



Department of Commerce
Innovation is in our nature.

Appendix C: Stakeholder Involvement

Includes: Stakeholder Engagement Plan, Regional Meeting Trip Report, Summary of Statewide Stakeholder Group Meetings, and Summary of State Government Meetings

COMMERCE CONNECTIONS – STAKEHOLDER INVOLVEMENT PLAN¹

PURPOSE

"In the new economy, conversations are the most important form of work."

Alan Webber, Harvard Business Review

To reach out to a diverse group of opinion leaders across the state to develop strategies that will help pull Washington out of this national recession and shape the future of a new Department of Commerce.

Context: These are small group conversations about our future. Events will lead up to the agency's development of a new business plan to be presented to the Governor and Legislature this November.

Framework: We need to frame our conversations to maximize input and value. The following concepts will provide boundaries for our thinking:

VISION

The Department of Commerce is the widely recognized business champion in state government and a respected leader and partner with the private sector in growing our state's economy for the benefit of all of our citizens.

MISSION

Retain the jobs we have in Washington today and attract new ones.

PRINCIPLES

1. **Government doesn't create most jobs – businesses do.** Over 80% of our state's economy comes from private sector activity. Businesses contribute over half of the revenue the state collects each year. We must have a tight connection to the private sector to be successful.
2. **Government does play a key role in shaping the state's business climate.** The policy created in Olympia has a major impact on almost every aspect of the state's business climate from the tax rates for business to the level of education and training in the workforce.
3. **Strong economies require strong communities.** Companies will not grow and thrive in communities where adequate social services don't exist, where people lack food and housing, where there is not sufficient transportation infrastructure or where there is not an appropriately trained workforce.
4. **A strong, vibrant business community benefits us all.** Where do our governments get the money to build and maintain these strong communities? They get it from taxes paid by citizens and businesses. And those taxes are based on income generated by employment and commerce. The more successful businesses are in our state, the more employment and commerce there will be and the more money there will be to invest in our communities.

¹ This plan was developed in Spring 2009 as a guide for Commerce Connections outreach. Most of the activities were completed as described. However, from the time it was developed to the time the report was submitted, the plan was adjusted to meet stakeholder, timing and cost issues, and many other members of the Commerce Management Team and staff stepped in to help with various activities.

5. **Government should not pick winners and losers.** In general, government should avoid policy that backs specific companies or even specific technologies when designing economic policy. The more specific policy gets, the more likely the state is to pick wrong and do more harm than good.
6. **Retaining our state's current businesses and promoting their growth should be our first priority.** In a business, it is almost always easier and cheaper to drive growth from existing customers than it is to attract new ones. As a state, we should be sure that we are taking care of our existing companies and driving loyalty in them in addition to the work we undertake to attract companies.
7. **Always be opportunistic.** Planning is important and it's always good to have a plan. But it's also important to realize that the world is changing rapidly and not to "fall in love" with your plan and miss an opportunity.
8. **Focus on the function** and form will follow.

Significant Themes/Ideas to Explore: These are important topics that need to be addressed in the plan we develop.

1. **Innovation:** The Economic Development Commission's recent report highlights innovation as the single most important concept in keeping our state competitive as we move forward. Our state branding is around the phrase "Innovation is in our nature" and it is clear that this is more than a buzzword for us. There are very clear examples of the innovation that has come out of this region for decades. So the key question here is how do we continue to foster innovation in our state and stay out in front of other parts of the world in this critical dimension?
2. **Diverse Industry Needs:** Just as a large corporation is a collection of businesses, each in a different stage of growth and profitability, so our state is a collection of industry sectors that each are in different stages of their life cycle and that each have different priorities and needs when it comes to state support. So any state commerce plan needs to recognize this fact and include a portfolio approach to supporting our overall state economy.
3. **Recovery Act:** We are still in the first stages of a massive economic investment in the country by the Federal Government. Our plan needs to recognize this unique opportunity and ensure that we are taking maximum advantage of this giant pool of capital, particularly in areas like "energy" where there is a great deal of money being allocated based on competitive proposals.
4. **Recession:** The big question here is what opportunities does this dramatic downturn present to re-shape or re-structure the way we do business both as a state government and as a state as a whole?

QUESTIONS TO ANSWER

The questions below should be answered with a view to the group's particular issue area (i.e., housing, economic development, community services, international trade, etc.) and the state's role or potential role in that issue area.

1. What significant opportunities does the state have right now and how do those opportunities relate to retaining and creating jobs in the state?
2. What do our customers and stakeholders think about how we're doing?
3. How do we benchmark as a state against other states and other parts of the world in your area?
4. What should government do to take advantage of our strengths and mitigate our weaknesses?
5. What gaps and overlaps do we need to address to ensure that our programs are delivered well, particularly as we consider federal, state, regional and local resources?
6. What activities can we stop doing to create the capacity to do new things or more of a specific activity?

WHAT THE CONVERSATION IS NOT ABOUT

The purpose of our conversations is NOT to determine the optimal organizational chart for the Department of Commerce. The first objective is to figure out our plan. Then we will figure out how best to organize to pursue that plan.

The process will use six critical information paths:

1. RESEARCH AND ANALYSIS (Cyndee Baugh, Performance Manager)

This path will answer questions important to the director, such as: What performance data do we need? How do we compare to other states? What explains the differences? What are other states doing that we should consider? The goal is to build a substantial information base to inform our goals and direction.

