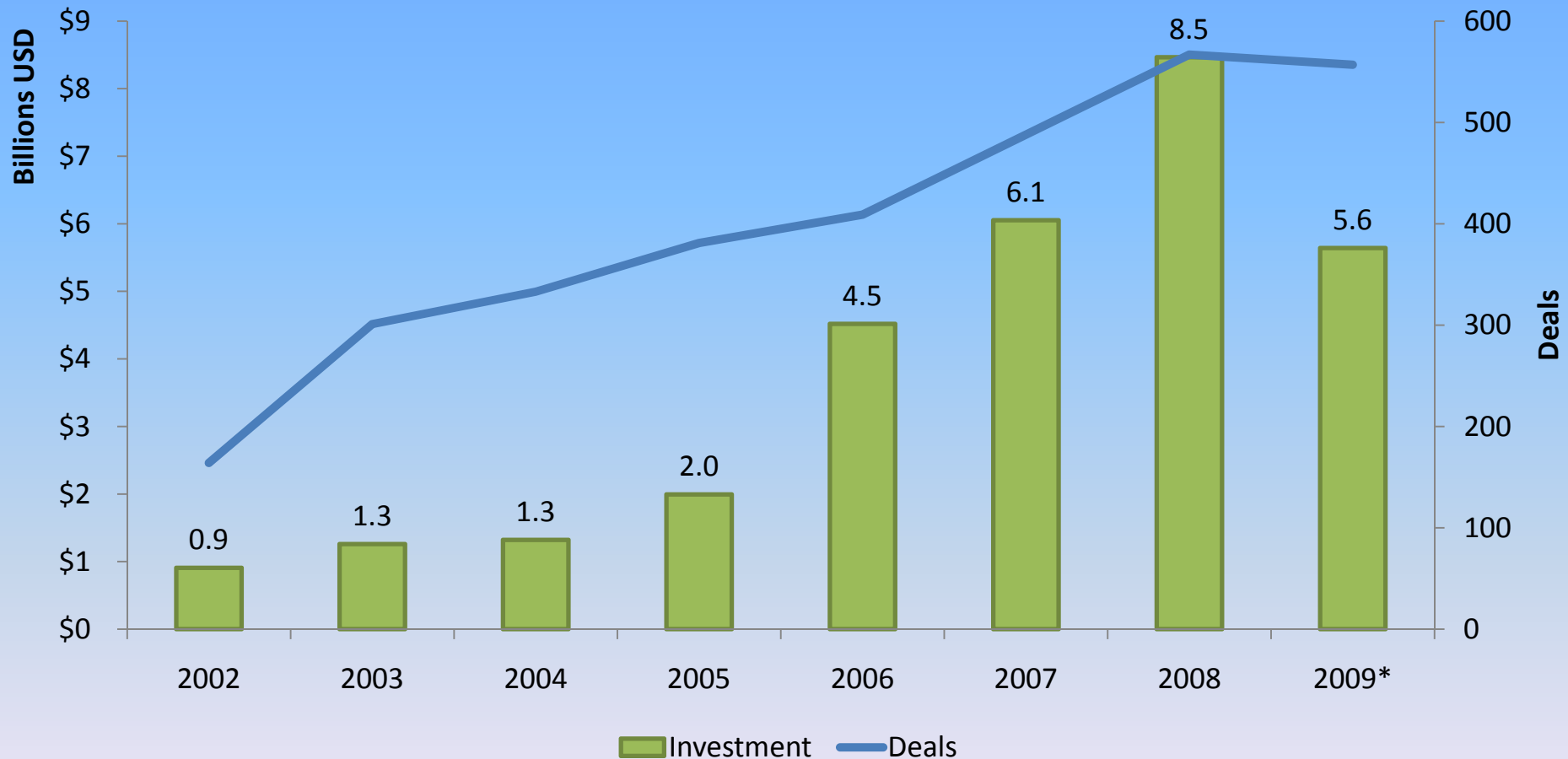
\*Newly industrialized countries: Hong Kong, Republic of Korea, Singapore, and China (Taiwan)