2. TECHNOLOGICAL CONVERSATIONS (Wendy Pugnetti, Communications Director)²

This path will provide global access to anyone who wants to participate in or follow our process. It will include developing an online survey to gather input on structured questions, similar to those that will be probed at regional and statewide conversations. It may include the use of public social networking sites can be used to bring people together who are interested in small or large facets of our work. This could include setting up a LinkedIn group, a Facebook group, a Ning community, and/or a blog. This will allow the agency to modernize its communication model, and our social networking can be featured at each of our live conversations. A “theme videoconference” might be held to review the themes we have identified in our pre-planning conversations.

3. REGIONAL CONVERSATIONS (Larry Williams, Assistant Director, International Trade & Economic Development)

This path will convene a series of REGIONAL conversations with diverse customers and stakeholders including (list and order subject to change):

1. Small private business
2. Large private business
3. Associate Development Organizations, ports, economic development focused local organizations, Innovation Partnership Zones, Chambers
4. Cities, counties, courts and law enforcement
5. Community action agencies, housing organizations, higher education institutions
6. May depend on the region (TBD)
7. Legislators from the region

The conversations will occur in the seven regions identified by the International Trade and Economic Development Division. Each regional conversation is a two-day event designed to quickly gather input from numerous local constituent groups. We will hold one conversation in each region as a pre-planning event and another conversation in each region to gather feedback on the initial (draft) plan.

² Penny Thomas assumed communications responsibilities in June 2009.

The regional focus group agenda might look something like this:

| Time | Activity |
|----------|-------------------------------------|
| DAY ONE | |
| 8:00 am | Set-up |
| 9:00 am | Focus Group |
| 11:00 am | Break |
| 11:30 am | Focus Group (working lunch) |
| 1:30 pm | Break |
| 2:00 pm | Focus Group |
| 4:00 pm | Break |
| 4:30 pm | Legislative Meetings |
| 6:00 pm | Management Team Debrief |
| DAY TWO | |
| 8:00 am | Set-up |
| 8:30 am | Focus Group |
| 10:30 am | Break |
| 11:00 am | Focus Group (working lunch) |
| 1:00 pm | Break |
| 1:30 pm | Focus Group |
| 3:30 pm | Management Team Debrief/Assignments |



4. STATEWIDE CONVERSATIONS (Marie Sullivan, Government Relations Director)

This path will convene a series of conversations with critical stakeholders who represent STATEWIDE interests including, but not limited to, many of the following:

1. Association of Washington Business
2. Economic Development Commission
3. Puget Sound Partnership
4. Prosperity Partnership
5. Washington Public Ports Association
6. Association of Washington Cities
7. Washington State Association of Counties
8. Washington Economic Development Association
9. International Business and Trade Organizations
10. Environmental Organizations
11. Community Action Association
12. Low Income Housing Alliance, Washington State Coalition for the Homeless
13. Energy Organizations
14. Labor
15. Private and public utility companies
16. State Chamber Association, Main Street Association, other business entities
17. Washington Roundtable
18. Washington Public Utility District Association
19. Washington Water and Sewer District Association
20. Planning associations

To the extent possible, statewide conversations should be planned around each organization's published meeting/conference calendar. We should make every effort to have one conversation with each critical statewide group as a pre-planning event and another conversation with each critical statewide group to gather feedback on the initial (draft) plan.

In addition, this track will include conversations with legislators as part of the regional focus group and individually.

5. INTERNAL CONVERSATIONS (Jan Marie Ferrell, Deputy Director)

This path will convene a series of conversations with INTERNAL (state government) stakeholders including:

1. CTED staff
2. Management and Leadership Teams
3. Washington Federation of State Employees
4. Public Works Board
5. Community Economic Revitalization Board
6. Family Policy Council
7. Governor's Office of Indian Affairs
8. Other state departments and offices
9. Other CTED boards, commissions, and councils

To the extent possible, internal conversations should be planned around regular meetings and groups. We should make every effort to have one conversation with each internal stakeholder group as a pre-planning event and another conversation with each internal stakeholder group to gather feedback on the initial (draft) plan. Employee communications will need to be more frequent and should follow a communications plan drafted by the sponsor and approved by management team.

Internal groups should answer the following questions:

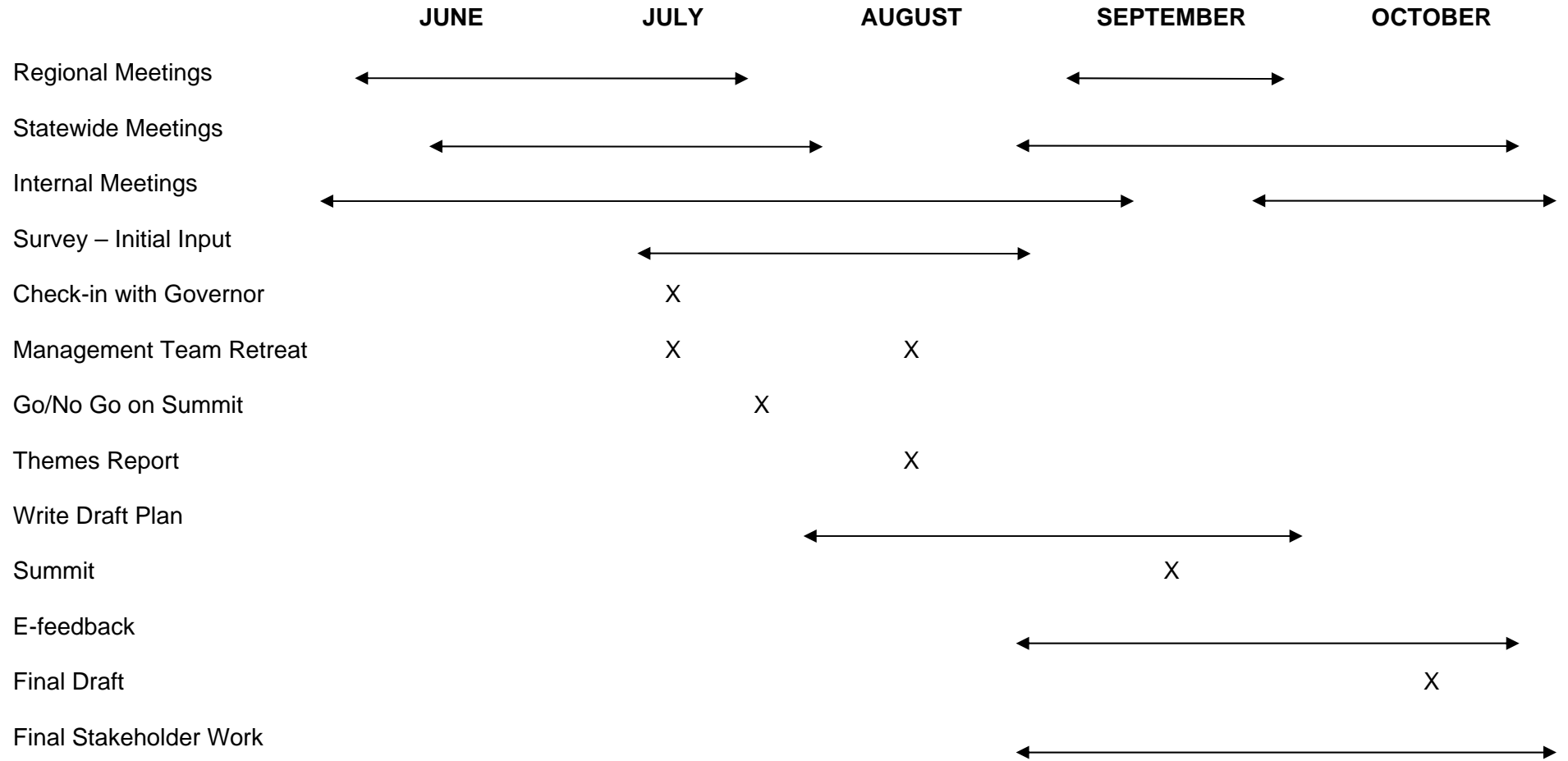
1. In what sense do you feel your group's work does and does not align with the mission and vision outlined above? What are the pros and cons of being located in an agency with this overall direction?
2. What opportunities do you see for improving the overall approach of your group to its goals?
3. What are the options for where your group might be organized outside the Department of Commerce? What are the pros and cons of different possible scenarios?
4. Who are the constituents that should be consulted in any changes to your group's work or organization?

6. GOVERNOR'S SUMMIT ON THE FUTURE OF COMMERCE IN WASHINGTON STATE (Cheryl Smith, Senior Policy Advisor)

This path will convene interested stakeholders and legislative leaders at one mid/late-process event. Experts and futurists can inform and react to our tentative plan, encourage systems thinking about the change, help to dispel known reservations.

Commerce connections

Collaboration • Innovation • Job Creation





Department of Commerce

Innovation is in our nature.

TRIP REPORT

Commerce Connections – Regional Conversations

Summer 2009

BACKGROUND

Formerly known as the Department of Community, Trade and Economic Development or “CTED,” 2009 legislation created the new Department of Commerce and directed the department to submit by November 1, 2009, a report on recommendations to focus the new agency to better serve the needs of business in order to grow and improve jobs in Washington. This report must include analyses and proposed statutory changes that ensure the department will:

- have a concise core mission
- be aligned with the state's comprehensive economic development plan
- be accountable and transparent
- leverage state private and federal resources
- maximize partnerships and use intermediaries
- be focused and flexible in response to changing conditions
- increase local capacity building to respond to opportunities and needs
- include recommendations for creating or consolidating programs important to meeting the department's core mission, as well as recommendations for terminating or transferring programs that are inconsistent with the core mission

The complex process of evaluating and reorganizing a diverse portfolio of more than 250 programs currently administered by the agency is now underway. This process began with stating a mission, vision, and themes that would guide our work.

Mission:

Grow and improve jobs in Washington State.

Vision:

The Department of Commerce is at the center of a vital connection between State policy makers wondering how proposed policy will impact the business climate of the state and business leaders needing policy engagement as they strive to grow their employment in Washington State. Helping this important connection work well will grow our state's economy for the benefit of all of our citizens.