# Increasing relevance of software across sectors

- Aerospace: lines of software code in aircraft:
  - Boeing 777: about **2 million** lines of code
  - 787 Dreamliner: **more than 8 million** lines of code
- Software x manufacturing = CAD + CNC machining
- Software x agriculture = image scanning to select fruit
- Software x clean technology = smart grid
- Software x life sciences = bioinformatics
- Software x movies = video games
- Software x investing = program trading/hedge funds

# An Emerging Sector: Venture Capital Investment in Clean Technology, 2002-2009\*



Data source: The Cleantech Group for North America, Europe, Israel, China, and India, [www.cleantech.com](http://www.cleantech.com)  
 \*preliminary data



# Commerce Updates



# Commerce Timeline

- Rename agency, refocus mission Q4 FY09
- Stakeholder outreach on opportunities Q1 FY10
- Synthesize feedback to priorities Q2 FY10
- Submit plan to Governor/Legislature Q2 FY10
- Determine budget & what's in the agency Q3 FY10
- Align organization to priorities & resources Q4 FY10
- Define priorities in strategic plan Q4 FY10
- Implement plan/propose policy changes FY2011



# Commerce Mission: Grow and improve jobs

**Key metrics:** 1. Overall job growth and for high, medium and low wage jobs;  
2. Income per job, hourly; 3. Growth in income per job vs. other states

## Global Priorities

Competitiveness

Education/  
Workforce Training

Efficient &  
Effective  
Regulation

Infrastructure  
Investment

## Specific Priorities

Community  
Capacity

Rural Focus

Sector Focus

Small Business

Commerce Strategic Plan available at [www.commerce.wa.gov](http://www.commerce.wa.gov)



# Commerce Goals

- **Competitiveness**

- Retain, grow and attract businesses by improving and communicating Washington's competitive advantages.

- **Education and Workforce Training**

- Improve performance of the education system to better match workforce skills to employer needs.

- **Efficient and Effective Regulation**

- Reduce time and costs of meeting regulatory requirements, while maintaining their benefits.

- **Infrastructure**

- Enable local governments to have adequate infrastructure to accommodate allocated growth and enable economic development and business opportunities, while maintaining the quality of life.



# Commerce Goals

- **Community Capacity**

- Mobilize and enhance local assets that strengthen community ability to meet the economic and social needs of Washington's families, workers and employers.

- **Rural Focus**

- Improve economic performance of rural areas.

- **Sector Focus**

- Increase Washington's share of high- growth, high-employment, traded sectors.

- **Small Business**

- Make Washington the best state in the country to start and grow a small business.



# Goals for Reorganization

- Implement the direction in Commerce bill
- Align with Commerce mission and priorities
- Focus on our key customers:
  - Businesses/employers
  - Local governments
  - Community-based organizations
- Adjust to new, lower level of funding



# Commerce Organization

## Director's Office

Rogers Weed

FT staff: 5

## Admin Services

Deputy Director  
Jan Marie Ferrell

FT staff: 49.8

## Innovation & Policy Priorities

Deputy Director  
Daniel Malarkey

FT staff: 26.5

## Local Gov & Infrastructure

Karen Larkin

FT staff: 54.5

## Community Services & Housing

Dan McConnon

FT staff: 151.8

## Business Services

Patti Brooke

FT staff: 37.8



# Commerce General Fund-State Budget Fiscal Years 2008 – 2011



- GFS at Commerce =
  - 27% of FY07-09 operating budget
  - 15% of FY09-11 operating budget
- GFS funds key activities such as:
  - Business development
  - Global trade & investment services
  - Tourism development
  - Crime victims assistance
  - Community services
  - Growth management