Principles:

1. Government doesn't create most jobs – businesses do. Over 80% of our state's economy comes from private sector activity. Businesses contribute about half of the taxes the state collects each year. We must have a tight connection to the private sector to be successful in our mission.
2. Government does play a key role in shaping the state's business climate. The policy created in Olympia has a major impact on almost every aspect of the state's business climate from the tax rates for business to the level of education and training in the workforce.
3. Strong economies require strong communities. Companies will not grow and thrive in communities where adequate social services don't exist, where people lack food and housing, where there is not sufficient infrastructure or where there is not an appropriately trained workforce.
4. A strong, vibrant business community benefits us all. Where do our governments get the money to build and maintain these strong communities? They get it from taxes paid by citizens and businesses. And those taxes are based on income generated by employment and commerce. The more successful businesses are in our state, the more employment and commerce there will be and the more money there will be to invest in our communities.
5. Government should not pick winners and losers. In general, government should avoid policy that backs specific companies or even specific technologies when designing economic policy. The more specific policy gets, the more likely the state is to pick wrong and do more harm than good.
6. Retaining our state's current businesses and promoting their growth should be our first priority. In a business, it is almost always easier and cheaper to drive growth from existing customers than it is to attract new ones. As a state, we should be sure that we are taking care of our existing companies and driving loyalty in them in addition to the work we undertake to attract companies.
7. Always be opportunistic. Planning is important and it's always good to have a plan. But it's also important to realize that the world is changing rapidly and not to "fall in love" with your plan and miss a golden opportunity.
8. Focus on the function and form will follow.

With that framework in place, we designed a comprehensive stakeholder engagement plan to collect input that includes five "tracks", including:

1. Research and Analysis
2. Regional Conversations (the focus of this report)

3. Statewide Conversations
4. Internal Conversations (state government, boards and commissions, and Commerce employees)
5. One or more “summits” may be planned for early fall

WHERE WE HAVE BEEN

In June and July, we conducted an unprecedented six-week regional tour titled Commerce Connections that included 49 focus group sessions in seven geographic regions. In each region, Commerce Director Rogers Weed and members of his management team engaged in conversation with seven different focus groups, including:

1. Small Businesses (fewer than 50 employees)
2. Large Businesses (50 or more employees)
3. Economic Development Practitioners
4. Local Governments
5. Housing and Community Service Organizations
6. Utilities
7. Legislators

Overall, 647 people participated at seven venues that attracted participation from across the region:

1. Burlington
2. Shelton
3. Vancouver
4. Wenatchee
5. Kennewick
6. SeaTac
7. Spokane

WHAT WE HEARD

Each of the 49 focus groups was summarized in a theme report that was shared with participants and edited based on their feedback. The individual meeting reports are posted on the [Commerce Connections](#) website. This trip report attempts to distill that detail into key opportunities that we heard and explored in nearly every regional conversation. We identified the following major themes:

1. Get smarter about how we regulate (permitting, licensing, compliance, reporting)

2. We have an opportunity to rethink the way we fund infrastructure as we replace the funding that was re-appropriated in the last legislative session.
3. We need to continue to focus on our competitiveness as a state, including improving the perception of Washington State as a good place to do business
4. Help rural areas better “bootstrap” their economies and grow and improve jobs
5. Improve the way our education and workforce training systems anticipate and respond to the needs of employers
6. Improve the way our state encourages commercialization of research and development, including access to capital for growing businesses
7. Ensure that our tax system is encouraging the things we want to encourage
8. Overall, the employees of Commerce are very well regarded around the State for the way they engage with the local community to administer their programs

Summaries for each of the major participant groups are included later in this report. They incorporate input received across most or all regions.

WHAT'S NEXT

We are currently conducting an [online survey](#) that will allow more opportunity for a wider audience to contribute thoughts on transforming the agency. The survey will allow us to put quantitative weight behind the qualitative input we have received to date.

By early September we will share our initial thinking about opportunities for change that we are considering for the plan. We will make that next stage information available online, through our Commerce Connections listserv (subscribe by going to listserv.wa.gov) , and additional outreach activities still under consideration.

Our final report will be submitted by November 1 and will be widely shared with our customers, partners, and stakeholders.

CONCLUSION

Even in the midst of the worst economic climate in more than 50 years, we have some tremendous opportunities to work together to capitalize on our history of innovation, economic diversity and strong industry sectors to keep Washington globally competitive and growing.

Commerce Connections Tour

SMALL BUSINESS THEMES

Small Business Assistance

Business is looking for an advocate that will not only work for them in the legislature but also provide assistance to them. The most frequently requested form of assistance is to help identify funding for growth for new ideas and innovation. Many businesses do not feel they have an advocate for them like other states do. Ideas and suggestions that will help small business include:

- Provide high tech tools for research and development
- Provide information on how to access and know about available resources
- Create some financial incentives comparable to other states
- Close the gap that exists at the Small Business Development Center for small business and medium size businesses
- Develop a virtual match-making system where businesses can have regional networking for sharing ideas and generating more business
- Assist businesses in rural areas as well as urban areas
- Identify opportunities in federal stimulus funds
- Create Small Business Innovation Research (SBIR) type program for small business innovation
- Tourism and Main Street programs can help communities grow small businesses

International Trade

International Trade gets high marks for the work they do with businesses. International Trade needs to have increased funding if Washington is to remain a high export state.

- Help businesses attend international trade shows
- Assist with international information and contacts
- Teach how to export

Education/Workforce

Cutting education is a long term mistake. Government has a responsibility to provide quality education so that we can have an innovative work force in our communities, both urban and rural. Universities have been helpful for tech companies but the cuts will affect ability to assist businesses.

- Need to attract PhD's to Washington to fill gaps that exist from current education system
- Need to create a just-in-time customizable training system that delivers a workforce for that meets today's employers needs

Recruitment

Commerce needs to find out what Washington has that is unique and attract talent and companies that fit in without competing with existing companies. Other states are very aggressive in their business attraction (Tennessee, North Carolina, and South Carolina) and Washington needs to do something that keeps companies here.

- Increase support for targeted industries in foreign countries
- Offer better energy incentives for companies like Oregon, Tennessee and California have done
- Work with existing businesses to understand their supply chain and recruit complimentary businesses

Regulatory System and Cost of Doing Business

The number one issue of concern for small business is the regulation process for existing, and new business. Regulations are not only onerous but increase the cost of doing business in Washington. Many feel like the state just wants to generate revenues through fees and penalties. Specific regulatory issues that were discussed:

- Cut out the retro groups with Labor & Industries to lower rates to business
- B&O tax inhibits innovation and risk taking for businesses
- Prevailing wages limit competitiveness
- Concurrency with Growth Management
- Comp plan updates limit business growth
- Inconsistency at local permit staff
- Department of Ecology permitting slows business growth
- GMA not conducive to economic development
- Unemployment compensation (other states privatize)
- Too many land use regulations plus their restrictive nature

Commerce Connections Tour

LARGE BUSINESS THEMES

Cost of Doing Business

Businesses are looking for assistance from the Department of Commerce to make it easier to do business in Washington. Washington is seen as a high cost-of-doing-business state with an unfriendly business climate.

Examples given included:

- Workers Compensation, Unemployment Insurance, Labor and Industries, High Minimum Wage, and B&O tax are major burdens on Washington businesses
- Washington State is viewed as taking pride in exceeding federal standards for the environment and having the toughest regulations in the country. The state should match the federal regulations

Workforce

Workforce is seen as a key issue for the future of Washington and the ability to meet existing and future business needs. Specific comments include:

- Need to ensure adequate funding is available to the education system to train workers.
- Need to look at what positions and industries are hard to fill and create programs to train workers to fill them
- Important to start at the high school level to generate interest in hard-to-fill positions and specific industries. Need to address the drop-out rate and show students why they need to stay in school

Infrastructure

Infrastructure in Washington is important to business success, especially having available land, buildings and services as well as transportation systems to move goods.

- Transportation is a major issue and concern. Rail service is a bottleneck between Seattle and Portland. Difficult to get raw products in, especially to get small number of rail cars
- Financing (CERB, PWTF) tools have been swept by the legislature and need to be returned to funding levels they were before session. Tax increment financing (TIF) and other tools need to be created and implemented
- Broadband is an issue in some rural areas

Business Recruitment, Retention and Expansion

Future technologies and growing sectors provide business growth opportunities for Washington. Specific comments and ideas include:

- Clean Technology and Energy is an opportunity for the state to grow jobs in. Oregon is an example of someone who is doing it well
- Consistent reliable energy is strength for high tech manufacturing, state should look to recruit those types of companies who need the resource
- Being green and environmental minded can be used as strength to attract employees and environmental minded businesses
- Need to review what incentives we are competing with from other states and countries and decide what we want to incentivize to be in Washington
- International trade and assisting businesses with exporting are seen as some of the first things we can do to help the state recover from the recession
- Access to capital is a major issue with the banks still not loaning money

- Small businesses are seen as the backbone of the economy. Main Street and tourism programs help them succeed
- Military (retirees) provides an opportunity for employees and people who will start businesses

Regulation

Regulation is seen as broken, complicated, over burdensome and not in alignment with helping to provide solutions to permitting and operations of business.

- Office of Regulatory Assistance (ORA) is seen as being helpful on major projects but needs to be part of Commerce and staffed adequately to assist most projects. Need ORA to bring state and federal agencies to the table to help get projects done and to streamline permitting process to make it more efficient
- Concern/issue: 1/3 of issues are seen as regulation specific, 2/3 of issues are seen as interpretation and implementation of regulation. No clear sense that agencies are working together to solve issues vs. prevent progress and be at odds with each other of what should and can be done
- Commerce should be advocate and convener of agencies to help projects. Need to showcase the business side of a project and the economic impact for the local community and state. Create an economic impact statement for all projects, and proposed rules, regulations and laws

Commerce Connections Tour

ECONOMIC DEVELOPMENT PRACTITIONER THEMES

Partnerships

Department of Commerce can be seen as a change agent, convening of a diverse set of groups for the common good and helping to streamline processes and make it easier to do business in Washington. Partnerships create vital communities that businesses see as an advantage. Commerce department should take the lead in establishing and strengthening partnerships with associations and other state agencies.

Recruitment and Retention

Washington is doing a good job of recruitment considering the limited investment. Commerce should be involved in a variety of different marketing opportunities to attract and retain businesses and identify ones that provide the best return on the state's investment.

- Energy, clean technology and other key sectors should be the focus for recruitment and retention
- Washington is at a disadvantage compared to other states with respect to incentive programs, including Oregon's generous incentive for solar. Commerce should review the competition, note where and how we are losing businesses and share that information with the legislature to create incentive programs that attract business
- California is seen as a place of opportunity to recruit businesses from
- Continue foreign direct investment, domestic lead generation and Team Washington activities
- Encourage utility participation and investment in marketing efforts
- Market areas of the state other than just the Puget Sound corridor
- Continue education and training like Community Survivors and Northwest Economic Development Course
- Coordinate and encourage additional customized training for workforce development

International trade

International Trade is an extremely important part of business development. Emphasis should be placed on creating more opportunities and better trade relationships with Canada and Southeast Asia.