# Commerce Full-Time Employees Fiscal Years 2008 – 2011



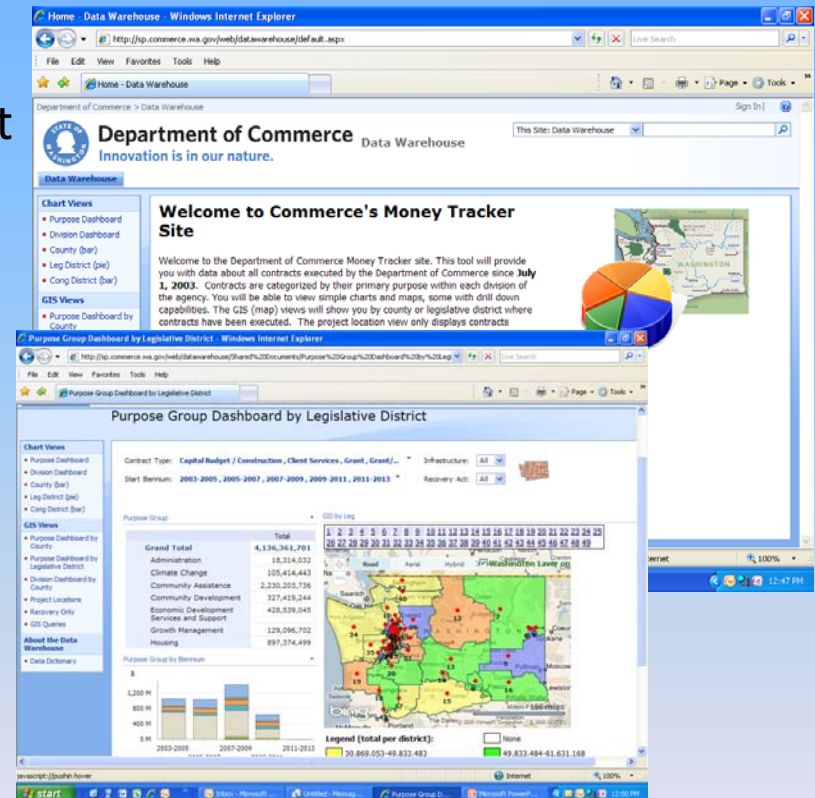
# Commerce Highlights

- Washington Export Initiative launched; first round of RFPs for \$3 million CERB export assistance selected
- Jobs Act awards first \$16 million for energy efficiency in public schools, creating 440 jobs
- WA is 3<sup>rd</sup> in U.S. for percent of completion toward our Recovery Act weatherization production targets
- SGL-BMW Automotive Group breaks ground in Moses Lake for advanced carbon fiber plant
- Tourism Commission cooperative marketing initiatives generated over \$3 million in private sector match for state tourism marketing in FY09 & FY10
- HR administers agency reorganization, staff transitions from 7 divisions to 5
- Preparing 2012 Public Works Construction Loan List (\$390 million) forward for legislative consideration



# Commerce Highlights, *continued*

- Cash-for-Appliances program phase 1 generates over \$14 million in retail sales from \$1 million Recovery Act investment; Phase 2 launched
- State Energy Strategy helps map Washington's secure energy future; first comprehensive update in 17 years
- Data Warehouse delivers searchable online map to Commerce funding
- Technical & Financial Services created to streamline infrastructure programs support, deliver improved customer service
- *Fortune* magazine supplement showcases our state's advantageous business climate, innovative companies (Aug 23<sup>rd</sup> release )



# Commerce Key Policy Questions

1. Is it time for a different funding model and structure for tourism?
2. What are the essential elements the state should focus on to create thriving communities?
3. What can we do to restore funding/financing for local infrastructure investment?
4. How should our state balance competing goals around our energy system?
  - Maintaining competitive energy prices
  - Creating economic development in the clean energy transition
  - Meeting our state's GHG emission targets



# Infrastructure Resources

## State/Federal Support

- Restoring
- Leveraging
- Sustaining
- Collaborating

## Local Options

- Tax Increment Finance
- Transportation Improvement Districts
- Street Utilities
- Rates
- Other

## Process Improvement

- Single application
- Timing
- Monitoring/Reporting
- Performance Based Contracts



# Thank you!

Visit *Commerce Connections* on-line at:

[www.commerce.wa.gov](http://www.commerce.wa.gov)

Share feedback:

[comment@commerce.wa.gov](mailto:comment@commerce.wa.gov)