- Provide education to local officials and businesses on Commerce Export Services
- Use electronic communication to highlight opportunities and emphasize Washington's position in the global market place

Tourism

There does not seem to be an understanding of how important tourism is to the economy and how it gets funded. We continually rank low in terms of tourism promotion dollars relative to other states. The Tourism Commission and tourism staff have gained credibility in past couple of years.

- Educate legislators and local elected officials on how the lodging tax works and articulate the role tourism plays in economic development
- Increase technology efforts to promote tourism
- Coordinate another tourism statewide conference to discuss issues (last one in 2005)

Cost of Doing Business and Regulations

Washington is seen as a high cost-of-doing-business state. There does not appear to be any policy alignment between the Growth Management Act (GMA) and economic development. Many times they seem to be in conflict with each other. Environmental regulations across state agencies are very challenging.

- Commerce can take the lead in removing inconsistencies
- Make permitting more user friendly (should not take two years to complete project)
- Business and Occupation (B&O) Tax, Unemployment Insurance, Labor and Industries bureaucracy and highest minimum wage are barriers to attracting and retaining businesses

Communication

Need to have better communication with the state. Communities are often asked for data but not given reasons or feedback as to what the information will be used for. Regular communication should let communities know about programs that can be beneficial to communities and businesses.

- Continue to have outreach meetings such as this one
- Promote outreach for communities when Department of Commerce makes changes
- Puget Sound Partnership meetings serve as a good model of communication
- Utilize electronic methods to get information like federal economic recovery funds out to communities
- Use regional managers to communicate changes
- Provide on-site training, webinars toolkits, checklists, trend information

Funding and Infrastructure

It seems doubtful that current funding levels at the department, or for communities, will help get us out of the financial difficulties that we face. The current path we are on is not sustainable, and initiatives are taking funding sources away. Many of the old funds are no longer available to communities (old growth, rural opportunity etc.)

- Stop doing unfunded mandates
- Community Economic Revitalization Board (CERB) and Public Works Board are serving communities well but need to be more flexible and have their funding put back in place
- Continue to fund the Associate Development Organizations
- Access to capital is a key issue for business

Commerce Connections Tour

LOCAL GOVERNMENT THEMES

Growth Management

The Growth Management Act (GMA) was a significant issue with Local Governments. GMA is perceived as hindering development, litigious, burdensome and not working.

- Three Growth Management Hearings Boards universally an issue
- GMA is not just an environmental-only law; it provides for infrastructure investments and economic development
- Look for how GMA planning can better support economic development

Infrastructure Financing

- Need more tools: Tax Increment Financing (TIF), loan guarantees
- Consolidation of programs and functions
- Offer more local flexibility
- Don't peanut butter/reward good behavior/policies

Environmental Regulations

Environmental regulations and permitting are too complex, conflicting, and time-consuming

Industrial Insurance

Look at options for privatizing industrial insurance (L&I)

Tax System

- Consider threshold on Business & Occupation tax
- Look at Washington Constitution restriction of lending of credit (see Oregon)

Support for Small Business

Small and micro-business need more focus and support

Education and Training

Strengthen workforce, technology transfer, business connection

Rural and Urban Disparity

Not all jurisdictions are treated equally (rural/urban, non-Puget Sound).

Minimum Wage

Pros and cons on minimum wage were heard.

Department of Commerce

- Commerce should have a focused mission and reduce diversity of agencies
- Use other studies/efforts as starting point, for example the Puget Sound Regional Council's work
- Commerce could be an educator and coordinator of other state agencies. Can be an effective broker--known for customer service

Commerce Connections Tour

COMMUNITY SERVICE AND HOUSING THEMES

Relationship with Commerce

Community service and housing agencies are very satisfied with the current relationship with Commerce. Reasons cited include:

- High level of engagement and responsiveness by program staff and leadership
- Good communication
- Processes that work, or get fixed when problems are discovered
- Relationship is based on trust that has built over time

Many expressed concern that a change in governance would hurt their ability to efficiently serve their communities.

Program Diversity

Commerce is currently the intersection of many different programs. This was seen as a strength as it allowed for better program integration at the local level. Some thought the diversity of programs served to bring people together to address community issues.

Integration

Need to integrate and simplify programs wherever possible. This comment was made in reference to programs both within the department and across state agencies.

Link to Economic Development

Community services and housing organizations link to economic development by satisfying the basic needs of individuals which enables them to participate in training or hold a job.

Community services and housing agencies are directly connected to economic development and job creation activities in their local communities. Many serve on Chambers of Commerce and Economic Development Councils. A significant number of these agencies are major employers.

Innovation

Commerce has been nationally recognized for many innovative programs including the Housing Trust Fund and the Community Jobs program.

Commerce Connections Tour

UTILITY THEMES

Infrastructure Assistance

- Infrastructure assistance programs should be part of Commerce
- Commerce should help secure Public Works Assistance Account funding next biennium
- The Public Works Trust Fund still the simplest model but additional program and legislative requirements are making it harder to use – can we streamline/improve – consider using the Drinking Water State Revolving Fund/Public Works Trust Fund model

Energy

- Energy (low cost, high quality, ample supply) is a major asset to the state – promote it
- Must safeguard the state’s status in this arena
- Wind and solar development requires large subsidies – other alternatives might be better – nuclear?
- Renewable requirements may be unrealistic, especially for small, rural utilities

Water Supply/Water Rights

Water supply is a growing issue across the state – need to manage better

Economic Stimulus

Commerce should maximize access to federal recovery funds for infrastructure

Permitting and Regulations

Regulations (especially environmental regulations) frequently get in the way of “progress”

Customer Service

Commerce’s staff and service delivery approach are excellent

Department of Commerce

Regionalization is a great concept, but sometimes difficult to implement



Department of Commerce

Innovation is in our nature.

TRIP REPORT

Commerce Connections – Meetings with Statewide Associations and Organizations Summer/Fall 2009

During the summer and fall of 2009, Department of Commerce leadership held a series of meetings with critical stakeholder associations and partner organizations that represent statewide interests. In each meeting, Commerce Director Rogers Weed and/or members of his management team presented an overview of the proposed Commerce mission, vision, principles, emerging priorities, and charge from the Legislature.

Meeting participants were asked to respond to several questions about:

- Opportunities
- Mission and vision
- Customer/stakeholder perceptions
- Highest priority activities
- Strengths and weaknesses, and
- Alignment of programs to the Commerce focus on jobs

Meetings were held with representatives from the following interests:

Affordable Housing Advisory Board

Association of Washington Business

Association of Washington Cities and representatives from cities across the State

Business sector trade associations

Community safety stakeholders

Community assistance and services associations

Economic Development Commission

Economic development and work force development associations and practitioners

Energy organizations and associations

Environmental organizations

Housing services associations

Planning associations

Residential and commercial developers and associations

State Advisory Council on Homelessness

Washington Economic Development Association

Washington State Association of Counties

Washington State Community Action Partnership

While each conversation was distinct, several recurring themes emerged from the meetings. Not surprisingly, many themes are consistent with those heard at the 49 regional meetings held around the state. Major comments and ideas include the following:

General Comments and Opportunities

Mission/Vision:

Concern about whether Commerce needs to be an “advocate” for business interests in state policy setting. Concern about shifting to a business or jobs only focus at the expense of focus on communities and local government. Concern about a loss of “community” in the name of the agency, focus for department priorities.

Need to ensure that Commerce retains its positive relationship and strong communication with local governments.

Urban and rural issues and needs are quite different and should be addressed differently.

Business community thrives because of all the elements that make up community. All these elements need equal value. May not have equal focus all the time, but have equal value.

For commerce and business to thrive, a community needs a holistic approach to planning to address social, economic, environmental and other issues. Economic development is only possible when people and communities are safe. Quality of life is important to creating and retaining jobs.

Opportunities:

Washington needs to be a leader in clean energy technology, and support major industry sectors like aerospace, the military, tourism, trade and the forest industry. Sustainability is very important in all sectors.

To help the state move out of the recession and beyond, we should bolster the state’s investment, productivity, creativity, and export development.

It is important to partner with local business and economic development leadership to build their capacity and create more flexibility in policies, programs and regulations capable of adjusting quickly to different economic circumstances.

Ports present a huge opportunity—need to be innovative in how we develop ports to create jobs

Non-profits are an important part of our overall economy. They are businesses and they create jobs as well. They should be included in Commerce scope. Stronger links can be made between for-profit and non-profit businesses. Many non-profits already have strong ties and collaborate with the for-profits businesses in their communities.

The business of non-profits contributes in many ways to creating and keeping jobs—e.g. job training, help with transportation, housing, food, clothing for the workplace, childcare, etc. Non-profits create healthy, vibrant communities that make a community more appealing to businesses.

Issues are converging: energy, climate change, land use, transportation and efficient buildings

Broadband is important

Commercialization—need to keep the “idea” in Washington by having the company locate here

Commerce Priorities

Infrastructure:

We have fallen behind; investment is crucial to economic development and must be restored. It is important to have a coherent and innovative investment strategy for infrastructure. Good public infrastructure is not only good for economic development; it's good for the environment.

Workforce training:

Have a unique opportunity to focus on green sector and energy jobs. The quality of our workforce will help determine our competitiveness.

Regulation:

Too many regulations; the regulatory process need to be streamlined – it costs too much and erodes our competitive advantages. Business friendly ideas don't seem to advance to policy.

Concern that Washington is getting too far ahead of national policy on climate change and it is creating a disincentive to business.

Need to look at overall tax and revenue structure.

Organizing Options

Collaboration with local governments, state agencies, the legislature, and federal agencies is key to success for Commerce. Coordinating with other agencies would be valuable and brings a business perspective and integrated approach to processes.

Commerce is in a unique position to be able to convene conversations across state agencies, environmental groups, and business. Commerce can serve as a facilitator among other cabinet agencies to encourage an attitude of helping businesses be successful.

The system and present organizations are working well together; appreciate the culture, expertise, approach to community, and relationships. Need to keep that approach and broaden it to the business community.

Commerce needs to be more involved in policy creation and implementation.

The strength of Commerce and State is that it is a nexus of where all the stakeholders come together. Conversations are different between and among different members/stakeholders. Commerce touches all of these industries in one way or another, control/dispense information. Could really emphasize and take advantage of that.

There are many opportunities for Commerce to improve business environment, including: education and training, tax structure, playing a role to "force" local discussion and resolution of key issues, and providing strategic technical assistance and infrastructure support.

Keep community service and housing programs together – splitting them up is not a good option. Housing functions well within the agency and is viewed as a strong and capable partner by stakeholders.

NOTE: To see summaries of each individual meeting, please go the Commerce Connections web page at www.commerce.wa.gov

TRIP REPORT
Commerce Connections – Internal (Employee and State Agency) Meetings
Summer/Fall 2009

During the summer and fall of 2009, Department of Commerce managers held a series of meetings with both Commerce employees and also senior managers from several other agencies within state government. In each meeting, an overview was given on the proposed Commerce mission, vision, principles, and charge from the legislature.

Meeting participants were asked to respond to several questions about

- Opportunities
- The mission and vision
- Customer/stakeholder perceptions
- Highest priority activities
- Strengths and weaknesses, and
- Alignment of missions to the Commerce focus on jobs

Department of Commerce meetings included:

Administrative Services Division all-staff meeting

Community Services Division all-staff meeting

Developmental Disabilities Council all-staff meeting

EFSEC staff meeting

Energy Policy Division all-staff meeting

Financial Services Division all-staff meeting

Four focus groups attended by cross-divisional staff

Housing Division all-staff meeting

International Trade and Economic Development Division all-staff meeting

Local Government Division all-staff meeting

Public Works Board Division all-staff meeting

State Agency/Board Meetings included senior management/board members from:

Community Economic Revitalization Board

Department of Agriculture

Department of Ecology

Department of Health

Department of Labor and Industries

Department of Licensing

Department of Revenue

Department of Social and Health Services

Employment Security Department

Energy Facility Siting and Evaluation Council

Office of Regulatory Assistance

Public Works Board

State Building Code Council

Workforce Education and Training Coordinating Board

Major comments and ideas include the following:

From the Meetings with Commerce Employees

General Comments and Opportunities

The mission and vision are too narrowly focused—need to include community, and also the non-profit sector

These changes will be difficult for agency employees; however, we can see the opportunities to collaborate with new partners

Employees that anticipate their programs leaving the agency view this as a loss

When you emphasize jobs above all, then someone and something has to lose—tradeoffs are inevitable

If you're going to create jobs, then all citizens should be included (including vulnerable populations)

We want to help the agency be successful in its mission

There will always be a place in state government that collects small programs—it is easier for us to continue in this role because we've already been doing it, and with a focus on achieving the legislative vision for the programs.

There are 3 sides to the economic development stool: 1) retaining jobs; 2) attracting new jobs; and 3) incubator-like activities for developing new businesses

If Commerce focuses on business retention, then essentially, we will be in the position of picking winners, which violates one of the key principles—how to reconcile?

We need to do more policy work

It's hard to imagine how quality of program delivery could be maintained within DSHS

Small and micro-businesses are the backbone of our state and they need more help and support—would fit well within Commerce

Contractors are concerned about not having their contracts administered by Commerce because of our collaborative relationship with them

This is an opportunity to bridge gaps between economic development, workforce and jobs

Let's use a business model to tell our story, including the ROI from social services—When we help stabilize people, they contribute to the economy and to the community

We should change our contracting processes to be paperless—it would save lots of time and money

We can leverage the buying power of the state—we can be an early adopter and/or important customer that may help us recruit/retain business

We should engage the finance community—we lack experience and expertise this area

We need our director to care about our programs—if we are solely focused on jobs, is that likely?

What do businesses need? We should scope our mission and organization around the answers to this question

To create jobs, get the infrastructure in place first—then, bring the businesses in

Planning is important—it helps provide goods, services, programs, infrastructure, energy, strong communities, etc-as efficiently as possible

Organizing Options

Most of our programs work well together and fit in the same agency

Housing has a strong connection to Commerce and we can do much more to tie housing to economic development

We are in the middle of managing the ARRA programs—timing matters—when will programs move out of the agency?
Community development programs fit best at Commerce—moving these programs to DSHS would harm communities

From the Meetings with Other State Agencies

General Comments and Opportunities

Businesses don't know how to access government services—a weakness is the lack of one-stop access to help them navigate through government processes and services

Government systems are overly complicated for customers

Recession gives us an opportunity to step back, rethink how programs and services might be leveraged differently—it's essential to use this time to plan for a stronger future

We lack consistent measures and data; we tend to fall back on anecdotal evidence—need to invest in this area. Metrics matter and drive decisions

Develop a web portal that works well for all groups-including business

Each agency should be mandated to work with Commerce on enhancing the business climate and reviewing regulations

State government should take this opportunity to build a government structure for the 21st century

Energy is a significant opportunity

We need to enhance freight mobility—the needs for transportation infrastructure are increasing

When investing in rural communities, it is important to put the jobs there, also

Commerce has access to data and information about industry sectors, business opportunities, and competitive advantages on why businesses should move here—yet, it is not readily available and disseminated widely to help our efforts

Need more focus on small businesses

Focus on specific industry clusters instead of “spreading peanut butter”

Need to look at tax system—do our tax incentives really incent the behaviors we desire as a state?

Economic development needs to be defined—lots of different definitions out there

The state can help local communities accept and receive new technologies and innovations

Businesses need a predictable climate and they need to pay their fair share—without giving things away, we do need to look at evening out the playing field, such as looking at tax system, regulatory structure and land use

Commerce should look into taking on more banking function

Reduce the incentives that make businesses go elsewhere—including looking at tax structure

Make better use of technology

Marketing and incentives for business

Priorities

Washington is far behind on investments in workforce training

Jobs are being lost by not funding infrastructure priorities-need to restore funding, and increase investment

Need to reduce regulatory burdens

We need to match the work pool to the needs of employers

Greening our economy is a high priority

Need to focus on education, investment in research, and worker training

Organizing Options

Infrastructure has to be part of the definition of Commerce

Small business services and assistance should be at Commerce

Put GMA/SMA and SEPA together

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